THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

MALAYSIAN BULK CARRIERS BERHAD

(Company No. 175953-W)
(Incorporated in Malaysia under the Companies Act 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED DISPOSAL OF UP TO 386,385,645 ORDINARY SHARES IN PACC OFFSHORE SERVICES HOLDINGS LTD. ("OFFER SHARES"), WHICH ARE CURRENTLY HELD BY A WHOLLY-OWNED SUBSIDIARY OF MALAYSIAN BULK CARRIERS BERHAD ("MBC") KNOWN AS LIGHTWELL SHIPPING INC., BY WAY OF THE PROPOSED RENOUNCEABLE RESTRICTED OFFER FOR SALE OF THE OFFER SHARES, TO ALL SHAREHOLDERS OF MBC ON A PRO-RATA BASIS OF 386 OFFER SHARES FOR EVERY 1,000 EXISTING ORDINARY SHARES HELD IN MBC, AT AN OFFER PRICE, ON AN ENTITLEMENT DATE TO BE DETERMINED LATER

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

RHB Investment Bank Berhad
(Company No. 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of Malaysian Bulk Carriers Berhad ("**MBC**") which is scheduled to be held at Banquet Hall, TPC Kuala Lumpur (Kuala Lumpur Golf & Country Club Berhad), No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Friday, 11 May 2018 at 11.00 a.m., or immediately after the conclusion of Annual General Meeting ("**AGM**") of MBC, together with the Proxy Form, are enclosed herein.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote on his/her behalf. In such event, the Proxy Form should be completed and lodged at the registered office of MBC located at Level 17 & 18, PJ Tower, No. 18, Jalan Persiaran Barat, Off Jalan Timur, 46050 Petaling Jaya, Selangor Darul Ehsan, not less than 24 hours before the time appointed for the EGM as indicated below. The lodging of the Proxy Form shall not preclude a member from attending, participating, speaking and voting in person at the EGM should such member subsequently wish to do so.

Last date and time for lodging of the Proxy Form	:	Thursday, 10 May 2018 at 11.00 a.m.
Date and time of the EGM	:	Friday, 11 May 2018 at 11.00 a.m. or immediately after the conclusion of AGM of MBC

This Circular is dated 26 April 2018

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act, 2016 of Malaysia, as amended from time to time, including any re-enactment thereof
Board	:	The Board of Directors of MBC
BNM	:	Bank Negara Malaysia
Broker's Omnibus Account	:	CDP Accounts of the nominated Malaysian brokers (through which the Entitled Shareholders hold their MBC shares)
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CBT	:	Cross border transfer
CDP	:	Central Depository (Pte) Limited
CDP Account	:	The Securities account with CDP
Circular	:	This circular dated 26 April 2018
CMSA	:	Capital Markets and Services Act, 2007 of Malaysia, as amended from time to time, including any re-enactment thereof
Director(s)	:	The director(s) of MBC and shall have the meaning given in Chapter 10 of the Listing Requirements, Section 2(1) of the Act and Section 2(1) of the CMSA
EGM	:	Extraordinary General Meeting
Entitled Shareholders	:	The shareholders of MBC who are registered as members and whose names appear in the Record of Depositors of MBC as at the Entitlement Date
Entitlement Date	:	At 5.00 p.m. on the date to be determined by the Board and announced at a later date on which the Entitled Shareholders must be registered as members and whose names appear in the Record of Depositors of MBC in order to participate in the Proposed ROS
EPS	:	Earnings per share
Excess Offer Shares	:	The Offer Shares which are not taken up or not validly taken up by the Entitled Shareholders and/or their renouncee(s) (if applicable) prior to excess application pursuant to the Proposed ROS
FPE	:	Financial period ended
FYE	:	Financial year ending/ended
Indicative Scenario	:	A scenario where the offer price of an Offer Share is RM0.75 as set out in Section 2.3(b) of this Circular
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities

LPD	:	23 April 2018, being the latest practicable date for this Circular
LPS	:	Loss per share
LSI	:	LIGHTWELL SHIPPING INC. (288280)
Maximum Scenario	:	A scenario where the offer price of an Offer Share is RM0.80 as set out in Section 2.3(c) of this Circular
MBC or Company	:	Malaysian Bulk Carriers Berhad (175953-W)
MBC Group	:	MBC and its Subsidiaries
Minimum Scenario	:	A scenario where the offer price of an Offer Share is RM0.66 as set out in Section 2.3(a) of this Circular
Modified Prospectus	:	A modified prospectus together with the relevant accompanying documents to be published, issued and despatched by MBC only to the Entitled Shareholders pursuant to the Proposed ROS
NA	:	Net assets
Offer Shares	:	Up to 386,385,645 POSH Shares held by LSI to be offered by MBC pursuant to the Proposed ROS
OPEC	:	Organisation of the Petroleum Exporting Countries
POSH	:	PACC Offshore Services Holdings Ltd. (200603185Z)
POSH Group	:	POSH and its subsidiaries
POSH Shares	:	Ordinary shares in the capital of POSH
Proposed Disposal by way of the Proposed ROS	:	Proposed disposal by MBC of up to 386,385,645 POSH Shares, representing approximately 21.23% of the total issued shares in POSH, which are directly held by LSI, by way of the proposed renounceable restricted offer for sale of the Offer Shares by MBC to the Entitled Shareholders
Proposed ROS	:	Proposed renounceable restricted offer for sale of the Offer Shares by MBC to the Entitled Shareholders
Record of Depositors	:	A record of securities holders established and maintained by Bursa Depository under the Rules of Bursa Depository
RHB Bank	:	RHB Bank Berhad (6171-M)
RHBIB or Principal Adviser	:	RHB Investment Bank Berhad (19663-P)
SC	:	Securities Commission Malaysia
SGX	:	Singapore Exchange Securities Trading Limited
Subsidiary(ies)	:	Has the meaning set forth in Section 4 of the Act
U.S.	:	United States of America
VWAP	:	Volume weighted average market price

CURRENCIES

AED	:	United Arab Emirates Dirham
AUD	:	Australian Dollar
BND	:	Brunei Dollar
EUR	:	Euro
GBP	:	Great British Pound
IDR	:	Indonesian Rupiah
MXN	:	Mexican Peso
R	:	South African Rand
RM and sen	:	Ringgit Malaysia and sen, respectively
SAR	:	Saudi Riyal
SGD	:	Singapore Dollar
USD	:	United State Dollar

In this Circular, the conversion of SGD amounts to RM has been made based on the exchange rate of SGD1:RM2.9480 as quoted by BNM as at the LPD.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. Reference to persons shall include corporations.

Any reference in this Circular to any provisions of the statutes, rules, regulations or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments to the statutes, rules, regulations or rules of stock exchange for the time being in force.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to dates and times in this Circular are references to dates and times in Malaysia, unless otherwise stated.

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LETTER TO THE SHAREHOLDERS OF MBC IN RELATION TO THE PROPOSED DISPOSAL BY WAY OF THE PROPOSED ROS CONTAINING:

APPENDICES

MALAYSIAN BULK CARRIERS BERHAD
(Company No.: 175953-W)
(Incorporated in Malaysia under the Companies Act 1965)

Registered Office

Level 17 & 18, PJ Tower
No. 18, Jalan Persiaran Barat
Off Jalan Timur
46050 Petaling Jaya
Selangor Darul Ehsan

26 April 2018

Board of Directors:

Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid *(Independent Non-Executive Chairman)*
Kuok Khoon Kuan *(Chief Executive Officer)*
Wu Long Peng *(Executive Director)*
Hor Weng Yew *(Executive Director)*
Afidah binti Mohd Ghazali *(Non-Independent Non-Executive Director)*
Lim Soon Huat *(Non-Independent Non-Executive Director)*
Tay Beng Chai *(Independent Non-Executive Director)*
Dato' Mohd Zafer bin Mohd Hashim *(Independent Non-Executive Director)*
Thai Kum Foon *(Non-Independent Non-Executive Director) (Alternate Director to Wu Long Peng)*

To: The Shareholders of MBC

Dear Sir/Madam,

PROPOSED DISPOSAL BY WAY OF THE PROPOSED ROS

1. INTRODUCTION

On 2 April 2018, on behalf of the Board, RHBIB announced that MBC proposes to dispose of its deemed interest of 386,385,645 POSH Shares representing approximately 21.23%*(1)* of the total issued shares in POSH, which is directly held by a wholly-owned subsidiary of the Company known as LSI, by way of the Proposed ROS, to all Entitled Shareholders.

On 22 February 2018, on behalf of the Board, RHBIB had submitted an application to BNM for its approval for MBC to receive proceeds pursuant to the Proposed ROS from resident and non-resident Entitled Shareholders and/or their renouncee(s) in RM on the settlement of foreign currency-denominated Offer Shares between the Entitled Shareholders and/or their renouncee(s) and LSI ("**BNM Application**"). BNM had vide its letter dated 26 March 2018 approved the BNM Application subject to the conditions as set out in Section 8 of this Circular.

Note:

(1) Unless otherwise specified, all references to percentage shareholding in the issued shares in POSH in this Circular are rounded to two (2) decimal places and are based on the total number of 1,820,000,000 issued POSH Shares (including 6,359,600 POSH Shares held in treasury) as at the LPD.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF MBC WITH THE RELEVANT INFORMATION IN RELATION TO THE PROPOSED DISPOSAL BY WAY OF THE PROPOSED ROS AS WELL AS TO SEEK THE APPROVAL FROM THE SHAREHOLDERS OF MBC FOR THE RESOLUTION IN RESPECT OF THE PROPOSED DISPOSAL BY WAY OF THE PROPOSED ROS TO BE TABLED AT THE FORTHCOMING EGM OF MBC. THE NOTICE OF THE FORTHCOMING EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

THIS CIRCULAR SHALL NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SECURITIES NOR SHALL THERE BE ANY SALE OF SHARES IN ANY JURISDICTION IN WHICH SUCH AN OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION. THIS CIRCULAR IS ISSUED TO THE SHAREHOLDERS OF MBC SOLELY FOR THE PURPOSE OF CONSIDERING THE APPROVAL SOUGHT. THE SHAREHOLDERS OF MBC ARE AUTHORISED TO USE THIS CIRCULAR SOLELY FOR THE PURPOSE OF CONSIDERING THE APPROVAL SOUGHT AND SHALL NOT USE THIS CIRCULAR AS A BASIS OF MAKING INVESTMENT DECISION IN RESPECT OF THE OFFER SHARES. SUCH INVESTMENT DECISION SHALL ONLY BE MADE BASED ON THE MODIFIED PROSPECTUS TO BE ISSUED IN DUE COURSE. PERSONS TO WHOM A COPY OF THIS CIRCULAR HAS BEEN ISSUED SHALL NOT CIRCULATE TO ANY OTHER PERSON, REPRODUCE OR OTHERWISE DISTRIBUTE THIS CIRCULAR OR ANY INFORMATION HEREIN FOR ANY PURPOSE WHATSOEVER NOR PERMIT OR CAUSE THE SAME TO OCCUR.

THE SHAREHOLDERS OF MBC ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL BY WAY OF THE PROPOSED ROS TO BE TABLED AT THE FORTHCOMING EGM OF MBC.

2. DETAILS OF THE PROPOSED DISPOSAL BY WAY OF THE PROPOSED ROS

2.1 Particulars

The Proposed Disposal entails a disposal by MBC of its deemed interest in POSH of up to 386,385,645 POSH Shares, representing approximately 21.23% of the total issued shares in POSH, which are directly held by LSI, to all its Entitled Shareholders. It is MBC's intention to undertake the Proposed Disposal by way of the Proposed ROS.

The Proposed ROS involves a renounceable restricted offer for sale of the Offer Shares, by MBC to the Entitled Shareholders on a pro-rata basis of 386 Offer Shares for every 1,000 existing ordinary shares in MBC held by the Entitled Shareholders as at the Entitlement Date.

The actual number of Offer Shares to be offered will be all POSH Shares held by LSI. As at the LPD, LSI holds 386,385,645 POSH Shares, representing approximately 21.23% of the total issued shares in POSH.

Any fractional entitlements arising from the Proposed ROS will be disregarded and dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient, and to be in the best interests of the Company.

The Offer Shares will be provisionally allocated to the Entitled Shareholders. Accordingly, the Entitled Shareholders can accept or renounce their entitlements to the Offer Shares in full or in part. For clarity, the Entitled Shareholders who have fully renounced their entitlements to the Offer Shares will not be able to accept the Offer Shares or apply for Excess Offer Shares.

The Offer Shares will be offered to the Entitled Shareholders free from all liens, pledges, charges, mortgages and other encumbrances and will rank pari passu in all respects with the other existing POSH Shares, save and except that the Offer Shares will not be entitled to dividends, rights, allotments and/or any other forms of distribution made by POSH prior to the date of crediting of the Offer Shares into the respective Entitled Shareholders' and/or their renouncee(s)' CDP Accounts or depository accounts. Entitled Shareholders and/or their renouncee(s) whose acceptances are valid and/or application for the Excess Offer Shares are successful will be entitled to dividends, rights, allotments and/or any other forms of distribution relating to the Offer Shares on or after the date of crediting of the Offer Shares into their respective CDP Accounts or depository accounts. There are no liabilities to be assumed by the Entitled Shareholders and/or their renouncee(s) under the Proposed ROS.

The Proposed ROS will not be underwritten and does not entail an undertaking from the major shareholders of the Company to accept any Offer Shares which are not taken up by the Entitled Shareholders and/or their renouncee(s). The major shareholders of the Company and the other Entitled Shareholders and/or their renouncee(s) are entitled to apply for the Excess Offer Shares. In the event the Offer Shares are not fully taken up by the Entitled Shareholders and/or their renouncee(s) (after taking into account applications for the Excess Offer Shares), the Offer Shares not taken up shall be dealt with by the Board in the best interests of the Company. The Board also reserves the right at its absolute discretion to accept in full or in part, any application for the Offer Shares (including any application for the Excess Offer Shares).

There will be no minimum acceptance level for the Proposed ROS that will result in the Proposed ROS not being carried out.

2.2 Basis of and justifications for determining the disposal consideration

As the Proposed Disposal will be undertaken by way of the Proposed ROS, the disposal consideration will be the offer price of the Offer Shares pursuant to the Proposed ROS, to be satisfied in full via cash.

The offer price of the Offer Shares shall be determined and fixed at a later date by the Board prior to the announcement of the Entitlement Date, after taking into consideration the following:

(a) the discount range of between 15% and 30% ("**Discount Range**") on the prevailing market price of POSH Shares;

(b) the prevailing market conditions; and

(c) the financial impact of the Proposed ROS on MBC Group.

The Discount Range is in line with the range of premiums/discounts offered in the pricing of precedent restricted offer for sale of shares implemented by public listed companies on Bursa Securities since 31 July 2007 as shown below:

Date of announcement	Offeror	Offer price as a premium/ (discount) to market price of shares (%)
31 March 2011	SAM Engineering & Equipment (M) Berhad	(1)
21 January 2011	Time Engineering Berhad (now known as Dagang NeXchange Berhad)	(2)(33.75)
22 December 2010	NV Multi Corporation Berhad (now known as AYS Ventures Berhad)	(3)
16 March 2009	AMDB Berhad (now known as Amcorp Properties Berhad)	(3)
15 February 2008	UEM World Berhad	(4)15.00
28 December 2007	Resorts World Bhd (now known as Genting Malaysia Berhad)	(2)(37.96)
9 October 2007	Tradewinds Corporation Berhad	(2)10.79
14 September 2007	Pan Malaysian Industries Berhad	(2)3.45
31 July 2007	Bolton Berhad (now known as Symphony Life Berhad)	(2)(6.34)
	High	15.00
	Low	(37.96)

Notes:

(1) offer price for the restricted offer for sale was determined based on the take-over offer price.

(2) being premium/ (discount) to the five (5)-day VWAP of the shares up to the last market day prior to the price-fixing date or announcement date of the restricted offer for sale.

(3) offer price for the restricted offer for sale was determined based on, amongst others, the par value of the shares.

(4) being premium to the one (1)-month VWAP of the shares up to the last market day prior to the announcement date of the restricted offer for sale.

The Discount Range is intended as a reward to the Entitled Shareholders and for the offer price of the Offer Shares to be set at an attractive entry level cost into POSH.

For illustrative purposes, based on the Discount Range to the five (5)-day VWAP of POSH Shares up to and including the LPD of RM0.9369 (equivalent to SGD0.3178), the indicative offer price range will be between RM0.6559 (equivalent to SGD0.2225) and RM0.7963 (equivalent to SGD0.2701) per Offer Share.

The actual discount to the market price of POSH Shares for the Offer Shares shall be determined by the Board after taking into consideration the following:

(a) the offer price of the Offer Shares shall be deemed sufficiently attractive to encourage the Entitled Shareholders to accept the Offer Shares; and

(b) the funding requirements of MBC Group as set out in Section 3 of this Circular.

On the price fixing date of the Offer Shares, the Company will make an immediate announcement on the basis of determining the offer price of the Offer Shares, actual discount to the market price of POSH Shares and justifications for the quantum of the actual discount offered.

2.3 Estimated gain from the Proposed Disposal by way of the Proposed ROS

The actual gain from the Proposed Disposal by way of the Proposed ROS cannot be ascertained at this juncture as it is dependent on, amongst others, the offer price of the Offer Shares under the Proposed ROS and the carrying amount of POSH Shares at the time of disposal.

For illustrative purposes, assuming the following scenarios and based on the carrying amount of POSH Shares as at 31 December 2017, the estimated gain to MBC Group from the Proposed Disposal by way of the Proposed ROS is set out below:

(a) indicative offer price of RM0.66 (equivalent to SGD0.2225 based on an indicative discount of approximately 30.0% to the five (5)-day VWAP of POSH Shares up to and including the LPD of SGD0.3178) ("**Minimum Scenario**");

(b) indicative offer price of RM0.75 (equivalent to SGD0.2542 based on an indicative discount of approximately 20.0% to the five (5)-day VWAP of POSH Shares up to and including the LPD of SGD0.3178) ("**Indicative Scenario**"); and

(c) indicative offer price of RM0.80 (equivalent to SGD0.2701 based on an indicative discount of approximately 15.0% to the five (5)-day VWAP of POSH Shares up to and including the LPD of SGD0.3178) ("**Maximum Scenario**").

	Minimum Scenario	**Indicative Scenario**	**Maximum Scenario**
	RM'million	**RM'million**	**RM'million**
Estimated proceeds from the Proposed Disposal by way of the Proposed ROS[(1)]	255.0	289.8	309.1
Less: Estimated expenses for the Proposed Disposal by way of the Proposed ROS[(2)]	(11.1)	(11.1)	(11.1)
Less: Carrying amount of POSH Shares as at 31 December 2017[(3)]	(395.0)	(395.0)	(395.0)
Estimated loss from the Proposed Disposal by way of the Proposed ROS before including the reclassification of the reserves relating to POSH	(151.1)	(116.3)	(97.0)
Add: Reclassification of the reserves relating to POSH from equity to profit or loss[(4)]	403.3	403.3	403.3
Estimated gain from the Proposed Disposal by way of the Proposed ROS	**252.2**	**287.0**	**306.3**

Notes:

(1) Calculated based on 386,385,645 POSH Shares multiplied by the indicative offer prices for the Minimum Scenario, Indicative Scenario and Maximum Scenario respectively.

(2) The breakdown of the estimated expenses is set out in Section 3 of this Circular.

(3) *The carrying amount of POSH Shares as at 31 December 2017 is as follows:*

	RM'million	***RM'million***
Quoted shares, at cost		*1,107.9*
Share of post acquisition losses		*(581.1)*
Share of cash flow hedge reserve		*6.5*
Translation difference		*364.8*
		898.1
Less: Accumulated impairment loss	*(535.1)*	
Translation difference	*32.0*	
		(503.1)
		395.0

(4) *The amount represents the cumulative amount of the exchange differences and cash flow hedge reserve relating to POSH, previously recognised in other comprehensive income and accumulated in the separate component of equity which shall be reclassified from equity to profit or loss when the estimated gain from the Proposed Disposal by way of the Proposed ROS is recognised.*

2.4 Original costs and dates of investment in POSH

The original dates and costs of investment in POSH to MBC Group are set out below:

Date of investment	**No. of POSH Shares**	**Cost of investment (RM'million)**
16 December 2008	34,000,000	792.17
15 November 2012[(1)]	7,961,286	97.35
	41,961,286	889.52
28 March 2014[(2)]	314,709,645	889.52
23 April 2014[(3)]	71,676,000	218.42
	386,385,645	1,107.94

Notes:

(1) *MBC Group subscribed for 7,961,286 redeemable convertible preference shares ("**RCPS**") of POSH at an issue price of USD4.00 per RCPS for a total consideration of USD31,845,144 on 15 November 2012, and the RCPS were converted into POSH Shares based on the conversion rate of one POSH Share for one RCPS on 9 December 2013.*

(2) *On 28 March 2014, a resolution was passed to approve the subdivision of each POSH Share into 15 POSH Shares ("**Share Split**") and, contingent upon the Share Split, the consolidation of every two POSH Shares into one POSH Share.*

(3) *On 23 April 2014, MBC Group, through LSI, had subscribed for 71,676,000 new POSH Shares at SGD1.15 per POSH Share for a total consideration of SGD82,427,400 in conjunction with the initial public offering of POSH Shares in April 2014.*

2.5 Distribution of the Modified Prospectus

MBC will be issuing in due course the Modified Prospectus for the Proposed ROS. The Modified Prospectus will include an industry and market outlook report of the industry in which POSH operates. The Modified Prospectus will not be made to comply with the laws of any country or jurisdiction other than Malaysia and will not be registered under any applicable securities legislation of any country or jurisdiction other than Malaysia, and the Proposed ROS will not be offered for purchase or subscription in any country or jurisdiction other than Malaysia.

Accordingly, the Modified Prospectus will only be sent to the Entitled Shareholders who have a registered address or an address for service in Malaysia as registered in the Company's Record of Depositors as at the Entitlement Date. Foreign addressed Entitled Shareholders who wish to provide a Malaysian address should inform their respective stockbrokers to effect the change of address prior to the Entitlement Date. Alternatively, such foreign addressed Entitled Shareholders may collect the Modified Prospectus from the Company's share registrar who shall be entitled to request for such evidence as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the Modified Prospectus.

Foreign addressed Entitled Shareholders shall be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject, and participation by the foreign addressed Entitled Shareholders in the Proposed ROS shall be on the basis of a warranty by them that they may lawfully so participate without the Company, RHBIB and/or the other advisers of the Company being in breach of the laws of any jurisdiction.

None of the Company, RHBIB and/or any other advisers of the Company in relation to the Proposed ROS shall accept any responsibility or liability in the event that any acceptance of a foreign addressed Entitled Shareholders of his/her rights in respect of the Proposed ROS is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

The Company reserves the right in its absolute discretion to treat any acceptance as being invalid if it believes or has reason to believe that such acceptance may violate applicable or regulatory requirements.

Entitled Shareholders and/or their renouncee(s) who wish to participate in the Proposed ROS are required to hold any one of the following accounts for the crediting of the Offer Shares:

(a) CDP Accounts

Entitled Shareholders and/or their renouncee(s) are required to have valid and subsisting CDP Accounts; or

(b) Broker's Omnibus Account

Entitled Shareholders and/or their renouncee(s) are required to have a trading account with CBT capabilities for shares listed on SGX with their Malaysian brokers.

If the Malaysian brokers of the Entitled Shareholders and/or their renouncee(s) do not have CBT capabilities for shares listed on SGX, Entitled Shareholders and/or their renouncee(s) are required to open a trading account with any Malaysian brokers who have such CBT capabilities.

Further information and instructions on the acceptance, payment and crediting of the Offer Shares will be set out in the Modified Prospectus and other accompanying forms which will be despatched by MBC to the Entitled Shareholders on the Entitlement Date.

