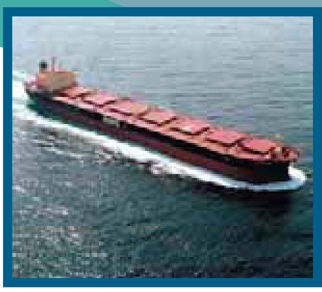
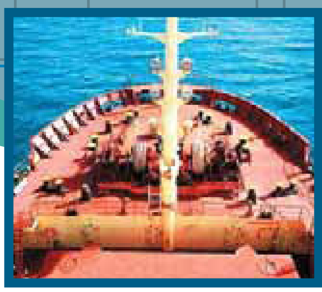
annual report 2005

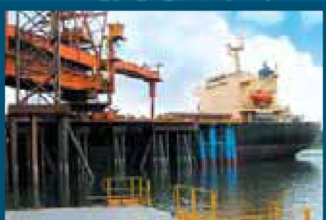




Leveraging on our Strengths

MALAYSIAN BULK CARRIERS BERHAD

175953-W



MV Alam Padu discharging bauxite at Port Alfred, Canada

Highlights

>> Chairman & CEO's Statement

>> An Overview of MBC's Fleet

>> Financial Highlights

>> Corporate Information

>> Board of Directors

>> Directors' Profiles

>> Senior Management

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Lifeboat drill

MV Alam Pesona loaded with bauxite departing Gladstone, Australia

MV Alam Padu arriving at Port Alfred, Canada

MBC's fleet numbered

17

vessels

Chairman & CEO's Statement

Performance for 2005

2005 was yet another excellent year for MBC. 2005 profits attributable to shareholders surpassed 2004's achievement by a credible 135% to set a new record of RM645 million.

This was possible due to:

(a) improved earnings as previous time chartered vessels were redelivered and were thereafter fixed out at higher levels;

(b) profits derived from the sale of vessels. In 2005 MBC Group sold a total of 6 ships - 4 Panamax Tankers and 2 Handymax Bulk Carriers. These had contributed a gain of RM412 million compared to disposals in 2004 which recorded a gain of RM38 million;

(c) delivery of all 5 newbuilding Post Panamaxes from shipyard in 2005 which contributed strong operating cash flow and profit; and

(d) ship chartering - this has been a profitable new activity involving the sale and lease back of MV Alam Sentosa and MV Alam Selamat and also the charter-in of ships to service contract of affreightment commitments.

During the year, the Group generated a cash inflow of RM1,122 million comprising RM259 million from vessel operations, RM827 million from sale proceeds arising from vessel disposals and RM36 million from disposal of investments and interest income. Major expenditures during the year included RM354 million incurred for vessels under construction and RM71 million incurred for the purchase of equity investments. All in, even after taking into consideration servicing of loans as well as payment of dividends to shareholders, the Group closed the year with a strong cash reserve of RM775 million. Notwithstanding borrowings of RM413 million, MBC is still net cash positive of RM362 million.

Overview & the year under review

The last 3 years had been exceptional times for shipowners and all sectors of shipping businesses. Healthy profits and improved sentiments, resulted in a broad based euphoria that caused orders to flood into shipyards leading to an unprecedented order-book standing at around 235 million dwt as of end 2005. Many shipyards are reportedly booked out into 2009/2010 and are not aggressively marketing further sales.

The five 87,052 dwt newbuilding Post Panamaxes were all delivered ahead of schedule in 2005 and benefited from the high time charter markets prevailing then. These are splendid investments as not only have they been operated profitably, the investments have also seen considerable asset appreciation.

MV Alam Padu arriving at Tenerife, Canary Islands, Spain for bunkering

Chairman & CEO's Statement (Cont'd)

Our team spent considerable time together with the shipyard in designing these vessels not only to meet the needs of our customers but we were also well ahead of others in being the first to build double hull Post Panamaxes thereby addressing safety and global ecological concerns.

The design, tradeability and safety features of the vessels not only obtained rave accolades from our customers and the various authorities, our 1st 87,052 dwt double hull Post Panamax "MV Alam Padu" also won the "Ship of the Year" award as presented by Lloyd's Maritime Asia.

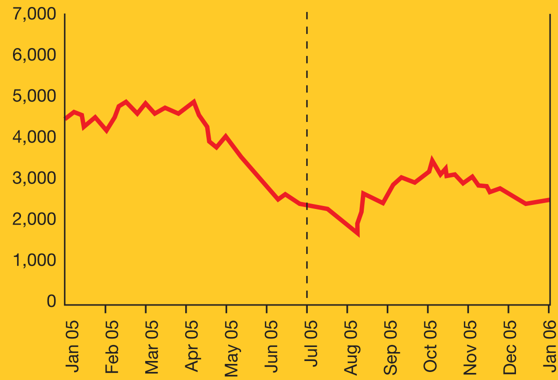
The Baltic Dry Index (BDI) opened the year at 4,456 points and was volatile over the year, closing at 2,407 points or a 46% decline when compared to how its started in 2005. Sentiments in the dry bulk segment are today less positive in view of an expected slowdown in global economies whilst tonnage supply has greatly increased due to newbuilding deliveries.

In the tanker segment, the Baltic Clean Tanker Index (BCTI) opened the year at 1,588 points and whilst it was similarly volatile, it closed the year at 1,587 points ie. at about the same level as it started in 2005.

Whilst newbuilding orders and deliveries are also substantial in the tanker section, sentiments are more positive in view of the large phasing out requirements for single hull and old vessels.

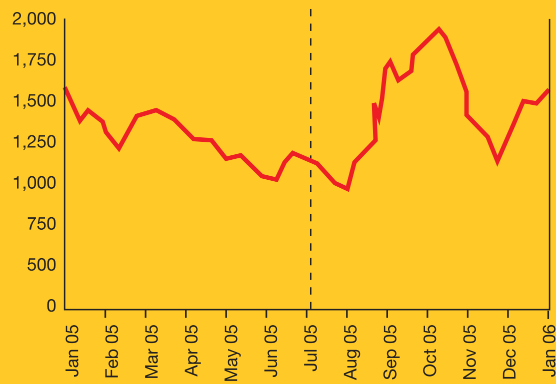
Management's decision to dispose of some of its ships in anticipation of the market downturn, fixing out a higher proportion of tonnage on period charter and at the same time taking cargo contracts (thereby providing employment opportunities for MBC's newbuilding Post Panamaxes) have all been proven

Baltic Dry Index
January 2005 to January 2006



The Baltic Dry Index ("BDI") opened in 2005 at 4,456 points and went on to record its 2005 peak of 4,880 points on 23 February. BDI then moved sideways till mid April before it started its downturn, reaching the year's low of 1,747 points on 3 August, largely the result of a slackening in China's imports, the easing of port congestions and the escalating newbuilding deliveries. The index then rebounded to touch 3,370 points in mid October before sliding down to end the year at 2,407 points, some 46% less than its opening level. The 2005 average of 3,371 points was a 25% retraction from the 2004 average of 4,510 points.

Baltic Clean Tanker Index
January 2005 to January 2006



The Baltic Clean Tanker Index ("BCTI") opened in 2005 at 1,588 points. It declined to reach the year's low of 920 points on 5 August, attributable to the reduced demand following soaring oil price. The index then moved upwards to peak at 1,929 points on 24 October. The BCTI ended the year at 1,587 points. The 2005 average of 1,318 points was a 7% rise over the 2004 average of 1,229 points.

Chairman & CEO's Statement (Cont'd)

to be the right strategies. They have placed MBC with a strong footing to ride out the recent market downturn and at the same time, positioned MBC to take advantage of the opportunities that such a declining market would now present.

Arising from MBC's profitable sale of vessels and her healthy financial position, the decision was made in April 2005 for an early full redemption of its remaining 60 million redeemable preference shares which helped reduce total financial expenses for the year.

Going Forward

Although vessel disposals were decided upon in early 2005, Management continues to keep an eye out for interesting opportunities including vessel acquisitions. In this respect four (4) medium range 34,780 dwt newbuilding Product Tankers were contracted in November 2004 with Dalian Shipyard Co., Ltd. at attractive prices. The first of its four newbuilding Product Tanker will be delivered by mid 2006 whilst the balance 3 will be delivered within 2007.


Construction of Newbuilding at Dalian Shipyard

Unlike the drybulk market where sentiment has eased due to current large orderbook against negligible scrapping, optimism still prevail for tankers even though there is equally a high volume of newbuildings contracted and to be delivered. This greater optimism in the tanker sector is due to the advanced age profile of tankers and the International Maritime Organisation (IMO) phase-out scheme in respect of single hull tankers. Prices have continued to remain high for tankers and accordingly, our investment into such Product Tankers have appreciated as well.

Your Board will continue to strive for excellence and to ensure that MBC continues to meet with the industry's environmental concerns and at the same time respond to fresh challenges and opportunities in a professional and commercially sensible manner.

Strategies mapped out to try take advantage of opportunities and industry cycles often take considerable time to fruition. In this respect, it is necessary to stay the course and be patient. Our decisions are market driven rather than based on any grandiose plans of achieving unrealistic targets which may cost the company and its shareholders dearly. However whilst we must be patient and alert to opportunities, we must also be able to try create opportunities for ourselves.

