

HUßLine

B e r h a d
(23568-H)



Annual Report 2012



CONTENTS

| | |
|----|---|
| 2 | Corporate Information |
| 3 | Corporate Structure |
| 4 | Three-Year Financial Highlights |
| 5 | Executive Chairman and CEO's Statement |
| 7 | Directors' Profile |
| 9 | Statement on Corporate Governance |
| 15 | Audit Committee Report |
| 17 | Statement on Internal Control |
| 19 | Financial Statements |
| 89 | Properties of the Group |
| 90 | Analysis of Shareholdings |
| 93 | Analysis of Warrants Holdings |
| 96 | Notice Of Annual General Meeting |
| 97 | Statement Accompanying Notice of Annual General Meeting |
| | Proxy Form |

Corporate Information

BOARD OF DIRECTORS

Dennis Ling Li Kuang
Executive Chairman/CEO

Richard Wee Liang Huat @ Richard Wee Liang Chiat
Non-Independent Non- Executive Director

Christine Lau Swee Eng
Non- Independent Non-Executive Director

Haji Ibrahim Bin Haji Baki
Independent Non-Executive Director

Katrina Ling Shiek Ngee
Non- Independent Non-Executive Director

Haji Awang Mohidin Bin Awang Saman
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Haji Ibrahim Bin Haji Baki

Members
Haji Awang Mohidin Bin Awang Saman
Katrina Ling Shiek Ngee

REMUNERATION COMMITTEE

Chairman
Haji Awang Mohidin Bin Awang Saman

Members
Haji Ibrahim Bin Haji Baki
Katrina Ling Shiek Ngee

NOMINATION COMMITTEE

Chairman
Haji Awang Mohidin Bin Awang Saman

Members
Haji Ibrahim Bin Haji Baki
Katrina Ling Shiek Ngee

COMPANY SECRETARY

Yeo Puay Huang
(LS 0000577)

REGISTERED OFFICE

Wisma Hubline
Lease 3815 (Lot 10914) Section 64 KTLD
Jalan Datuk Abang Abdul Rahim
93450 Kuching, Sarawak
Tel : 6082-335393 Fax : 6082-337090

REGISTRAR AND TRANSFER OFFICE

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Melenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : 03-20849000 Fax : 03-20949940

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad
Stock Name : Hubline
Stock Code : 7013