3. UTILISATION OF PROCEEDS FROM THE PROPOSED DISPOSAL BY WAY OF THE PROPOSED ROS

For illustrative purposes, under the Minimum Scenario, Indicative Scenario and Maximum Scenario, the expected gross proceeds from the Proposed Disposal by way of the Proposed ROS will be utilised by MBC in the following manner:

Utilisation of proceeds	Minimum Scenario RM'million	Minimum Scenario %	Indicative Scenario RM'million	Indicative Scenario %	Maximum Scenario RM'million	Maximum Scenario %	Expected timeframe for utilisation from the completion of the Proposed Disposal by way of the Proposed ROS
(a) Working capital	111.6	43.8	146.4	50.5	165.7	53.6	12 months (Minimum Scenario) 15 months (Indicative Scenario and Maximum Scenario)
(b) Repayment of borrowings	68.3	26.8	68.3	23.6	68.3	22.1	12 months
(c) Part finance the construction costs of new vessels	64.0	25.1	64.0	22.1	64.0	20.7	12 months
(d) Estimated expenses	11.1	4.3	11.1	3.8	11.1	3.6	Six (6) months
	255.0	**100.0**	**289.8**	**100.0**	**309.1**	**100.0**	

(a) The intended utilisation of the proceeds is for working capital for MBC Group's day-to-day operation as follows:

		Minimum Scenario RM'million	Indicative Scenario RM'million	Maximum Scenario RM'million
(i)	Vessel operating expenses	21.6	43.2	62.5
(ii)	Charter hire payments	90.0	103.2	103.2
Total		**111.6**	**146.4**	**165.7**

Notes:

(i) *The vessel operating expenses for a total number of 11 vessels comprise the following:*

Item		***Minimum Scenario RM'million***	***Indicative Scenario RM'million***	***Maximum Scenario RM'million***
a.	*Crewing costs inclusive of wages, allowance, bonus and crew change expenses*	*11.5*	*22.7*	*32.9*
b.	*Technical expenses inclusive of stores, spares, lubricants, surveyors/consultants, repairs and maintenance*	*6.3*	*12.7*	*18.3*
c.	*Insurance premium of Hull and Machinery, Protection and Indemnity, etc*	*1.4*	*2.9*	*4.2*
d.	*Management fee for procurement, technical and crewing services*	*1.3*	*2.7*	*3.9*
e.	*Docking costs inclusive of cargo hold blasting and paints to enhance the useful lives of the vessels*	*1.1*	*2.2*	*3.2*
		21.6	***43.2***	***62.5***

(ii) *Being charter hire payments of between RM90 million and RM103.2 million in aggregate to the ship owners for the six (6) long term chartered vessels of MBC Group. The charter hire payments for each vessel ranges from RM10 million to RM24 million. The charter periods for these six (6) vessels will expire between October 2019 and June 2023.*

	Vessel name	***Category***	***Year Built***	***Deadweight tonnage ("DWT") (MT)***
a.	*Alam Mutiara*	*Supramax*	*April 2012*	*61,498*
b.	*Alam Sayang*	*Supramax*	*July 2013*	*61,410*
c.	*Alam Seri*	*Handysize*	*March 2011*	*29,562*
d.	*Alam Suria*	*Handysize*	*January 2012*	*29,077*
e.	*Alam Setia*	*Handysize*	*October 2013*	*36,320*
f.	*Alam Sinar*	*Handysize*	*January 2014*	*36,320*

MBC Group has total outstanding loans with financial institutions of RM367.67 million as at the LPD. MBC intends to utilise up to RM68.3 million to repay the scheduled instalments of these loans, which are due within the next 12 months.

Out of the proceeds allocated for repayment of borrowings, approximately RM43 million is expected to be utilised to repay part of the term loan from RHB Bank based on a fixed repayment schedule in accordance with the letter of offer for the term loan.

The balance of loan repayment is towards the term loans of MBC's subsidiaries with foreign financial institution for the refinancing of their respective vessels.

As the proceeds are intended to be utilised to repay the scheduled instalments of the loans, there shall not be any savings in interest payment arising from the repayment by MBC Group.

(c) In 2015, MBC Group contracted to build three (3) 81,800 DWT bulk carriers with Oshima shipyard at a total construction cost ranging from RM340 million to RM380 million. These new vessels will be more fuel efficient and comply with all the latest regulations (Nitrogen Oxides (NO_x) Tier 2, Energy Efficiency Design Index and Ballast Water Treatment System). They are of the popular Kamsarmax design and are currently under construction with expected deliveries in 2018/2019. MBC intends to utilise the proceeds of up to RM64 million to pay the scheduled instalments of the construction costs of these new vessels. The balance of the construction costs will be funded via bank borrowings and/or internally generated funds.

(d) The expenses in relation to the Proposed Disposal by way of the Proposed ROS will be borne by MBC. These expenses are estimated as follows:

	RM'million
Estimated professional fees	2.7
Other fees (including regulatory fees) and expenses incurred in connection with the Proposed Disposal by way of the Proposed ROS such as share transfer fees, printing and advertising expenses	7.9
Miscellaneous expenses and contingencies	0.5
Total	**11.1**

Any variation (surplus/deficit) to the actual amount of the expenses for the Proposed Disposal by way of the Proposed ROS will be adjusted against the amount allocated for the working capital of MBC Group.

The actual amount of proceeds to be raised from the Proposed Disposal by way of the Proposed ROS cannot be determined at this juncture as it will depend on the actual acceptance level of the Offer Shares. In the event the actual amount of proceeds is lower than the Minimum Scenario, the proceeds will be allocated in the following priority:

(a) Estimated expenses in relation to the Proposed Disposal by way of the Proposed ROS;
(b) Part finance the construction costs of new vessels;
(c) Repayment of borrowings; and
(d) Working capital of MBC Group.

In the event the actual amount of proceeds is not sufficient to be utilised for any of the purposes above, the Company shall seek other sources of financing such as internally generated funds.

If the actual amount of proceeds is higher than the Maximum Scenario, the additional proceeds will be allocated for the working capital of MBC Group.

4. RATIONALE FOR THE PROPOSED DISPOSAL BY WAY OF THE PROPOSED ROS

(a) In December 2008, MBC Group diversified into the offshore services sector by subscribing for 34,000,000 POSH Shares representing approximately 21.23% of the issued shares in POSH. This initial investment yielded positive returns of approximately RM187.37 million in aggregate from 2008 to 2013. Pursuant to the initial public offering of POSH Shares in 2014, MBC Group invested further in POSH to maintain its equity stake of 21.23%. The total profit contribution from POSH to MBC Group from 2008 to 2014 was approximately RM224.10 million. These investments helped MBC Group remain profitable between 2012 to 2014 when the dry bulk market experienced a downturn.

During the financial year 2015, the increased uncertainty in the geopolitical environment and continued declines in the price of oil led to oil and gas majors rationalising project schedules and investments. This has continued to affect the offshore oil and gas services sector, with corresponding pressure on charter rates and vessel utilisation across the industry. The oversupply in crude oil resulting from U.S. shale oil and gas production, an unchanged OPEC production which prioritised market share over price, and the impending return of Iran to the world oil market had continued to weigh on oil prices[(1)].

2016 continued to be a difficult and challenging year for the oil and gas services industry. The low and unstable oil prices over the past few years resulted in a significant reduction in offshore oil field development and expenditure. Coupled with the excessive oversupply of vessels across all segments of the offshore services industry, market conditions continued to remain depressed and the timing for its recovery is uncertain. Whilst the market's initial reactions to cuts in OPEC's oil production seemed positive, supply and demand balances have been slow to return to equilibrium with oil price remaining unstable. Long-term price stability will be necessary before any significant new capital investments that will drive the eventual recovery of the oil and gas services industry are undertaken[(2)].

The sudden oil price crash in 2014 and the negative impact on the offshore services sector that followed was totally unexpected and could not be foreseen when MBC Group first diversified into the offshore services sector in 2008.

2017 saw some positive developments for the offshore and marine sector with oil prices averaging above USD50 per barrel and oil companies beginning to plan for an increase in capital expenditure. Nevertheless, overall market conditions remained challenging given the structural changes that have affected MBC Group's sector[(3)].

Given the weakness in the dry bulk and offshore services sectors in the recent years as highlighted above, there has been a strain on the cash flow of MBC Group and consequently, MBC Group is required to raise funds to strengthen its future operations.

As such, MBC Group has decided to undertake the Proposed Disposal by way of the Proposed ROS to monetise its investments in POSH and raise the cash required to finance the working capital of MBC Group, part finance the construction costs of new vessels and repay part of its borrowings. This will enable MBC Group to focus on its core business activity in the dry bulk sector.

As at the LPD, MBC has a fleet of 15 dry bulk vessels of which seven (7) are wholly-owned, two (2) are owned via joint ventures and six (6) are long term chartered-in vessels. Going forward, there is a need to rationalise the fleet profile to reduce vessels that are older, having declining appeal and competitiveness relative to more economical, environmentally friendly and modern vessels that MBC Group must compete against. There has therefore been a recent move to sell the partially owned vessels that are older and less competitive. The proceeds from the sale of vessels and also from the Proposed ROS will enable MBC to discharge part of its borrowings and hence improve its gearing and balance sheet. This will place MBC in a stronger position to engage financial institutions for financing in the event that there are opportunities to acquire suitable new or second-hand vessels.

In addition, MBC Group had three (3) contracted new vessels which are currently under construction and expected for delivery by 2018/2019. MBC intends to utilise part of the proceeds of up to RM64 million to pay the scheduled instalments of the construction costs of these new vessels. These new vessels will enhance the competitiveness of MBC's fleet and are expected to contribute to MBC Group's performance.

(b) The Proposed Disposal by way of the Proposed ROS offers the Entitled Shareholders an opportunity to participate directly in the equity of POSH at a discount to its prevailing market price. It is MBC's intention that the Entitled Shareholders who accept the offer under the Proposed ROS may choose to hold the allocated Offer Shares for potential future gains or sell them at prevailing market price for any immediate gain that may arise from the benefit of the discount.

Notes:

(1) Source: Annual Report of POSH for the FYE 31 December 2015.

(2) Source: Annual Report of POSH for the FYE 31 December 2016.

(3) Source: Annual Report of POSH for the FYE 31 December 2017.

5. RISK FACTORS

The Entitled Shareholders should carefully consider the following factors (which may not be exhaustive) that are relevant to the Company and the Entitled Shareholders in relation to the Proposed Disposal by way of the Proposed ROS and the Proposed ROS itself, in addition to other information contained in this Circular before voting on the resolution pertaining to the Proposed Disposal by way of the Proposed ROS:

5.1 Risks relating to the Proposed Disposal by way of the Proposed ROS

(a) Completion risk

The completion of the Proposed Disposal by way of the Proposed ROS is conditional upon the approval of the shareholders of MBC at the forthcoming EGM of the Company. In the event that the approval is not obtained, the Proposed Disposal by way of the Proposed ROS may be terminated and MBC Group may not be able to materialise the potential benefits that may accrue to MBC Group from the proposed utilisation of proceeds as set out in Section 3 of this Circular.

(b) Loss of potential future income from POSH

Assuming that all the Offer Shares are fully taken up by the Entitled Shareholders, POSH will cease to be an associate of MBC Group upon the completion of the Proposed Disposal by way of the Proposed ROS and MBC Group will no longer equity account the financial results of POSH in future. The Board is of the view that the Proposed Disposal by way of the Proposed ROS will not result in any material adverse impact on MBC Group's overall financial performance, moving forward.

(c) Foreign exchange risks

POSH Shares are traded in SGD on the SGX and the offer price of the Offer Shares is determined based on market value at the point of disposal.

The Entitled Shareholders who accept the offer under the Proposed ROS will pay the Company in RM at a pre-determined exchange rate by the Company. The actual amount of proceeds to be received by the Company in RM pursuant to the Proposed Disposal by way of the Proposed ROS may be affected by any fluctuations of the SGD against the RM.

5.2 Risks relating to the Proposed ROS

(a) Investment risks relating to the Proposed ROS

The price of the Offer Shares, like any other listed securities traded on a securities exchange, is subject to fluctuation. Further, there is no assurance that the Offer Shares will trade higher than the offer price of the Offer Shares under the Proposed ROS subsequent to the Proposed ROS. The market price of the Offer Shares will be influenced by the performance of POSH Group in respect of future profitability and outlook of the industries in which it operates as well as a variety of other factors, including, but not limited to, sale of a substantial number of POSH Shares in the public market, announcements of developments relating to POSH Group's business and fluctuations in POSH Group's revenue levels.

Other than the fundamentals of POSH Group, the future price performance of the Offer Shares will also depend on various external factors such as general economics, political and industry conditions, as well as sentiments and liquidity in the stock market.

In this regard, POSH had, on 11 April 2018, announced on the website of the SGX that it has recorded pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts) i.e. FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017. According to Rule 1311(1) of the listing manual of the SGX, SGX will place an issuer on the watch-list if (i) it records pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and (ii) an average daily market capitalisation of less than SGD40 million over the last six (6) months. In this regard, POSH's latest six (6)-month average daily market capitalisation as at 10 April 2018 is SGD657.88 million, which exceeds SGD40 million. Pursuant to paragraph 2.2 of Practice Note 13.2 of the listing manual of the SGX, SGX conducts half-yearly reviews to identify issuers to be included on the watch-list. The half-yearly review will take place on the first market day of June and December of each year. Upon identifying an issuer for inclusion in the watch-list, SGX will promptly notify the issuer of its status and the issuer will be required to make an immediate announcement.

Such losses may affect the market price of POSH Shares and the financial position of POSH. However, it should be noted that as at the LPD, POSH has not fallen under the abovementioned financial entry criteria in Rule 1311(1) of the listing manual of the SGX. Moving forward, should POSH fall under the abovementioned financial entry criteria and SGX identifies POSH for inclusion in the watch-list, POSH must for the period in which it remains on the watch-list, provide the market with a quarterly update on its efforts and the progress made in meeting the exit criteria of the watch-list, including where applicable its financial situation, its future direction, or other material development that may have a significant impact on its financial position. If any material development occurs between the quarterly updates, it must be announced immediately. If POSH is placed on the watch-list, it must take active steps to meet the financial exit criteria listed in Rule 1314(1) of the listing manual of the SGX (i.e. it must record consolidated pre-tax profit for the most recently completed financial year (based on the latest full year consolidated audited accounts) and have an average daily market capitalisation of SGD40 million or more over the last six (6) months) and should it fail to comply with Rule 1314(1) of the listing manual of the SGX within 36 months of the date on which it was placed on the watch-list, the SGX may either remove POSH from the official list of the SGX, or suspend trading of the listed securities of POSH (without the agreement of POSH) with a view to removing POSH from the official list of the SGX.

(b) Delay in or abortion of the Proposed ROS

The Proposed ROS may be aborted or delayed on the occurrence of any material adverse change of events / circumstances, which is beyond the control of the Company arising prior to or during the implementation of the Proposed ROS. In the event of a failure in the implementation of the Proposed ROS due to the occurrence of an abovementioned change, all monies received in respect of all applications for the Offer Shares will be returned in full without interest.

(c) Political, economic and regulatory risks

Like all other businesses, adverse developments in political, economic and regulatory conditions in Singapore and other overseas markets in which POSH Group from time to time has operations could materially and adversely affect the financial and business prospects of POSH Group. These include risks of war, changes in political leadership, expropriation, nationalisation, global economic downturn and unfavourable changes in government policy such as imposition of control prices, introduction of new regulations, interest rate, taxation, currency exchange rates and contracts.

There can also be no assurance that the legal and/or regulatory environments in the various jurisdictions in which POSH Group operates will not change from time to time, requiring increases in costs to be incurred by POSH Group, which may result in a loss of or reduction in revenue to POSH Group. As such, no assurance can be given that these factors will not have a material adverse effect on the performance of POSH Group.

(d) Malaysian Foreign Exchange Administration

There are foreign exchange policies in Malaysia which support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability. The foreign exchange control framework in Malaysia is governed by the Financial Services Act 2013, Islamic Financial Services Act 2013 and the Malaysian foreign exchange policies and rules administered by BNM.

Approval from the BNM is required in certain circumstances including for investment abroad by resident individual and resident entity. The investment in POSH Shares, either pursuant to the Proposed ROS or subsequent investments by the resident Entitled Shareholders would amount to investment abroad and may subject to approval from BNM. If the approval from BNM is required, there is no assurance that BNM will grant such approval. Further, there is no assurance that the government of Malaysia will not introduce new foreign exchange prohibitions or tighten the current restrictions. These events may consequently adversely affect certain resident Entitled Shareholders' ability to invest in POSH Shares. Resident Entitled Shareholders are advised to consult your professional advisers to ascertain whether you are subject to the requirement to obtain the approval from BNM.

Further information on risks relating to the Proposed ROS will be set out in the Modified Prospectus which will be despatched by MBC to the Entitled Shareholders on the Entitlement Date.

6. POLICIES ON TAXATION IN SINGAPORE AND REPATRIATION OF PROCEEDS

This discussion is not intended to be and does not constitute legal or tax advice. It is based on the current tax law and practice in Singapore and is subject to changes to such laws, or to the interpretation thereof. Such changes may be retrospective. The Entitled Shareholders should consult their tax advisors concerning the consequences of investing in the POSH Shares.

6.1 Policies on taxation in Singapore

(a) Capital gains tax

Singapore does not impose taxes on capital gains. However, gains may be construed to be of an income nature and subject to Singapore income tax if they arise from or are otherwise connected with the activities of a trade or business.

(b) Dividend distribution

Dividends received in respect of POSH Shares by either a resident or non-resident of Singapore are not subject to Singapore withholding tax.

Under the one-tier system, dividends paid by a Singapore-resident company are tax exempt in the hands of a shareholder, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

(c) Singapore Goods and Services Tax ("GST")

GST registered companies are required to charge GST (the prevailing standard rate is 7%) on the supply of goods and services in Singapore, unless specifically excluded or exempted. It is mandatory under the Goods and Services Tax Act (Chapter 117A of the Singapore Statutes) for a company, value of taxable supplies of which exceeds or is expected to exceed SGD1 million over four (4) quarters, to apply for GST registration.

Services such as brokerage and handling services rendered by a GST-registered person to an Entitled Shareholder (who resides in Singapore) in connection with the acceptance of the Offer Shares will be subject to GST at the prevailing standard-rate (currently 7%). Similar services rendered contractually to an Entitled Shareholder (who resides outside Singapore) should, subject to certain conditions, qualify for zero-rating (i.e. GST at 0%).

(d) Stamp duty

Where existing shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of transfer at the rate of 0.2% of the consideration for, or market value of, the shares, whichever is higher. The purchaser is liable for stamp duty unless otherwise agreed.

Stamp duty is not applicable to electronic transfers of POSH Shares through the scripless trading system operated by CDP on the basis that no instrument of transfer will be executed.

6.2 Repatriation of proceeds by foreign shareholders of POSH, including Malaysian residents

Singapore currently has no significant exchange controls. Subject to laws relating to prevention of money laundering, financing of terrorism and other criminal offences and compliance with the requirements in the Companies Act (Cap. 50) of Singapore ("**Singapore Companies Act**"), Securities and Futures Act (Cap, 289) of Singapore, the rules of the SGX and the constitution POSH, (a) proceeds attributable to the holding of POSH Shares (for example, from the payment of dividends, or other payments to the holders of POSH Shares by way of capital reduction, share buy-back or divestment of POSH Shares) may be repatriated freely from Singapore, and (b) there is no specific law in Singapore which currently restricts Entitled Shareholders from investing in or owning shares in POSH.

7. EFFECTS OF THE PROPOSED DISPOSAL BY WAY OF THE PROPOSED ROS

7.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Disposal by way of the Proposed ROS will not have any effect on the issued share capital and the shareholdings of the substantial shareholders of MBC.

7.2 NA, NA per share and gearing

Based on the audited consolidated financial statements of MBC Group as at 31 December 2017, the pro forma effects of the Proposed Disposal by way of the Proposed ROS on the consolidated NA, NA per Share and gearing of MBC Group are set out below:

	Audited as at 31 December 2017	After the Proposed Disposal by way of the Proposed ROS		
		Minimum Scenario	Indicative Scenario	Maximum Scenario
	RM'000	RM'000	RM'000	RM'000
Share capital	338,791	338,791	338,791	338,791
Reserves	612,673	(1)209,411	(1)209,411	(1)209,411
Accumulated losses	(425,685)	(2)(173,471)	(2)(138,697)	(2)(119,377)
Shareholders' equity/NA	**525,779**	**374,731**	**409,505**	**428,825**
Non-controlling interests	23,404	23,404	23,404	23,404
Total equity	**549,183**	**398,135**	**432,909**	**452,229**
No. of ordinary shares ('000)	1,000,000	1,000,000	1,000,000	1,000,000
NA per share (sen)	52.58	37.47	40.95	42.88
Total borrowings (RM'000)	410,143	(3)341,843	(3) 341,843	(3) 341,843
Gearing (times)	0.78	0.91	0.83	0.80

Notes:

(1) After reclassification of exchange differences and cash flow hedge reserves in relation to POSH of RM403.3 million from equity to profit or loss.

(2) After accounting for the estimated gain of RM252.2 million, RM287.0 million and RM306.3 million from the Proposed Disposal by way of the Proposed ROS under the Minimum Scenario, Indicative Scenario and Maximum Scenario respectively.

(3) MBC shall utilise up to RM68.3 million of the total gross proceeds from the Proposed Disposal by way of the Proposed ROS to repay part of the borrowings of MBC Group.

7.3 Loss/earnings and LPS/EPS

Based on the audited consolidated financial statements of MBC Group for the FYE 31 December 2017, POSH attributed a loss of approximately RM211.9 million to MBC Group's net loss.

On the assumption that the Proposed Disposal by way of the Proposed ROS had been effected at the beginning of the FYE 31 December 2017, the effects of the Proposed Disposal by way of the Proposed ROS on the loss/earnings and LPS/EPS of MBC Group are as follows:

			After the Proposed Disposal by way of the Proposed ROS		
	Audited as at 31 December 2017	[(1)]Adjusted as at 31 December 2017	Minimum Scenario	Indicative Scenario	Maximum Scenario
(Loss)/earnings for the year attributable to equity holders of the Company (RM'000)	(134,954)	76,984	[(2)]117,259	[(2)]152,034	[(2)]171,354
No. of ordinary shares ('000)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
(LPS)/EPS (sen)	(13.50)	7.70	[(3)]11.73	[(3)]15.20	[(3)]17.14

Notes:

(1) After excluding the share of loss from POSH amounting to approximately RM211.9 million for the FYE 31 December 2017.

(2) After accounting for the estimated gain of RM40.3 million, RM75.1 million and RM94.4 million from the Proposed Disposal by way of the Proposed ROS under the Minimum Scenario, Indicative Scenario and Maximum Scenario respectively.

*(3) The EPS is arrived at based on the earnings for the year attributable to equity holders of the Company after taking into account the reclassification of the reserves relating to POSH from equity to profit or loss (as required by the Malaysian Financial Reporting Standards 121 and 128) of approximately RM451.5 million ("**Reclassification of Reserves**").*

For illustrative and information purposes only, should the Reclassification of Reserves be excluded, MBC Group's adjusted loss for the year attributable to equity holders of the Company and adjusted LPS after the Proposed Disposal by way of the Proposed ROS would be as follows:

	Minimum Scenario	***Indicative Scenario***	***Maximum Scenario***
	RM'000	***RM'000***	***RM'000***
Earnings for the year attributable to equity holders of the Company after the Proposed Disposal by way of the Proposed ROS	*117,259*	*152,034*	*171,354*
Less: Reclassification of Reserves	*(451,475)*	*(451,475)*	*(451,475)*
Adjusted loss for the year attributable to equity holders of the Company after the Proposed Disposal by way of the Proposed ROS	*(334,216)*	*(299,441)*	*(280,121)*
Adjusted LPS (sen)	*(33.42)*	*(29.94)*	*(28.01)*

8. APPROVALS REQUIRED AND/OR OBTAINED

The Proposed Disposal by way of the Proposed ROS is subject to the following approvals being obtained:

(a) the approval from BNM for MBC to receive proceeds pursuant to the Proposed ROS from resident and non-resident Entitled Shareholders and/or their renouncee(s) in RM on the settlement of foreign currency-denominated Offer Shares between the Entitled Shareholders and/or their renouncee(s) which has been obtained vide a letter from BNM dated 26 March 2018. The approval by BNM is subject to the following conditions:

No.	Condition	Status
(i)	The use of the RM revenue for overseas investments including lending to non-resident subsidiaries of MBC shall be subject to the Foreign Exchange Administration Rules relating to investments in foreign currency assets;	To be complied.
(ii)	The use of RM revenue for import payments or repayments of foreign currency loans through the exchange of RM is subject to the Foreign Exchange Administration Rules relating to the sale of RM for foreign currency requirement for the period of six (6) months; and	To be complied.
(iii)	MBC shall comply with all the Foreign Exchange Administration Rules and other related regulations.	To be complied.

(b) the approval of the shareholders of MBC for the Proposed Disposal by way of the Proposed ROS at the forthcoming EGM of the Company; and

(c) any other relevant approval from other relevant authorities.

The voting on the resolution pertaining to the Proposed Disposal by way of the Proposed ROS at the forthcoming EGM of the Company will be taken via poll pursuant to Paragraph 8.29A(1) of the Listing Requirements.

9. INTER-CONDITIONALITY OF THE PROPOSED DISPOSAL BY WAY OF THE PROPOSED ROS

The Proposed Disposal by way of the Proposed ROS is not conditional upon any other proposals undertaken or to be undertaken by the Company.

10. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Disposal by way of the Proposed ROS, the Board is not aware of any other corporate exercise of the Company that has been announced but not yet completed as at the LPD.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors and/or major shareholders of the Company and/or persons connected to them has any interest, whether direct or indirect, in the Proposed Disposal by way of the Proposed ROS save for their respective entitlements to accept the Offer Shares (including the rights to apply for any Excess Offer Shares) pursuant to the Proposed ROS as shareholders of MBC as at the Entitlement Date which rights are similarly available to all other Entitled Shareholders.

12. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Disposal by way of the Proposed ROS, including but not limited to the rationale, utilisation of proceeds for the Proposed Disposal by way of the Proposed ROS as well as the effects of the Proposed Disposal by way of the Proposed ROS, is of the opinion that the Proposed Disposal by way of the Proposed ROS is in the best interests of the Company. Accordingly, the Board recommends that the shareholders of MBC vote in favour of the resolution pertaining to the Proposed Disposal by way of the Proposed ROS to be tabled at the forthcoming EGM of the Company.

13. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all relevant approvals referred to in Section 8 above being obtained, the Proposed Disposal by way of the Proposed ROS is expected to be completed by the second (2nd) half of 2018.

The tentative timetable for the implementation of the Proposed Disposal by way of the Proposed ROS is as follows:

Key milestones	Tentative timing
Convening of EGM to obtain the approval of shareholders of MBC for the Proposed Disposal by way of the Proposed ROS	11 May 2018
Entitlement Date, issuance of Modified Prospectus and commencement of the Proposed ROS period	Mid June 2018
Completion of the Proposed Disposal by way of the Proposed ROS	August 2018

The Entitlement Date will be determined and announced later by the Board but shall be prior to the implementation of the Proposed ROS.

14. EGM

The EGM of the Company will be held at Banquet Hall, TPC Kuala Lumpur (Kuala Lumpur Golf & Country Club Berhad), No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Friday, 11 May 2018 at 11.00 a.m., or immediately after the conclusion of Annual General Meeting of the Company, for the purpose of considering and, if thought fit, passing with or without modifications the resolution by way of poll to approve the Proposed Disposal by way of the Proposed ROS. The notice of EGM and Proxy Form are enclosed with this Circular.

If a member of the Company is unable to attend, participate, speak and vote in person at the EGM of the Company, such member is requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions therein as soon as possible and in any event so as to arrive at the registered office of the Company at Level 17 & 18, PJ Tower, No. 18, Jalan Persiaran Barat, Off Jalan Timur, 46050 Petaling Jaya, Selangor Darul Ehsan, not less than 24 hours before the time fixed for the EGM of the Company. A member of the Company who has lodged a Proxy Form may still attend, participate, speak and vote at the EGM should such member subsequently wish to do so.

15. FURTHER INFORMATION

Shareholders of the Company are advised to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board of
MALAYSIAN BULK CARRIERS BERHAD

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

INFORMATION ON POSH

1. HISTORY AND BUSINESS

POSH is a company incorporated in Singapore on 7 March 2006 under the Companies Act, Chapter 50 of Singapore as a private company limited by shares under the name of PACC Offshore Pte. Ltd. On 23 October 2007, it changed its name to PACC Offshore Services Holdings Pte. Ltd. On 2 April 2014, it was converted into a public company limited by shares and changed its name to PACC Offshore Services Holdings Ltd.

The principal businesses of POSH are general shipping and investment holding. The principal businesses of its subsidiaries and joint ventures are the provision of offshore marine support services.

Its fleet operates worldwide, serving offshore oilfields in Asia, Africa, Middle East, North and Latin America, by providing vessels and services for projects involving many of the world's major oil companies and established international offshore contractors.

POSH Group operates across four (4) major business divisions, namely, offshore supply vessels, offshore accommodation, transportation and installation, and harbour services and emergency response. POSH is one of the leading offshore marine services providers in offshore and marine oil field services.

POSH was admitted to the Mainboard of the SGX and commenced trading on 25 April 2014.

(Source: The prospectus relating to the initial public offering of POSH issued by POSH on 17 April 2014 and annual report of POSH for the FYE 31 December 2017.)

2. INFORMATION ON SHARE CAPITAL

The total share capital of POSH as at the LPD is USD827,201,098 comprising 1,820,000,000 POSH Shares (including 6,359,600 POSH Shares held in treasury)[(1)].

Note:

(1) Based on the announcement dated 20 February 2018 made by POSH on the website of the SGX.

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3. SUBSIDIARIES AND JOINT VENTURES

Based on annual report of POSH for the FYE 31 December 2017, the results of the electronic instant information business profile searches on each of the Singapore incorporated entities obtained from the Accounting and Corporate Regulatory Authority of Singapore, and results of public searches conducted on the non-Singapore incorporated entities obtained on 23 April 2018 (where applicable), the details of the subsidiaries and joint ventures of POSH are set out in the table below:

Name	Date and place of incorporation	Issued and paid-up share capital	Proportion of ownership interest	Principal activities
SUBSIDIARIES				
Crescent Marine Pte. Ltd.	22 May 2015 Singapore	USD1,000	100%	Chartering of ships, barges and boats with crew (freight)
Crescent Marine (Alpha) Pte. Ltd.	12 July 2017 Singapore	USD50,000	100%	Owner and operator of vessels
Crescent Marine (Bravo) Pte. Ltd.	23 October 2017 Singapore	USD50,000	100%	Owner and operator of vessels
Condor Shipping Pte. Ltd.	24 March 2008 Singapore	USD50,000	100%	Owner and operator of vessels
Eide Marine Offshore B.V.	4 February 2014 The Netherlands	EUR1,000	100%	Renting and leasing of ships, support activities for water transport
Ibis Shipping Pte. Ltd.	9 May 1987 Singapore	USD4,340,906	100%	Owner and operator of vessels
Jacana Shipping Pte. Ltd.	13 March 2008 Singapore	USD50,000	100%	Owner and operator of vessels
Larkspur Pte. Ltd.	28 November 2012 Singapore	SGD1	100%	Dormant

INFORMATION ON POSH *(CONT'D)*

Name	Date and place of incorporation	Issued and paid-up share capital	Proportion of ownership interest	Principal activities
Labrador Shipping Corporation	12 March 2009 Malaysia	USD6,400,000	100%	Dormant
Maritime Alpha Pte. Ltd.	22 August 1987 Singapore	USD2,170,453	100%	Owner and operator of vessels
Maritime Bravo Pte. Ltd.	18 December 2007 Singapore	USD50,000	100%	Owner and operator of vessels
Maritime Charlie Pte. Ltd.	19 December 2007 Singapore	USD50,000	100%	Owner and operator of vessels
Maritime Delta Pte. Ltd.	9 September 2008 Singapore	USD50,000	100%	Owner and operator of vessels
Maritime Vanguard Pte. Ltd.	14 November 2008 Singapore	USD50,000	100%	Operator of vessels for offshore marine support services
Mayan Investments Pte. Ltd.	1 September 2011 Singapore	USD1	100%	Investment holding
Newfoundland Shipping Corporation	6 March 2013 Malaysia	USD1,580,001	100%	Dormant
POSH Fleet Services Pte. Ltd.	25 January 2008 Singapore	USD500,000	100%	Provision of ship management services
POSH Maritime Pte. Ltd.	23 October 2002 Singapore	USD723,484	100%	Dormant
POSH Semco Pte. Ltd.	11 June 1986 Singapore	USD7,234,843	100%	Operator of vessels for offshore marine support services

INFORMATION ON POSH *(CONT'D)*

Name	Date and place of incorporation	Issued and paid-up share capital	Proportion of ownership interest	Principal activities
Raven Pte. Ltd.	28 November 2006 Singapore	USD36,174	100%	Owner and operator of vessels
Semco Salvage (I) Pte Ltd	4 April 1986 Singapore	USD2,387,498	100%	Owner and operator of vessels
Semco Salvage (II) Pte Ltd	4 April 1986 Singapore	USD3,356,967	100%	Owner and operator of vessels
Semco Salvage (III) Pte Ltd	4 April 1986 Singapore	USD3,299,088	100%	Owner and operator of vessels
Semco Salvage (IV) Pte Ltd	26 July 1986 Singapore	USD1,446,969	100%	Owner and operator of vessels
Semco Salvage (V) Pte Ltd	30 October 1986 Singapore	USD3,255,679	100%	Owner and operator of vessels
Semco Salvage And Towage Pte. Ltd.	26 November 2013 Singapore	USD50,000	100%	Owner and operator of vessels
Singapore Oil Spill Response Centre Pte Ltd	15 December 1993 Singapore	USD325,568	100%	Provision of services to control pollution from oil and chemical spillage and to protect the marine environment
Starling Shipping Pte. Ltd.	13 March 2008 Singapore	USD50,000	100%	Owner and operator of vessels
Swallow Pte. Ltd.	29 March 2007 Singapore	USD50,000	100%	Owner and operator of vessels

INFORMATION ON POSH *(CONT'D)*

Name	Date and place of incorporation	Issued and paid-up share capital	Proportion of ownership interest	Principal activities
Adara Limited	19 October 2006 British Virgin Islands	USD1	100%	Owner and operator of vessels
PACC OFFSHORE (UK) LIMITED	16 December 2010 United Kingdom	GBP1	100%	Dormant
PACIFIC COSMO VENTURES LIMITED	2 January 2015 British Virgin Islands	USD1	100%	Owner and operator of vessels
POSH Australia Pty Ltd	9 June 2009 Australia	AUD100	100%	Dormant
POSH (USA) Inc.	2 December 2010 United States	USD1,000	100%	Dormant
VALLEY OCEAN LIMITED	19 January 2015 British Virgin Islands	USD1	100%	Owner and operator of vessels
POSH Saudi Co. Ltd.	6 January 2016 Kingdom of Saudi Arabia	SAR1,000,000	75%	Operator of vessels for offshore marine support services
POSH Investment Holdings Pte. Ltd.	3 August 2011 Singapore	USD50,000	100%	Investment Holding
Held through subsidiaries				
POSH Semco (B) Sdn. Bhd.	25 November 2015 Brunei	BND2	100%	Dormant

INFORMATION ON POSH *(CONT'D)*

Name	Date and place of incorporation	Issued and paid-up share capital	Proportion of ownership interest	Principal activities
Operadora de Servicios Costa Afuera S.A. de C.V.	13 December 2011 Mexico	MXN50,000	99%	Service company
POSH Fleet Services Mexico S.A. de C.V.	23 November 2011 Mexico	MXN100,000	99%	Dormant
POSH Gannet S.A. de C.V.	23 October 2013 Mexico	MXN1,000	100%	Owner and operator of vessels
POSH Skua S.A. de C.V.	23 October 2013 Mexico	MXN1,000	100%	Owner and operator of vessels
JOINT VENTURES				
Nimitrans Pte. Ltd.	14 April 2011 Singapore	USD1,000,000	50%	Owner and operator of vessels
Pacific Workboats Pte. Ltd.	2 June 1987 Singapore	SGD500,000	50%	Owner and operator of vessels
POSH Havila Pte. Ltd.	7 September 2006 Singapore	USD31,500,000	50%	Owner and operator of vessels
POSH Terasea Pte. Ltd. and its subsidiaries	28 February 2013 Singapore	USD15,100,000	50%	Owner and operator of vessels
POSH Middle East Marine Services LLC	8 May 2017 Abu Dhabi	AED150,000	49%	Offshore business
PT Win Offshore	19 July 2011 Indonesia	IDR238,400,000,000	49%	Owner and operator of vessels
PT Mandiri Abadi Maritim	1 April 2005 Indonesia	IDR2,500,000,000	49%	Owner and operator of vessels

INFORMATION ON POSH *(CONT'D)*

Name	Date and place of incorporation	Issued and paid-up share capital	Proportion of ownership interest	Principal activities
PACC Offshore Mexico S.A. de C.V.	13 December 2011 Mexico	MXN100,000, representing the fixed portion and MXN39,000,000 in the variable portion	49%	Offshore business
Servicios Maritimos POSH, S.A.P.I. de C.V. and its subsidiaries	22 March 2012 Mexico	MXN50,000	49%	Offshore business
Servicios Maritimos Gosh, S.A.P.I. de C.V.	27 August 2011 Mexico	MXN100,000, representing the fixed portion MXN519,900,000 pesos, representing the variable portion	73.5%	Offshore business

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4. SUBSTANTIAL SHAREHOLDERS

Based on the publicly available information on the website of the SGX, the substantial shareholders of POSH and their respective shareholdings in POSH as at the LPD are as follows:

Substantial Shareholder	Place of Incorporation	No. of POSH Shares held			
		Direct	%[(4)]	Deemed	%[(4)]
Kuok (Singapore) Limited[(1)]	Singapore	1,084,184,065	59.57	399,625,645	21.96
Pacific Carriers Limited[(2)]	Singapore	-	-	386,385,645	21.23
Malaysian Bulk Carriers Berhad[(3)]	Malaysia	-	-	386,385,645	21.23
LIGHTWELL SHIPPING INC.	British Virgin Islands	386,385,645	21.23	-	-

Notes:

*(1) Kuok (Singapore) Limited ("**KSL**") holds the entire issued share capital of Pacific Carriers Limited ("**PCL**") and Camsward Pte Ltd ("**Camsward**"). Accordingly, KSL is deemed to have an interest in:*
(i) the 13,240,000 POSH Shares held by Camsward directly; and
(ii) the 386,385,645 POSH Shares that PCL is deemed interested in.

(2) PCL holds more than 20% of the entire issued share capital of MBC. Accordingly, PCL is deemed to have an interest in the 386,385,645 POSH Shares held by MBC's subsidiary, LSI.

(3) MBC owns the entire issued share capital of LSI. Accordingly, MBC is deemed to have an interest in the 386,385,645 POSH Shares held by LSI.

(4) Percentage shareholding in the issued shares in POSH is rounded to two (2) decimal places and is based on the total number of 1,820,000,000 POSH Shares (including 6,359,600 POSH Shares held in treasury) as at the LPD.

5. BOARD OF DIRECTORS

Based on the publicly available information on the website of the SGX and the results of the electronic instant information business profile search on POSH obtained from the Accounting and Corporate Regulatory Authority of Singapore on 23 April 2018, the particulars of the directors of POSH and their shareholdings in POSH as at the LPD are as follows:

Name	Designation	Nationality	No. of POSH Shares held			
			Direct	%[(1)]	Deemed	%[(1)]
Kuok Khoon Ean	Chairman and Non-Executive Director	Singapore Citizen	-	-	1,725,000	0.09
Seow Kang Hoe, Gerald	Chief Executive Officer and Executive Director	Singapore Citizen	8,078,043[(2)]	0.44	3,750,000[(3)]	0.21
Wu Long Peng	Non-Executive Director	Singapore Citizen	5,626,542	0.31	2,812,500[(3)]	0.15
Dato' Capt. Ahmad Sufian @ Qurnain Bin Abdul Rashid	Independent Non-Executive Director	Malaysian	1,020,000	0.06	-	-
Ma Kah Woh	Independent Non-Executive Director	Singapore Citizen	200,000	0.01	-	-
Dato' Jude Philomen Benny	Lead Independent Non-Executive Director	Singapore Citizen	250,000	0.01	38,000	-
Wee Joo Yeow	Independent Non-Executive Director	Singapore Citizen	500,000	0.03	-	-
Ivan Replumaz	Independent Non-Executive Director	French	-	-	-	-

INFORMATION ON POSH *(CONT'D)*

Notes:

(1) *Percentage shareholding in the issued shares in POSH is rounded to two (2) decimal places and is based on the total number of 1,820,000,000 POSH Shares (including 6,359,600 POSH Shares held in treasury) as at the LPD.*

(2) *This excludes 1,558,000 POSH Shares which underlie the 1,558,000 share awards granted to Seow Kang Hoe Gerald pursuant to the POSH Performance Share Plan ("**PSP**") awards. The vesting of the PSP awards is subject to achievement of performance and/or service conditions as determined by the remuneration committee of the board of directors of POSH.*

(3) *Seow Kang Hoe Gerald and Wu Long Peng have been granted options over POSH Shares by KSL. These options are to be exercised from 5 August 2015 to 4 August 2018.*

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6. HISTORICAL FINANCIAL INFORMATION

A summary of the historical financial information of POSH based on the audited consolidated financial statements of POSH Group for the past three (3) years up to the FYE 31 December 2017 is set out below. The audited financial statements of POSH Group for the financial years under review were not subject to any audit qualifications.

	Audited		
	FYE 31 December		
	2015	2016	2017
	USD'000	USD'000	USD'000
Revenue	280,820	183,100	192,237
Loss before tax	(129,131)	(370,313)	(225,433)
Net loss attributable to shareholders	(130,959)	(371,448)	(230,266)
Total shareholders' equity/ NA	1,061,043	688,332	460,275
Total borrowings (interest-bearing)	559,730	708,332	768,925
Share capital	827,201	827,201	827,201
Number of ordinary shares (excluding treasury shares) ('000)	1,812,705	1,811,947	1,813,640
Basic LPS (in US cents)	(7.20)	(20.50)	(12.70)
Diluted LPS (in US cents)	(7.20)	(20.50)	(12.70)
NA per share (in US cents)	58.53	37.98	25.37
Current ratio (times)	0.26	0.45	0.49
Gearing ratio (times)[(1)]	0.53	1.03	1.67

(Source: Annual Reports of POSH for the FYE 31 December 2015, 2016 and 2017)

Note:

(1) *Computed based on total borrowings over total shareholders' equity.*

Commentary on past performance

FYE 31 December 2015

Revenue increased 20% year-on-year in the FYE 31 December 2015 to USD280.8 million from USD234.0 million, driven by the offshore accommodation division of POSH.

The net loss attributable to shareholders of USD131.0 million recorded for the year was the result of a prudent step to take non-cash goodwill and fixed asset impairment of USD148.4 million. This reflected deteriorating macro conditions that affected the entire industry and it had no impact on operational performance or cash reserves.

(Source: Annual Report of POSH for the FYE 31 December 2015)

FYE 31 December 2016

Revenue decreased by 35% year-on year in the FYE 31 December 2016 to USD183.1 million. This was driven predominantly by the adverse market conditions, which had a negative impact on charter and utilisation rates across the four major business divisions of POSH.

The net loss attributable to shareholders of USD371.4 million for the year was primarily attributable to the impairments on fixed assets and goodwill of USD310.1 million. The impairments reflect prevailing market conditions, which affected the entire industry, as asset valuations continued to come under pressure.

(Source: Annual Report of POSH for the FYE 31 December 2016)

FYE 31 December 2017

For the FYE 31 December 2017, POSH improved revenue by 5% year-on-year to USD192.2 million on higher contribution across most business divisions.

POSH Group's net loss attributable to shareholders was USD230.3 million in FYE 31 December 2017. The net loss attributable to shareholders included a write-down of fixed assets at USD108.3 million and impairment of goodwill at USD57.1 million, which are reflective of the prevailing challenges in POSH's industry.

(Source: Annual Report of POSH for the FYE 31 December 2017)

Other matters

POSH had on 11 April 2018 announced on the website of the SGX that:

(a) it has recorded pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and

(b) its latest six (6)-month average daily market capitalisation as at 10 April 2018 is SGD657.88 million.

According to Rule 1311(1) of the listing manual of the SGX, SGX will place an issuer on the watch-list if (i) it records pre-tax losses for the three (3) most recently completed consecutive financial years (based on audited full year consolidated accounts); and (ii) an average daily market capitalisation of less than SGD40 million over the last six (6) months. In this regard, POSH's latest six (6)-month average daily market capitalisation as at 10 April 2018 is SGD657.88, which exceeds SGD40 million.

(Source: Announcement made by POSH on 11 April 2018 on the website of the SGX)

Pursuant to paragraph 2.2 of Practice Note 13.2 of the listing manual of the SGX, SGX conducts half-yearly reviews to identify issuers to be included on the watch-list. The half-yearly review will take place on the first market day of June and December of each year. Upon identifying an issuer for inclusion in the watch-list, SGX will promptly notify the issuer of its status and the issuer will be required to make an immediate announcement.

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Prepared for inclusion in the Circular to shareholders)

25 April 2018

The Board of Directors
Malaysian Bulk Carriers Berhad
Level 17 & 18, PJ Tower
No. 18 Jalan Persiaran Barat
Off Jalan Timur
46050 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PROPOSED DISPOSAL OF UP TO 386,385,645 ORDINARY SHARES IN PACC OFFSHORE SERVICES HOLDINGS LTD. ("OFFER SHARES"), WHICH ARE CURRENTLY HELD BY A WHOLLY-OWNED SUBSIDIARY OF MALAYSIAN BULK CARRIERS BERHAD ("MBC") KNOWN AS LIGHTWELL SHIPPING INC., BY WAY OF PROPOSED RENOUNCEABLE RESTRICTED OFFER FOR SALE OF THE OFFER SHARES, TO ALL SHAREHOLDERS OF MBC ("PROPOSED DISPOSAL")

We have completed our assurance engagement to report on the compilation of pro forma consolidated statement of financial position of MBC (or "the Company") prepared by the Directors of the Company ("Directors"). The pro forma consolidated statement of financial position as at 31 December 2017 of MBC ("Pro Forma Consolidated Statement of Financial Position") and the related notes are set out in Section 7 of the Circular to be issued by the Company.

The applicable criteria on the basis of which Directors have compiled the Pro Forma Consolidated Statement of Financial Position are as described in Note 1 of Appendix I to this letter as set out on Section 7 of the Circular.

The Pro Forma Consolidated Statement of Financial Position has been compiled by the Directors to illustrate the impact of the Proposed Disposal set out in Note 1 on the Company's consolidated financial position as at 31 December 2017. As part of this process, information about the financial position has been extracted by the Directors from the financial statements for the year ended 31 December 2017, on which audit report has been published.

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The Director's Responsibility for the Pro Forma Consolidated Statement of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statement of Financial Position on the basis of the applicable criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to express an opinion, as required by the Bursa Malaysia Securities Berhad, about whether the Pro Forma Consolidated Statement of Financial Position have been compiled, in all material respects, by the Directors on the basis of the applicable criteria.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statement of Financial Position on the basis of the applicable criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statement of Financial Position.

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Our Responsibilities (Contd.)

The purpose of Pro Forma Consolidated Statement of Financial Position included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statement of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of Pro Forma Consolidated Statement of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statement of Financial Position reflect the proper application of those adjustments to the unadjusted consolidated statement of financial position.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statement of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statement of Financial Position.

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

Opinion

In our opinion, the Pro Forma Consolidated Statement of Financial Position of MBC have been compiled, in all material respects, on the basis of the applicable criteria.

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONT'D)*

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Other Matters

This letter is issued for the sole purpose of complying with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad in connection with the Proposed Disposal. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposed Disposal described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Proposed Disposal.

Yours faithfully

Ernst & Young
AF: 0039
Chartered Accountants

Phang Oy Lin
No. 02985/03/2020 J
Chartered Accountant

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONT'D)*

Malaysian Bulk Carriers Berhad **Appendix I**

Pro Forma Consolidated Statement Of Financial Position as at 31 December 2017

The Pro Forma Consolidated Statement of Financial Position of MBC as at 31 December 2017 ("Pro Forma Consolidated Statement of Financial Position") set out below have been prepared for illustrative purposes only and to show the effects of the events and transactions referred to in the notes to the Pro Forma Consolidated Statement of Financial Position.

	Note	Audited as at 31.12.2017 RM'000	Adjustment for Proposed Disposal RM'000	Adjustment for utilisation of proceeds RM'000	Pro forma RM'000
Assets					
Non-current assets					
Intangible assets		-	-	-	-
Property, plant and equipment		471,671	-	-	471,671
Deposits		56,788	-	-	56,788
Associate		394,963	(394,963)	-	-
Joint ventures		75,974	-	-	75,974
		999,396			604,433
Current assets					
Consumable stores		7,344	-	-	7,344
Receivables and other current assets		44,742	-	-	44,742
Short term deposits		19,894	-	-	19,894
Cash and bank balances		52,339	278,689	(68,300)	262,728
		124,319			334,708
Non-current assets classified as held for sale		83,224	-	-	83,224
		207,543			417,932
Total assets		1,206,939			1,022,365
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital		338,791	-	-	338,791
Cash flow hedge reserve		6,647	(6,461)	-	186
Foreign currency translation reserve		606,026	(396,801)	-	209,225
		612,673			209,411
Accumulated losses	3	(425,685)	286,988	-	(138,697)
		525,779			409,505
Non-controlling interests		23,404	-	-	23,404
Total equity		549,183			432,909

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Chartered Accountants, Kuala Lumpur
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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONT'D)*

Malaysian Bulk Carriers Berhad **Appendix I**

Pro Forma Consolidated Statement Of Financial Position as at 31 December 2017 (Contd.)