MV Alam Padu arriving at Vancouver, Canada

Group profit for the financial year rose by

135%


Loading bauxite at Trombetas, Brazil


Cleaning cargo hold


MV Alam Padu discharging bauxite at Port Alfred, Canada

Chairman & CEO's Statement (Cont'd)

Our efforts in trying to expand on relationships with strategic partners as in the case of our investment in the Dalian newbuilding Product Tankers (one ship with Mitsui Co., Ltd and one with Itochu Corporation) are examples of our continuing efforts to not only strengthen on our existing ties but one which could open up future opportunities together.

Our priority has been to try create value for our shareholders and we were naturally delighted to be chosen Sectoral Winners under the Infrastructure Sector and to receive the KPMG Shareholder Value Award 2004 at the award ceremony held on 11th August 2005.

With continued global economic growth, although not at the robust pace as experienced in recent years, it can be expected that the shipping market is likely to ease especially as further newbuildings are delivered (without the equivalent scrapping that is necessary to maintain the demand/supply balance).

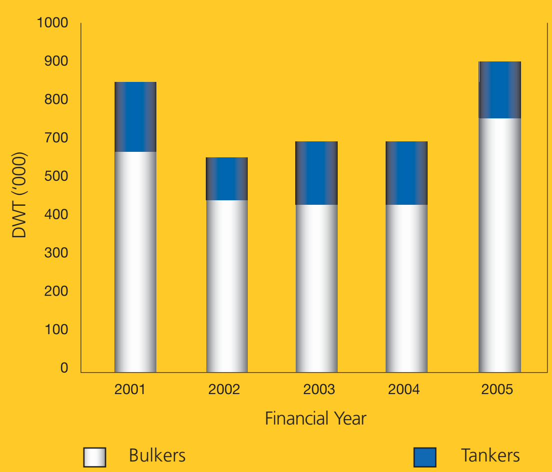
Although the drybulk market has softened, this is not necessarily a negative. The consequence of vessel prices trending down as a reaction would ultimately present opportunities for asset acquisition and appreciation.

Whilst Management will continue to exercise vigilance in its daily functions, it must be appreciated that many events or crisis that may arise are often unexpected and which may have devastating commercial effects for the industry and accordingly the company. For example, if the avian flu should mutate and ultimately be transmittable and become pandemic between humans, this could have grave consequences for the commercial world and shipping. Management can therefore at best take certain anticipatory measures as they unfold but it would be unreasonable to adopt the drastic measures that a "doomsday prophet" would take!

Fleet Management

At the end of 2005, MBC's fleet numbered 17 vessels including the Post Panamax Bulk Carrier that is jointly owned with NYK Bulkship (Asia) Pte. Ltd. of Japan.

5-Year Fleet Size Summary



Chairman & CEO's Statement (Cont'd)

Total deadweight of the 17 ships (14 Bulk Carriers and 3 Product Tankers) would amount to 893,992 tonnes (a 41% increase over total deadweight for MBC's 2004 fleet) having an average age of 9 years as opposed to the average age of 10 years for MBC's 2004 fleet. By 2007 and with the delivery of the 4 newbuilding Product Tankers under construction at Dalian Shipyard, MBC's fleet would total 21 vessels having a total deadweight of about 1.03 million dwt.

Ship management for 2005 has largely been trouble-free and operating costs, though higher have been kept within budget. This has been possible due to our continuing focus on efficient and safe ship operation in areas of crew training and skill development.

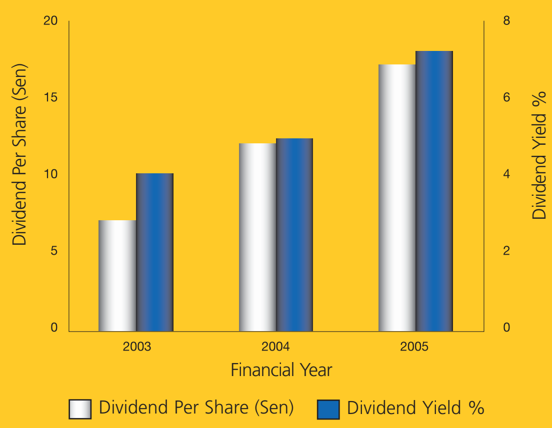
On-the-job training coupled with installation of interactive audio-video computer based training (CBT) on ships and crew recruitment centres is aimed at inculcating and familiarising all sea-farers with the latest safety, navigational and proper shipboard work practices. Regular transmittal of pertinent and up-dated documentation, shipboard drills are constantly undertaken to address changing threat levels so as to familiarise and update our personnel of the latest security risks and the potential hazards that may affect them.

The continuous monitoring of crew performance is essential today as experienced manpower availability is placed under tremendous strain with the huge influx of newbuildings into the market. Despite the large increase in demand and rampant poaching of experienced officers, our retention rate of deck and engine officers have been good. The internal promotion policy within our company has ensured that many of the senior officers have risen from our rank and file and will continue to remain with us. This is a testimony of the good working environment on board our ships and attest to the professionalism of the people we recruit.

Dividends

As previously advised, your Board will continue to exercise its best judgement in assessing the market and growth opportunities and the demand on its funds viz a viz dividend payout. With this in mind, the Board has recommended a final tax-exempt dividend of 12 sen per share plus a special dividend of 5 sen. This represents a total dividend of 17 sen per share, a

3-Year Dividend History & Dividend Yield



Dividend yield is computed over the annual average of the daily closing price of MBC's share for each of the respective years.

MV Alam Permai loading alumina at Richards Bay, South Africa

MV Alam Pintar naming ceremony at IHI Yokohama Shipyard, Japan

Chairman & CEO's Statement (Cont'd)

payout of RM136 million and a payout ratio of approximately 21% of the profit attributable to shareholders or an increase of 41% over that of the previous year.

Acknowledgement

Dato' Md Noor bin Mohammad Yusoff resigned from the Board on 30th September 2005. We bid farewell and a note of appreciation to Dato' Md Noor for his past contribution to the Board.

Replacing Dato' Md Noor is Dato' Haji Abdul Rahim Mohd Zin who we warmly welcome onto our board. With his wealth of experience, we have no doubt that Dato' Rahim's appointment to the Board will greatly enhance the scope and breadth of our Board representation.

On behalf of the Board, we wish to express our sincere appreciation and thanks to the management team and all staff both on-shore and on board our vessels for their efforts, dedication and valuable contributions. Our sincere thanks also to all our business associates and partners for their invaluable support and also to our shareholders for their unwavering confidence in the Group.

From left:

TEO JOO KIM
Executive Chairman

KUOK KHOON KUAN
Chief Executive Officer

45,513 DWT Medium Range Product Tanker

An Overview of MBC's Fleet

IN OPERATION

	VESSEL NAME	YEAR BUILT	DWT (MT)	DRAFT (METERS)	LOA (METERS)	BEAM (METERS)	HO/HA	GEARS
Bulk Carriers								
1	Alam Sempurna	Feb-84	28,094	10.61	178.2	23.1	5/5	4Cx25T
2	Alam Senang	Mar-84	28,098	10.61	178.2	23.1	5/5	4Cx25T
3	Alam Sejahtera	Jan-85	29,692	10.55	182.8	23.1	5/5	4Cx16T
4	Alam Gula	May-85	23,418	9.98	155.8	24.6	4/4	4Cx30T
5	Alam Selaras	Feb-92	39,110	10.93	180.8	30.5	5/5	4Cx25T
6	Alam Sentosa	Apr-92	39,110	10.93	180.8	30.5	5/5	4Cx25T
7	Alam Selamat	Jul-92	39,110	10.93	180.8	30.5	5/5	4Cx25T
8	Alam Mesra	Oct-00	46,644	11.62	189.8	31.0	5/5	4Cx30T
9	Alam Makmur	Nov-00	46,644	11.62	189.8	31.0	5/5	4Cx30T
10	Alam Padu	Apr-05	87,052	14.13	229.0	36.5	7/7	Gearless
11	Alam Permai	Jun-05	87,052	14.13	229.0	36.5	7/7	Gearless
12	Alam Penting	Jul-05	87,052	14.13	229.0	36.5	7/7	Gearless
13	Alam Pesona	Sep-05	87,052	14.13	229.0	36.5	7/7	Gearless
14	Alam Pintar	Oct-05	87,052	14.13	229.0	36.5	7/7	Gearless

IN OPERATION

	VESSEL NAME	YEAR BUILT	DWT (MT)	DRAFT (METERS)	LOA (METERS)	BEAM (METERS)	CGO/SLOP TANKS	GEARS
Tankers								
1	Alam Bitara	May-99	45,513	12.20	180.5	32.2	12CT, 2S	1Cx10T
2	Alam Budi	Mar-01	47,065	12.67	182.5	32.2	14CT, 2S	1Cx10T
3	Alam Bistari	May-01	47,065	12.67	182.5	32.2	14CT, 2S	1Cx10T

NEWBUILDINGS

	VESSEL NAME/ HULL NO.	YEAR DELIVERY	DWT (MT)	DRAFT (METERS)	LOA (METERS)	BEAM (METERS)	CGO/SLOP TANKS	GEARS
Tankers								
1	Alam Cantik	Est Apr-06	34,780	11.80	171.2	27.4	12CT, 2S	1Cx10T
2	PC 350-12	Est Feb-07	34,780	11.80	171.2	27.4	12CT, 2S	1Cx10T
3	PC 350-13	Est May-07	34,780	11.80	171.2	27.4	12CT, 2S	1Cx10T
4	PC 350-14	Est Aug-07	34,780	11.80	171.2	27.4	12CT, 2S	1Cx10T