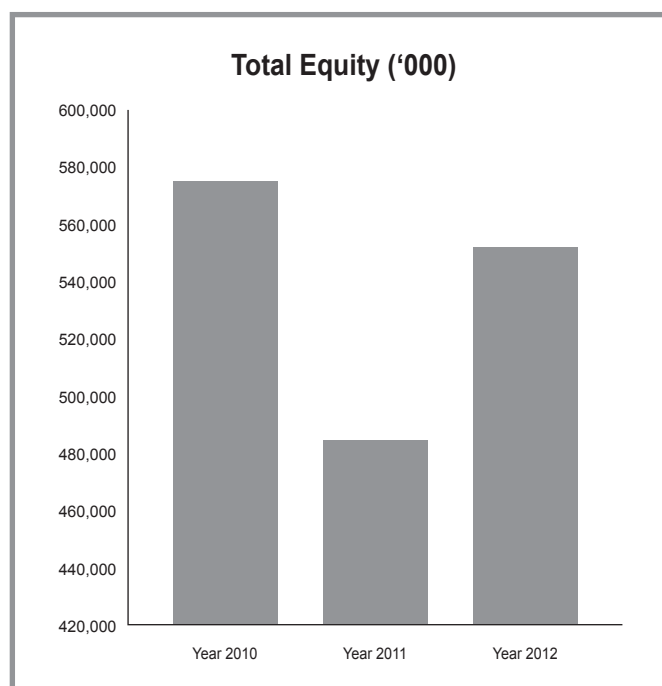
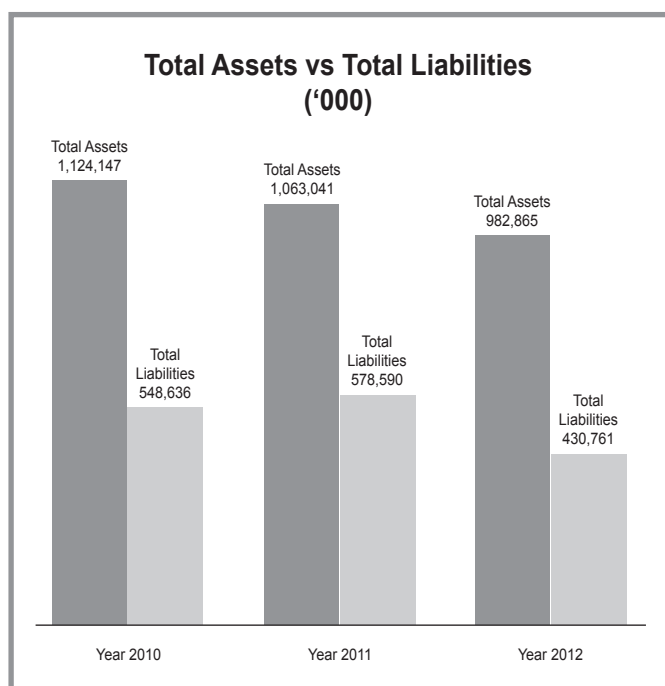
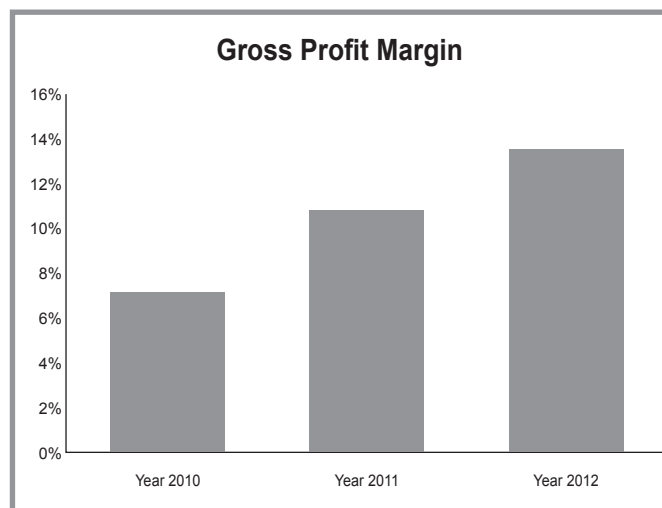
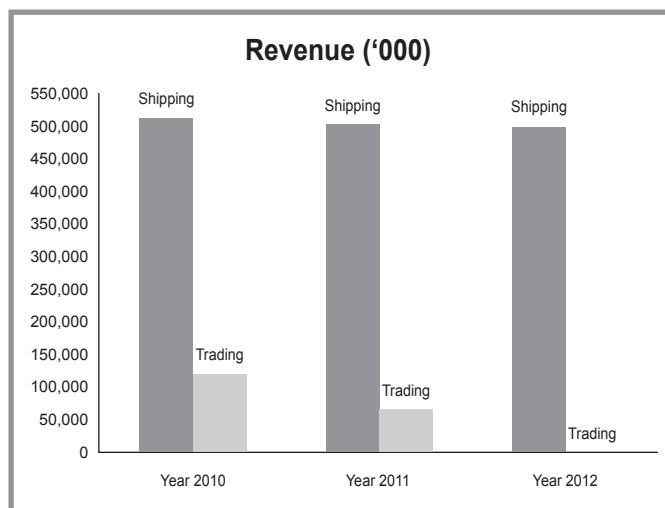
WEBSITE

www.hubline.com



Three-Year Financial Highlights

(Presented in Ringgit Malaysia)



| | Year 2010 | Year 2011 | Year 2012 |
|----------------------------------|-------------|--------------|-------------|
| Profit / (Loss) After Tax | 8,949,908 | (71,633,084) | 2,384,075 |
| Gearing Ratio | 39% | 48% | 41% |
| Net Assets | 575,511,439 | 484,450,660 | 552,103,752 |
| Net Assets Per Share | 0.31 | 0.26 | 0.27 |



Executive Chairman and CEO's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report of Hubline Berhad ('Hubline') for the financial year ended 30 September 2012.

ECONOMIC AND INDUSTRY OVERVIEW

The global economic environment remained challenging in 2012 due mainly to vulnerabilities in major key economies. Growth in the major advanced economies slowed and growth momentum in Asia had also moderated, reflecting the slowing external demand.

However, amidst the challenging global environment, activities in the private and public sectors have ensured higher growth in Malaysia. Going forward, this trend is expected to be sustained even though the downside risks from external developments remain.

The shipping industry, though, was continuously challenged by poor demand outlook, increased competition, rising fuel costs, stagnant freight rates and excessive supply of shipping services.

Trade-related activities remained subdued within intra-Asian regions as well as within Malaysia. Although Malaysian economy enjoyed moderate growth, it did not escape completely from general weakness in the advanced economies as well as economic sluggishness in China.

FINANCIAL PERFORMANCE

Hubline produced moderate financial performance despite a weak economic backdrop.

Revenue for the financial year ended 30 September 2012 was about RM 499 million, which was a decrease of about 13% from previous corresponding year which recorded revenue of approximately RM 570 million.

The drop in Hubline's revenue was mainly due to reduction in trading revenue which amounted to approximately RM 66 million in the year 2011. Trading revenue mainly consisted of sales of coal. The shipping division recorded marginally lower revenue of RM 499 million for the year 2012 compared to RM 503 million for the year 2011, a decrease of 0.8%.