	Note	Audited as at 31.12.2017 RM'000	Adjustment for Proposed Disposal RM'000	Adjustment for utilisation of proceeds RM'000	Pro forma RM'000
Non-current liabilities					
Payables and other liabilities		38,346	-	-	38,346
Borrowings		323,946	-	(21,236)	302,710
Derivative financial liabilities		55,549	-	-	55,549
Provision for onerous contracts		63,476	-	-	63,476
		481,317			460,081
Current liabilities					
Payables and other liabilities		39,897	-	-	39,897
Borrowings	4	86,197	-	(47,064)	39,133
Derivative financial liabilities		19,842	-	-	19,842
Provision for taxation		389	-	-	389
Provision for onerous contracts		30,114	-	-	30,114
		176,439			129,375
Total liabilities		657,756			589,456
Total equity and liabilities		1,206,939			1,022,365

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Malaysian Bulk Carriers Berhad **Appendix I**

Notes to the Pro Forma Consolidated Statement Of Financial Position as at 31 December 2017

1. Basis of preparation

The Pro Forma Consolidated Statement of Financial Position have been prepared for illustrative purposes only, to show the effects of the Proposed Disposal had the Proposed Disposal been completed on 31 December 2017.

The Pro Forma Consolidated Statement of Financial Position, for which the Board of Directors of MBC is solely responsible, have been properly prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") in Malaysia and in a manner consistent with both the audited consolidated statement of financial position of MBC as at 31 December 2017 and the accounting policies adopted by MBC, after incorporating adjustments that are appropriate for the preparation of the Pro Forma Consolidated Statement of Financial Position.

The Pro Forma Consolidated Statement of Financial Position have been compiled using the audited consolidated statement of financial position of MBC and additional information deemed appropriate for the preparation of Pro Forma Consolidated Statement of Financial Position made available to us for the purpose of this engagement. The Pro Forma Consolidated Statement of Financial Position have been presented in a manner consistent with both the format of the financial statements and the accounting policies of MBC.

The Pro Forma Consolidated Statement of Financial Position, because of their nature, may not be reflective of the actual financial position of MBC. Furthermore, such information does not purport to predict the future financial position of MBC.

The Pro Forma Consolidated Statement of Financial Position are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2. Effects on the pro forma consolidated statement of financial position

(a) Adjustment for Proposed Disposal

MBC proposed to dispose of its deemed interest of up to 386,385,645 ordinary shares in the capital of PACC Offshore Services Holdings Ltd. ("POSH") ("POSH Shares") representing approximately 21.23% of the total issued shares in POSH, which is directly held by a wholly-owned subsidiary of the Company known as Lightwell Shipping Inc. ("LSI"), to all shareholders of MBC who are registered as members and whose names appear in the Record of Depositors of the Company as at an entitlement date to be determined and announced later ("Entitlement Date") ("Entitled Shareholders").

The Proposed Disposal is to be carried out by way of a renounceable restricted offer for sale of up to 386,385,645 POSH Shares, directly held by LSI ("Offer Shares"), by MBC to all its Entitled Shareholders ("Proposed ROS").

The Proposed ROS involves a renounceable restricted offer for sale of the Offer Shares, by MBC to the Entitled Shareholders on a pro-rata basis of 386 Offer Shares for every 1,000 existing ordinary shares in MBC held by the Entitled Shareholders as at the Entitlement Date.

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2. Effects on the pro forma consolidated statement of financial position (contd.)

(a) Adjustment for Proposed Disposal (contd.)

(i) Estimated proceeds from the Proposed Disposal

The disposal consideration will be the offer price of the Offer Shares determined after taking into consideration the following:

(a) the discount range of between 15% and 30% on the prevailing market price of POSH Shares;
(b) the prevailing market conditions; and
(c) the financial impact of the Proposed ROS on MBC Group.

The actual discount to the market price of POSH Shares for the Offer Shares shall be determined by the Board after taking into consideration the following:

(a) the offer price of the Offer Shares shall be deemed sufficiently attractive to encourage the Entitled Shareholders to accept the Offer Shares; and
(b) the funding requirements of MBC Group.

For illustrative purposes, assuming that all the Offer Shares are fully taken up by the Entitled Shareholders based on an indicative offer price of RM0.75 (equivalent to SGD0.2542 based on an indicative discount of approximately 20.0% to the 5-day volume weighted average market price of POSH Shares up to and including the latest practicable date ("LPD") on 23 April 2018 of SGD0.3178), based on the exchange rate of SGD1:RM2.9480 as quoted by Bank Negara Malaysia as at the LPD.

The disposal consideration amounting to RM289,789,000 is deemed received in cash as at 31 December 2017.

(ii) Estimated expenses for the Proposed Disposal

Disposal-related costs are costs that the vendor incurs to effect a disposal. Those costs include advisory, legal, accounting and other professional or consulting fees; and other fees and expenses such as regulatory fees, share transfer fees, printing and advertising expenses. The vendor shall account for disposal-related costs as expenses in determining the gain on disposal in the period in which the disposal is completed.

The estimated expenses pertaining to the Proposed Disposal amounting to RM11,100,000 are deemed incurred and paid in cash as at 31 December 2017.

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Malaysian Bulk Carriers Berhad **Appendix I**

2. Effects on the pro forma consolidated statement of financial position (contd.)

(a) Adjustment for Proposed Disposal (contd.)

(iii) Reclassification of the reserves relating to POSH from equity to profit or loss

In accordance with MFRS 128: Investments in Associates and Joint Ventures, an entity shall discontinue the use of the equity method from the date when its investment ceases to be an associate. When an entity discontinues the use of the equity method, the entity shall account for all amounts previously recognised in other comprehensive income in relation to the investment on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

On the disposal of POSH, the foreign currency translation reserve and cash flow hedge reserve relating to POSH amounting to RM396,801,000 and RM6,461,000 respectively that have been recognised in other comprehensive income and accumulated in the separate component of equity is recognised in profit or loss as part of the gain on disposal.

(b) Adjustment for utilisation of proceeds

MBC Group has total outstanding borrowings of RM410,143,000 as at 31 December 2017. It is proposed that proceeds from disposal will be utilised to repay the scheduled instalments of these borrowings as at 31 December 2017, which are due as follows:

	RM'000
As at 31 December 2017	
Borrowings due within 12 months	47,064
Borrowings due after 12 months	21,236
	68,300

Malaysian Bulk Carriers Berhad **Appendix I**

3. Pro forma consolidated statement of financial position

Accumulated losses

	RM'000	RM'000
Audited accumulated losses as at 31 December 2017		(425,685)
Estimated proceeds from the Proposed Disposal	289,789	
Less: Estimated expenses for the Proposed Disposal	(11,100)	
Net estimated proceeds from the Proposed Disposal	278,689	
Less: Carrying amount of POSH shares as at 31 December 2017	(394,963)	
Estimated loss from the Proposed Disposal before the reclassification of the reserves relating to POSH	(116,274)	
Add: Reclassification of the reserves relating to POSH from equity to profit or loss	403,262	
Estimated gain from the Proposed Disposal		286,988
Pro forma accumulated losses as at 31 December 2017		(138,697)

4. Borrowings (current)

The proforma borrowings (current) of RM39,133,000 has been repaid subsequent to 31 December 2017.

Ernst & Young (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF POSH FOR THE FYE 31 DECEMBER 2017 TOGETHER WITH THE AUDITORS' REPORT THEREON

DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of PACC Offshore Services Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and statements of financial position and changes in equity of the Company for the financial year ended 31 December 2017.

OPINION OF THE DIRECTORS

In the opinion of the Directors,

(i) the consolidated financial statements of the Group and statements of financial position and changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The Directors of the Company in office at the date of this statement are:

Kuok Khoon Ean
Seow Kang Hoe, Gerald
Wu Long Peng
Jude Philomen Benny
Ma Kah Woh
Ahmad Sufian @ Qurnain Bin Abdul Rashid
Wee Joo Yeow
Ivan Replumaz (Appointed on 1 October 2017)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Except as described in the financial statements, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS

According to the register kept by the Company for purposes of Section 164 of the Singapore Companies Act, Chapter 50, particulars of interests of Directors, who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, share options/awards of the Company and related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings registered in the name of Director or nominee		Holdings in which Director is deemed to have an interest	
	As at 1.1.2017/ date of appointment	As at 31.12.2017	As at 1.1.2017/ date of appointment	As at 31.12.2017
Name of Director				
Ordinary Shares				
In the immediate and ultimate holding company - Kuok (Singapore) Limited				
Kuok Khoon Ean	–	–	5,700,000	**5,700,000**
Wu Long Peng	800,000	**800,000**	133,333	**133,333**
Seow Kang Hoe, Gerald	400,000	**400,000**	–	–
In the Company				
Kuok Khoon Ean	–	–	1,725,000	**1,725,000**
Wu Long Peng	5,626,542	**5,626,542**	–	–
Seow Kang Hoe, Gerald	7,444,043	**8,078,043**	–	–
Ahmad Sufian @ Qurnain Bin Abdul Rashid	1,020,000	**1,020,000**	–	–
Ma Kah Woh	200,000	**200,000**	–	–
Jude Philomen Benny	250,000	**250,000**	38,000	**38,000**
Wee Joo Yeow	500,000	**500,000**	–	–
Ivan Replumaz	–	–	–	–
FY2016 share awards grant under the POSH Performance Share Plan ("PSP")				
Seow Kang Hoe, Gerald	678,000	**678,000**	–	–
FY2017 share awards grant under the PSP				
Seow Kang Hoe, Gerald	–	**880,000**	–	–
Options granted by Kuok (Singapore) Limited over shares it held in the Company				
Seow Kang Hoe, Gerald	–	–	3,750,000	**3,750,000**
Wu Long Peng	–	–	2,812,500	**2,812,500**

These options granted by Kuok (Singapore) Limited to the abovementioned Directors over existing shares of the Company are to be exercised during the period from 5 August 2015 to 4 August 2018 ("Option Exercise Period") at an exercise price of US$0.5333 per option share. These options may be exercised on all or part of the option shares at any time during the Option Exercise Period, provided that where the option is exercised in part, it shall be in multiples of 18,750 shares.

Except as disclosed in this statement, no other Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or date of appointment, if later, or at the end of the financial year.

There were no changes in any of the abovementioned interests in the Company between the end of the financial year and 21 January 2018.

DIRECTORS' STATEMENT

SHARE BASED INCENTIVE PLANS

The Company has in place two share-based incentive plans namely the POSH Share Option Plan (the "SOP") and the POSH Performance Share Plan (the "PSP"), (collectively, the "Share Plans"). The Share Plans were approved by the shareholders of the Company at the Extraordinary General Meeting held on 28 March 2014.

The Company had adopted the Share Plans to reward, retain and motivate employees and Non-Executive Directors of the Group, as well as to align the interests of employees with the interests of the Group and its shareholders, thereby enhancing the long-term growth of the Company and the Group. The Remuneration Committee administers the Share Plans.

SOP

Other information regarding the SOP is set out below:

- The share options shall be exercised, in whole or in part, in accordance with the following vesting schedule:

  (i) 25 January 2018 to 24 January 2019 – 50%
  (ii) 25 January 2019 to 24 January 2020 – 30%
  (iii) On or after 25 January 2020 – 20%

- All options are to be settled by physical delivery of shares.

- The options granted expire after 10 years or upon cessation of the employment of the employees.

At the end of the financial year, details of the options granted under the SOP on the unissued ordinary shares of the Company are as follows:

Date of grant	Exercise price per share	Outstanding at 1 January 2017	Granted during the financial year ended 31 December 2017	Exercised	Forfeited	Outstanding at 31 December 2017
25/01/17	S$0.34	-	1,549,000	-	189,000	1,360,000

The aggregate number of options granted to the directors and employees of the parent company and its subsidiaries for the financial year under review, and since the commencement of the SOP to the end of the financial year under review is 762,000.

Except for the above, there are no other share options forfeited, expired, cancelled or exercised since commencement of the SOP to 31 December 2017.

DIRECTORS' STATEMENT

SHARE BASED INCENTIVE PLANS (CONT'D)

PSP

Other information regarding the PSP is set out below:

(i) The vesting of the first batch of 1,839,000 share awards granted on 22 January 2016 is subject to achievement of performance and/or service conditions as determined by the Remuneration Committee. The share awards shall vest on the third anniversary of the date of grant (i.e. 22 January 2019).

(ii) The second batch of 1,873,000 share awards granted on 22 January 2016 were a one-time grant as an initial launch of the PSP scheme to key management personnel of the Company. The vesting of these shares awards are not conditional on any performance criteria. The share awards vested on 31 December 2016.

(iii) The vesting of the third batch of 1,962,000 share awards granted on 25 January 2017 is subject to achievement of performance and/or service conditions as determined by the Remuneration Committee. The share awards shall vest on the third anniversary of the date of grant (i.e. 25 January 2020).

At the end of the financial year, details of the share awards granted under the PSP are as follows:

Date of grant	Batch	Outstanding at 1 January 2017	Granted during the financial year ended 31 December 2017	Vested since commencement of PSP to 31 December 2017	Forfeited since commencement of PSP to 31 December 2017	Outstanding at 31 December 2017
22/01/16	1	1,839,000	-	-	120,000	1,719,000
22/01/16	2	-	-	1,873,000	-	-
25/01/17	3	-	1,962,000	-	-	1,962,000

Details of share awards granted to an Executive Director of the Company under the PSP are as follows:

Name of Director	Granted and not released as at 1 January 2017	Granted during the financial year ended 31 December 2017	Vested during the financial year ended 31 December 2017	Granted and not released as at 31 December 2017
Seow Kang Hoe, Gerald	678,000	880,000	-	1,558,000

No awards have been granted to controlling shareholders or their associates, or parent group Directors or employees.

No shares were issued by virtue of the exercise of options or the vesting of any performance share awards during the financial year.

There were no unissued shares under option at the end of the financial year.

No participant has received 5% or more of the total number of share options or share awards available under the Share Plans during the financial year.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

The Audit Committee ("AC") carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and the results of their audits;
- Reviewed the external and internal auditors' evaluation of the adequacy of the Group's system of internal accounting controls and the assistance given by the Group and the Company's management to these auditors;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company and recommending these statements to the Board of Directors for approval;
- Reviewed the adequacy and effectiveness of the Group and the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management, and the reviews carried out by the external and internal auditors;
- Met with the external and internal auditors in private to discuss any matters that they believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost adequacy and effectiveness, and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the Board of Directors the external auditor for re-appointment and approved the compensation of the external auditor;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance of all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

AUDITORS

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors

SEOW KANG HOE, GERALD
Director

WU LONG PENG
Director

23 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PACC OFFSHORE SERVICES HOLDINGS LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PACC Offshore Services Holdings Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statements of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 current period. These matters were addressed in the context of our audit of the financial statements 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 our responsibilities described in the Auditor's 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 for our audit opinion on the accompanying financial statements.

Impairment assessment of vessels

We draw your attention to Note 2.6(a), Note 2.8 and Note 5. Due to the current state of the market, there is possibility of delays in projects arising from changes in capital investment by various customers and the risk of charterers renegotiating for lower rates. These have resulted in an indication of impairment of vessels. Management identified vessels whose carrying values had exceeded appraised values and had incurred operating losses during the financial year to be subjected for impairment assessment. The appraised values were based on open market values provided by an independent valuer.

This area was significant to our audit as the total carrying amounts of the vessels amounted to US$1,076,476,000, representing 87% of the total non-current assets as at 31 December 2017 and there are significant management's judgements involved in determining the recoverable value of vessels. The recoverable value is based on the higher of the fair value less cost of disposal and value-in-use of the vessels.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PACC OFFSHORE SERVICES HOLDINGS LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Key Audit Matters (cont'd)

Impairment assessment of vessels (cont'd)

Our audit procedures included, amongst others, evaluating and assessing the assumptions and methodology used by management and the external independent valuers. We considered the competence, capabilities and objectivity of its external independent valuer and also assessed the appropriateness of the data and key assumptions used by the external valuer such as specification of vessels. We also engaged our internal valuation specialist to support us in assessing the reasonableness of the external valuer's valuation methodology and key assumptions used and considered the appropriateness of the open market values. Based on management's assessment, US$103,893,000 impairment charges were recognised for the financial year ended 31 December 2017.

We also focused on the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The disclosures on key assumptions and sensitivities are included in Note 5.

Recoverability of trade receivables

We draw your attention to Note 2.6(b) and Note 11. Trade receivable balances were significant to the Group as they represent 5% of the total assets on the statements of financial position. The industry in which the Group operates in remains weak and this gives rise to increased risks in collection of trade receivables. Trade receivables impairment assessment requires significant management judgment hence we determined that this is a key audit matter.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The Group's management supports subsidiaries in setting credit limits for customers and approves such limits above certain thresholds where applicable.

We assessed the Group's processes and key controls relating to the monitoring of trade receivables and considered aging to identify collection risks. We performed audit procedures, amongst others, sending trade receivable confirmations, and reviewing for collectability by way of obtaining evidence of receipts from the trade receivables subsequent to the year end. We had discussions with management on the recoverability of long outstanding debts, analysed trend of collections for particular trade debtors and reviewed legal case file for disputes. We also selected samples to test cut-off of revenue transactions through verification of contracts and invoices. We assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk and liquidity risk in Notes 11, 31(c) and 31(d). Based on management's assessment, impairment charges of US$3,221,000 on trade receivables were recognised for the financial year ended 31 December 2017.

Impairment of investments and amounts due from subsidiaries

The investment in subsidiaries are accounted for at cost less impairment losses in the Company's financial statements. These subsidiaries are vessel owning companies. The impairment assessment was significant to our audit due to the total carrying amount of subsidiaries and amount due from subsidiaries which amounted to 88% of the Company's total assets as at 31 December 2017 and there are significant management's judgements involved in the impairment assessment process.

The results of the audit procedures discussed in the preceding paragraphs relating to impairment assessment of vessels held as fixed assets and other factors such as the various subsidiaries historical and current performances, financial position and the estimated probability of future cash flows are taken into consideration when assessing the impairment of investments and amounts due from subsidiaries. Based on management's assessment, impairment charges of US$219,223,000 on investment in subsidiaries and US$104,769,000 on amount due from subsidiaries were recognised during the financial year ended 31 December 2017.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PACC OFFSHORE SERVICES HOLDINGS LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 SSAs 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 SSAs, 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, 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 internal control.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PACC OFFSHORE SERVICES HOLDINGS LTD.
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of management's 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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 consolidated financial statements. 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 current period and are therefore the key audit matters. We describe these matters in our auditor's 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 our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yee Woon Yim.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

23 March 2018

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF POSH FOR THE FYE 31 DECEMBER 2017 TOGETHER WITH THE AUDITORS' REPORT THEREON *(CONT'D)*

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017	2016	**2017**	2016
		US$'000	US$'000	**US$'000**	US$'000
Assets					
Non-Current Assets					
Goodwill	4	**–**	57,125	**–**	–
Fixed assets	5	**1,111,975**	1,184,927	**346**	96,638
Intangible assets	6	**95**	12	**–**	–
Due from joint ventures	12	**31,877**	21,834	**27,050**	21,834
Investment in subsidiaries	27	**–**	–	**112,493**	331,616
Interest in joint ventures	7	**80,668**	63,189	**35,989**	44,507
Receivables and other non-current assets	8	**1,616**	1,982	**–**	–
Derivatives	9	**7,295**	5,600	**1,261**	–
		1,233,526	1,334,669	**177,139**	494,595
Current Assets					
Consumables	10	**3,609**	1,677	**–**	–
Receivables and other current assets	11	**83,203**	79,626	**5,877**	3,443
Due from subsidiaries and joint ventures	12	**75,061**	71,490	**806,578**	860,585
Due from related companies	12	**1,337**	523	**3**	–
Cash and cash equivalents	13	**17,088**	15,058	**12,511**	3,850
		180,298	168,374	**824,969**	867,878
Fixed assets classified as held-for-sale	14	**–**	2,547	**–**	–
		180,298	170,921	**824,969**	867,878
Total Assets		**1,413,824**	1,505,590	**1,002,108**	1,362,473
Equity and Liabilities					
Equity Attributable to Shareholders					
Share capital	15(a)	**827,201**	827,201	**827,201**	827,201
Treasury shares	15(b)	**(1,447)**	(1,828)	**(1,447)**	(1,828)
Accumulated (losses)/retained profits		**(373,205)**	(142,939)	**(340,788)**	14,602
Other reserves	16	**7,726**	5,898	**1,394**	–
		460,275	688,332	**486,360**	839,975
Non-controlling interest		**(64)**	(69)	**–**	–
		460,211	688,263	**486,360**	839,975
Non-Current Liabilities					
Bank borrowings	17	**584,461**	439,225	**295,000**	200,000
Deferred tax liabilities		**475**	414	**–**	–
		584,936	439,639	**295,000**	200,000
Current Liabilities					
Payables and accruals	18	**110,295**	73,561	**19,254**	20,259
Advances received from customers	19	**849**	198	**–**	–
Due to subsidiaries and joint ventures	20	**60,093**	29,301	**32,868**	49,027
Due to related companies	20	**5,602**	2,505	**4,407**	2,402
Due to holding company	21	**196**	195	**196**	195
Bank borrowings	17	**184,464**	269,107	**161,400**	248,487
Provision for taxation		**7,178**	2,821	**2,623**	2,128
		368,677	377,688	**220,748**	322,498
Total Liabilities		**953,613**	817,327	**515,748**	522,498
Net Current (Liabilities)/Assets		**(188,379)**	(206,767)	**604,221**	545,380
Net Assets		**460,211**	688,263	**486,360**	839,975
Total Equity and Liabilities		**1,413,824**	1,505,590	**1,002,108**	1,362,473

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 US$'000	Group 2016 US$'000
Revenue	3	**192,237**	183,100
Cost of sales		**(205,635)**	(178,115)
Gross (loss)/profit		**(13,398)**	4,985
Other expenses, net	22	**(162,225)**	(302,793)
Distribution costs		**(1,146)**	(1,002)
General and administrative expenses		**(28,176)**	(43,277)
Finance costs	23	**(22,847)**	(14,412)
Share of joint ventures' results		**2,359**	(13,814)
Loss before taxation	24	**(225,433)**	(370,313)
Taxation	25	**(4,828)**	(1,271)
Net loss for the year		**(230,261)**	(371,584)
Loss attributable to:			
Equity holders of the Company		**(230,266)**	(371,448)
Non-controlling interest		**5**	(136)
		(230,261)	(371,584)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges			
Fair value gain		**1,695**	5,600
Other comprehensive income, net of tax		**1,695**	5,600
Total comprehensive loss for the year		**(228,566)**	(365,984)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(228,571)**	(365,848)
Non-controlling interest		**5**	(136)
		(228,566)	(365,984)
Loss per share (cents per share)			
Basic	36	**(12.70)**	(20.50)
Diluted	36	**(12.70)**	(20.50)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF POSH FOR THE FYE 31 DECEMBER 2017 TOGETHER WITH THE AUDITORS' REPORT THEREON *(CONT'D)*

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Note	Share Capital US$'000	Treasury Shares US$'000	Retained Profits/ Accumulated (Losses) US$'000
Balance at 1 January 2017		**827,201**	**(1,828)**	**(142,939)**
Treasury shares reissued pursuant to employee share plans	15(b)	**–**	**419**	**–**
Purchase of treasury shares	15(b)	**–**	**(38)**	**–**
Grant of equity-settled share options to employees		**–**	**–**	**–**
Net loss for the year		**–**	**–**	**(230,266)**
Other comprehensive income for the year		**–**	**–**	**–**
Total comprehensive loss for the year		**–**	**–**	**(230,266)**
Balance at 31 December 2017		**827,201**	**(1,447)**	**(373,205)**
Balance at 1 January 2016		827,201	(1,669)	235,213
Purchase of treasury shares	15(b)	–	(159)	–
Incorporation of subsidiary		–	–	–
Dividends	35	–	–	(6,704)
Net loss for the year		–	–	(371,448)
Other comprehensive income for the year		–	–	–
Total comprehensive loss for the year		–	–	(371,448)
Balance at 31 December 2016		827,201	(1,828)	(142,939)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF POSH FOR THE FYE 31 DECEMBER 2017 TOGETHER WITH THE AUDITORS' REPORT THEREON *(CONT'D)*