MV Alam Pintar at sea trial

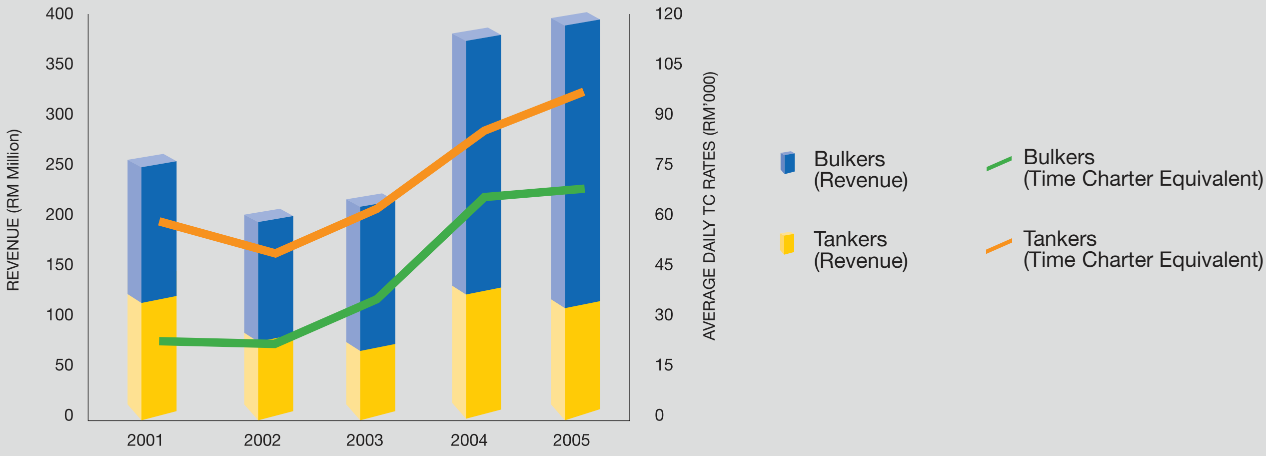

MBC

Financial Highlights

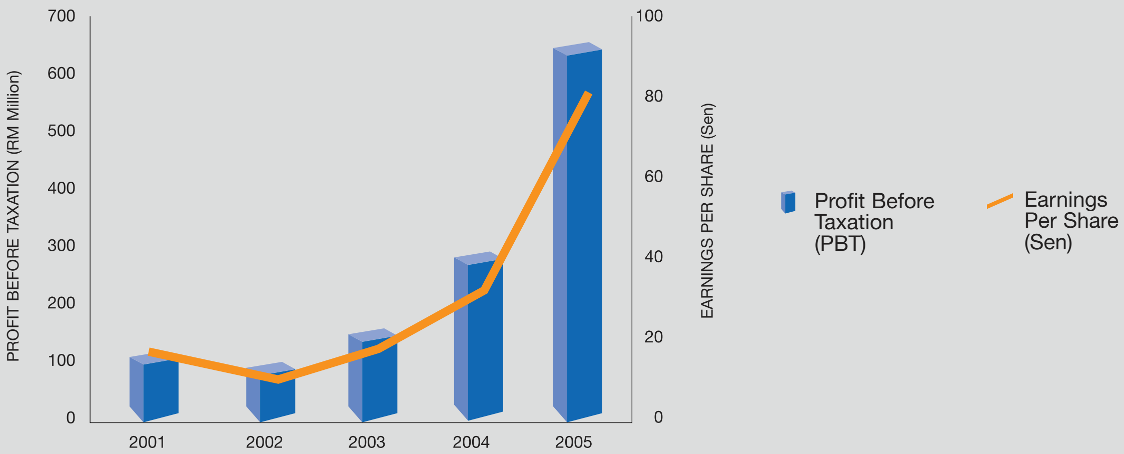
	Audited Year Ended 31 December, 2001 RM'000 (restated)	2002 RM'000 (restated)	2003 RM'000	2004 RM'000	2005 RM'000
Statement of Income Data:					
TURNOVER	249,864	195,773	213,009	382,288	395,783
Revenue	249,864	195,773	213,009	382,288	395,783
Operating expenses	(155,189)	(150,388)	(104,256)	(118,834)	(139,835)
	94,675	45,385	108,753	263,454	255,948
Other operating income	16,831	40,375	40,755	54,373	435,504
Administration expenses	(8,180)	(9,978)	(10,869)	(13,872)	(25,495)
	103,326	75,782	138,639	303,955	665,957
Finance cost	(12,326)	(6,510)	(8,662)	(19,402)	(16,946)
Share of results of associate	0	0	0	(16)	6,709
Profit before taxation	91,000	69,272	129,977	284,537	655,720
Taxation	(550)	(325)	(119)	(722)	(26)
Minority interest	(2,121)	(1,223)	(3,587)	(9,736)	(10,990)
Profit attributable to shareholders	88,329	67,724	126,271	274,079	644,704
Yield on shareholders' funds	*12%*	*8%*	*15%*	*39%*	*70%*
Balance Sheet Data (at end of period):					
Cash and cash equivalents	169,741	253,130	79,259	56,091	775,093
Total assets	1,153,386	1,102,939	1,238,621	1,255,444	1,982,317
Long term debt, including current portion and RPS	276,318	184,051	469,572	262,291	412,741
Total shareholders' equity	806,702	850,694	707,269	916,075	1,464,080
Debt/equity ratio	0.34	0.22	0.66	0.29	0.28
Other Financial Data:					
Earnings before interest, depreciation, amortisation & tax	154,448	97,130	147,881	297,579	282,073
Net cash provided by operating activities	126,090	111,918	132,523	292,557	259,339
Net cash from/(used in) investing activities	(256,173)	102,748	(279,560)	(29,047)	422,439
Net cash from/(used in) financing activities	38,672	(97,075)	(26,834)	(286,678)	37,224
Fleet Data					
Number of vessels (at end of year/period)	24	16	15	15	17
Total tonnage in DWT (MT'000)	853	594	632	632	894
Average age of fleet (in years)	11	9	9	10	9
Total operating days (days)	8,185	6,862	5,232	5,490	5,500
Total hire days (days)	7,891	6,664	5,158	5,300	5,357
Time Charter Equivalent per vessel per day (RM)					
- *bulkers*	23,209	23,182	35,818	67,321	68,392
- *tankers*	58,522	49,973	62,540	86,322	95,206
Per Share Data (sen):					
Net cash provided by operating activities per share, basic (sen)	18	16	19	37	32
Earnings per share, basic (sen), *adjusted	13	10	18	34	81
Weighted average number of shares, basic ('000)	700,000	700,000	714,247	800,000	800,000
Dividends per share (sen), *adjusted	5	5	7	12	17

Financial Highlights (Cont'd)

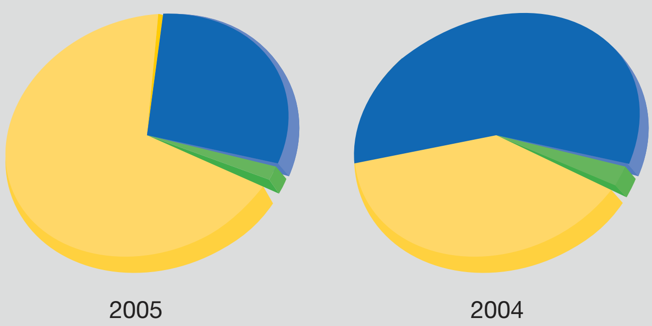
SHIPPING REVENUE COMPOSITION & TIME CHARTER EQUIVALENT



PROFIT BEFORE TAX & EARNINGS PER SHARE



SEGMENT RESULTS



Segment Results (RM '000)	2005	2004
Bulkers	278,261	176,088
Tankers	361,819	113,991
Others	11,866	9,982
Total	651,946	300,061

Corporate Information

Board of Directors

Teo Joo Kim
Executive Chairman

Kuok Khoon Kuan
Chief Executive Officer

Wu Long Peng
Executive Director

Dato' Lim Chee Wah
Non-Executive Non-Independent Director

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

Mohammad bin Abdullah
Non-Executive Independent Director

Tay Beng Chai
Non-Executive Independent Director

Dato' Haji Abdul Rahim Mohd Zin
Non-Executive Non-Independent Director

Phua Cheng Tar
Alternate to Kuok Khoon Kuan

Audit Committee

Chairman
Mohammad bin Abdullah

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

Wu Long Peng

Nomination & Remuneration Committee

Chairman
Dato' Lim Chee Wah

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

Tay Beng Chai

Company Secretaries

Wong Bee Siah (MAICSA 7006010)

Yap Bee Yong (MIA 11165)

Registrar

PBB Corporate Services Sdn Bhd (140436-M)
14th Floor, Wisma Jerneh
38 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2141 2077
Fax : 03-2141 8242

Registered Office

Level 17 & 18, PJ Tower
No. 18, Jalan Persiaran Barat
Off Jalan Timur
46050 Petaling Jaya
Selangor
Tel : 03-7966 1688
Fax : 03-7966 1628

Stock Exchange Listing

Bursa Malaysia Securities Berhad, Main Board
Sector : Trading
Stock name : Maybulk
Stock Code : 5077

Auditors

Ernst & Young (AF: 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel : 03-7495 8000
Fax : 03-2095 9076

Board of Directors

Seated (from left to right): Kuok Khoon Kuan Chief Executive Officer, Teo Joo Kim Executive Chairman, Wu Long Peng Executive Director

Standing (from left to right): Tay Beng Chai Non-Executive Independent Director, Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid Non-Executive Independent Director, Dato' Haji Abdul Rahim Mohd Zin Non-Executive Non-Independent Director, Dato' Lim Chee Wah Non-Executive Non-Independent Director, Phua Cheng Tar Alternate to Kuok Khoon Kuan and Mohammad bin Abdullah Non-Executive Independent Director.