Hubline recorded net profit after tax of approximately RM 2.4 million for the year 2012, compared with an after tax net loss of approximately RM 71.6 million for the year 2011. During the year 2012, Hubline recorded significantly less impairment loss on property, plant and equipment.

Hubline's gearing ratio improved to 41.2% for the year 2012 whereas in previous year the gearing ratio was 47.6%. After the formal settlement of Murabahah Commercial Papers/Murabahah Medium Term Notes and Bai' Bithaman Ajil Islamic Debt Securities in November 2012 and December 2012 respectively, Hubline's gearing ratio further improved.

REVIEW OF OPERATIONS

Container throughput and the dry bulk business were satisfactory and performed in line with expectation during the year 2012. Majority of the freight rates across Hubline's Malaysian and intra-Asian business network were relatively stagnant. Due to weak economic conditions, some customers have requested for longer credit terms.

As demonstrated successfully in the past, Hubline remained nimble in responding to changing demands of customers and business trends by taking full advantage of its diverse fleet of vessels. Several changes being made to Hubline's vessel voyages during the year resulted in better than anticipated pick-up in sales.

During the year 2012, Hubline continued to invest in its information technology infrastructure and operational platform with a view to enhance employee productivity and lower business operating costs over the long run.

Executive Chairman and CEO's Statement (contd.)

CORPORATE DEVELOPMENT

Hubline successfully completed a Private Placement of ordinary shares on 30 May 2012, raising approximately RM61 million.

Additionally, Hubline announced a Rights Issue on 11 June 2012. The Rights Issue was successfully completed in October 2012 with an over-subscription of 0.09%. The bulk of the proceeds from the Rights Issue was used to settle Murabahah Commercial Papers/Murabahah Medium Term Notes and Bai' Bithaman Ajil Islamic Debt Securities with an aggregate settlement sum of approximately RM75 million.

With lower gearing profile and enhanced capital base, Hubline is financially well-positioned to take advantage of any pick-up in trade activities going forward and enhance returns for shareholders of Hubline.

DIVIDEND

In view of the challenging economic and operating environment, the Board has elected to conserve cash and therefore no dividend has been paid or declared for the year under review.

PROSPECTS

Hubline is principally involved in the provision of containerised and dry bulk shipping services, shipping agency and chartering of vessels. Demand for shipping services depends on the demand for commodities and finished goods, which is generally cyclical in nature and largely correlates to the general economy.

Hubline expects that the economic conditions for both the containerised and dry-bulk businesses to be challenging amid the uncertain economic environment across almost all the intra-Asian regions, including Malaysia, as well as the European debt crisis which remains a risk to the global trade patterns. It is further anticipated that freight rates will remain flat given the excess supply of ships in trade routes which Hubline currently operates in.

Hubline shall continue to review various niche routes with an objective of increasing vessel capacity utilisation rates and profitability whilst maintaining our prudent approach in utilizing the resources, focusing on cost efficiency.

Moreover, Hubline continues to explore opportunities across all the intra-Asian regions and Malaysia to further strengthen its customer base and to cater for new demand from both existing and potential customers, as well as seeking for potentially new, profitable trade routes to support longer term growth. Furthermore, Hubline shall strive to retain longer term customers and winning key contracts to support longer-term earnings growth.

ACKNOWLEDGMENT

On behalf of the Board of Directors, I congratulate the people of Hubline for their ongoing commitment to our valued customers and our business.

Moreover, I would like to thank our shareholders, shipping agencies, business associates, government agencies and bankers for their continued support.

Last but not least, I would like to thank my fellow Board members for their repeated demonstration of high level of professionalism, integrity and work ethic.

Dennis Ling Li Kuang
Executive Chairman and CEO



Directors' Profile

Mr Dennis Ling Li Kuang [Executive Chairman/CEO]

Malaysian, aged 60, was appointed to the Board on 13th February, 2001. Mr Dennis Ling is a Chartered Accountant by profession. He graduated with Bachelor of Commerce Degree from the University of Wollongong in New South Wales, Australia and is an associate member of the Institute of Chartered Accountants in Australia.

He was a partner of Arthur Andersen Worldwide from 1984 to 1997. Over the years, he has gained extensive experience and exposure in financial and commercial sectors from which he draws to manage the Hubline Group.

Mr Dennis Ling also sits on the Board of Bangpakong Terminal Public Company Ltd., which is listed on the Stock Exchange of Thailand. He also sits on the Board of several non-listed companies as non executive directors.

Mr Dennis Ling Li Kuang is the husband of Ms Christine Lau Swee Eng and father of Ms Katrina Ling Shiek Ngee.