Other Reserves US$'000	Exchange Reserve US$'000	Hedging Reserve US$'000	Employee Share Option Reserve US$'000	Non-Controlling Interest US$'000	Total Equity US$'000
5,898	**298**	**5,600**	**–**	**(69)**	**688,263**
–	**–**	**–**	**–**	**–**	**419**
–	**–**	**–**	**–**	**–**	**(38)**
133	**–**	**–**	**133**	**–**	**133**
–	**–**	**–**	**–**	**5**	**(230,261)**
1,695	**–**	**1,695**	**–**	**–**	**1,695**
1,695	**–**	**1,695**	**–**	**5**	**(228,566)**
7,726	**298**	**7,295**	**133**	**(64)**	**460,211**
298	298	–	–	–	1,061,043
–	–	–	–	–	(159)
–	–	–	–	67	67
–	–	–	–	–	(6,704)
–	–	–	–	(136)	(371,584)
5,600	–	5,600	–	–	5,600
5,600	–	5,600	–	(136)	(365,984)
5,898	298	5,600	–	(69)	688,263

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF POSH FOR THE FYE 31 DECEMBER 2017 TOGETHER WITH THE AUDITORS' REPORT THEREON *(CONT'D)*

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	Note	Share Capital US$'000	Treasury Shares US$'000	Retained Profits/ Accumulated (Losses) US$'000	Other Reserves US$'000	Hedging Reserve US$'000	Employee Share Option Reserve US$'000	Total Equity US$'000
Balance at 1 January 2017		**827,201**	**(1,828)**	**14,602**	**–**	**–**	**–**	**839,975**
Treasury shares reissued pursuant to employee share plans	15(b)	**–**	**419**	**–**	**–**	**–**	**–**	**419**
Purchase of treasury shares	15(b)	**–**	**(38)**	**–**	**–**	**–**	**–**	**(38)**
Grant of equity-settled share options to employees		**–**	**–**	**–**	**133**	**–**	**133**	**133**
Net loss for the year		**–**	**–**	**(355,390)**	**–**	**–**	**–**	**(355,390)**
Other comprehensive income		**–**	**–**	**–**	**1,261**	**1,261**	**–**	**1,261**
Total comprehensive loss for the year		**–**	**–**	**(355,390)**	**1,261**	**1,261**	**–**	**(354,129)**
Balance at 31 December 2017		**827,201**	**(1,447)**	**(340,788)**	**1,394**	**1,261**	**133**	**486,360**
Balance at 1 January 2016		827,201	(1,669)	218,079	–	–	–	1,043,611
Purchase of treasury shares	15(b)	–	(159)	–	–	–	–	(159)
Dividends	35	–	–	(6,704)	–	–	–	(6,704)
Net loss and total comprehensive loss for the year		–	–	(196,773)	–	–	–	(196,773)
Balance at 31 December 2016		827,201	(1,828)	14,602	–	–	–	839,975

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF POSH FOR THE FYE 31 DECEMBER 2017 TOGETHER WITH THE AUDITORS' REPORT THEREON *(CONT'D)*

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 US$'000	2016 US$'000
Cash Flow from Operating Activities		
Loss before taxation	**(225,433)**	(370,313)
Adjustments for:		
Amortisation of prepayments	**364**	364
Amortisation of intangible assets	**128**	33
Depreciation of fixed assets	**63,625**	69,626
Grant of equity-settled share options to employees	**133**	–
Bad debts written off	**–**	1,882
Allowance for doubtful debts – trade	**3,221**	13,768
Fixed assets written off	**–**	505
Impairment of fixed assets	**108,255**	198,950
Impairment of goodwill	**57,125**	111,178
Loss/(gain) on disposal of fixed assets	**3,133**	(352)
Share of joint ventures' results	**(2,359)**	13,814
Unrealised exchange gain	**(181)**	(320)
Interest expense	**22,847**	14,412
Interest income	**(1,980)**	(2,259)
Operating cash flow before working capital changes	**28,878**	51,288
Increase in consumables	**(1,932)**	(872)
Increase in receivables and other assets	**(6,987)**	(27)
Increase in due to related companies	**2,231**	–
Increase in payables and accruals	**17,947**	1,226
Cash generated from operating activities	**40,137**	51,615
Interest paid	**(21,553)**	(14,139)
Interest received	**2,171**	2,256
Income taxes paid	**(410)**	(1,512)
Net cash generated from operating activities	**20,345**	38,220
Cash Flow from Investing Activities		
Acquisition of intangible assets	**(211)**	(16)
Acquisition of fixed assets	**(91,571)**	(171,049)
Proceeds from disposal of fixed assets	**4,445**	2,239
Increase in due to related companies	**51**	–
Decrease/(increase) in due from joint ventures	**8,254**	(4,587)
Increase in interest in joint venture	**(20)**	–
Net cash used in investing activities	**(79,052)**	(173,413)
Cash Flow from Financing Activities		
Capital injection from non-controlling interest of a subsidiary	**–**	67
Increase in bank borrowings	**60,593**	148,602
Dividends paid	**–**	(6,704)
Purchase of treasury shares	**(38)**	(159)
Decrease in due to joint ventures and related companies	**–**	(5,265)
Increase/(decrease) in due to holding company	**1**	(389)
Net cash generated from financing activities	**60,556**	136,152
Net increase in cash and cash equivalents	**1,849**	959
Effect of exchange rate changes on cash and cash equivalents	**181**	320
Cash and cash equivalents at beginning of year	**15,058**	13,779
Cash and cash equivalents at end of year (Note 13)	**17,088**	15,058

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1 GENERAL INFORMATION

The financial statements of the Group and the Company for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors passed on 23 March 2018.

The Company, which is a limited liability company, is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at No. 1 Kim Seng Promenade, #07-02 and #06-01 Great World City, Singapore 237994 respectively.

The principal activities of the Company are in the business of general shipping and investment holding. The principal activities of the subsidiaries, which provide offshore marine support services, are disclosed in Note 27 to the financial statements.

The immediate and ultimate holding company is Kuok (Singapore) Limited, incorporated in the Republic of Singapore.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group, statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars ("US$" or "USD") and all values are rounded to the nearest thousand (US$'000) unless otherwise indicated.

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the adoption of the new standards that are effective on 1 January 2018, the Group expects that the new framework will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting the new standards that are effective on 1 January 2018 will be similar to that as disclosed in Note 2.3.

The financial statements have been prepared on a going concern basis. The Group has a net current liability position of US$188,379,000 (2016: US$206,767,000) as at 31 December 2017 mainly due to uncommitted revolving loans of US$161,400,000 (2016: US$248,487,000) being due for repayment in the following 12 months. The uncommitted revolving loans outstanding as at 31 December 2017 has been classified as current liability as this funding is subject to the banks' continued approval to be refinanced. These uncommitted facilities agreements expire in July 2021. In the opinion of the Directors, the Group will be able to generate positive cash flows from operations and, coupled with continued funding from lenders, has sufficient funding to meet its financial obligations as and when they fall due.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (December 2016)	
– Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
– INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
– INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Improvements to FRSs (March 2018)	
– Amendments to FRS 12 *Income Taxes*	1 January 2019
– Amendments to FRS 23 *Borrowing Costs*	1 January 2019
– Amendments to FRS 111 *Joint Arrangements*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the Directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting SFRS(I) 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 9 in 2018.

Impairment

SFRS(I) 9 requires the Group and the Company to record expected credit losses on all of its loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group is currently assessing the impact of adopting SFRS(I) 15 and this assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 15 in 2018.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach.

The Group also plans to apply the following practical expedients:

- For completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 January 2017; and
- For completed contracts that have variable consideration, the Group plans to use the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of SFRS(I) 16 and expects that the adoption of SFRS(I) 16 will result in increase in total assets and total liabilities, earnings before interest, tax, depreciation and amortisation and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying SFRS(I) 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to SFRS(I) 16 and assessing the possible impact of adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations

(a) 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 to like transactions and events in similar circumstances.

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

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.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations and goodwill (cont'd)

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units ("CGU") that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The CGUs to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates.

2.5 Transactions with non-controlling interests

Non-controlling interest represents 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 Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Significant accounting judgments and estimates (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of vessels

The Group determines the recoverable amount of vessels based on the higher of its fair value less costs of disposal and its value in use. When value in use calculation is undertaken, management estimates the expected future cash flows from the asset or CGU by applying suitable discount rates to calculate the present value of those cash flows. When fair value less costs of disposal 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 reflective of current market conditions. The carrying amount of the Group's vessels is disclosed in Note 5.

(b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 11 and Note 33.

(c) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose suitable discount rates in order to calculate the present value of those cash flows. The key assumptions applied in the determination of the value in use including sensitivity analysis, are disclosed and further explained in Note 4. The carrying amount of the Group's goodwill as at 31 December 2017 is disclosed in Note 4.

(d) Impairment of investments and amounts due from subsidiaries

The Company assesses at the end of each reporting period whether there is any objective evidence that the investments and amounts due from subsidiaries are impaired. Management considers factors such as the historical and current performances, estimated value and probability of future cash flows.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the subsidiary and choose suitable discount rates in order to calculate the present value of those cash flows. The investments and amounts due from subsidiaries and their related impairments as at 31 December 2017 are disclosed in Note 27 and Note 12 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Foreign currency

The financial statements are presented in USD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of joint ventures that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.8 Fixed assets

All items of fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the fixed assets. The cost of an item of fixed assets is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

Vessels under construction included in fixed assets are not depreciated as these assets are not yet available for use.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Fixed assets (cont'd)

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 20 to 30 years, whilst for vessels purchased second-hand, depreciation is calculated utilising the straight-line method to write off the cost, less estimated scrap value over their remaining useful lives.

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

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

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

Office equipment	–	5 years
Computer hardware	–	3 years
Furniture and fittings	–	10 years
Motor vehicles	–	5 years
Renovation	–	3 years
Plant and machinery	–	3 – 5 years

The carrying values of fixed assets 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 fixed assets is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

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 least 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.

Gains or losses arising from de-recognition 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 de-recognised.

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 the useful life of 3 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 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 CGU's fair value less costs of disposal 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 groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, 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 CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously.

2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.12 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. 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.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement. To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Joint arrangements (cont'd)

The Group account for its investments in joint ventures using the equity method from the date on which it becomes a joint venture. On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of a joint venture company's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The profit or loss reflects the share of the results of operations of the joint ventures. Distributions received from joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the joint ventures are eliminated to the extent of the interests in the joint ventures.

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

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

The financial statements of the joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.13 Prepayments

Prepayments comprise primarily advances paid for charter hire of vessels. The costs incurred are amortised over the period of the charter hire contract.

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised and through the amortisation process.

De-recognition

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

2.15 Impairment of financial assets

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Impairment of financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.16 Consumables

Consumables include consumable stores such as lubricant oil stocks, bunkers and ship provisions, are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

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

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and deposits with financial institutions which are subject to insignificant risk of changes in value.

2.18 Provisions

Provisions are recognised when the Group and the Company have 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.

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.

2.19 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, 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.

(b) Employee share plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted, which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options which will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of the period and is recognised in employee benefits expense.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. Accrual is made for the estimated liability for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

(d) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain management personnel are considered key management personnel.

2.21 Leases

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

As lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss over the lease term on a straight-line basis.

The Group's operating leases primarily relate to the rental of its office premises.

As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as charter hire income. The accounting policy for charter hire income is set out in Note 2.23. Contingent charter hire income is recognised as revenue in the period in which it is earned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Non-current assets held-for-sale

Non-current assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held-for-sale if their carrying amounts 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 or disposal group is available for immediate sale in its present condition.

Fixed assets once classified as held-for-sale are not depreciated.

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The following specific recognition criteria must also be met before revenue is recognised:

Charter hire income

Revenue from charter hire is recognised on a time-apportioned basis. Charter hire relates to the provision of marine related services such as transportation, towing, mooring, installation and salvage.

Interest income

Interest income is recognised using the effective interest method.

2.24 Taxes

(a) 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 income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Taxes (cont'd)

(b) Deferred tax

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and 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, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

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

- in respect of deductible temporary differences associated with investments in subsidiaries and 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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Share capital and share issuance expenses

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.

2.26 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.27 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group.

2.28 Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently carried at fair value. The method of recognising the resulting 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 each hedge as either (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedge items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months.

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Derivative financial instruments and hedging activities (cont'd)

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedge reserve and reclassified to profit and loss when the hedged interest expense on the borrowings is recognised in profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in profit and loss.

2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their service which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers' report directly to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 Related parties

A related party is defined as follows:

(a) a person or a close member of that person's family is related to the Group and Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) an entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is controlled or jointly controlled by a person identified in (a); or
- (vi) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3 REVENUE

Revenue represents income derived from the deployment of vessels and related marine services such as transportation, towing, mooring, installation and salvage.

NOTES TO THE FINANCIAL STATEMENTS

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4 GOODWILL

The carrying amounts of goodwill are allocated as follows:

	Group	
	2017	2016
	US$'000	US$'000
Transportation and installation	–	57,125

Impairment testing on goodwill

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	2017	2016
	%	%
Pre-tax discount rates	**8.0**	8.0
Growth rates	**2.0**	2.0

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

(a) Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service.

(b) Growth rates – The forecasted growth rates are based on management's estimation derived from past experience and external sources of information available.

(c) Both charter and utilisation rates are based on reference to current trend and historical performance.

Impairment recognised

During the financial year ended 31 December 2017, impairment of US$57,125,000 was recognised to write-down in full the carrying amount of the transportation and installation CGU. In the prior financial year, impairment of US$111,178,000 was recognised to write-down the offshore supply vessels CGU. Impairment of goodwill amounting to US$57,125,000 (2016: US$111,178,000) was recognised in "Other expense, net" line of the consolidated statement of comprehensive income.

5 FIXED ASSETS

Group	Vessels US$'000	Office equipment US$'000	Computer hardware US$'000
Cost			
At 1 January 2016	1,203,903	138	951
Additions	7,227	–	287
Transfers from vessels under construction	305,999	–	–
Disposals/write-offs	(1,998)	–	(399)
Transfer to assets held-for-sale (Note 14)	(17,221)	–	–
Impairment	–	–	–
At 31 December 2016 and 1 January 2017	1,497,910	138	839
Additions	18,618	11	64
Transfers from vessels under construction	165,684	–	–
Disposals/write-offs	(33,792)	–	(236)
Impairment	–	–	–
At 31 December 2017	**1,648,420**	**149**	**667**
Accumulated depreciation and impairment			
At 1 January 2016	189,160	69	461
Depreciation for the year	65,484	25	247
Impairment	194,213	–	–
Disposals/write-offs	(1,214)	–	(382)
Transfer to assets held-for-sale (Note 14)	(16,465)	–	–
At 31 December 2016 and 1 January 2017	431,178	94	326
Depreciation for the year	59,545	24	119
Impairment	103,893	–	–
Disposals/write-offs	(22,672)	–	(8)
At 31 December 2017	**571,944**	**118**	**437**
Net book value			
At 31 December 2017	**1,076,476**	**31**	**230**
At 31 December 2016	1,066,732	44	513

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Furniture and fittings US$'000	Motor vehicles US$'000	Renovation US$'000	Vessels under construction US$'000	Drydocking cost US$'000	Plant and machinery US$'000	Total US$'000
274	200	742	256,221	9,471	835	1,472,735
34	144	444	167,637	1,520	257	177,550
–	–	–	(305,999)	–	–	–
(52)	–	(521)	–	(1,103)	(230)	(4,303)
–	–	–	–	–	–	(17,221)
–	–	–	(4,737)	–	–	(4,737)
256	344	665	113,122	9,888	862	1,624,024
9	–	242	88,107	3,297	20	110,368
–	–	–	(165,684)	–	–	–
–	–	–	–	(1,022)	(204)	(35,254)
–	–	–	(4,362)	–	–	(4,362)
265	**344**	**907**	**31,183**	**12,163**	**678**	**1,694,776**
168	115	360	–	3,926	329	194,588
27	56	168	–	3,419	200	69,626
–	–	–	–	–	–	194,213
–	–	(162)	–	(1,024)	(83)	(2,865)
–	–	–	–	–	–	(16,465)
195	171	366	–	6,321	446	439,097
25	76	187	–	3,547	102	63,625
–	–	–	–	–	–	103,893
–	–	–	–	(1,022)	(112)	(23,814)
220	**247**	**553**	**–**	**8,846**	**436**	**582,801**
45	**97**	**354**	**31,183**	**3,317**	**242**	**1,111,975**
61	173	299	113,122	3,567	416	1,184,927

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5 FIXED ASSETS (CONT'D)

Company	**Office equipment US$'000**	**Computer hardware US$'000**	**Furniture and fittings US$'000**	**Motor vehicles US$'000**	**Renovation US$'000**	**Vessels under construction US$'000**	**Total US$'000**
Cost							
At 1 January 2016	128	129	273	199	501	46,206	47,436
Additions	–	202	13	–	399	92,367	92,981
Transfer to subsidiaries	–	–	–	–	–	(38,476)	(38,476)
Disposals/write-offs	–	(15)	(52)	–	(501)	–	(568)
Impairment	–	–	–	–	–	(4,056)	(4,056)
At 31 December 2016 and 1 January 2017	128	316	234	199	399	96,041	97,317
Additions	–	3	–	–	38	66,570	66,611
Transfer to subsidiaries	–	–	–	–	–	(166,667)	(166,667)
Impairment	–	–	–	–	–	4,056	4,056
At 31 December 2017	**128**	**319**	**234**	**199**	**437**	**–**	**1,317**
Accumulated depreciation							
At 1 January 2016	60	77	168	112	158	–	575
Depreciation for the year	24	42	24	41	130	–	261
Disposals/write-offs	–	–	–	–	(157)	–	(157)
At 31 December 2016 and 1 January 2017	84	119	192	153	131	–	679
Depreciation for the year	24	64	22	40	142	–	292
At 31 December 2017	**108**	**183**	**214**	**193**	**273**	**–**	**971**
Net book value							
At 31 December 2017	**20**	**136**	**20**	**6**	**164**	**–**	**346**
At 31 December 2016	44	197	42	46	268	96,041	96,638

During the year, the Group's vessels with an aggregate carrying value of US$495,952,000 (2016: US$398,859,000) were mortgaged to secure the Group's term loans (Note 17).

Impairment of fixed assets

During the financial year, the Group carried out a review of the recoverable amount of its vessels and vessels under construction in view of the depressed conditions in the offshore marine sector. An impairment of US$103,893,000 (2016: US$194,213,000) and US$4,362,000 (2016: US$4,737,000), representing the write-down of these vessels and vessels under construction respectively to their recoverable amounts was recognised. The recoverable amount of these vessels and vessels under construction was based on the higher of fair value less cost of disposal or value in use. The fair value less cost of disposal was determined by an independent valuer.

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6 INTANGIBLE ASSETS

The intangible assets comprise separately acquired software.

	Group US$'000	Company US$'000
Cost		
At 1 January 2016	895	649
Addition	16	–
At 31 December 2016 and 1 January 2017	**911**	**649**
Addition	211	–
At 31 December 2017	**1,122**	**649**
Accumulated amortisation		
At 1 January 2016	866	648
Amortisation	33	1
At 31 December 2016 and 1 January 2017	899	649
Amortisation	128	–
At 31 December 2017	**1,027**	**649**
Net carrying amount		
At 31 December 2017	**95**	**–**
At 31 December 2016	12	–

7 INTEREST IN JOINT VENTURES

	Group		Company	
	2017 US$'000	2016 US$'000	**2017 US$'000**	2016 US$'000
Unquoted equity investments, at cost	**57,644**	57,624	**39,338**	39,338
Impairment	**–**	–	**(28,696)**	(20,178)
	57,644	57,624	**10,642**	19,160
Share of post-acquisition reserves	**11,943**	(646)	**–**	–
Deferred income	**(14,266)**	(19,136)	**–**	–
Receivables from a joint venture	**25,347**	25,347	**25,347**	25,347
	80,668	63,189	**35,989**	44,507

During the current financial year, management performed impairment testing for the Company's investment in certain joint ventures. Based on assessment of the joint ventures' historical and current performance, estimated value and probability of future cash flows, the Company has made an allowance for impairment against the respective investments amounting to US$8,518,000 (2016: US$3,810,000).

Deferred income relates to unrealised gains on disposal of vessels to joint ventures. Receivables from a joint venture arose from the disposal of vessels to a joint venture for which repayment is neither planned nor likely to occur in the foreseeable future.

In the prior financial year, the Company received dividends of US$2,155,000 from POSH Terasea Pte. Ltd., from which there were no such receipts in the current financial year.

7 INTEREST IN JOINT VENTURES (CONT'D)

The joint ventures are as follows:

Name of Joint Venture	Country of Incorporation	Proportion of Ownership Interest 2017 %	2016 %	Principal Activities
Pacific Workboats Pte. Ltd.[1]	Singapore	**50.0**	50.0	Owner and operator of vessels
POSH Havila Pte. Ltd.[1]	Singapore	**50.0**	50.0	Owner and operator of vessels
Nimitrans Pte. Ltd.[1]	Singapore	**50.0**	50.0	Owner and operator of vessels
POSH Terasea Pte. Ltd. and its subsidiaries[1]	Singapore	**50.0**	50.0	Owner and operator of vessels
PT Win Offshore[2]	Indonesia	**49.0**	49.0	Owner and operator of vessels
PT Mandiri Abadi Maritim[2]	Indonesia	**49.0**	49.0	Owner and operator of vessels
Servicios Maritimos Gosh, S.A.P.I. de C.V.[3]	Mexico	**73.5**	73.5	Offshore business
PACC Offshore Mexico S.A. de C.V.[3]	Mexico	**49.0**	49.0	Offshore business
Servicios Maritimos POSH, S.A.P.I. de C.V. and its subsidiaries[3]	Mexico	**49.0**	49.0	Offshore business
POSH Middle East Marine Services LLC[3]	Abu Dhabi	**49.0**	–	Offshore business (incorporated on 8 May 2017)

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by RSM Indonesia

(3) Not required to be audited in accordance with the laws of the country of incorporation

Aggregate information about the Group's interest in joint ventures that are not individually material is as follows:

	Group 2017 US$'000	2016 US$'000
Loss after taxation – representing total comprehensive loss	**(26,828)**	(13,549)

7 INTEREST IN JOINT VENTURES (CONT'D)

The activities of the joint ventures are strategic to the Group's activities. The summarised financial information in respect of Pacific Workboats Pte. Ltd. and POSH Terasea Pte. Ltd. and its subsidiaries ("POSH Terasea Group") and a reconciliation with the carrying amounts of the investment in the consolidated financial statements are as follows:

Summarised statement of financial position

Group	Pacific Workboats Pte. Ltd. US$'000	POSH Terasea Group US$'000
At 31 December 2017		
Cash and cash equivalents	**935**	**34,510**
Current assets	**10,375**	**26,805**
Non-current assets	**79,038**	**183,843**
Total assets	**90,348**	**245,158**
Current liabilities	**5,296**	**74,450**
Non-current liabilities	**6,582**	**115,041**
Total liabilities	**11,878**	**189,491**
Net assets	**78,470**	**55,667**
Group's effective interest	**50%**	**50%**
Group's share of net assets	**39,235**	**27,834**
Other adjustment	**–**	**11,080**
Carrying amount of investment	**39,235**	**38,914**
At 31 December 2016		
Cash and cash equivalents	904	11,195
Current assets	10,211	11,167
Non-current assets	90,955	205,832
Total assets	102,070	228,194
Current liabilities	11,161	43,542
Non-current liabilities	7,124	161,573
Total liabilities	18,285	205,115
Net assets	83,785	23,079
Group's effective interest	50%	50%
Group's share of net assets	41,893	11,540
Other adjustment	–	6,964
Carrying amount of investment	41,893	18,504

7 INTEREST IN JOINT VENTURES (CONT'D)

Summarised statement of comprehensive income

Group	Pacific Workboats Pte. Ltd. US$'000	POSH Terasea Group US$'000
2017		
Revenue	**12,448**	**144,120**
Depreciation and amortisation	**(6,211)**	**(19,022)**
Other operating expenses	**(11,655)**	**(88,303)**
Interest expense, net	**(167)**	**(4,172)**
Taxation	**270**	**(35)**
(Loss)/profit after taxation	**(5,315)**	**32,588**
Other comprehensive income	**–**	**–**
Total comprehensive (loss)/income	**(5,315)**	**32,588**
2016		
Revenue	16,242	75,260
Depreciation and amortisation	(6,322)	(18,080)
Other operating expenses	(14,573)	(60,550)
Interest expense, net	(157)	(4,383)
Taxation	(90)	–
Loss after taxation	(4,900)	(7,753)
Other comprehensive income	–	–
Total comprehensive loss	(4,900)	(7,753)

8 RECEIVABLES AND OTHER NON-CURRENT ASSETS

	Group	
	2017 US$'000	2016 US$'000
Prepayments	**1,616**	1,982

Prepayments relate to advances paid for charter hire of vessels.