Directors' Profiles

Teo Joo Kim
Executive Chairman

Teo Joo Kim, aged 65, a Singaporean, was appointed to the Board on 25 January 1995 and is currently the Executive Chairman.

Teo Joo Kim is also the Executive Chairman of Kuok (Singapore) Limited and Pacific Carriers Limited. He qualified from the Institute of Chartered Secretaries and Administrators and the Association of Chartered Certified Accountants in the United Kingdom. He has over 30 years of experience in the commodity and shipping industry.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.

He attended all four (4) Board Meetings held in the financial year.

Kuok Khoon Kuan
Chief Executive Officer

Kuok Khoon Kuan, aged 58, a Malaysian, was appointed to the Board on 8 June 1995 and is currently the Chief Executive Officer.

Kuok Khoon Kuan is also a Director of Kuok (Singapore) Limited. He graduated from University of Singapore with a Bachelor of Arts Degree. He began his career with Malaysian International Shipping Corporation Berhad in 1971 and later joined Pacific Carriers Limited in 1978 and is today its Managing Director. He has over 30 years of experience in the shipping industry.

Kuok Khoon Kuan is the nephew of Kuok Hock Nien, who is deemed a major shareholder of MBC. Save for the aforesaid, he does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.

He attended all four (4) Board Meetings held in the financial year.

Wu Long Peng
Executive Director

Wu Long Peng, aged 52, a Singaporean, was appointed to the Board on 21 October 1994 and is currently a member of the Audit Committee.

Wu Long Peng is also the Executive Director of Kuok (Singapore) Limited and Pacific Carriers Limited. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and an Associate Member of the Institute of Certified Public Accountants of Singapore.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.

He attended all four (4) Board Meetings held in the financial year.

Directors' Profiles (Cont'd)

Dato' Lim Chee Wah
Non-Executive
Non-Independent Director

Dato' Lim Chee Wah, aged 66, a Malaysian, was appointed to the Board on 8 June 1995, and is currently the Chairman of the Nomination & Remuneration Committee.

Dato' Lim is also the Executive Chairman of Malayan Sugar Manufacturing Co. Bhd, the Chairman of Jerneh Asia Berhad and Jerneh Insurance Berhad and the Deputy Chairman of PPB Group Berhad. He is also a Director of Tradewinds (Malaysia) Berhad and a trustee of Kuok Foundation Berhad (a charitable organisation). He obtained his Bachelor of Arts (Honours) Degree in Economics from University of Malaya.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.

He attended all four (4) Board Meetings held in the financial year.

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

Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid, aged 56, a Malaysian, was appointed to the Board on 9 July 1996 and is presently a member of the Audit Committee and the Nomination & Remuneration Committee.

Dato' Capt. Ahmad Sufian is also the Non-Executive Chairman of WCT Engineering Berhad. He qualified as a Master Mariner with a Masters Foreign-Going Certificate of Competency from United Kingdom in 1974 and a Diploma in Applied International Management from the Swedish Institute of Management in 1984. He is also a Fellow of the Nautical Institute (UK), the Chartered Institute of Logistics and Transport and the Institute Kelautan Malaysia. He has over 35 years of experience in the international maritime industry.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.

He attended all four (4) Board Meetings held in the financial year.

Mohammad bin Abdullah
Non-Executive Independent Director

Mohammad bin Abdullah, aged 65, a Malaysian, was appointed to the Board on 14 October 2003 and is currently the Chairman of the Audit Committee.

Mohammad bin Abdullah is also the Chairman of Negara Properties (M) Berhad, MNRB Holdings Berhad, Malaysian Reinsurance Berhad, Malaysian Rating Corporation Berhad, Labuan Reinsurance (L) Ltd and Mayban Discount Berhad. His other directorships are in Golden Hope Plantations Berhad, Malayan Banking Berhad, MIMOS Berhad, Aseambankers Malaysia Berhad and a number of other private limited companies in the finance, IT and property development industries. A Chartered Accountant with more than 40 years' experience in the accounting profession, Mohammad bin Abdullah is the Registrar of the Malaysian Institute of Accountants (MIA) and a member of the Malaysian Institute of Certified Public Accountants (MICPA).

He does not have any family relationship with any other director and/or major shareholder of the Company and has no conflict of interest with the Company.

He attended all four (4) Board Meetings held in the financial year.

Directors' Profiles (Cont'd)

Tay Beng Chai
Non-Executive Independent Director

Tay Beng Chai, aged 44, a Malaysian, was appointed to the Board on 14 October 2003 and is currently a member of the Nomination & Remuneration Committee.

Tay Beng Chai is also the Managing Partner of Messrs Tay & Partners, Advocates & Solicitors. He holds a Bachelor of Law Degree from the National University of Singapore, and is an advocate and solicitor admitted to practise in Malaysia and Singapore. He has 20 years experience in corporate, mergers and acquisitions, finance and securities law matters.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.

He attended all four (4) Board Meetings held in the financial year.

Dato' Haji Abdul Rahim Mohd Zin
Non-Executive
Non-Independent Director

Dato' Haji Abdul Rahim Mohd Zin, aged 42, a Malaysian, was appointed to the Board on 31 October 2005.

Dato' Haji Abdul Rahim is the President/Group Managing Director of Bank Pembangunan Malaysia Berhad (formerly known as Bank Pembangunan dan Infrastruktur Malaysia Berhad). He is also a Director of Bank Perusahaan Kecil & Sederhana Malaysia Berhad (formerly known as Bank Industri & Teknologi Malaysia Berhad), Export-Import Bank of Malaysia Berhad, Malaysia Export Credit Insurance Berhad, Global Maritime Ventures Berhad, Metrod (Malaysia) Berhad and BI Credit & Leasing Berhad.

He started his career as a Lecturer in Accounting at Universiti Kebangsaan Malaysia from 1987 to 1989 and was a Finance Executive in Shell Malaysia Trading Sdn Bhd from 1989 to 1990. He has extensive experience in banking industry. He was the General Manager of Corporate Finance at Bumiputra Merchants Bankers Berhad from 1990 to 1996; General Manager of Group Finance, Southern Bank Berhad from 1996 to 1998; Senior General Manager of Amanah Merchant Bank Berhad from 1998 to 2000 and Chief Executive Officer of Southern Finance Berhad from 2001 to 2003. He holds a Bachelor of Accountancy from Universiti Kebangsaan Malaysia and a Master of Accountancy from University of Glasgow, Scotland.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.

He attended one (1) Board Meeting held in the financial year since his appointment.

Phua Cheng Tar
Alternate Director
to Kuok Khoon Kuan

Phua Cheng Tar, aged 57, a Singaporean, was appointed as an Alternate Director to Kuok Khoon Kuan on 14 October 2003.

Phua Cheng Tar is also a Director of Pacific Carriers Limited and he heads the Group's fleet management activities. He holds a First Class Marine Engineer Certificate of Competency (Motor) and is a Fellow of the Society of Naval Architects and Marine Engineers, Singapore. He has over 30 years of experience in the shipping industry.

He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.

He attended all four (4) Board Meetings held in the financial year.

Senior Management

Seated (from left to right): Roland Chan Moon Fook, General Manager, Chartering Department, Capt. Chew Choon Beng, Senior Manager, Operations and Post Fixtures Department.

Standing (from left to right): Ooi Kean Meng, Head of Technical Department, Judy Wong Bee Siah, Company Secretary and General Manager, Corporate Legal/Administration Departments, Yap Bee Yong, Financial Controller and Head of Finance Department, Capt. Ng Cock Soon, Head of Crew and Marine Departments.

MV Alam Padu loading at Pulau Laut, Indonesia

Review

>> Corporate Governance Statement
>> Audit Committee Report
>> Statement on Internal Control

REVIEW

Corporate Governance Statement

The Board of Directors considers that it has complied with the Best Practices in Corporate Governance as set out in the Malaysian Code on Corporate Governance.

1. BOARD OF DIRECTORS

1.1 Principal Responsibilities

The Board has the overall stewardship responsibilities of providing strategic leadership, overseeing the business conduct, identification and management of principal risks, and ensuring the adequacy and integrity of internal control systems.

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

The Board has delegated specific responsibilities to 2 committees, namely, the Audit Committee and the Nomination & Remuneration Committee, both of which will discharge their duties and responsibilities within their respective Terms of Reference. The actual decision is the responsibility of the Board after considering the recommendations of the respective committee.

1.2 Composition

The Board presently comprises the following members:-

1.2 Composition (Cont'd)

There is a clear division of responsibilities between the Executive Chairman and the Chief Executive Officer. The Executive Chairman is responsible for the overall strategic direction of the Group, whereas the Chief Executive Officer is responsible for the management of the business.

The Board considers that its composition consisting of Directors with a diverse mix of skills and experience in shipping, business, corporate, finance and law bring to the Board not only the essential commercial skills relevant for sound investment decisions, but also the practical and operational experience to professionally manage the Company.

The profile of each Director is set out in pages 22 to 24 of this Annual Report.