Mr Richard Wee Liang Huat @ Richard Wee Liang Chiat

[Non -independent Non-Executive Director]

Malaysian, aged 54, was appointed to the Board since 1986. He obtained a Diploma in Management Development from Asian Institute of Management, Manila, Philippines in 1981 and is a member of the Malaysian Institute of Management since 1985. He also sits on the Board of many private companies.

Ms Christine Lau Swee Eng [Non-Independent Non-Executive Director]

Malaysian, aged 58, was appointed to the Board on 16 June 2005.

She obtained her Diploma in Business Studies from the Department of the Technical Education, New South Wales, Australia in 1977. She joined Hubline in 1996 and is currently the General Manager overseeing the human resources division as well as the treasury division. Before joining Hubline, she held senior consulting role within the international travel industry. Furthermore, she held senior management role in an Australian-based property group and accumulated specific expertise in evaluation, development, financing, marketing and acquisition of properties in Australia.

Ms Christine Lau Swee Eng is the wife of Mr Dennis Ling Li Kuang and mother of Ms Katrina Ling Shiek Ngee.

Haji Ibrahim Bin Haji Baki [Independent Non-Executive Director]

Malaysian, aged 54, was appointed to the Board on 2 December 1996. He holds an Honours Degree in Law. He is a Barrister-At-Law, and a member of Lincoln's Inn. His business activities include hotel development and management, property development, manufacturing involving wood base, steel and plastic products, construction and services sectors. He is a chairman of the Audit Committee and member of the Nomination and Remuneration Committees.

Directors' Profile (contd.)

Ms. Katrina Ling Shiek Ngee [Non-Independent Non-Executive Director]

Malaysian, aged 34, a Chartered Accountant, was appointed to the Board on 13 February 2001. She is a member of the Audit Committee, Nomination Committee and Remuneration Committee.

She graduated with a Bachelor of Commence (Accounting & Finance) from Monash University in Melbourne, Australia in 1999. In addition, she completed a Post-Graduate Certificate of Financial Planning from the Financial Services Institute of Australasia in 2007. She is an associate member of the Institute of Chartered Accountants of Australia and a member of the Malaysian Institute of Accountants.

She worked with several public accounting practices and a corporate advisory firm in Australia and accumulated vast experiences in the area of tax, accounting, finance, estate planning, funds management and wealth preservation. Over the past few years, she held senior management positions within the shipping industry.

Currently, she does not hold directorship of other public companies.

Ms. Katrina Ling Shiek Ngee is the daughter of Mr. Dennis Ling Li Kuang and Madam Christine Lau Swee Eng.

Haji Awang Mohidin Bin Awang Saman [Independent Non-Executive Director]

Malaysian, aged 70, was appointed to the Board on 14 June 2004. He obtained a Diploma in Public and Social Administration from the Victoria University of Manchester, United Kingdom and Diploma in Port Development and Administration from the University of New Orleans, United States of America. He was in Government service for many years and prior to his retirement, he was the General Manager of Rajang Port Authority. He is the Chairman of the Nomination and Remuneration Committees and a member of the Audit Committee.

Note :

- a) *None of the Directors has any conflict of interests with the Company and none of the Directors has any convictions for offences within the past 10 years other than traffic offences, if any.*
- b) *None of the Directors has any shares in the subsidiaries of Hubline Berhad.*
- c) *Please refer to page 21 for shareholdings of the directors in Hubline.*



Statement on Corporate Governance

The Board of Directors (“the Board”) recognises the importance of good corporate governance and is committed to ensuring that good corporate governance practices are applied throughout the Group as a fundamental part of performing its responsibilities to protect and enhance the Group’s shareholder value and financial performance.

In compliance with paragraph 15.25 (a) of the Bursa Malaysia Listing Requirement, the Board fully subscribes to the recommendations of the Malaysian Code on Corporate Governance (“the Code”), and has fully applied the principles of Best Practices recommended by the Code throughout the financial year ended 30 September 2012. The below statements demonstrate how these were achieved.

A THE BOARD OF DIRECTORS

(i) Responsibilities

The successful performance of the Group is the core responsibility of the Board. The Board holds a vital role in providing guidance to the Company, by way of strategic leadership, identifying pathways for the Group to achieve its short and long term goals. The Board provides advice and direction to the over-all management and development of the business.

The Board is responsible for reviewing and adopting a strategic plan for the Group and performs a consistent and continuous oversight function on the conduct of the Company’s business evaluating each area to ensure that continuous proper management is in place. The evaluation involves identifying principal risks and the implementation of appropriate systems and controls to effectively manage these risks. The Board reviews the adequacy and the integrity of the Company’s internal controls and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board is also behind the development and implementation of an investor relations program and shareholder communications policy for the Company, to promote transparency of information in the interest of the shareholders.

(ii) Composition

The composition of the Board reflects a balance of Executive, Non-executive and independent Directors with a generous pool of skills and experience in shipping, law, business management, finance and accounting. The collaboration of the Board brings diversity in skills and wealth of experience to effectively lead and manage the Company.