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9 DERIVATIVES

	Group			Company		
	Contract/ Notional Amount	Fair value		Contract/ Notional Amount	Fair value	
		Asset	Liability		Asset	Liability
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2017						
Derivatives held for hedging						
Cash-flow hedges						
– Interest rate swaps	**439,225**	**7,295**	**–**	**200,000**	**1,261**	**–**
2016						
Derivatives held for hedging						
Cash-flow hedges						
– Interest rate swaps	199,535	5,600	–	–	–	–

Interest rate swaps are used to hedge the fluctuating interest rates on the Group's borrowings. The interest rate swaps receive floating interest equal to one month or three months LIBOR, pay fixed rates of interest ranging from 1.280% to 1.940% (2016: 1.280% to 1.525%) per annum and mature between 11 July 2020 to 11 April 2023 (2016: 18 January 2023 to 11 April 2023).

10 CONSUMABLES

Consumables mainly comprise bunkers onboard vessels.

11 RECEIVABLES AND OTHER CURRENT ASSETS

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**65,041**	55,245	**–**	–
Retention sums	**1,925**	–	**–**	–
Other receivables	**7,934**	17,611	**2,150**	273
Deposits	**3,316**	4,015	**2,770**	3,104
	78,216	76,871	**4,920**	3,377
Prepayments	**4,987**	2,755	**957**	66
	83,203	79,626	**5,877**	3,443

Trade receivables

With the exception of a trade debtor whose credit terms is 365 days, trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

11 RECEIVABLES AND OTHER CURRENT ASSETS (CONT'D)

Receivables that are past due but not impaired

As at 31 December 2017 and 2016, the Group has trade receivables amounting to US$13,883,000 and US$14,953,000 respectively that are past due at the end of the reporting periods but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting periods is as follows:

	Group	
	2017	2016
	US$'000	US$'000
Less than 3 months	**10,169**	9,337
3 to 6 months	**1,846**	706
More than 6 months	**1,868**	4,910
	13,883	14,953

Receivables that are impaired

The Group has trade receivables that are impaired at the end of the reporting periods and the movements of allowance account used to record the impairment are as follows:

	2017	2016
	US$'000	US$'000
Trade receivables – nominal amounts	**36,320**	34,473
Allowance for impairment	**(32,509)**	(29,288)
	3,811	5,185

Movements in allowance account:

	2017	2016
	US$'000	US$'000
At 1 January	**29,288**	16,336
Allowance during the year	**3,221**	13,768
Provision written-off	**-**	(816)
At 31 December	**32,509**	29,288

Trade receivables that are individually determined to be impaired at the end of the reporting periods relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Other receivables

Other receivables comprise the following amounts:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Claim receivables	**1,055**	5,886	**2**	–
Capitalised charter cost	**2,093**	3,909	**-**	–
Advances	**1,886**	6,426	**-**	–
Others	**2,900**	1,390	**2,148**	273
	7,934	17,611	**2,150**	273

11 RECEIVABLES AND OTHER CURRENT ASSETS (CONT'D)

Deposits

An allowance of US$399,000 (2016: US$Nil) has been recognised in the "other expenses, net" line of the consolidated statement of comprehensive income for deposits made by the Group in relation to the sale and purchase agreement to acquire a property as disclosed in Note 37.

Receivables and other current assets are denominated in the following currencies:

	Group		Company	
	2017 US$'000	2016 US$'000	**2017 US$'000**	2016 US$'000
United States Dollar	**52,830**	62,311	**2,129**	209
Singapore Dollar	**9,195**	10,951	**2,906**	3,234
Australian Dollar	**16,076**	–	–	–
Saudi Riyal	**2,995**	–	–	–
Others	**2,107**	6,364	**842**	–
	83,203	79,626	**5,877**	3,443

12 DUE FROM SUBSIDIARIES, JOINT VENTURES AND RELATED COMPANIES

	Group		Company	
	2017 US$'000	2016 US$'000	**2017 US$'000**	2016 US$'000
Current				
Due from subsidiaries (non-trade)	–	–	**771,682**	810,150
Due from joint ventures				
- Trade	**35,210**	16,858	–	–
- Non-trade	**39,851**	54,632	**34,896**	50,435
	75,061	71,490	**806,578**	860,585
Due from related companies (non-trade)	**1,337**	523	**3**	–
	76,398	72,013	**806,581**	860,585
Non-current				
Due from joint ventures (non-trade)	**31,877**	21,834	**27,050**	21,834
	108,275	93,847	**833,631**	882,419

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and receivable on demand.

The current amounts due from joint ventures are unsecured and interest-free, except for amounts of US$961,000 (2016: US$6,950,000) which are unsecured, subordinated to the borrowings under loan facilities undertaken by the joint ventures and bear interest at a range of 2.24% to 5.99% (2016: 1.62% to 5.00%) per annum.

Non-current amounts of US$18,146,000 (2016: US$20,217,000) owing from joint ventures are unsecured, subordinated to the borrowings under loan facilities undertaken by the joint ventures and bear interest at a range of 2.24% to 5.99% (2016: 1.62% to 5.00%) per annum. The settlements of these amounts are based on expected cash flows to be derived over a period of three to eight (2016: two to nine) years.

12 DUE FROM SUBSIDIARIES, JOINT VENTURES AND RELATED COMPANIES (CONT'D)

Due from subsidiaries and joint ventures that are impaired

Based on assessments of the subsidiaries' and joint ventures' historical and current performances, estimated value and probability of future cash flows, the Company has provided the following allowances:

	Subsidiaries		Joint Ventures	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Due from – nominal amounts	**923,124**	826,423	**36,083**	13,878
Allowance for impairment	**(289,258)**	(185,111)	**(15,275)**	(2,934)
	633,866	641,312	**20,808**	10,944

Movements in allowance account:

	Subsidiaries		Joint Ventures	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
At 1 January	**185,111**	32,634	**2,934**	–
Allowance during the year	**104,769**	153,551	**12,341**	2,934
Write-back during the year	**(622)**	(1,074)	**–**	–
At 31 December	**289,258**	185,111	**15,275**	2,934

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Cash at banks and on hand	**5,792**	14,178	**1,215**	2,970
Short-term deposits	**11,296**	880	**11,296**	880
	17,088	15,058	**12,511**	3,850

Cash at banks and on hand relate to cash and bank balances which earn interest at daily bank rates.

Short-term deposits are placed for varying periods of between one and seventeen days (2016: one and nineteen days), depending on the immediate cash requirements of the Group and the Company, and earn interest at rates between 0.1% to 1.5% (2016: 0.1% to 0.6%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
United States Dollar	**10,505**	12,456	**8,809**	1,994
Singapore Dollar	**2,040**	1,864	**2,023**	1,848
Australian Dollar	**1,702**	–	**1,674**	–
Saudi Riyal	**2,694**	–	**–**	–
Others	**147**	738	**5**	8
	17,088	15,058	**12,511**	3,850

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14 FIXED ASSETS CLASSIFIED AS HELD-FOR-SALE

	Note	Group 2017 US$'000	Group 2016 US$'000
At 1 January		**2,547**	1,791
Transfer from fixed assets	5	**-**	756
Disposal		**(2,547)**	-
At 31 December		**-**	2,547

In the prior financial year, the Group entered into agreements with various third parties for the sale of vessels. Accordingly, these vessels were classified as held-for-sale as at the end of prior financial year. The Group completed the disposal of these vessels in the current financial year. Prior to the reclassification of these vessels from fixed assets, the Group had recognised an impairment of US$8,029,000 to write down these vessels to the lower of its carrying amount and fair value less costs to sell.

15 (a) SHARE CAPITAL

	Group and Company 2017 No. of ordinary shares '000	2017 US$'000	2016 No. of ordinary shares '000	2016 US$'000
Issued and fully paid:				
At 1 January and 31 December	**1,820,000**	**827,201**	1,820,000	827,201

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets. The ordinary shares have no par value.

(b) TREASURY SHARES

	Group and Company 2017 No. of ordinary shares '000	2017 US$'000	2016 No. of ordinary shares '000	2016 US$'000
At 1 January	**8,053**	**1,828**	7,295	1,669
Acquired during the financial year	**180**	**38**	758	159
Reissuance to employees pursuant to employee share options plans	**(1,873)**	**(419)**	-	-
At 31 December	**6,360**	**1,447**	8,053	1,828

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 180,000 (2016: 758,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was US$38,000 (2016: US$159,000) and this has been presented as a component within shareholders' equity.

The Company reissued 1,873,000 (2016: Nil) treasury shares persuant to the Performance Share Plans during the financial year.

16 OTHER RESERVES

Exchange reserve

This represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Hedging reserve

This represents the fair value changes on the effective portion of interest rate swaps designated as cash flow hedges.

Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 26). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

17 BANK BORROWINGS

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Current				
– Uncommitted revolving loans	**161,400**	248,487	**161,400**	248,487
– Term loans	**23,064**	20,620	**–**	–
	184,464	269,107	**161,400**	248,487
Non-current				
– Committed revolving loans	**295,000**	200,000	**295,000**	200,000
– Term loans	**289,461**	239,225	**–**	–
	584,461	439,225	**295,000**	200,000
Total	**768,925**	708,332	**456,400**	448,487

Revolving loans (unsecured)

In August 2017, the Company entered into a facility agreement that provided for revolving loans amounting to US$45,000,000 (2016: US$550,000,000). With these revolving loans, the Company has total revolving loan facilities amounting to US$595,000,000 (2016: US$550,000,000). These revolving loan facilities are scheduled to expire between August 2020 to July 2021.

The committed revolving loans of US$295,000,000 (2016: US$200,000,000) are repayable within 12 months after reporting date but have been classified as non-current as the Company expects and has the discretion to exercise the rights under the facility agreements to refinance these loans. Such immediate replacement funding is available till August 2020 to July 2021.

The uncommitted revolving loans of US$161,400,000 outstanding as at 31 December 2017 (2016: US$248,487,000) has been classified as current liability as this funding is subject to the banks' approval for refinancing under the respective agreements. These agreements expire on July 2021.

The unsecured revolving loans bear interest at a weighted average rate of 2.77% (2016: 2.17%) per annum for the year ended 31 December 2017.

17 BANK BORROWINGS (CONT'D)

Term loans (secured)

The term loans bear interest at a weighted average rate of 3.06% (2016: 2.42%) per annum for the year ended 31 December 2017. The term loans are secured on certain vessels of the Group (Note 5), assignment of insurances and corporate guarantee from the Company. The assignment of charter and earnings to secure certain term loans are only effected upon the occurrence of an event of default.

The terms of the loans are as follow:

- US$239,225,000 (2016: US$259,845,000) repayable in 25 equal quarterly instalments over a period of seven years commencing six months from the date of draw down, with a final bullet instalment;
- US$44,200,000 (2016: US$Nil) repayable in eight semi-annual instalments over a period of five years commencing 18 months from the date of draw down, with a final bullet instalment; and
- US$29,100,000 (2016: US$Nil) repayable in 25 equal quarterly instalments over a period of seven years commencing six months from the date of draw down, with a final bullet instalment.

18 PAYABLES AND ACCRUALS

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**18,726**	11,799	**–**	–
Vessel related accruals	**49,946**	23,907	**–**	–
Other accruals	**36,918**	33,446	**18,942**	19,450
Other payables	**4,705**	4,409	**312**	809
	110,295	73,561	**19,254**	20,259

Trade and other payables are non-interest bearing. Trade payables are normally settled on 30 days term.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
United States Dollar	**81,822**	61,884	**16,707**	14,711
Singapore Dollar	**8,578**	8,796	**2,362**	5,548
Australian Dollar	**12,399**	22	**–**	–
Mexican Peso	**2,815**	1,136	**–**	–
Saudi Riyal	**1,401**	–	**–**	–
Others	**3,280**	1,723	**185**	–
	110,295	73,561	**19,254**	20,259

19 ADVANCES RECEIVED FROM CUSTOMERS

Advances received from customers relate to deposits received from various charterers in connection with the charter hire and/or sale of vessels.

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20 DUE TO SUBSIDIARIES, JOINT VENTURES AND RELATED COMPANIES

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Due to subsidiaries	**–**	–	**28,821**	44,901
Due to joint ventures	**60,093**	29,301	**4,047**	4,126
	60,093	29,301	**32,868**	49,027
Due to related companies	**5,602**	2,505	**4,407**	2,402
	65,695	31,806	**37,275**	51,429

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand. These amounts are denominated in United States Dollars.

The amounts due to joint ventures and related companies are trade in nature, unsecured, interest-free, payable on demand, and are to be settled in cash. These amounts are denominated in United States Dollars.

21 DUE TO HOLDING COMPANY

The amounts are non-trade, unsecured, interest-free, payable on demand, and are to be settled in cash. These amounts are denominated in United States Dollars.

22 OTHER EXPENSES, NET

		Group	
		2017	2016
	Note	**US$'000**	US$'000
Interest income			
– Joint ventures		**1,436**	1,741
– Others		**544**	518
(Loss)/gain on disposal of fixed assets		**(3,133)**	352
Foreign exchange (loss)/gain		**(180)**	226
Sundry income		**4,887**	4,498
Allowance for deposit	11	**(399)**	–
Impairment of fixed assets	5	**(108,255)**	(198,950)
Impairment of goodwill	4	**(57,125)**	(111,178)
		(162,225)	(302,793)

23 FINANCE COSTS

	Group	
	2017	2016
	US$'000	US$'000
Interest expense on borrowings	**22,847**	14,412

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

24 LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Note	Group 2017 US$'000	Group 2016 US$'000
Amortisation of intangible assets	6	**(128)**	(33)
Depreciation of fixed assets	5	**(63,625)**	(69,626)
Consumables recognised as an expense in cost of sales		**(12,976)**	(9,322)
Bad debts written off		**–**	(1,882)
Allowance for doubtful debts – trade	11	**(3,221)**	(13,768)
Allowance for deposit	22	**(399)**	–
Fixed assets written off		**–**	(505)
Staff costs			
– Salaries and related costs		**(40,857)**	(40,305)
– CPF contributions or equivalents		**(1,318)**	(1,177)
– Share-based payment	26	**(452)**	(591)

The amounts of staff costs shown above does not include staff costs recognised in vessels under construction of approximately US$318,000 (2016: US$380,000).

25 TAXATION

	Group 2017 US$'000	Group 2016 US$'000
Current taxation		
– Singapore tax	**590**	469
– Foreign tax	**3,787**	202
– Underprovision in respect of prior years	**247**	100
	4,624	771
Deferred taxation		
– Current year	**211**	284
– Overprovision in respect of prior years	**(151)**	(8)
	60	276
Withholding tax	**144**	224
	4,828	1,271

25 TAXATION (CONT'D)

The tax expense on the results of the financial years varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on the Group's loss as a result of the following:

	Group	
	2017	2016
	US$'000	US$'000
Loss before taxation	**(225,433)**	(370,313)
Tax at statutory rate of 17% (2016: 17%)	**(38,324)**	(62,953)
Tax effect on non-deductible expenses	**37,897**	56,909
Net tax exempt loss under Section 13A or 13F of the Singapore Income Tax Act	**1,567**	2,282
Income not subjected to tax	**(105)**	(252)
Underprovision in respect of prior years	**96**	92
Withholding tax	**144**	224
Effect of different tax rate in other countries	**3,272**	2,085
Effect of partial tax exemption and tax relief	**(205)**	(332)
Benefits from previously unrecognised deferred tax assets	**(1,237)**	(1,572)
Deferred tax assets not recognised	**2,124**	2,440
Share of results of joint ventures	**(401)**	2,348
	4,828	1,271

The Group did not recognise deferred tax assets arising from tax losses amounting to US$6,023,000 (2016: US$4,479,000), in accordance with the accounting policy stated in Note 2.24(b). The use and availability of these tax losses are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

Income derived from the charter hire of vessels stationed in waters outside of Singapore during the financial year is exempt from income tax under Section 13A and Section 13F of the Singapore Income Tax Act, Chapter 134. At the end of the respective reporting periods, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and joint ventures as:

- The Group is in a position to control the timing of the reversal of the temporary differences of its subsidiaries and it is probable that such differences will not reverse in the foreseeable future; and

- The joint ventures of the Group require the consent of both partners to distribute its earnings. At the end of the reporting period, the Group does not foresee giving such consent.

In the previous financial year, there were no tax consequences attached to the dividends proposed by the Company but not recognised as a liability in the financial statements (Note 35).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

26 EMPLOYEE BENEFITS

Share Plans

The Company has in place two share-based incentive plans namely the POSH Share Option Plan (the "SOP") and the POSH Performance Share Plan (the "PSP"), (collectively, the "Share Plans") to reward, retain and motivate employees and Non-Executive Directors of the Group, as well as to align the interests of employees with the interests of the Group and its shareholders, thereby enhancing the long-term growth of the Company and the Group.

Share Option Plan

Under the POSH Share Option Plan ("SOP"), share options are awarded to key employees of the Group with direct contributions to POSH, who are holding critical positions, and are high potentials and key talents for future roles. The share options shall be exercised in accordance with the vesting schedule below:

Year 1	25 January 2018 to 24 January 2019	50%
Year 2	25 January 2019 to 24 January 2020	30%
Year 3	On or after 25 January 2020	20%

All options are to be settled by physical delivery of shares. The options granted expire after 10 years or upon cessation of employment. The Company reserves the right to enforce clawback of any share award, in the event of one or more of the following, such as material risks, financial misstatements, gross misconduct, malfeasance or fraud.

The fair value of the share options are estimated at grant date using a Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted.

The movements in the number of awards and the weighted average exercise prices ("WAEP") granted under the SOP during the financial year are as follows:

	Group 2017	
	Number of awards	**WAEP (S$)**
Date of grant: 25 January 2017		
Granted	**1,549,000**	**0.34**
Forfeited	**(189,000)**	**0.34**
At 31 December	**1,360,000**	**0.34**

The inputs to the option pricing model for the year ended 31 December 2017 are as follows:

	2017
Dividend yield (%)	**Nil**
Expected volatility (%)	**37.91**
Risk-free rate (%)	**2.3**
Share price at grant date (S$)	**0.355**

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

26 EMPLOYEE BENEFITS (CONT'D)

Share Plans (cont'd)

Performance Share Plan

Performance Share Plan ("PSP") awards are granted to the top management team (i.e. CEO, Deputy CEO, CFO and Divisional Directors) to motivate and drive long-term performance, align interests of key executives with the interests of the Group and its stakeholders, and to recognise and retain key executives whose contributions are essential to long-term growth and profitability of the Group.

PSP awards granted in 2017 will vest on the third anniversary of the award date (i.e. 25 January 2020), subject to the achievement of performance and/or service conditions as determined by the Remuneration Committee.

Upon cessation of employment, unvested shares will be forfeited in accordance to POSH PSP plan rules. The Company reserves the right to enforce clawback of any share award, in the event of one or more of the following, such as material risks, financial misstatements, gross misconduct, malfeasance or fraud.

The movement in the number of shares granted under the PSP are as follows:

	2017		2016	
	2017 Award (Batch 3)	**2016 Award (Batch 1)**	2016 Award (Batch 2)	2016 Award (Batch 1)
At 1 January	**–**	**1,839,000**	–	–
Granted	**1,962,000**	**–**	1,837,000	1,839,000
Forfeited/cancelled	**–**	**(120,000)**	–	–
Vested	**–**	**–**	(1,837,000)	–
At 31 December	**1,962,000**	**1,719,000**	–	1,839,000

27 INVESTMENT IN SUBSIDIARIES

	Company	
	2017 US$'000	2016 US$'000
Unquoted equity investments, at cost	**483,056**	482,856
Incorporation of a subsidiary	**100**	200
Impairment	**(370,663)**	(151,440)
	112,493	331,616

During the current financial year, management performed impairment testing for the Company's investment in subsidiaries. Based on assessments of the subsidiaries' historical and current performance and estimated value, the Company has made an allowance for impairment against the respective investments amounting to US$219,223,000 (2016: US$25,246,000).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27 INVESTMENT IN SUBSIDIARIES (CONT'D)

The subsidiaries as at 31 December 2017 and 2016 are as follows:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest		Principal Activities
		2017 %	2016 %	
Held by the Company				
POSH Semco Pte Ltd[1]	Singapore	**100**	100	Operator of vessels for offshore marine support services
POSH Maritime Pte Ltd[1]	Singapore	**100**	100	Dormant
Singapore Oil Spill Response Centre Pte Ltd[1]	Singapore	**100**	100	Provision of services to control pollution from oil & chemical spillage & to protect the marine environment
Semco Salvage and Towage Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Semco Salvage (I) Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Semco Salvage (II) Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Semco Salvage (III) Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Semco Salvage (IV) Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Semco Salvage (V) Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Ibis Shipping Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Maritime Alpha Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Maritime Bravo Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Maritime Charlie Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Maritime Delta Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Raven Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Swallow Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Condor Shipping Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Jacana Shipping Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Starling Shipping Pte Ltd[1]	Singapore	**100**	100	Owner and operator of vessels
Labrador Shipping Corporation[3]	Malaysia	**100**	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest 2017 %	2016 %	Principal Activities
Held by the Company (cont'd)				
Larkspur Pte Ltd[1]	Singapore	**100**	100	Dormant
Newfoundland Shipping Corporation[3]	Malaysia	**100**	100	Dormant
POSH Fleet Services Pte Ltd[1]	Singapore	**100**	100	Provision of ship management services
POSH Australia Pty Ltd[7]	Australia	**100**	100	Dormant
Crescent Marine Pte Ltd[1]	Singapore	**100**	100	Chartering of ships, barges and boats with crew (freight)
Crescent Marine (Alpha) Pte Ltd[1]	Singapore	**100**	–	Owner and operator of vessels (incorporated on 12 July 2017)
Crescent Marine (Bravo) Pte Ltd[1]	Singapore	**100**	–	Owner and operator of vessels (incorporated on 23 October 2017)
POSH (USA) Inc.[7]	United States	**100**	100	Dormant
PACC Offshore (UK) Limited[4]	United Kingdom	**100**	100	Dormant
Maritime Vanguard Pte Ltd[1]	Singapore	**100**	100	Operator of vessels for offshore marine support services
Adara Limited[7]	British Virgin Islands	**100**	100	Owner and operator of vessels
Mayan Investments Pte Ltd[1]	Singapore	**100**	100	Investment holding
Eide Marine Offshore B.V.[6]	The Netherlands	**100**	100	Renting and leasing of ships, support activities for water transport
Valley Ocean Limited[7]	British Virgin Islands	**100**	100	Owner and operator of vessels
Pacific Cosmo Ventures Limited[7]	British Virgin Islands	**100**	100	Owner and operator of vessels
POSH Saudi Co. Ltd[5]	Kingdom of Saudi Arabia	**75**	75	Operator of vessels for offshore marine support services
POSH Investment Holdings Pte Ltd[1]	Singapore	**100**	100	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

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27 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest 2017 %	2016 %	Principal Activities
Held through subsidiaries				
POSH Semco (B) Sdn Bhd[2]	Brunei	**100**	100	Dormant
Operadora De Servicios Costa Afuera S.A. de C.V.[7]	Mexico	**99**	99	Service company
POSH Fleet Services Mexico S.A. de C.V.[7]	Mexico	**99**	99	Dormant
POSH Gannet S.A. de C.V.[7]	Mexico	**100**	100	Owner and operator of vessels
POSH Skua S.A. de C.V.[7]	Mexico	**100**	100	Owner and operator of vessels

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by Ernst & Young, Brunei

(3) Audited by Mazars, Malaysia

(4) Audited by Littlestone Golding Chartered Accountants, United Kingdom

(5) Audited by Ernst & Young, Kingdom of Saudi Arabia

(6) BDO Audit & Assurance B.V., Netherlands

(7) Not required to be audited in accordance with the laws of the country of incorporation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28 RELATED PARTY TRANSACTIONS

Other than the related party information disclosed elsewhere in the financial statements, the following are significant transactions with related parties at mutually agreed terms and amounts:

	Group	
	2017	2016
	US$'000	US$'000
Immediate holding company		
– Corporate support expenses	**2,008**	2,157
Fellow subsidiaries and associates of the holding company		
– Office rental expenses	**1,183**	1,594
– Ship management fees income	**–**	103
– Management support fees income	**572**	–
– Charter hire expenses	**–**	1,205
– Ship repair, maintenance and modification costs	**2,810**	3,127
– Shipbuilding costs	**65,262**	148,135
– Wharfage and rent of berthing space	**342**	817
– Charter hire income	**1,497**	340
Joint ventures of the Group		
– Charter hire expenses	**10,625**	18,721
– Charter hire income	**14,940**	16,191
– Ship management fees	**1,175**	1,033
– Ship management fees income	**2,408**	2,882
– Management support fees income	**–**	1,851
– Office rental expenses	**29**	–
– Procurement agency fees	**84**	336
Compensation of Directors and key management personnel		
– Salaries and related costs	**1,989**	1,945
– CPF contribution or equivalents	**49**	47
– Directors fees	**475**	482
– Share-based payment	**235**	446
	2,748	2,920
Comprise amounts paid to:		
– Directors of the Company	**1,276**	1,279
– Other key management personnel	**1,472**	1,641
	2,748	2,920

Commitments with related parties

As at end of the financial year ended 31 December 2017, the Group has outstanding commitments with related parties as follows:

(a) shipbuilding contracts for the construction of new vessels and conversion of existing vessels with fellow subsidiaries and associates of the holding company;

(b) office rental lease agreement with associates of the holding company; and

(c) operating lease agreements with joint ventures and associates of the holding company to charter-in vessels.