1.3 Board Meetings and Supply of Information

The Board meetings are scheduled in advance at the end of the financial year to enable Directors to plan ahead and during the financial year ended 31 December 2005, a total of four (4) meetings were held. The record of each Director's attendance thereat is as set out in the table below:-

	Attendance
Teo Joo Kim - *Executive Chairman*	4/4
Kuok Khoon Kuan - *Chief Executive Officer*	4/4
Wu Long Peng - *Executive Director*	4/4
Dato' Lim Chee Wah - *Non-Executive Non-Independent Director*	4/4
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid - *Non-Executive Independent Director*	4/4
Mohammad bin Abdullah - *Non-Executive Independent Director*	4/4
Tay Beng Chai - *Non-Executive Independent Director*	4/4
Dato' Haji Abdul Rahim Mohd Zin - *Non-Executive Non-Independent Director (Appointed on 31 October 2005)*	1/1
Phua Cheng Tar - *Alternate to Kuok Khoon Kuan*	4/4

Corporate Governance Statement (Cont'd)

1.3 Board Meetings and Supply of Information (Cont'd)

Relevant documents are provided in sufficient time to all Directors for their review prior to any board meeting. This includes various reports covering market conditions, outlook, investment opportunities and financial performance.

All Directors have full access to the assistance and the services of the Company Secretaries including where necessary, the advice of independent professionals.

1.4 Re-Election

In accordance with the Company's Articles of Association, 1/3 of the Directors or if their number is not 3 or in a multiple of 3, then the number nearest 1/3 shall retire from office at every Annual General Meeting ("AGM") and be eligible for re-election.

1.5 Continuing Education Programmes

The Directors are encouraged to attend continuing education programmes and seminars so as to keep abreast with current developments in the industry as well as the current changes in laws and regulations.

1.6 Nomination & Remuneration Committee

The Nomination & Remuneration Committee was established on 18 March 2005 following the merger of the Nomination Committee and the Remuneration Committee, with duties, functions and responsibilities remaining in accordance with those provided by the Malaysian Code of Corporate Governance, and agreed upon by the Board and the Nomination & Remuneration Committee.

During the financial year ended 31 December 2005, the Nomination & Remuneration Committee had three (3) meetings, with full attendance at each meeting, to discuss and make the necessary recommendation to the Board of Directors with regards to the evaluation and recommendation for new appointment to the Board of Directors and with regards to the remuneration of the Directors.

2. DIRECTORS' FEES

Details of the Directors' fees for the year ended 31 December 2005 are as follows:-

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)
Salary	-	-
* Fees	299	480
Bonus	-	-
Benefits-in-kind	-	-
Total	**299**	**480**

* This includes special fees of RM150,000 and RM250,000 for Executive and Non-Executive Directors respectively.

The Directors' fees for the financial year ended 31 December 2005 fall within the following bands:-

	Executive Director	Non-Executive Director
Below RM50,000	-	1
RM50,000 to RM100,000	1	3
RM100,001 and above	2	2

Corporate Governance Statement (Cont'd)

3. SHAREHOLDERS

Announcements are made as and when necessary to inform investors about developments and events within the Group, including timely release of quarterly financial results. In addition, results briefings are held after release of half-year and full year financial results for the media, fund managers and analysts. Quarterly results on the Group and announcements released by the Company can be accessed from Bursa Malaysia Securities Berhad ("Bursa Malaysia")'s website at www.bursamalaysia.com.my.

The Company uses the AGM as the forum to communicate with its shareholders. The results and progress of the Group are reported in the Annual Report issued to all shareholders, who are given the opportunity to ask questions or seek clarification about the performance and business of the Group at the AGM.

Any queries about the Group's business and development or concern about the Group can be conveyed through the Company Secretaries or at the AGM.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

The Board considers that it has provided a balanced, fair and representative assessment of its business in its quarterly and annual financial statements.

4.2 Internal Control

Statement on the Company's internal control system is presented on page 32 of this Annual Report.

4.3 Relationship with Auditors

The Board maintains a formal, professional and transparent relationship with the External Auditors through the Audit Committee, guided by the Listing Requirements of Bursa Malaysia, the Malaysian Code on Corporate Governance and the Audit Committee's terms of reference.

4.4 Statement of Board of Directors' Responsibility for Preparing the Financial Statements

The statement explaining the Board of Directors' responsibility for preparing the annual financial statements is set out on page 74 of this Annual Report.

Audit Committee Report

1. THE AUDIT COMMITTEE

The Audit Committee comprises the following members, whose composition meets the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), whereby independent directors formed the majority with a qualified accountant as a member -

Mohammad bin Abdullah (Chairman)
Non-Executive Independent Director
A member of the Malaysian Institute of Accountants (MIA)

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

Wu Long Peng
Executive Director

The Audit Committee meets periodically to carry out its functions and duties in accordance with its Terms of Reference. During the financial year ended 31 December 2005, the Audit Committee had six (6) meetings with full attendance at each meeting.

2. TERMS OF REFERENCE

2.1 Purpose

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

2.2 Composition

The Audit Committee shall consist of at least three (3) members but no more than six (6) members elected among the members of the Board, a majority of whom are independent. The members of the Audit Committee shall elect a chairman from among their number, who shall be a Non-Executive Independent Director.

2.3 Authority

The Audit Committee is empowered to, in accordance with the procedures determined by

2.3 Authority (Cont'd)

the Board of Directors and at the cost of the Company:-

- Investigate any matters within its Terms of Reference;
- Have full and unrestricted access to all information in relation to the Company and its subsidiaries ("the Group");
- Have direct communication channels with the External Auditors and Internal Auditors;
- Obtain external independent professional advice or assistance;
- Convene closed meetings with the External Auditors or outside counsel, whenever deemed necessary;
- Appoint, compensate and oversee the work of the External Auditors; and
- Resolve any disagreement between management and the External Auditors regarding financial reporting.

2.4 Meetings and Attendance

The Audit Committee shall meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require.

The quorum for a meeting shall consist of a majority of Independent Directors. Directors, employees, auditors or others may attend meetings upon the invitation of the Audit Committee. Where necessary, the Audit Committee will conduct private meetings with auditors.

Due notice of issues should be given and conclusions in discharging the Audit Committee's duties and responsibilities should be recorded.

2.5 Duties and Responsibilities

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

- Review with the internal auditors, the scope, functions, adequacy of resources, authority, internal audit programme and results,

Audit Committee Report (Cont'd)

2.5 Duties and Responsibilities (Cont'd)

processes or investigation undertaken and the action taken on their recommendations;

- Review the quarterly results and annual financial statements of the Group prior to the approval by the Board of Directors;
- Review any related party transaction and conflict of interest situation, including any transaction, procedure or course of conduct;
- Review with the External and Internal Auditors, the effectiveness of the Group's system of internal controls, including information technology security and control;
- Review the effectiveness of the External Auditors, including their appointment, audit fee and any questions of resignation or dismissal;
- Review the effectiveness of the Internal Audit's functions, including the appointment or termination of senior internal audit staff, and informed itself of the assessment and resignations of internal audit staff;
- Consider other topics as defined by the Board of Directors; and
- Report its activities, issues and related recommendations to the Board of Directors, and any matter which has not been satisfactorily resolved, thus resulting in a breach of the Listing Requirements.

3. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

For the financial year ended 31 December 2005, the Audit Committee discharged its duties and responsibilities in accordance with its Terms of Reference. The main area of activities undertaken by the Audit Committee were as follows:-

(a) reviewed the Internal Audit's plan;

(b) reviewed the major findings of Internal Audit reports and their recommendations relating thereto;

(c) reviewed the quarterly results/announcements of the Company and made recommendations to the Board of Directors for approval;

3. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (Cont'd)

(d) reviewed the annual financial statements of the Group/Company and made relevant recommendations to the Board of Directors for approval;

(e) reviewed the Internal Audit reports on the related party transactions undertaken by the Group;

(f) reviewed with the External Auditors their audit plan;

(g) reviewed and recommended to the Board of Directors for further action, on the External Auditors' audit findings;

(h) met with the External Auditors to discuss on the issues that they may have without the presence of the management; and

(i) reviewed the Audit Committee Report and Statement on Internal Control for inclusion into the Company's 2004 Annual Report.

4. SUMMARY OF THE ACTIVITIES OF INTERNAL AUDIT

The Audit Committee in particular, is assisted by the Internal Auditors, where the Internal Auditors undertake the audit and compliance functions of the Group in line with the Internal Audit Plan.

The Internal Audit focuses on determining whether the controls provide reasonable assurance of effective and efficient operations, as to reliability and integrity of financial data and reports, and compliance with laws, regulations and contracts.

The Internal Audit Plan covers the examination and evaluation of the adequacy and effectiveness of internal control systems and the quality of compliance to the internal control systems which comprise key components of control environment, risk assessment process, operational control activities, information and communication system and monitoring practices.

Statement on Internal Control

This Statement on Internal Control is made pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad with regards to the Group's compliance with the Principles and Best Practices provisions relating to internal control under the Code.

1. Board Responsibility

The Board of Directors is responsible for maintaining the Company's internal control system to safeguard the shareholders' investment and the Group's assets. This includes financial, operational and compliance controls, and risk management.

In addition, the Board is directly involved in identifying the risks relating to various aspects of the Group's business. The Board also monitors and manages these risks on an ongoing basis.

The Board has established appropriate control structure and environment, and ongoing monitoring activities to ensure the effectiveness of the internal control system.

2. Control Structure

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

The Audit Committee assists the Board in its responsibilities over the system of internal control. Its independence is assured by the composition of a majority of Independent Directors. As highlighted in the Audit Committee Report, the Audit Committee has full access and direct communication with the External and Internal Auditors in discharging its responsibilities.

The Internal Auditors assist the Audit Committee with the examination and evaluation of the adequacy and effectiveness of internal control system, including control environment, risk assessment process and operational control activities.