As at the end of the financial year ended 30 September 2012, The Board had 6 members comprising of one Executive Chairman/CEO, three non-independent non-executive Directors, and two independent non-executive Directors. The presence of the two Independent Non-Executive Directors fulfills a pivotal role in corporate accountability as they provide unbiased and independent judgment, advice and views. The profile of all the directors is set out on pages 7 and 8 of this annual report.

(iii) Supply of Information

In preparation for each Board meeting, the Board members are presented with comprehensive information concerning the performance and financial status of the Company. Each Director is provided with the agenda and a full set of the Board papers in order for them to make fully informed decisions at the Board Meetings.

The Board members have access to the advice and services of the Company Secretary and all information in relation to the Group, whether as a full Board or in their individual capacity, to assist them in carrying out their duties. The Directors may engage the services of independent professionals, where necessary, and at the Group’s expense, for them to gather expert advice on specialised issues to enable the Board to perform their duties with adequate knowledge on the matters at hand.

All proceedings and resolutions reached at each Board Meeting are recorded in the minutes of meetings, which are kept in the Minutes Book at the registered office. Furthermore, the Board also exercises control on matters that require Board’s approval through circulation of Directors Resolutions.

Statement on Corporate Governance (contd.)

During the financial year ended 30 September 2012, six (6) Board Meetings were held. The details of attendance of each of the Directors at the Board Meeting are set out below:

| No | Directors | Period of Directorship | No. of meetings attended |
|----|---|------------------------|--------------------------|
| 1 | Dennis Ling Li Kuang | 1/10/2011 – 30/09/2012 | 6/6 |
| 2 | Richard Wee Liang Huat @ Richard Wee Liang Chiat | 1/10/2011 – 30/09/2012 | 6/6 |
| 3 | Ibrahim Bin Baki | 1/10/2011 – 30/09/2012 | 6/6 |
| 4 | Christine Lau Swee Eng | 1/10/2011 – 30/09/2012 | 6/6 |
| 5 | Awang Mohidin Awang Saman | 1/10/2011 – 30/09/2012 | 6/6 |
| 6 | Katrina Ling Shiek Ngee | 1/10/2011 – 30/09/2012 | 6/6 |

(iv) Appointments to the Board

The Nomination Committee was established on 29 September 2001. It is responsible for recommending board appointments and assessment of directors on an on-going basis. The members of the Nomination Committee are set out on page 12.

(v) Re-election of Directors

In accordance to the Articles of Association of the Company, at least one third of the Board members are required to retire at every Annual General Meeting and be subject to re-election by shareholders. Consequently, all Directors shall stand for re-election at least once every three (3) years. Newly appointed Directors shall hold office until the next following annual general meeting and shall then be eligible for re-election by shareholders.

(vi) Directors' Training

All board members have completed the Mandatory Accreditation Programme and Continuing Education Programme "CEP" as required by Bursa Malaysia Securities Berhad.

The Directors are encouraged to attend briefings and seminars to keep abreast with current developments in the industry as well as any changes in laws and regulations.

For the financial year ended 30 September 2012, the Directors have attended various seminars covering a range of topics which have provided them with updates on corporate governance, risk mitigation, business trends, and changes in accounting policies and associated tax implications. These seminars are appropriate in providing Directors with continuous education and have enhanced their knowledge and skills in fulfilling their responsibilities as Directors.

(vii) Directors' Remuneration

The Remuneration Committee is directly responsible for setting the policy framework and for making recommendations on remuneration packages and benefits extended to the Executive Chairman and all the Directors.

Details of the Directors' remuneration for the financial year ended 30 September 2012 are as follows:

- Aggregate remuneration of the Directors categorized into appropriate components:

| Types of remuneration | Executive Directors RM | Non-Executive Directors RM |
|-------------------------------|---------------------------|-------------------------------|
| Fees | 105,387 | 156,772 |
| Salaries and other emoluments | 2,610,387 | 45,000 |
| Total | 2,715,774 | 201,772 |

Statement on Corporate Governance (contd.)

2. The number of directors whose total remuneration fall within the following bands:

| Range of remuneration | Executive Directors | Non-Executive Directors |
|-----------------------------|---------------------|-------------------------|
| Less than RM 50,000 | - | 3 |
| RM 300,001 - RM 350,000 | - | 1 |
| RM 650,001- RM 700,000 | - | 1 |
| RM 1,550,001 – RM 1,600,000 | 1 | - |

B. BOARD COMMITTEES

There are three (3) Committees of the Board, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the Committees has the authority to examine particular issues and report to the Board with their recommendations. The objectives of each Committee are outlined below:

(i) The Audit Committee

The terms of reference and further information on the Audit Committee are set out on pages 15 and 16 of this annual report.