The amounts of outstanding commitments are disclosed in Note 30.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has four reportable segments as follows:

Offshore Supply Vessels

The Offshore Supply Vessels segment supports mid to deepwater operations of rig and oilfield operators. This segment also operates Platform Supply Vessels that transport drilling materials and supplies to drilling rigs, offshore production platforms as well as pipes and other materials for construction of marine structures or pipelines.

Transportation and Installation

The Transportation and Installation segment supports marine contractors in construction and maintenance of oilfield infrastructure and pipelines. This segment includes a joint venture company which operates Anchor Handling Tugs specialising in cross-ocean towing, transporting large marine structures from the builder's yard and installing them in the oilfields. It also includes float-over of launching operations of large marine structures and ballastable tank barges and tugs for transportation of construction materials and subsea pipes.

Offshore Accommodation

The Offshore Accommodation segment owns and operates vessels that are capable of meeting a range of accommodation, transportation and hospitality needs in offshore oilfields for workers carrying out offshore construction and/or maintenance operations.

Harbour Services and Emergency Response

The Harbour Services segment supports the harbour or coastal tugging operations and heavy lifting operations of shipyards, ports and oil and gas terminals. Through a joint venture company, it also operates a modern fleet of Azimuth Stern Drive harbour tugs. In addition, the Group operates a fleet of heavy lift crane barges.

The Emergency Response segment offers a comprehensive range of services, equipment and personnel capable of handling firefighting, rescue and salvage and oil spill events in the Asia Pacific and Indian Ocean regions.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29 SEGMENT INFORMATION (CONT'D)

Group	Offshore Supply Vessels US$'000	Offshore Accommodation US$'000	Transportation and Installation US$'000	Harbour Services and Emergency Response US$'000	Total US$'000
	2017				
Revenue	**74,975**	**81,755**	**14,123**	**21,384**	**192,237**
Segment results	**(19,178)**	**(15,026)**	**(6,796)**	**2,530**	**(38,470)**
Share of results of joint ventures	**(10,656)**	**–**	**15,672**	**(2,657)**	**2,359**
Impairment of fixed assets	**(78,717)**	**(21,533)**	**(7,149)**	**(856)**	**(108,255)**
Impairment of goodwill	**–**	**–**	**(57,125)**	**–**	**(57,125)**
Interest income					**1,980**
Interest expense					**(22,847)**
Taxation					**(4,828)**
Unallocated other (expenses)/income, net					**(481)**
Unallocated general and administrative expenses					**(2,594)**
Loss for the year					**(230,261)**
Assets					
Segment assets	**526,380**	**647,657**	**131,665**	**73,830**	**1,379,532**
Unallocated assets					**34,292**
Total assets					**1,413,824**
Liabilities					
Segment liabilities	**102,460**	**40,767**	**6,039**	**7,293**	**156,559**
Unallocated liabilities					**797,054**
Total liabilities					**953,613**
Other information					
Depreciation	**30,736**	**24,149**	**6,356**	**1,829**	**63,070**
Additions to non-current assets	**62,396**	**481**	**42,345**	**4,618**	**109,840**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29 SEGMENT INFORMATION (CONT'D)

	2016				
Group	**Offshore Supply Vessels US$'000**	**Offshore Accommodation US$'000**	**Transportation and Installation US$'000**	**Harbour Services and Emergency Response US$'000**	**Total US$'000**
Revenue	74,230	72,027	15,992	20,851	183,100
Segment results	(25,018)	(921)	(7,905)	2,293	(31,551)
Share of results of joint ventures	(8,775)	–	(2,588)	(2,451)	(13,814)
Impairment of fixed assets	(163,061)	(18,577)	(17,312)	–	(198,950)
Impairment of goodwill	(111,178)	–	–	–	(111,178)
Interest income					2,259
Interest expense					(14,412)
Taxation					(1,271)
Unallocated other (expenses)/income, net					695
Unallocated general and administrative expenses					(3,362)
Loss for the year					(371,584)
Assets					
Segment assets	553,492	650,524	198,623	74,583	1,477,222
Unallocated assets					28,368
Total assets					1,505,590
Liabilities					
Segment liabilities	64,284	12,381	8,491	8,932	94,088
Unallocated liabilities					723,239
Total liabilities					817,327
Other information					
Depreciation	38,699	21,395	7,423	1,576	69,093
Additions to non-current assets	89,064	59,465	23,398	4,685	176,612

29 SEGMENT INFORMATION (CONT'D)

Geographical information

Revenues

The Group provides a diverse range of offshore support vessels to service the offshore oil and gas exploration and production activities. The Group's operations are international and in particular where the major offshore oil and gas activities are located. The Group has no specific geographical objective and will deploy its vessels based on the demand and supply of the various international offshore oil and gas activities. The decision in allocating resources and assessing performance is driven by the optimal economic returns a vessel is able to achieve, taking into account demand, vessel specifications, rates, timing and availability of vessels in different geographical regions. The vessels may be deployed to other geographical regions at the end of the contract for the aforesaid criteria. Hence, it is not meaningful to present revenues by countries or geographical locations.

Information about major customers

There are two major customers that each contributed more than 10% of the Group's revenue:

(a) Revenue from one major customer amounting to US$48,509,000 (2016: US$49,352,000) was recorded in the Offshore Accommodation segment; and

(b) Revenue from one major customer amounting to US$20,409,000 (2016: US$Nil) was recorded in the Offshore Supply Vessels segment.

Non-current assets

Non-current assets are based on geographical location of the entities:

	Group	
	2017 **US$'000**	2016 US$'000
Singapore	**763,835**	812,172
British Virgin Islands	**448,387**	473,416
Americas	**20,932**	48,890
Middle East	**372**	191
	1,233,526	1,334,669

30 COMMITMENTS

(a) Capital commitments

	Group and Company	
	2017 **US$'000**	2016 US$'000
Capital expenditure in respect of fixed assets contracted with related parties but not provided for in the financial statements	**18,395**	85,594

30 COMMITMENTS (CONT'D)

(b) Rental commitments

The Group has entered into commercial leases primarily in relation to its office premises. For the financial years ended 31 December 2017 and 2016, these leases have an average tenure of between one to five years (2016: one to five years) with renewal option but no contingent rent provision included in the contracts. The Group is restricted from subleasing its leased office premises and office equipment to third parties.

Minimum lease payments recognised as an expense in consolidated statement of comprehensive income for the financial years ended 31 December 2017 and 2016 amounted to US$1,818,000 and US$1,574,000 respectively. Future minimum rental payable under non-cancellable operating leases at the end of the reporting periods are as follows:

	Group		Company	
	2017 US$'000	2016 US$'000	**2017 US$'000**	2016 US$'000
Due not later than one year	**1,416**	889	**925**	415
Due later than one year and not later than five years	**2,365**	320	**2,340**	–
	3,781	1,209	**3,265**	415

Included in the above office rental lease commitments are commitments with a fellow subsidiary of the holding company. These outstanding operating lease commitments falling due within one year and in the second to fifth year are US$925,000 (2016: US$415,000) and US$2,340,000 (2016: US$Nil) respectively.

(c) Operating lease commitments – as lessee

The Group has entered into bareboat leases of vessels from related parties. Future minimum bareboat leases payable under non-cancellable operating leases at the end of the respective reporting periods are as follows:

	Group	
	2017 US$'000	2016 US$'000
Not later than one year	**19,839**	22,667
Later than one year and not later than five years	**33,352**	54,566
Later than five years	**11,888**	17,691
	65,079	94,924

(d) Operating lease commitments – as lessor

The Group has entered into time-charter and bareboat leases on its vessels. Certain leases include a clause to enable upward revision of the leasing charge on an annual basis based on prevailing market conditions. Future minimum time-charter and bareboat receivable under operating leases at the end of the respective reporting periods are as follows:

	Group	
	2017 US$'000	2016 US$'000
Not later than one year	**108,445**	96,705
Later than one year and not later than five years	**203,334**	215,125
Later than five years	**3,356**	25,279
	315,135	337,109

30 COMMITMENTS (CONT'D)

(d) Operating lease commitments – as lessor (cont'd)

Non-cancellable leases included in operating lease commitments are as follows:

	Group	
	2017 US$'000	2016 US$'000
Not later than one year	**52,126**	72,136
Later than one year and not later than five years	**47,579**	66,605
Later than five years	**–**	3,716
	99,705	142,457

(e) Financial support

The Company has committed to provide continuing financial support to certain of its subsidiaries.

31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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, credit risk and liquidity risk. The Board of Directors reviews and agrees on policies and procedures for the management of these risks. It is the Group's policy that no trading in derivatives for speculative purposes will be undertaken.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the 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 operates internationally and its assets and revenues are essentially United States Dollar based. Foreign currency denominated assets and liabilities give rise to foreign exchange exposures. The Group is exposed to foreign currency risk mainly arising from its operations.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the Singapore Dollar ("SGD") exchange rate against the respective functional currencies of the Group entities, with all other variables held constant.

	2017 US$'000	2016 US$'000
	(Decrease)/Increase	
SGD – strengthened 5%	**(105)**	(31)
– weakened 5%	**105**	31

NOTES TO THE FINANCIAL STATEMENTS

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31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

(b) Interest rate risk

Interest risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's primary interest rate risk relates to its interest-bearing debts. The Group manages its interest rate exposure by using floating-to-fixed interest rate swaps over the duration of its borrowings. Interest rate swaps entail the Group agreeing to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. This strategy allows the Group to fix the interest rates at current low interest rate environment and achieves a certain level of protection against future rate hikes.

As at 31 December 2017, the Group has interest rate swap agreements with notional amounts totalling US$439,225,000 (2016: US$199,535,000) whereby it receives variable rates equal to LIBOR and pays fixed rates of between 1.280% to 1.940% (2016: 1.280% to 1.525%) per annum on the notional amounts.

Sensitivity analysis for interest rate risk

At the end of the respective reporting periods, if USD interest rates had been 25 basis points lower/higher with all other variables held constant, the Group's results net of tax would have been US$1,596,000 (2016: US$1,470,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. Other comprehensive income would have been higher/lower by US$3,234,000 (2016: US$1,712,000) mainly as a result of higher fair value of interest rate swaps designated as cash flow hedges on variable rate borrowings.

(c) 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 and the Company'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 risk is minimised and monitored via strictly limiting business dealings by the Group with business partners of high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

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

Approximately 71% (2016: 71%) of the Group's trade receivables were due from 5 major debtors as at 31 December 2017. 34% (2016: 23%) of the Group's trade receivables were due from related parties while almost all of the Company's receivables were balances with related parties in 2017 and 2016.

31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

(c) Credit risk (cont'd)

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

Credit risk concentration profile

	2017		2016	
	US$'000	**% of total**	US$'000	% of total
By region				
Asia Pacific	**41,917**	**62.6**	11,257	20.4
Europe	**9,736**	**14.5**	32,610	59.0
Middle East	**8,751**	**13.1**	6,246	11.3
Africa	**5,865**	**8.8**	5,073	9.2
Americas	**697**	**1.0**	59	0.1
	66,966	**100.0**	55,245	100.0

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 11.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position; and

- Corporate guarantees provided by the Company as disclosed in Note 37.

(d) Liquidity risk

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

The Group's and the Company's exposure to liquidity risk is minimal. The Group and the Company have available bank facilities at variable interest rates. It is the Group's policy for the placing of surplus funds to be managed centrally.

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

(d) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

Group	**1 year or less US$'000**	**1 to 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**
At 31 December 2017				
Financial assets				
Derivatives	**–**	**1,527**	**5,768**	**7,295**
Receivables and other assets	**74,237**	**–**	**–**	**74,237**
Due from subsidiaries and joint ventures	**75,663**	**20,838**	**13,716**	**110,217**
Due from related companies	**1,337**	**–**	**–**	**1,337**
Receivables from a joint venture	**–**	**25,347**	**–**	**25,347**
Cash and cash equivalents	**17,088**	**–**	**–**	**17,088**
Total undiscounted financial assets	**168,325**	**47,712**	**19,484**	**235,521**
Financial liabilities				
Payables and accruals	**105,825**	**–**	**–**	**105,825**
Due to subsidiaries and joint ventures	**60,093**	**–**	**–**	**60,093**
Due to related companies	**5,602**	**–**	**–**	**5,602**
Due to holding company	**196**	**–**	**–**	**196**
Bank borrowings	**205,708**	**525,724**	**153,751**	**885,183**
Total undiscounted financial liabilities	**377,424**	**525,724**	**153,751**	**1,056,899**
Total net undiscounted financial liabilities	**(209,099)**	**(478,012)**	**(134,267)**	**(821,378)**
At 31 December 2016				
Financial assets				
Derivatives	–	–	5,600	5,600
Receivables and other assets	66,536	–	–	66,536
Due from subsidiaries and joint ventures	73,263	4,868	20,160	98,291
Due from related companies	523	–	–	523
Receivables from a joint venture	–	25,347	–	25,347
Cash and cash equivalents	15,058	–	–	15,058
Total undiscounted financial assets	155,380	30,215	25,760	211,355
Financial liabilities				
Payables and accruals	67,179	–	–	67,179
Due to subsidiaries and joint ventures	29,301	–	–	29,301
Due to related companies	2,505	–	–	2,505
Due to holding company	195	–	–	195
Bank borrowings	284,947	340,840	161,638	787,425
Total undiscounted financial liabilities	384,127	340,840	161,638	886,605
Total net undiscounted financial liabilities	(228,747)	(310,625)	(135,878)	(675,250)

31 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONT'D)

(d) Liquidity risk (cont'd)

Company	1 year or less US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
At 31 December 2017				
Financial assets				
Derivatives	**–**	**1,261**	**–**	**1,261**
Receivables and other current assets	**4,920**	**–**	**–**	**4,920**
Due from subsidiaries and joint ventures	**807,180**	**16,011**	**13,716**	**836,907**
Due from related companies	**3**	**–**	**–**	**3**
Receivables from a joint venture	**–**	**25,347**	**–**	**25,347**
Cash and cash equivalents	**12,511**	**–**	**–**	**12,511**
Total undiscounted financial assets	**824,614**	**42,619**	**13,716**	**880,949**
Financial liabilities				
Payables and accruals	**11,442**	**–**	**–**	**11,442**
Due to subsidiaries and joint ventures	**32,868**	**–**	**–**	**32,868**
Due to related companies	**4,407**	**–**	**–**	**4,407**
Due to holding company	**196**	**–**	**–**	**196**
Bank borrowings	**174,024**	**345,496**	**–**	**519,520**
Total undiscounted financial liabilities	**222,937**	**345,496**	**–**	**568,433**
Total net undiscounted financial assets/(liabilities)	**601,677**	**(302,877)**	**13,716**	**312,516**
At 31 December 2016				
Financial assets				
Receivables and other current assets	3,377	–	–	3,377
Due from subsidiaries and joint ventures	862,358	4,868	20,160	887,386
Receivables from a joint venture	–	25,347	–	25,347
Cash and cash equivalents	3,850	–	–	3,850
Total undiscounted financial assets	869,585	30,215	20,160	919,960
Financial liabilities				
Payables and accruals	12,447	–	–	12,447
Due to subsidiaries and joint ventures	49,027	–	–	49,027
Due to related companies	2,402	–	–	2,402
Due to holding company	195	–	–	195
Bank borrowings	258,214	238,907	–	497,121
Total undiscounted financial liabilities	322,285	238,907	–	561,192
Total net undiscounted financial assets/(liabilities)	547,300	(208,692)	20,160	358,768

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32 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 shareholder value. The Group manages its capital structure by taking into account its current and projected cash flow, expansion and capital expenditure commitments, and ensuring a prudent debt equity ratio. The Group monitors capital using a net gearing ratio, which is borrowings less cash and cash equivalents divided by total equity.

The net debt to equity ratio of the Group is 1.63 : 1 (2016: 1.01 : 1) for the financial year ended 31 December 2017. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 2016.

The Group has complied with externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

33 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Fair value through profit or loss				
Derivatives	**7,295**	5,600	**1,261**	–
Loans and receivables				
Receivables and other assets	**74,237**	66,536	**4,920**	3,377
Due from subsidiaries and joint ventures	**106,938**	93,324	**833,628**	882,419
Due from related companies	**1,337**	523	**3**	–
Receivables from a joint venture	**25,347**	25,347	**25,347**	25,347
Cash and cash equivalents	**17,088**	15,058	**12,511**	3,850
Total loans and receivables	**224,947**	200,788	**876,409**	914,993
Financial liabilities carried at amortised cost				
Payables and accruals	**105,825**	67,179	**11,442**	12,447
Due to subsidiaries and joint ventures	**60,093**	29,301	**32,868**	49,027
Due to related companies	**5,602**	2,505	**4,407**	2,402
Due to holding company	**196**	195	**196**	195
Bank borrowings	**768,925**	708,332	**456,400**	448,487
Total financial liabilities carried at amortised cost	**940,641**	807,512	**505,313**	512,558

34 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3: Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Level 2 fair value measurements

The derivative financial instruments of US$7,295,000 held by the Group for the financial year ended 31 December 2017 (2016: US$5,600,000) are classified under Level 2. 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.

Level 3 fair value measurements

In the prior financial year, fixed assets classified as held for sale with a carrying amount of US$2,547,000 were written down to the fair value less cost to sell, resulting in an impairment loss of US$8,029,000 which was included as part of "other expenses, net" in the consolidated statement of comprehensive income. The fair value was determined based on memorandum of agreements.

Valuation policies and procedures

The Group's Chief Financial Officer ("CFO") who is assisted by the Financial Controller and Finance Manager (collectively referred to as the "Finance Team"), oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the Finance Team reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of inputs (including those developed internally by the Group) used in the valuations.

Fair values of financial instruments by classes that are not carried at fair values and whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of receivables and other current assets except prepayments, capitalised charter cost and advances, amounts owing from/to subsidiaries, joint ventures and related companies, loans to joint ventures, cash and cash equivalents, payables and accruals, amount owing to holding company and borrowings are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

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35 DIVIDENDS

	Group and Company	
	2017	2016
	US$'000	US$'000
Declared and paid in prior financial year:		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend of $Nil per share (2016: S$0.005 per share)	**-**	6,704

36 LOSS PER SHARE

The basic and diluted loss per ordinary share ("EPS") are calculated by dividing the Group's net loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The weighted average number of ordinary shares for the financial years ended 31 December 2017 and 2016, takes into account the weighted average effect of changes in treasury shares transactions during the financial year.

The following tables reflect the loss and share data used in the computation of basic and diluted loss per share for the years ended 31 December:

	Group	
	2017	2016
	US$'000	US$'000
Net loss for the year, representing total comprehensive loss attributable to shareholders	**(230,266)**	(371,448)
	No. of shares ('000)	No. of shares ('000)
Weighted average number of ordinary shares for basic and diluted loss per share computation	**1,813,720**	1,812,001

37 CONTINGENT LIABILITIES

(a) The Company provided the following guarantees at the end of the reporting periods:

	Company	
	2017	2016
	US$'000	US$'000
Refund and performance guarantees		
– Subsidiaries	**4,431**	5,059
– Joint ventures[1]	**3,734**	8,334
Corporate guarantees		
– Subsidiaries[2]	**312,525**	262,000
– Joint venture[3]	**8,688**	14,525

1 A joint venture partner has provided an indemnity to the Company for its proportionate share in the refund and performance guarantees of US$1,330,000 (2016: US$5,930,000).

2 Corporate guarantees for its subsidiaries' term loans drawn down under various loan facilities with maturities between August 2022 to December 2024.

3 Corporate guarantees for its proportionate share for a joint venture's banking facilities which the Company is severally liable for in the event of a default by the joint venture.

(b) On 2 September 2015, a writ of summons and statement of claim (the "Claim") was served on the Company. The Company had in January 2015 entered into a sale and purchase agreement ("SPA") to acquire a property from its owner (the "Claimant"). The acquisition was subject to the Claimant obtaining approval from Jurong Town Corporation ("JTC"). The application by the Claimant for such approval was rejected by JTC and the Company had sought a refund of the deposit paid under the SPA from the Claimant.

In the Claim, the Claimant claimed for, amongst others, a declaration that it is entitled to forfeit the deposit (including goods and services tax). The Claimant initially also claimed for damages of approximately S$3,300,000 (US$2,334,000) which it alleged it suffered as a result of the sale of the property not having been completed. The Claimant subsequently reduced its claim for damages of approximately S$3,300,000 (US$2,334,000) to S$2,219,000 (US$1,597,000). The Claimant thereafter obtained leave of court to amend its Claim to include the difference in price between the original price under the SPA, and the price at which the Claimant agreed to sell the property to a third party ("Third Party") pursuant to an option to purchase issued by the Claimant and accepted by the Third Party. In this regard, the additional amount claimed by the Claimant under the amended Claim is S$24,500,000 (US$17,632,000), which the Claimant is claiming further or alternatively to its forfeiture of the deposit. Further, the Claimant has maintained its claim for damages of S$2,219,000 (US$1,597,000) as an alternative claim to its claim for S$24,500,000 (US$17,632,000).

The Company is defending the amended Claim as well as counterclaiming for the return of the deposit by the Claimant as well as interest and costs. As at the date of these financial statements, the Directors are of the view that no material losses will arise in respect of the legal claim.

38 FEES PAID TO AUDITORS

	Group	
	2017	2016
	US$'000	US$'000
Audit fees paid to auditors	**265**	225
Non-audit fees paid to auditors	**235**	231

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board who collectively and individually accept full responsibility for the accuracy of the information contained herein. The Board confirms that after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement in this Circular false or misleading.

2. CONSENTS AND DECLARATIONS OF CONFLICT OF INTEREST

(a) RHBIB

RHBIB, being the Principal Adviser for the Proposed Disposal by way of the Proposed ROS, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

RHBIB and/or its related companies ("**RHB Banking Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction service businesses. RHB Banking Group has engaged and may in the future, engage in transactions with and perform services for MBC Group. In addition, in the ordinary course of business, any member of the RHB Banking Group may at any time offer to provide its services to or engage in any transactions (on its own account or otherwise) with MBC Group, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of MBC Group. This is a result of the businesses of the RHB Banking Group generally acting independently of each other and accordingly there may be situations where parts of the RHB Banking Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interests of MBC Group.

RHB Banking Group via RHB Bank (being the parent company of RHBIB), had on 18 June 2014 granted a term loan facility to MBC of up to RM320.0 million for general investment and working capital purposes ("**Term Loan**"). RHB Bank and MBC had via a letter dated 14 July 2017 agreed to vary certain terms and conditions of the Term Loan, of which one of the terms is that MBC to appoint RHBIB as the adviser for any ensuing corporate exercise(s) with the objective of strengthening the capital base of MBC on mutually agreed terms. As at the LPD, the Term Loan has an outstanding amount of approximately RM241.80 million and part of the Term Loan of approximately RM43 million is expected to be repaid from the proceeds arising from the Proposed Disposal by way of the Proposed ROS. In addition, RHB Banking Group has also extended trade, foreign currency and hedging facilities to MBC Group in its ordinary course of business. RHB Bank's exposure to MBC Group represents approximately 0.15% of RHB Bank's audited consolidated loans, advances and financing of approximately RM158,301.46 million and approximately 0.11% of total assets of approximately RM230,209.93 million as at 31 December 2017.

Notwithstanding the above, RHBIB confirms that there is no conflict of interests which exists or is likely to exist in its capacity as the Principal Adviser for the Proposed Disposal by way of the Proposed ROS on the basis as set out below:

(i) the Term Loan was provided on arm's length basis and is not material when compared to the RHB Bank's audited consolidated loans, advances and financing of approximately RM158,301.46 million and total assets of approximately RM230,209.93 million as at 31 December 2017;

(ii) the Term Loan was granted on 18 June 2014 for general investment and working capital purposes and is not conditional upon the Proposed Disposal or Proposed ROS. It is the intention of MBC to undertake the Proposed Disposal by way of the Proposed ROS to monetise its investments in POSH and raise the cash required to finance the working capital of MBC Group, part finance the construction costs of new vessels and repay part of the borrowings of MBC Group.