3. Control Environment

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

3. Control Environment (Cont'd)

The budgeting process takes place annually, where each business unit prepares its own budget for review by the Executive Directors, and approval by the Board.

When setting budgets, Management identifies, evaluates and reports the potential business risks.

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

Emphasis is also placed on the quality and competency of employees with continuing training and development encouraged.

4. Monitoring and Review Activities

The processes for monitoring the internal control systems are embedded in the periodic examination by the Internal Auditors of the adequacy and effectiveness of internal control.

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

There are no material internal control failures nor have any of the reported weaknesses resulted in material financial losses or contingencies during the financial year ended 31 December 2005.

5. Effectiveness of Internal Control

The Board believes that the Company's system of internal control provides a reasonable though not absolute assurance that weaknesses or deficiencies are identified and corrective actions are taken in a timely manner.

The development of this internal control system is an ongoing process and the Board will continue to take steps to improve it.

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 31 December 2005.

Statements

>> Financial Statements

>> List of Properties

>> Analysis of Shareholdings

>> Additional Compliance Information

>> Directors' Responsibility Statement

>> Notice of Annual General Meeting

>> Statement Accompanying
Notice of Annual General Meeting

FINANCIAL STATEMENTS

Directors' Report

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are described in Note 10 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before taxation	655,720	432,582
Taxation	(26)	151
Profit after taxation	655,694	432,733
Minority interests	(10,990)	-
Profit attributable to shareholders	644,704	432,733

There were no material transfers to or from reserves or provisions during the year other than those disclosed in the Statements of Changes in Equity.

DIVIDENDS

During the year, the Company paid a final dividend of 12 sen per ordinary share of RM0.25 each, tax exempt, amounting to RM96,000,000 in respect of the year ended 31 December 2004 as reported in the Directors' Report of that year.

The Directors recommend a first and final dividend of 12 sen per ordinary share of RM0.25 each, tax exempt, amounting to RM96,000,000, and a special dividend of 5 sen per ordinary share of RM0.25 each, tax exempt, amounting to RM40,000,000 subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. In accordance with FRS 110 - Events After the Balance Sheet Date, the proposed dividends are not reflected in the current year's financial statements. Such dividends, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profit in the financial year ending 31 December 2006.

REDEEMABLE PREFERENCE SHARES ("RPS")

On 13 May 2005, the Company redeemed its remaining 60,000,000 RPS of RM0.25 par value each at RM2.50 each amounting to RM150,000,000.

SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the financial year are disclosed in Note 30 to the financial statements.

Directors' Report (Cont'd)

DIRECTORS

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

Teo Joo Kim
Kuok Khoon Kuan
Wu Long Peng
Dato' Lim Chee Wah
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
Mohammad bin Abdullah
Tay Beng Chai
Dato' Haji Abdul Rahim Mohd Zin (Appointed on 31 October 2005)
Dato' Md Noor bin Mohammad Yusoff (Resigned on 30 September 2005)

Alternate Director

Phua Cheng Tar - alternate to Kuok Khoon Kuan

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest, except as disclosed in Note 26 to the financial statements.

DIRECTORS' INTERESTS

The following Directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act 1965, interests in shares in the Company as stated below:

	No. of ordinary shares of RM0.25 each			
	At 1.1.2005	During the financial year Bought	Sold	At 31.12.2005
Teo Joo Kim	1,377,000	-	-	1,377,000
Kuok Khoon Kuan	1,653,000	50,000	-	1,703,000
Wu Long Peng	1,300,000	-	-	1,300,000
Dato' Lim Chee Wah	1,300,000	150,000	-	1,450,000
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	1,150,000	-	455,000	695,000
Tay Beng Chai	250,000	50,000	-	300,000
Mohammad bin Abdullah	100,000	-	-	100,000
Phua Cheng Tar	950,000	50,000	-	1,000,000

Dato' Haji Abdul Rahim Mohd Zin does not have any interest in shares in the Company or its related corporations during the financial year.

Directors' Report (Cont'd)

OTHER STATUTORY INFORMATION

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

 (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and

 (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

 (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

 (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

 (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

 (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

 (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

 (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SUBSEQUENT EVENT

Event subsequent to the financial year is disclosed in Note 31 to the financial statements.

Directors' Report (Cont'd)

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors

Kuok Khoon Kuan **Wu Long Peng**

Petaling Jaya, Selangor Darul Ehsan
22 February 2006

Statement by Directors

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

We, Kuok Khoon Kuan and Wu Long Peng, being two of the Directors of Malaysian Bulk Carriers Berhad, do hereby state that in the opinion of the Directors, the financial statements set out on pages 40 to 68 are drawn up in accordance with the provisions of the Companies Act 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors

Kuok Khoon Kuan

Wu Long Peng

Petaling Jaya, Selangor Darul Ehsan
22 February 2006

Statutory Declaration

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

I, Yap Bee Yong, being the Officer primarily responsible for the financial management of Malaysian Bulk Carriers Berhad, do solemnly and sincerely declare that the financial statements set out on pages 40 to 68 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Yap Bee Yong at
Petaling Jaya in Selangor Darul Ehsan
on 22 February 2006

Yap Bee Yong

Before me,

Report of the Auditors

to the members of Malaysian Bulk Carriers Berhad

We have audited the financial statements set out on pages 40 to 68. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:

  (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and

  (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements; and

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

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Companies Act 1965.

Ernst & Young
AF: 0039
Chartered Accountants

Choong Mei Ling
No. 1918/09/06 (J)
Partner

Kuala Lumpur, Malaysia
22 February 2006

Income Statements

for the year ended 31 December 2005

		Group		Company	
		2005	2004	2005	2004
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	3	395,783	382,288	145,400	192,603
Operating expenses		(139,835)	(118,834)	-	-
		255,948	263,454	145,400	192,603
Other operating income		435,504	54,373	297,221	1,551
Administration expenses		(25,495)	(13,872)	(6,760)	(2,126)
Profit from operations		665,957	303,955	435,861	192,028
Finance cost		(16,946)	(19,402)	(3,279)	(15,900)
Share of results of associate		6,709	(16)	-	-
Profit before taxation	4	655,720	284,537	432,582	176,128
Taxation	7	(26)	(722)	151	-
Profit after taxation		655,694	283,815	432,733	176,128
Minority interest		(10,990)	(9,736)	-	-
Profit after taxation and minority interest		644,704	274,079	432,733	176,128
Earnings per share - (sen)					
Basic	8	80.59	34.26		
Net dividends per share (sen)	23	17	12	17	12

The accompanying notes form an integral part of the financial statements.

Balance Sheets

as at 31 December 2005

		Group		Company	
		2005	2004	2005	2004
	Note	RM'000	RM'000	RM'000	RM'000
Fixed assets	9	972,324	1,061,383	7,865	8,040
Subsidiaries	10	-	-	769,584	889,466
Associate	11	25,461	11,412	-	-
CURRENT ASSETS					
Consumable stores		7,882	4,284	-	-
Trade receivables	12	27,327	16,437	-	-
Other receivables and prepayments	13	23,892	11,769	1,102	66,808
Amounts due from subsidiaries	14	-	-	406,181	7,731
Investments	15	150,338	94,068	-	-
Short term deposits	16	772,310	54,474	33,097	32,347
Cash and bank balances		2,783	1,617	168	90
		984,532	182,649	440,548	106,976
CURRENT LIABILITIES					
Other payables	17	60,238	43,621	3,224	15,962
Borrowings	21	23,201	11,654	-	-
Amounts due to subsidiaries	14	-	-	272,279	232,281
Provision for taxation		102	474	-	478
		83,541	55,749	275,503	248,721
NET CURRENT ASSETS/(LIABILITIES)		900,991	126,900	165,045	(141,745)
		1,898,776	1,199,695	942,494	755,761
FINANCED BY					
Share capital	18	200,000	200,000	200,000	200,000
Reserves	19	1,264,080	716,075	742,494	405,761
Shareholders' equity		1,464,080	916,075	942,494	605,761
Minority interests		45,082	32,553	-	-
Redeemable preference shares	20	-	150,000	-	150,000
Borrowings	21	389,540	100,637	-	-
Deferred tax liabilities	22	74	430	-	-
		1,898,776	1,199,695	942,494	755,761

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 December 2005

GROUP	Note	Share capital RM'000	Distributable Retained profit RM'000	Non-distributable Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Exchange translation reserve RM'000	Total reserves RM'000	Total RM'000
At 1 January 2004		200,000	352,874	99,174	34,159	10,000	11,062	507,269	707,269
Listing expenses		-	-	(383)	-	-	-	(383)	(383)
Transfer to capital redemption reserve upon redemption of RPS	20	-	(15,000)	-	-	15,000	-	-	-
Profit after taxation and minority interest		-	274,079	-	-	-	-	274,079	274,079
Dividend		-	(56,000)	-	-	-	-	(56,000)	(56,000)
Currency translation differences		-	-	-	-	-	(8,890)	(8,890)	(8,890)
At 31 December 2004		200,000	555,953	98,791	34,159	25,000	2,172	716,075	916,075
At 1 January 2005		200,000	555,953	98,791	34,159	25,000	2,172	716,075	916,075
Transfer to capital redemption reserve upon redemption of RPS	20	-	(15,000)	-	-	15,000	-	-	-
Profit after taxation and minority interest		-	644,704	-	-	-	-	644,704	644,704
Dividend	23	-	(96,000)	-	-	-	-	(96,000)	(96,000)
Currency translation differences		-	-	-	-	-	(699)	(699)	(699)
At 31 December 2005		200,000	1,089,657	98,791	34,159	40,000	1,473	1,264,080	1,464,080