(ii) The Remuneration Committee

The Board established the Remuneration Committee on 29 September 2001 to assist with the following objectives:

- To put in place the policy framework and put forward recommendations to the Board on remuneration packages, benefits and other terms of employment for Board members that will ensure that their remuneration is in line with their responsibility and contribution
- To assess and recommend to the Board the remuneration packages for Executive Directors to ensure the remuneration packages commensurate with the Executive Directors' contribution to the Group's growth and profitability.

The members of the Remuneration Committee are:

- (1) Haji Awang Mohidin Bin Awang Saman - Chairman
(Independent Non-Executive)
- (2) Ms Katrina Ling Shiek Ngee - Member
(Non-independent Non-executive)
- (3) Haji Ibrahim Bin Haji Baki - Member
(Independent Non-executive)

The Remuneration Committee met once during the financial year ended 30 September 2012.

Statement on Corporate Governance (contd.)

(iii) The Nomination Committee

The Nomination Committee was established by the Board to assist with the following objectives:

- To identify, assess and recommend to the Board, suitable candidates for directorship in the Company;
- To recommend to the Board, suitable members to participate on various Board Committees;
- To evaluate the effectiveness of the Board and the Board Committees (including its size and composition) and contributions of each individual director; and
- To ensure appropriate framework is in place for the succession planning for Board Members and the CEO so there is smooth transition and continuity in the leadership of the Company.

The members of the Nomination Committee are:

- | | | |
|-----|---|------------|
| (1) | Haji Awang Mohidin Bin Awang Saman (Independent Non-executive) | - Chairman |
| (2) | Ms Katrina Ling Shiek Ngee (Non-independent Non-executive) | - Member |
| (3) | Haji Ibrahim Bin Haji Baki (Independent Non-executive) | - Member |

The Nomination Committee met once during the financial year ended 30 September 2012.

C. SHAREHOLDER COMMUNICATION

The Board acknowledges the need for shareholders to be informed of all development, events and business matters affecting the Company. The annual report, announcements through Bursa Malaysia Securities Berhad, and circulars are the substantial means of communicating with all the shareholders.

The Annual General Meeting and Extraordinary General Meetings are major opportunities to meet individual shareholders, and provide a forum for shareholders to dialogue with the leaders of the Company on areas such as the progress and performance of the Group.

The latest information of the Group is accessible to shareholders and members of the public via the Bursa Malaysia website at www.bursamalaysia.com as well as the Company's website at www.hubline.com.

D. ACCOUNTABILITY AND AUDIT

(i) Internal Control

The Statement on Internal Control provides an overview of the state of internal controls within the group.

(ii) Financial Reporting

In presenting the annual financial statements and quarterly announcements of its results, the Board of Directors has ensured that the financial statements present a balanced and understandable assessment of the Company and Group's position and prospects.

(iii) Relationship with Auditors

The Board through the Audit Committee maintains a professional and transparent relationship with the auditors in seeking their professional advice and towards ensuring compliance with the accounting standards and statutory requirements.



Statement on Corporate Governance (contd.)

Directors' Responsibility Statement

The Directors are responsible to ensure that the financial statements of the Group and of the Company for each financial year are prepared in accordance with the applicable approved Financial Reporting Standards as Issued by the Malaysian Accounting Standards Board, the provision of the Companies Act, 1965 ("Act") and the listing requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

The Directors aim to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company, and in order to achieve this, the Board implements the following measures:

- Adopt applicable accounting standards and legal requirements
- Consistent application of accounting policies
- Where applicable, judgments and estimates are made on a reasonable and prudent basis
- Upon due enquiry into the state of affairs of the Company, there are no material matters that may affect the ability of the Company to continue in business on a going concern basis

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with applicable approved accounting standards, the Act and the Listing Requirements. The Directors are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Social Responsibility

The Group is committed to conduct business in ways that produce social benefits for communities which the Group operates in.

During the year under review, the Group continued to give back to communities through various means including making donations to charitable organisations such as the Salvation Army of Kuching, the Sarawak Society for Prevention of Cruelty to Animals, the Bau Chinese Charitable Trust, and the Autistic Children Association.

Furthermore, the Group continued to support scholarship program that gave opportunities to Malaysians who might have otherwise been unable to afford formal education. The scholarship program allowed them to enter into marine cadet courses in the Akademi Laut Malaysia (ALAM) to develop capable and qualified local seafarers to meet the needs of the local maritime industry.

During the year under review, three candidates of the scholarship program graduated and commenced employment on-board the Group's vessels.

Other Disclosures

Share Buybacks

During the financial year ended 30 September 2012, the Company did not purchase any of the Company's own ordinary shares from the open market to retain as treasury shares.

To date, the total number of shares bought back by the Company and retained as treasury shares is 13,596,600. Such treasury shares are held at a carrying amount of RM 4,192,396. None of the treasury shares held were resold or cancelled during the financial year ended 30 September 2012.