Accordingly, part of the expected gross proceeds arising from the Proposed Disposal by way of the Proposed ROS will be utilised to repay part of the Term Loan based on a fixed repayment schedule in accordance with the letter of offer for the Term Loan;

(iii) Notwithstanding the term in the offer letter dated 14 July 2017 to appoint RHBIB as the adviser for any ensuing corporate exercise, the appointment of RHBIB as the Principal Adviser to MBC for the Proposed Disposal by way of the Proposed ROS is in the ordinary course of business as a licensed investment bank. RHBIB does not have any interests in the Proposed Disposal by way of the Proposed ROS other than as a Principal Adviser based on the terms of engagement which are mutually agreed between both parties. In addition, the success of the Proposed Disposal by way of the Proposed ROS is dependent on the acceptance on the Offer Shares by the Entitled Shareholders under the Proposed ROS;

(iv) RHB Banking Group maintains a strict physical separation of the divisions/departments pursuant to its Chinese Wall Policy to avoid the sharing of sensitive information. The advisory work carried by RHBIB's Corporate Finance Department is strictly regulated by the SC, Bursa Securities and BNM; and

(v) The conduct of RHB Banking Group in its banking business is strictly regulated by the Financial Services Act 2013 and CMSA, and RHBIB has a robust system of internal controls to prevent the overriding of its established credit approval policies and procedures. This would include comprehensive monitoring and reporting mechanism. Credit proposals (such as the Term Loan) that are prepared by the respective departments of RHB Banking Group are escalated to independent reviewing parties and committees within RHB Banking Group for approval. Further, there is no involvement by RHBIB in respect of any credit application process undertaken by other departments within RHB Banking Group.

(b) Messrs Ernst & Young

Messrs Ernst & Young, being the Reporting Accountants for the Proposed Disposal by way of the Proposed ROS, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Messrs Ernst & Young confirms that there is no conflict of interests which exists or is likely to exist in its capacity as the Reporting Accountants for the Proposed Disposal by way of the Proposed ROS.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed below, the Board is not aware of any material commitments and contingent liabilities incurred or known to be incurred by MBC Group, which upon being enforceable, may have material impact on the profits or NA of MBC Group:

As at 31 December 2017	RM'000	RM'000
Capital commitments		**306,867**
Contract of affreightment		**294,637**
Vessel operating lease commitments		
- as lessee	381,073	
- as lessor	27,248	
		408,321

4. MATERIAL CONTRACTS

Based on the publicly available information on the website of the SGX, as at the LPD, POSH Group has not entered into any contract which is or may be material (not being contracts entered into in the ordinary course of business of POSH Group) within the past two (2) years immediately preceding the LPD.

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Based on the publicly available information on the website of the SGX, the composite litigation due diligence search results and the winding-up and judicial management due diligence search results in respect of POSH obtained from searches conducted on LPD at the Cause Book Search (CBS) service module of the Integrated Electronic Litigation System (eLitigation) at www.elitigation.sg for the years 2014, 2015, 2016, 2017 and the period from 1 January to 23 April 2018 (the "**Singapore Litigation Searches**") save as disclosed below, there is no material litigation, claims or arbitration proceedings that have commenced and continuing against POSH Group for the period prior to and ending on immediately preceding the LPD.

With respect to the Singapore Litigation Searches, it should be noted that:

(a) the results from these searches do not reveal information relating to members' voluntary winding up and appointment of a receiver which is not made pursuant to a court order;

(b) the results from these searches do not reveal information on proceedings that have not been commenced against POSH prior to the year 2014;

(c) notice of a winding-up order made or resolution passed or a receiver or judicial manager appointed may not be filed at the Accounting and Corporate Regulatory Authority of Singapore immediately; and

(d) information on damages on defamation cases, damages on personal injuries and death cases, taxation, bankruptcy cases, arbitration, winding up proceedings and admiralty proceedings are excluded.

(i) Claim against POSH Semco Pte. Ltd. ("PSPL") in South African court for damages of SGD122,935,000

Based on the prospectus relating to the initial public offering of POSH issued by POSH on 17 April 2014, an admiralty action was initiated in 2009 against POSH's subsidiary, PSPL, in the South African High Court. LJ Boer Handel B.V. (as owners of the pontoon "Margaret" and two floating docks) and LJ Boer Vastgoed B.V. (as owners of 12 barges) (together, the "**Plaintiffs**") have claimed damages as a result of the loss of and damage to the pontoon Margaret and its cargo of two floating docks and 12 barges under towage from Shanghai, China to Rotterdam, The Netherlands by PSPL. The damages claimed amounted to (a) EUR33.8 million (or approximately SGD59.2 million) (comprising EUR19.2 million (or approximately SGD33.6 million) for the value of the tow and EUR14.6 million (or approximately SGD25.6 million) for the Plaintiffs' remaining damages including loss of profit, contractual penalties and wasted expenditure on ordering materials and parts for the pontoon and tow); (b) USD2.0 million (or approximately SGD2.5 million) plus EUR420,000 (or approximately SGD735,000) comprising salvage, advisory, expert and finance costs incurred in relation to the salvage operations; and (c) R11.0 million (or approximately SGD1.3 million) comprising the net wreck reduction costs incurred for the removal of the wreck from the reef, including demolition and monitoring costs less the salvage received for any scrap parts sold. The trial was scheduled to commence in October 2014 and POSH stated that it intends to vigorously defend against this claim. POSH's insurers have confirmed that any liability from this suit will be fully covered without conditions (after taking into account USD1,000 deductibles) by POSH's existing insurance. As such, POSH did not envisage any difficulties in making a claim against its insurers for the full amount, and accordingly, no provision was been made in its consolidated financial statements.

Based on the publicly available information on the website of the SGX, there is no further update by POSH in relation to this claim.

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(ii) Claim by POSH against two (2) shareholders of its Mexican joint venture to recover loan of USD109,800,000

Based on the prospectus relating to the initial public offering of POSH issued by POSH on 17 April 2014, POSH granted a loan (of which the outstanding amount as at December 31, 2013 was USD109.8 million) to its joint venture, Servicios Maritimos Gosh, S.A.P.I. de C.V. ("**GOSH**"), for the acquisition, modification and mobilisation of the six vessels of GOSH which have been chartered to Oceanografía, S.A. de C.V.("**OSA**") and in turn to the Petroleos Mexicanos group of companies (collectively, "**PEMEX**"), which is a Mexican state-owned petroleum company involved in the oil and gas sector. The loan was granted in view of the unacceptable terms offered by the local banks in Mexico. There are no fixed repayment instalments and the charter hire that is paid are paid back to the POSH Group and the net amount (after deducting commission, vessel operating expenses and taxes) is applied against the loan. As security for the loan, POSH has share pledge agreements with the two Mexican shareholders of GOSH (representing 50.0% interests in GOSH) and mortgages over the six vessels owned by GOSH.

To safeguard POSH's interest, it has in March 2014 initiated legal actions to recover full repayment of the outstanding loan and interest payable to POSH, including legal actions to enforce its rights under the share pledge agreement to require the sale of the shares held by the two Mexican shareholders to such person as POSH may nominate whereby the proceeds from such sale will be paid to POSH to reduce POSH's loan to GOSH.

No allowance was made by POSH in this regard given that (a) POSH expects that the contracts with PEMEX will remain operational until 2015, and the charter income from the contracts with PEMEX is sufficient to service GOSH's vessel operating expenses, as well as its obligations to service the loan and current and future interest payable to us by GOSH; and (b) as security for the loan, POSH has share pledge agreements with the two Mexican shareholders of GOSH (representing 50.0% interests in GOSH) and mortgages over the six vessels owned by GOSH. POSH understands from its Mexican legal advisers that the mortgages over the six vessels owned by GOSH are enforceable under Mexico law in accordance with their respective terms and there is no reason to believe that there are currently any issues (including any issues arising from the Mexican government's investigations of OSA over alleged fraud arising from billings charged by OSA to PEMEX) that may give rise to prevent the enforcement of such mortgages.

On 8 October 2014, POSH announced that through the enforcement of the share pledge agreements (referred to above), POSH has acquired 260,000 shares in GOSH through its associate, GOSH Caballo Eclipse S.A.P.I de C.V. ("**Eclipse**"), and its effective shareholding in GOSH became 73.5%.The consideration price for the shares in GOSH was based on the adjusted net tangible asset value of GOSH and was funded by the internal resources of Eclipse. It was not expected to have any material effect on the net tangible assets per share or earnings per share of POSH for the financial year ended 31 December 2014.

Based on the publicly available information on the website of the SGX, there is no further update by POSH in relation to this claim.

(iii) Bankruptcy proceedings of Mexican joint venture GOSH's customer, OSA

Based on the announcement by POSH on the website of the SGX on 21 May 2014 and the first quarter unaudited financial statements announced by POSH on 27 May 2014 for the FYE 31 December 2014, it was noted that since 28 February 2014, the administration of OSA (GOSH's customer of the chartering of six vessels as mentioned above) had been placed under the control of the Mexican State Administrator ("**SAE**") in connection with the Mexican government's investigations of OSA over alleged fraud arising from billings charged by OSA to PEMEX. Under an irrevocable trust arrangement entered into between OSA and PEMEX on 8 August 2013, PEMEX will pay all charter hire invoiced by OSA into an irrevocable trust ("**GOSH Trust**") for the benefit of GOSH and POSH. Since the establishment of the GOSH Trust, charter hire payments from PEMEX have been made to the GOSH Trust. POSH has recently been informed that SAE has obtained a court order ("**Order**") for PEMEX to stop paying charter hire on vessels chartered from OSA to all trusts including the GOSH Trust and instead to make such payments directly to SAE. Since then GOSH, through its trustee, has filed an injunction in the Mexican Courts to nullify the Order. A hearing on the matter was held on 28 May 2014. In addition, GOSH has also met with SAE in order to find a resolution to the matter. In the meantime, GOSH has stopped work on the vessels chartered to OSA. POSH made an additional provision for its share of the receivables in GOSH which may be affected by the Order, amounting to approximately USD4.6 million, in the POSH Group's first quarter results for the FYE 31 December 2014.

Based on the third quarter unaudited financial statements announced by POSH on 14 November 2014 for the FYE 31 December 2014:

(1) With regards to the POSH Group's joint venture in Mexico, the joint venture's customer, OSA, was placed into bankruptcy proceedings (concurso mercantil) and was at the conciliatory stage (i.e. an arrangement with the majority of its creditors). The POSH Group and its joint ventures have been successful in having a significant part of their claims recognised by the Mexican Bankruptcy Court and have submitted an appeal for the balance. GOSH's injunction against the Order obtained by the Mexican State Administrator for PEMEX to stop paying charter hire on vessels chartered from OSA was ongoing as at 14 November 2014.

(2) Notwithstanding POSH's efforts to recover all debts due from OSA, full allowance was made by the POSH Group (USD0.5 million) and its joint ventures (USD4.6 million being the POSH Group's share).

(3) As mentioned in sub-clause (ii) above, POSH exercised its rights and in October 2014 secured equity control of GOSH in addition to its existing operational control over all of its Mexican operations and assets. The loans granted by POSH to its Mexican subsidiary are fully underpinned by the value of the vessels.

Based on the annual report of POSH for the FYE 31 December 2014, it was also mentioned that notwithstanding POSH's efforts to recover all debts due from OSA arising from the charter hire on vessels to OSA, full provision has been made for the receivables and that OSA's default on the charters resulted in a USD20.8 million loss attributable to POSH.

Based on the publicly available information on the website of the SGX, there is no further update by POSH in relation to this proceeding.

(iv) Claim against POSH by Kensteel Engineering Pte Ltd for SGD30.519 million relating to a sale and purchase agreement in respect of a property in Singapore

In January 2015, POSH had entered into a sale and purchase agreement ("**SPA**") with Kensteel Engineering Pte Ltd (the "**Claimant**") to acquire a property in Singapore (the "**Acquisition**"). The Acquisition was subject to the Claimant obtaining approval from Jurong Town Corporation ("**JTC**"). The application by the Claimant for such approval was rejected by JTC and POSH had sought a refund of the deposit paid under the SPA from the Claimant.

On 2 September 2015, a writ of summons and statement of claim (the "**Claim**") was served on POSH. In the Claim, the Claimant has claimed for, amongst others, a declaration that it is entitled to forfeit the deposit (including goods and services tax). The Claimant has also claimed for damages of approximately SGD3.300 million (USD2.334 million) which it alleges it suffered as a result of the sale of the property not having been completed. The total sum of the deposit of approximately SGD3.800 million (USD2.899 million) and the claim for damages (approximately SGD3.300 million (USD2.334 million)) is approximately SGD7.100 million (USD5.233 million).

On 5 September 2016, the Claimant had reduced its claim for damages of approximately SGD3.300 million to SGD2.219 million. POSH counterclaimed for the return of the deposit by the Claimant as well as interest and costs.

As at the date of the financial statements for the FYE 31 December 2015 and FYE 31 December 2016, the Directors were of the view that no material losses will arise in respect of the legal claim.

On 3 May 2017, POSH announced that the Claimant has obtained leave to amend its Claim to include the difference in price between the original price for the Acquisition under the SPA, and the price at which the Claimant has agreed to sell the property to a third party (the "**Third Party**") pursuant to an option to purchase (the "**OTP**") issued by the Claimant on 21 March 2017 and accepted by the Third Party on 4 April 2017.

In this regard, the additional amount claimed by the Claimant under the amended Claim is SGD24.5 million, which the Claimant had claimed further or alternatively to its forfeiture of the deposit. Further, the Claimant has maintained its claim for damages of approximately SGD2.219 million as an alternative claim to its claim for SGD24.5 million.

The total claim amount is SGD30.519 million and represents approximately 5.91% of the Group's audited net loss after tax for the FYE 31 December 2016 and 3.48% of the Group's audited net tangible assets as at 31 December 2016.

POSH understands that the terms of the OTP provide that the sale of the property to the Third Party is subject to the written approval of JTC and any other relevant government authorities. To the best of POSH's knowledge, such approval has not, as at the time of the 3 May 2017 announcement, been obtained and therefore the sale has not been completed.

As at the time of the 3 May 2017 announcement, the Singapore courts have granted leave to the Claimant to serve the amended Claim on POSH by 6pm, 5 May 2017, together with particulars including the circumstances of the sale of the property to the Third Party, the status of the requisite application to JTC and how the property came to be offered to be sold to the Third Party.

Based on the information available, POSH intends to defend the amended Claim and is taking legal advice.

(v) Claim by PSPL against Makamin Offshore Saudi Ltd ("Makamin") for approximately USD11.3 million, counterclaim by Makamin against POSH Saudi Company ("PSC") and PSPL for at least USD60.2 million

On 21 March 2016, PSPL, a wholly-owned subsidiary of POSH, commenced legal action against Makamin in the Kingdom of Saudi Arabia to recover certain sums due and owing by Makamin to PSPL for, *inter alia*, the charter hire of three vessels owned by the Group (the "**Vessels**"), charges for meals and accommodation and interest charges on the amount owing in relation to the time charters of the Vessels and to compel Makamin to carry out their agreement to novate their sub-charters for two (2) vessels to the a nominee of POSH Group.

On 10 December 2016, Saudi Arabia legal counsel of POSH Group clarified the scope of the legal action commenced by Makamin against a subsidiary of POSH, POSH Saudi Company ("**PSC**"). Pursuant to the legal action commenced by Makamin against PSC, Makamin has applied for a court order in Saudi Arabia to:

(a) forbid PSC from substituting Makamin in Makamin's charter contracts with Saudi Aramco ("**Aramco**"), whether directly or indirectly;

(b) restrain PSC from inciting its staff to stop working or cooperating with Makamin and to deliver to Makamin all documents necessary for Makamin's relationship with Aramco;

(c) forbid PSC from causing damage to Makamin in the context of Makamin's relationships with Aramco, its banks and its clients;

(d) compensate Makamin for all damages allegedly caused by PSC, comprising SAR100 million (approximately USD26.7 million) as compensation for the loss of Makamin's charter contracts with Aramco, SAR30 million (approximately USD8.0 million) for the expenses paid by Makamin to bring and operate three vessels and SAR 90 million (approximately USD24.0 million) to compensate for Makamin's loss of profit arising from Makamin's ban from working with Aramco for the next two (2) years at a minimum; and

(e) prevent PSC from tendering for Aramco's charter contracts for the same period of time for which Makamin is prevented from doing so and to substitute any of POSH Group's entities in any contract Makamin enters into with Aramco.

Based on the information available, POSH intends to vigorously contest and defend against any charge or allegation made against PSC by Makamin and will take all steps necessary to protect its reputation, its interests and the interests of its shareholders.

POSH had on 15 May 2017 announced that on 19 February 2017, PSPL increased the amount of its claim against Makamin from USD6.6 million to approximately USD11.3 million, arising principally from additional amounts of charter hire for the Vessels owing by Makamin to PSPL.

POSH Group has also been informed by its Saudi Arabia counsel that Makamin has made certain counterclaims against PSPL which, as clarified after a hearing in the court of Saudi Arabia on 14 May 2017, comprise of: (i) approximately USD20 million for compensation for the alleged loss of the three contracts with Aramco; (ii) USD30 million for compensation for the alleged loss of future work with Aramco; (iii) USD10.2 million for payment of sums which PSPL has allegedly offered to pay Makamin against the three contracts; (iv) USD2,000 per day for payment of sums which PSPL is allegedly liable to pay to Makamin under a novation agreement; (v) an unspecified amount of compensation for any interruption of oil production as a result of withdrawing the vessels; and (vi) an unspecified amount of compensation for the alleged cost incurred for operating the vessels.

POSH Group is taking advice from its Saudi Arabia legal counsel and notes that certain counterclaims made by Makamin in (i), (ii) and (vi) above are duplicative in nature to claims made by Makamin against POSH Group that have already been rejected by the Saudi Arabia court, as previously announced by POSH on 21 February 2017. Based on the information available, POSH Group intends to defend itself against Makamin's allegations and counterclaims and will take all steps necessary to protect its reputation and interests, as well as the interests of its shareholders.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Level 17 & 18, PJ Tower, No. 18, Jalan Persiaran Barat, Off Jalan Timur, 46050 Petaling Jaya, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:

(a) Constitution of MBC;

(b) Constitution of POSH obtained from the Accounting and Corporate Regulatory Authority of Singapore;

(c) Pro forma consolidated statement of financial position of MBC as at 31 December 2017 together with the reporting accountants' letter thereon;

(d) Audited consolidated financial statements of MBC Group for the past two (2) financial years up to the FYE 31 December 2017;

(e) Audited consolidated financial statements of POSH Group for the past two (2) financial years up to the FYE 31 December 2017; and

(f) Letters of consent and declarations of conflict of interests referred to in Section 2 above.

MALAYSIAN BULK CARRIERS BERHAD

(Company No.: 175953-W)
(Incorporated in Malaysia under the Companies Act 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of Malaysian Bulk Carriers Berhad ("**MBC**" or "**Company**") will be held at Banquet Hall, TPC Kuala Lumpur (Kuala Lumpur Golf & Country Club Berhad), No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Friday, 11 May 2018 at 11.00 a.m. or immediately after the conclusion of Annual General Meeting of the Company for the purpose of considering and, if thought fit, passing with or without modifications the following resolution:

ORDINARY RESOLUTION

PROPOSED DISPOSAL OF UP TO 386,385,645 ORDINARY SHARES IN PACC OFFSHORE SERVICES HOLDINGS LTD. ("POSH") ("OFFER SHARES"), WHICH ARE CURRENTLY HELD BY A WHOLLY-OWNED SUBSIDIARY OF MBC KNOWN AS LIGHTWELL SHIPPING INC. ("LSI"), BY WAY OF THE PROPOSED RENOUNCEABLE RESTRICTED OFFER FOR SALE OF THE OFFER SHARES, TO ALL SHAREHOLDERS OF MBC ON A PRO-RATA BASIS OF 386 OFFER SHARES FOR EVERY 1,000 EXISTING ORDINARY SHARES HELD IN MBC, AT AN OFFER PRICE, ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED DISPOSAL BY WAY OF THE PROPOSED ROS")

"**THAT** approval be and is hereby given to the Company to dispose of up to 386,385,645 Offer Shares representing approximately 21.23% of the total issued shares in POSH as at 23 April 2018, which are directly held by a wholly-owned subsidiary of the Company known as LSI, to all shareholders of MBC whose names appear on the Company's Record of Depositors ("**Entitled Shareholders**") at the close of business on a date to be determined by the Board of Directors of MBC ("**Board**") and announced later ("**Entitlement Date**"), by way of a renounceable restricted offer for sale of the Offer Shares by the Company to the Entitled Shareholders on the basis of 386 Offer Shares for every 1,000 shares in MBC held by the Entitled Shareholders as at the Entitlement Date at an offer price to be determined and announced by the Board later;

THAT the Board be and is hereby empowered and authorised to deal with any fractional entitlements, if any, that may arise from the Proposed Disposal by way of the Proposed ROS in such manner and on such terms and conditions as the Board shall in its absolute discretion deem fit, necessary and/or expedient, and to be in the best interests of the Company (including without limitation to disregard such fractional entitlements);

THAT any Offer Shares which are not validly taken up or which are not allocated for any reason whatsoever shall first be made available for excess shares application in such manner as the Board shall in its absolute discretion deem fit, necessary and/or expedient, and to be in the best interests of the Company;

THAT the proceeds of the Proposed Disposal by way of the Proposed ROS be utilised for the purposes as set out in the Circular to the shareholders of the Company dated 26 April 2018, and the Board be and is hereby empowered and authorised to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, and to be in the best interests of the Company subject (where required) to the approval of the relevant authorities;

AND THAT the Board be and is hereby empowered and authorised to take all such steps and do all acts, deeds, and things to enter into any arrangements, transactions, agreements and/or undertakings and to execute, sign and deliver on behalf of the Company, all such documents as it may deem necessary, expedient and/or appropriate to implement and give full effect to and complete the Proposed Disposal by way of the Proposed ROS, with full powers to assent to any conditions, variations, modifications and/or amendments as the Board may deem fit, necessary and/or expedient to implement, finalise and give full effect to the Proposed Disposal by way of the Proposed ROS."

By Order of the Board
MALAYSIAN BULK CARRIERS BERHAD

OOI POOI TENG (MAICSA 7055594)
Company Secretary

Petaling Jaya
26 April 2018

Notes:

1. *Only depositors whose names appear in the Record of Depositors of the Company as at 2 May 2018 (General Meeting Record of Depositors) will be regarded as members and entitled to attend, participate, speak and vote at the meeting.*

2. *A member of the Company who is entitled to attend, participate, speak and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. Where a member appoints two (2) proxies to attend the same meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy.*

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

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

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

6. *A proxy may but need not be a member of the Company. A proxy appointed to attend, participate, speak and vote at the meeting shall have the same rights as the member appointing him to participate, speak and vote at the meeting.*

7. *Pursuant to Paragraph 8.29(A) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, resolution at the EGM shall be put to vote by way of poll.*

8. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, shall be deposited at the Registered Office of the Company, not less than 24 hours before the time for holding the meeting and in default, the instrument of proxy shall be invalid.*

MALAYSIAN BULK CARRIERS BERHAD

Form of Proxy

Number of shares held

I/We,...

(FULL NAME IN CAPITAL LETTERS)

NRIC No./Company No...CDS Account No..

being a member / members of MALAYSIAN BULK CARRIERS BERHAD (Company No.: 175953-W), hereby appoint

....

(FULL NAME AND NRIC NO)

of...

(FULL ADDRESS)

or failing him/her...

(FULL NAME AND NRIC NO)

of...

(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting, as my/our proxy to attend, participate, speak and vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Banquet Hall, TPC Kuala Lumpur (Kuala Lumpur Golf & Country Club Berhad), No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Friday, 11 May 2018 at 11.00 a.m. or immediately after the conclusion of Annual General Meeting of the Company on the resolution to be approved thereat:

My/Our proxy(ies) is/are to vote as indicated below:

RESOLUTION	FOR*	AGAINST*
Ordinary Resolution – Proposed Disposal by way of the Proposed ROS		

* *Please indicate with "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolution as set out in the Notice of Meeting. In the absence of specific direction, your proxy may vote or abstain as he/she thinks fit.*

....

Signed this day of 2018 Signature of member(s)/seal

Notes:

1. *Only depositors whose names appear in the Record of Depositors of the Company as at 2 May 2018 (General Meeting Record of Depositors) will be regarded as members and entitled to attend, participate, speak and vote at the meeting.*
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3. *Where a member is an authorised nominee, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (**"omnibus account"**), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
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Fold this flap for sealing

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AFFIX
STAMP

The Company Secretary
MALAYSIAN BULK CARRIERS BERHAD (175953-W)
Level 17 & 18, PJ Tower,
No. 18, Jalan Persiaran Barat,
Off Jalan Timur, 46050 Petaling Jaya,
Selangor Darul Ehsan

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