COMPANY	Note	Share capital RM'000	Distributable Retained profit RM'000	Non-distributable Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Total reserves RM'000	Total RM'000
At 1 January 2004		200,000	129,318	99,174	47,524	10,000	286,016	486,016
Listing expenses		-	-	(383)	-	-	(383)	(383)
Transfer to capital redemption reserve upon redemption of RPS	20	-	(15,000)	-	-	15,000	-	-
Profit after taxation		-	176,128	-	-	-	176,128	176,128
Dividend		-	(56,000)	-	-	-	(56,000)	(56,000)
At 31 December 2004		200,000	234,446	98,791	47,524	25,000	405,761	605,761
At 1 January 2005		200,000	234,446	98,791	47,524	25,000	405,761	605,761
Transfer to capital redemption reserve upon redemption of RPS	20	-	(15,000)	-	-	15,000	-	-
Profit after taxation		-	432,733	-	-	-	432,733	432,733
Dividend	23	-	(96,000)	-	-	-	(96,000)	(96,000)
At 31 December 2005		200,000	556,179	98,791	47,524	40,000	742,494	942,494

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

for the year ended 31 December 2005

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	655,720	284,537	432,582	176,128
Adjustments for:				
Depreciation of fixed assets	35,579	35,894	175	174
Impairment loss on investment in subsidiaries	-	-	1,443	-
Writeback of provision for doubtful debts	(476)	(533)	-	-
Provision for cost sharing of expenses	6,500	-	495	-
Writeback of provision for hull rectification	-	(1,677)	-	(1,677)
Gain on disposal of fixed assets	(118,148)	(38,359)	-	-
Gain on disposal of subsidiaries	(294,013)	-	(294,016)	-
Gain on disposal of quoted investments	(291)	(559)	-	-
Fixed assets written off	20	-	-	-
Unrealised gain on quoted investments	(7,936)	(10,776)	-	-
Unrealised exchange loss/(gain)	683	(72)	20	(29)
Dividend income	(951)	(524)	(145,400)	(192,603)
Movement in foreign exchange translation	1,133	(214)	-	-
Interest income	(14,011)	(3,894)	(2,352)	(711)
Interest expenses and guarantee fees	13,667	3,502	-	-
Dividend on RPS	3,279	15,900	3,279	15,900
Share of results of associate	(6,709)	16	-	-
Operating profit/(loss) before working capital changes	274,046	283,241	(3,774)	(2,818)
Changes in working capital:				
Consumable stores	(1,975)	847	-	-
Receivables	(25,413)	(1,732)	66,225	(19,554)
Payables	14,152	10,442	(11,433)	10,837
Subsidiaries	-	-	(358,452)	58,528
Cash generated from/(used in) operations	260,810	292,798	(307,434)	46,993
Tax paid	(1,471)	(241)	(866)	(45)
Net cash generated from/(used in) operating activities	259,339	292,557	(308,300)	46,948
Cash flows carried forward	259,339	292,557	(308,300)	46,948

Cash Flow Statements (Cont'd)

for the year ended 31 December 2005

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Cash flows brought forward	259,339	292,557	(308,300)	46,948
CASH FLOWS FROM INVESTING ACTIVITIES				
Construction cost incurred for fixed assets	(353,918)	(265,566)	-	-
Purchase of new equipment and capitalisation of dry docking cost	(8,372)	(10,870)	-	-
Purchase of other fixed assets	(1,340)	(1,156)	-	-
Purchase of quoted investments	(70,737)	(35,570)	-	-
Investment in subsidiaries	-	-	(1,889)	(190)
Dividend received	951	524	145,400	192,603
Interest received	14,011	3,894	2,352	711
Proceeds from disposal of quoted investments	22,355	14,481	-	-
Proceeds from disposal of fixed assets	254,809	276,644	-	-
Proceeds from disposal of subsidiaries (Note a)	572,020	-	572,055	-
Proportionate shareholders' loan to associate	(7,340)	(9,528)	-	-
Investment in associate	-	(1,900)	-	-
Net cash generated from/(used in) investing activities	422,439	(29,047)	717,918	193,124
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest and guarantee fees paid	(13,667)	(3,502)	-	-
Repayment of loans	(115,667)	(57,339)	-	-
Repayment of lease financing	(7,822)	-	-	-
Drawdown of loans	273,681	-	-	-
Drawdown of finance lease	140,767	-	-	-
Repayment of loan from subsidiaries	-	-	(157,711)	(10,425)
Redemption of redeemable preference shares	(150,000)	(150,000)	(150,000)	(150,000)
RPS dividend paid	(5,079)	(18,600)	(5,079)	(18,600)
Proceeds from issuance of ordinary shares to minority shareholder	1,520	-	-	-
Listing expenses paid	-	(383)	-	(383)
Loan from minority shareholders of subsidiaries	9,491	58	-	-
Withdrawal of deposits pledged	-	5,699	-	-
Dividend paid	(96,000)	(56,000)	(96,000)	(56,000)
Dividend paid to minority shareholder of subsidiary	-	(912)	-	-
Net cash generated from/(used in) financing activities	37,224	(280,979)	(408,790)	(235,408)
NET CHANGE IN CASH AND CASH EQUIVALENTS	719,002	(17,469)	828	4,664
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	56,091	73,560	32,437	27,773
CASH AND CASH EQUIVALENTS CARRIED FORWARD	775,093	56,091	33,265	32,437
Cash and cash equivalents comprise:				
Short term deposits	772,310	54,474	33,097	32,347
Cash and bank balances	2,783	1,617	168	90
	775,093	56,091	33,265	32,437

Cash Flow Statements (Cont'd)

for the year ended 31 December 2005

Note (a) Group - Disposal of subsidiaries

The revenue, results and cash flows of the subsidiaries disposed were:

	Financial period ended 3.2.2005 RM'000	Financial year ended 31.12.2004 RM'000
Revenue	7,293	31,624
Operating expenses	(641)	(9,495)
	6,652	22,129
Other income	3	40,857
Other operating expenses	-	(649)
Administration expenses	(575)	(434)
Profit before taxation	6,080	61,903
Taxation	-	-
Profit after taxation	6,080	61,903
Cash flows from operating activities	70,031	(67,799)
Cash flows from investing activities	3	127,003
Cash flows from financing activities	(70,034)	(62,160)
Total cash flows	-	(2,956)

The net assets of the subsidiaries disposed were:-

	At disposal date RM'000
Vessel	108,739
Vessels construction in progress	169,268
Cash and cash equivalents	35
Shareholder's loan	(277,849)
Net assets disposed	193
Total disposal proceeds	(294,206)
Gain on disposal to the Group	(294,013)
Cash inflow arising on disposal	
Cash consideration, representing cash inflow of the Company	294,206
Shareholder's loan repayment	277,849
Total cash inflow of the Company	572,055
Cash and cash equivalents of subsidiaries disposed	(35)
Net cash inflow of the Group	572,020

The disposal of subsidiaries had the following effect on the financial results of the Company:-

	2005 RM'000
Total disposal proceeds	294,206
Less: Cost of investment in subsidiaries	(190)
Gain on disposal of subsidiaries	294,016

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2005

1. GENERAL

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

The registered office and principal place of business of the Company and its subsidiaries are at Level 17 and 18, PJ Tower, No. 18, Jalan Persiaran Barat, Off Jalan Timur, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 February 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention and comply with the provisions of the Companies Act 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting except for those subsidiaries indicated in Note 10 to the financial statements which are consolidated using the merger method of accounting as permitted under FRS 122 - Business Combinations.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated balance sheet. The net difference between the acquisition cost and fair value of the net assets acquired is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation as appropriate and written off in the income statement.

Under the merger method of accounting, the results of the subsidiaries are presented as if the companies had been combined throughout the current and previous financial years.

The difference between the cost of acquisition over the nominal value of the share capital and share premium of the subsidiaries is classified as capital reserve.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(ii) Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Notes to the Financial Statements (Cont'd)

31 December 2005

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (Cont'd)

(ii) Associates (Cont'd)

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

(c) Investment in Subsidiaries and Associates

Investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(h).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(d) Consumable Stores

Consumable stores which comprise lubricant oil stocks, bunkers and ship provisions are stated at the lower of cost and net realisable value, cost being determined on a first-in first-out basis. In arriving at net realisable value, due allowance is made for all obsolete and slow moving items.

(e) Fixed Assets and Depreciation

Fixed assets are stated at cost less depreciation and impairment losses. Depreciation is calculated on the straight line basis to write off the cost of the assets net of residual value over their expected useful life. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(h). Cost of vessels includes the cost of any major enhancement and improvement which increase the future benefits from the vessel beyond their previously assessed standard of performance. Expenditure for routine replacements and repairs is written off immediately in the income statement.

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

No depreciation is provided for construction in progress.

The term of the leasehold land is 99 years, expiring in 2097. The land is stated at cost and not depreciated.

The depreciation rates used are as follows:

Vessels	25 years
Dry docking	2 - 3 years
Leasehold property/Depot site development	2% per annum
Vehicles	20% per annum
Office equipment	20% - 33 1/3% per annum
Furniture and fittings	10% per annum
Renovations	33 1/3% per annum

It is the Group's policy to review and revise the residual value of the assets at regular intervals of at least once every 5 years, based on market value.