Options, Warrants or Convertible Securities

During the financial year ended 30 September 2012, as part of the Private Placement undertaken up the Company, an additional 457,850,100 additional warrants were issued.

American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) Programme

During the financial year, the Group did not sponsor any ADR or GDR programme.

Statement on Corporate Governance (contd.)

Imposition of Sanctions and Penalties

There were no sanctions or penalties imposed on the Group and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

Material Contracts

The Board has ensured that as at the end of the financial year 30 September 2012, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and its subsidiaries involving interests of the directors and substantial shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year:

Utilisation of Proceeds

During the financial year ended 30 September 2012, the Company successfully raised RM 61.05 million via a Private Placement. The proceeds were utilised for the acquisition and / or chartering of vessels, as well as for the general working capital of the Group. Less than RM 200,000 was spent on incidental expenses relating to the Private Placement.

Non-Audit Fee

Non audit fees paid to external auditors for the financial year ended 30 September 2012 amounted to RM 16,660.

Profit Guarantees

During the financial year, there were no profit guarantees given by the Group.

Variance in results

There were no variances of 10% or more between the audited results for the financial year and the unaudited results previously announced.

Audit Committee Report

Chairman : Haji Ibrahim Bin Haji Baki
Independent Non-Executive Director

Members : Haji Awang Mohidin Bin Awang Saman
Independent Non-Executive Director

Katrina Ling Shiek Ngee
Non-Independent Non-Executive Director
Member of the Institute of Chartered Accountants in Australia and
the Malaysian Institute of Accountants.

TERMS OF REFERENCE

1. OBJECTIVES

The principal objective of the Audit Committee is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to the accounting and reporting practices of the Company. In addition, part of the Committee's function is to evaluate the quality of the audits conducted by the internal and external auditors, provide assurance that the financial information presented by the management is relevant, reliable and timely, oversee compliance with laws and regulations and observance of a proper code of conduct, and to determine the adequacy of the Company's control environment.

2. SIZE AND COMPOSITION

The Audit Committee shall comprise of at least three directors, the majority of whom shall be independent non-executive members of the Board. The Committee shall elect a chairperson who is an independent non-executive director from among its members. At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants ('MIA') or have at least 3 years working experience and have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967 or be a member of one of the associations of accountants specified by Part II of the 1st Schedule of the Accountants Act 1967, or possesses such other qualification as prescribed and approved by Bursa Malaysia in accordance with the Main Market Listing Rules.

3. MEETINGS AND ATTENDANCE

The Audit Committee is required to hold meetings, four (4) times a year at the minimum, with authority to convene additional meetings, if necessary. A quorum shall consist of two members. The majority of members present must be independent directors. Directors, employees, auditors or others may attend meetings upon invitation of the Audit Committee.

The Company Secretary shall act as the Secretary of the Committee. The Secretary shall also be responsible for keeping the minutes of the meetings of the Committee, circulating them to Committee members and to other members of the Board of Directors, and for following up outstanding matters.

4. AUTHORITY

The Committee shall have full and unrestricted access to all information and documents, and have direct communication channels to the internal and external auditors and to senior management of the Company. The Committee is authorized by the Board of Directors to investigate any activity within its term of reference. It is authorized to seek any information that it requires from any employee, and all employees are directed to cooperate with any request made by the Committee.

The Committee, if deemed necessary, is authorized by the Board of Directors to obtain external legal or other independent professional advice and also to secure the attendance of external consultants with relevant experience and expertise so that the Committee will be better equipped to fulfill its purpose.

5. REPORTING

The Committee shall provide formal written or verbal report to the Board of Directors, as it considers appropriate on the matters within its terms of reference, at least four times a year, but more frequently if required. The Committee shall update to the Board of Directors on any specific matters that the Board has requested the Committee to investigate and report on.

Audit Committee Report (contd.)

6. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee are as follows:

- Review the audit plan with the external auditors.
- Review the audit report.
- Review the accounting controls with the external auditors.
- Review the internal audit plan, results of the internal audit process, and the action taken by management on the recommendations of the committee.
- Review any evaluation made on the systems of internal controls with the internal and external auditors.
- Review the assistance given by the Company's officers to the external auditors.
- Review the quality of service provided by the external auditor, in terms of the efficiency and effectiveness of their service, as well as looking into the audit fee in relation to services rendered to the Company and any questions of resignation or dismissal.
- Review any related party transactions and conflicts of interest situations that may arise within the Company.
- Review the quarterly results and year end financial statements, prior to the approval by the Board of Directors.
- Undertake such other responsibilities, or consideration of other topics, as may be agreed to by the Committee and the Board of Directors.
- Provide updates and feedback to the Board of Directors in relation to its activities, significant results and findings.

7. SUMMARY OF ACTIVITIES

There were five (5) Audit Committee meetings held during the financial year ended 30 September 2012, with complete attendance at each meeting.

The summary of activities of the Audit Committee during the financial year is as follows:

- (i) Review of the quarterly results / announcements of the Group and made recommendations to the Board of Directors for approval prior to the release of the results to Bursa Malaysia Securities Berhad.
- (ii) Review of the audit plan and scope of work prepared by both the internal and external auditors.
- (iii) Review of the annual audited financial statements of the Group and made recommendations to the Board of Directors for approval.
- (iv) Review of the internal audit reports and their findings and recommendations relating thereto.
- (v) Review of the annual Statement on Internal Control and Statement on Corporate Governance.
- (vi) Review of the fees of external auditors.

8. INTERNAL AUDIT FUNCTION

The Group has an Internal Audit Department, which reports to the Audit Committee and also provides the Board with assistance in implementing and maintaining effective internal controls systems to mitigate risks and to safeguard the Group's assets. The principal role of the Group's Internal Audit Department is to undertake regular and thorough assessments of the financial and operational controls systems so as to ensure that these systems operate efficiently and effectively.

The Internal Audit Department focus its activities on key areas of business operations based on an internal audit plan which covers operational compliance and risk assessment of business processes in the Group.

Also under the Group's Internal Audit Department is the Group's Ship Management Audit Division that performs scheduled audits on the Group's vessels. This division's audit objectives are to ensure that the Group's vessels are regularly maintained to enhance safety and reliability at all times and to meet various regulatory and commercial requirements, which include audits, vetting/inspections by ship classification societies and Malaysian Marine Department. Ensuring regular maintenance and enhancing safety and reliability of the vessels also contributes to preserving the condition of these significant assets of the Group.

Internal Audit reports, incorporating audit findings, recommendations and follow-up on corrective actions are submitted to the Audit committee. The cost incurred for the internal audit function in respect of the financial year ended 30 September 2012 was approximately RM 230,000.

Statement on Internal Control

Introduction

The Malaysian Code on Corporate Governance requires the Board of Directors (Board) of public listed companies to maintain a sound system of internal control to shareholders' Investment and the Group's assets. Bursa Malaysia Securities Bhd ("Bursa Securities") Main Market Listing Requirements, Paragraph 15.26(b) requires the Board to make a statement about the state of internal control of the listed Issuer as a Group.

The Board is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the year.

Responsibility

The Board acknowledges its responsibility for the Group's system of internal control which includes the establishment of appropriate control and framework as well as reviewing the adequacy and integrity of these systems. The Board is committed to continuously improve the Group's system of internal control.

It is to be noted that the system of internal control is designed to manage and control risks rather than eliminate the risk of failure to achieve business objectives. As such, the system can only provide reasonable and not absolute assurance against material misstatement or loss or the occurrence of unforeseeable circumstances.

The Board's responsibility for internal control does not cover those of the associated companies which are separately managed.

Risk Management

The Board regards risk management as an integral part of the business operations. The Group has an ongoing process for identifying, evaluating and managing the significant risks relating to the business environment which the Group operates in. This process has been in place throughout the year to ensure that all risks are adequately addressed at various levels within the Group.

Key Elements Of Internal Control

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

- Clearly defined organizational structure with clear lines of delegation of responsibility to Committees of the Board, management and operating units.
- Regular meetings held at operational and management levels to identify and resolve operational and business matters.
- Timely generation of financial and operations reports for Management review.
- The Executive Directors meet with senior management regularly to discuss and resolve key operational, financial, personnel and related management issues.
- The Audit Committee reviews the quarterly and annual financial statements and results announcements and make recommendation to the Board for approval and also reviews any related party transaction and conflict of interest situation.
- The Ship Management Audit Division performs scheduled audits on the Group's vessels. The audit on the vessels' physical and operational conditions is to ensure that the vessels are regularly maintained to enhance safety and reliability at all times. In addition, the Group's vessels are subject to stringent regulatory and commercial requirements. The vessels are International Safety Management (ISM) compliant and certified by class surveyors.
- Regular internal audit reviews are carried out to monitor compliance with operational and financial procedures and to review and assess risks the Group's operations are exposed to. The periodic reviews carried out by the Internal Audit Department are reported to the Board through the Audit Committee.

Statement on Internal Control (contd.)

Effectiveness of Internal control

The Board is satisfied that, during the year under review, the existing system of internal controls is sound and adequate to safeguard the Group's assets at the existing level of operations of the Group. The Board recognizes that the development of internal control system is an ongoing process. Therefore, in striving for continuous improvement, the Board will continue to take appropriate action plans to strengthen the internal control system.

The Board confirms that it has reviewed the effectiveness of the system of internal control and is not aware of any significant weakness or deficiency for the financial year ended 30 September 2012.