Notes to the Financial Statements (Cont'd)

31 December 2005

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Foreign Currencies

Foreign currency assets and liabilities are reported in Ringgit Malaysia at rates of exchange approximating those ruling at balance sheet date. Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange approximating those ruling at the dates of transactions. All exchange differences are included in the income statement.

For consolidation purposes, assets and liabilities of foreign subsidiaries are translated into Ringgit Malaysia at the rates of exchange which approximate those ruling at balance sheet date except for share capital which is recorded at historical rate, while income statements are translated at average rates for the period. Exchange differences are transferred directly to the Exchange Translation Reserve.

The exchange rates used for translation for each unit of the main foreign currencies in the Group are as follows:

	Year end rates	
	2005	2004
United States Dollar (USD)	3.776	3.794
Singapore Dollar (SGD)	2.268	2.323

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and at bank and deposits with banks and licensed financial institutions and exclude deposits pledged.

(h) Impairment of Assets

The carrying amounts of the Group's and of the Company's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying value of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

(i) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Finance leases

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for the leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(e).

(ii) Operating leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

Notes to the Financial Statements (Cont'd)

31 December 2005

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Deferred Taxation

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(k) Financial Instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Financial instruments are offset when the Company has an enforceable legal right to offset and intend to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The accounting policies for financial instruments recognised on the balance sheet are disclosed in the individual policy statements associated with each item.

(l) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(m) Marketable Securities

Marketable securities are stated at fair value determined by their net asset values. Gains and losses arising from changes in the fair value of these investments are recognised immediately in the income statement.

On the disposal of these marketable securities, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statement.

(n) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(o) Borrowings

Bank borrowings are recorded at the amount of proceeds received. Borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(p) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Notes to the Financial Statements (Cont'd)

31 December 2005

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Derivative Financial Instruments

Off-balance sheet financial derivatives include forward contracts in the foreign exchange and capital markets. Derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative, using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other payables in the balance sheet. The resultant gains and losses from derivatives held for trading purposes are recognised in the income statement.

(r) Redeemable Preference Shares

Redeemable preference shares which provide for mandatory redemption are included in liabilities, as they are in substance, borrowings. Dividend payable on the shares are recognised in the income statement on an accrual basis as finance cost.

(s) Income Recognition

(i) Charterhire income

The time charter equivalent of income from the companies' various ship chartering activities are recognised on a time proportion basis.

(ii) Investment income

Dividend income from investment in subsidiaries and associates is recognised in the Company's income statement when the right to receive payment is established. Dividend income from quoted investments is accounted for as and when receivable.

(iii) Rental income

Rental income is recognised on an accrual basis.

(iv) Ship brokerage and charterhire commission

Ship brokerage and charterhire commission are recognised when services are rendered.

(v) Management fees

The fees earned from the management of vessel, crew and technical matters are recognised when services are rendered.

(vi) Interest income

Interest income is recognised on an accrual basis.

(t) Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

Notes to the Financial Statements (Cont'd)

31 December 2005

3. REVENUE

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Charterhire income	391,503	379,191	-	-
Depot income	2,927	1,784	-	-
Ship brokerage and management	1,353	1,313	-	-
Dividend income from subsidiaries	-	-	145,400	192,603
	395,783	382,288	145,400	192,603

4. PROFIT BEFORE TAXATION

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
This is arrived at after charging/(crediting):				
Auditors' remuneration				
- current year	272	231	25	25
- underprovision in prior year	7	47	-	15
Directors' remuneration (Note 6)	795	411	779	356
Depreciation of fixed assets	35,579	35,894	175	174
Fixed assets written off	20	-	-	-
Impairment loss on investment in subsidiaries	-	-	1,443	-
Writeback of provision for doubtful debts	(476)	(533)	-	-
Writeback of provision for hull rectification	-	(1,677)	-	(1,677)
Realised exchange loss/(gain)	1,118	(16)	1,217	(65)
Unrealised exchange loss/(gain)	683	(72)	20	(29)
Unrealised gain on quoted investments	(7,936)	(10,776)	-	-
Gain on disposal of quoted investments	(291)	(559)	-	-
Finance costs				
- interest on loans	7,024	3,502	-	-
- interest on finance leases	3,379	-	-	-
- guarantee fees	3,264	-	-	-
RPS dividend	3,279	15,900	3,279	15,900
Gain on disposal of fixed assets	(118,148)	(38,359)	-	-
Gain on disposal of subsidiaries	(294,013)	-	(294,016)	-
Interest income	(14,011)	(3,894)	(2,352)	(711)
Rental income	(261)	(248)	(853)	(840)
Dividend income from quoted investments	(951)	(524)	-	-
Cost sharing of expenses	16,969	7,580	1,266	515

5. STAFF AND CREW COSTS

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Wages, salaries and bonus	30,208	33,016	-	121
Pension costs- defined contribution plans	1,260	1,159	-	-
Social security costs	75	37	-	-
Other staff related expenses	7,841	9,109	-	-
	39,384	43,321	-	121
Number of employees at year end	371	447	-	-

Notes to the Financial Statements (Cont'd)

31 December 2005

6. DIRECTORS' REMUNERATION

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Fees:				
Executive	299	138	299	114
Non-executive	488	250	480	242
	787	388	779	356
Other Directors				
Fees	8	8	-	-
Emoluments	-	15	-	-
	8	23	-	-
Total	795	411	779	356

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

	Number of Directors	
	2005	2004
Executive Directors:		
< RM50,000	-	4
RM50,000 - RM100,000	1	-
> RM100,000	2	-
Non-Executive Directors:		
< RM50,000	1	4
RM50,000 - RM100,000	3	2
> RM100,000	2	-
	9	10

7. TAXATION

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Malaysian income tax	951	385	414	-
Foreign tax	58	59	-	-
Overprovision in prior years	(627)	(78)	(565)	-
	382	366	(151)	-
Deferred tax (Note 22):				
Relating to origination and reversal of temporary differences	(356)	(152)	-	-
Underprovision in prior year	-	508	-	-
	(356)	356	-	-
	26	722	(151)	-

Notes to the Financial Statements (Cont'd)

31 December 2005

7. TAXATION (CONT'D)

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

		Group		Company	
		2005	2004	2005	2004
	Note	RM'000	RM'000	RM'000	RM'000
Profit before taxation		655,720	284,537	432,582	176,128
Tax exempt shipping income	(a)	(284,964)	(251,315)	-	-
Profit from companies incorporated in the BVI		(54,132)	(51,088)	-	-
Tax exempt dividend income		(90)	(43)	(145,400)	(192,603)
		(339,186)	(302,446)	(145,400)	(192,603)
		316,534	(17,909)	287,182	(16,475)
Taxation at statutory tax rate		88,629	(5,015)	80,411	(4,613)
Income not subject to tax		(91,705)	(25)	(81,919)	-
Effect of difference in tax rates in other countries		-	(23)	-	-
Expenses not deductible for tax purposes		2,660	4,357	1,922	4,198
Utilisation of previously unrecognised tax losses		-	(45)	-	-
Deferred tax assets not recognised during the year		1,069	1,043	-	415
(Over)/underprovision of deferred and current tax in prior years		(627)	430	(565)	-
Taxation for the year		26	722	(151)	-

(a) Shipping income derived from the operation of the Group's sea-going Malaysian registered ships and Singapore registered ships is tax exempt under Section 54A of the Malaysian Income Tax Act 1967 and Section 13A of the Singapore Income Tax Act respectively.

Taxation of the Group is in respect of interest income, dividend income from quoted shares and gain on disposal of quoted shares.

Taxation of the Company is in respect of interest income.

The Group has not recognised deferred tax assets in respect of the following:

	Group	
	2005	2004
	RM'000	RM'000
Unutilised tax losses	4,131	4,716
Unabsorbed capital allowances	2,090	1,171
	6,221	5,887

The unutilised tax losses and unabsorbed capital allowances which are subject to agreement by the Inland Revenue Board, are available indefinitely for offset against future taxable profits of the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and they have arisen in subsidiaries that have a recent history of losses.

Notes to the Financial Statements (Cont'd)

31 December 2005

8. EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share for the year is calculated by dividing the net profit attributable to ordinary shareholders of RM644,704,000 (2004: RM274,079,000) by the weighted average number of ordinary shares outstanding during the year of 800,000,000 (2004: 800,000,000). The Group has no potential ordinary shares in issue as at the balance sheet date and therefore, diluted earnings per share has not been presented.

9. FIXED ASSETS

GROUP	Vessels RM'000	Dry docking RM'000	Vessel construction in progress RM'000	Leasehold land RM'000	Leasehold property RM'000	Depot site development RM'000	Vehicles RM'000	Office equipment, renovations, furniture and fittings RM'000	Total RM'000
Cost									
At 1 January 2005	1,007,572	9,289	329,991	13,060	8,739	2,337	1,646	1,872	1,374,506
Additions	2,583	5,789	353,918	-	-	50	749	541	363,630
Disposals	(158,359)	(677)	-	-	-	-	-	-	(159,036)
Disposal of subsidiaries	(113,881)	-	(169,268)	-	-	-	-	-	(283,149)
Reclassification	382,218	-	(383,838)	-	-	-	-	-	(1,620)
Written off	-	-	-	-	-	-	-	(125)	(125)
Translation difference	(469)	(4)	(464)	-	-	-	-	-	(937)
At 31 December 2005	1,119,664	14,397	130,339	13,060	8,739	2,387	2,395	2,288	1,293,269
Accumulated Depreciation									
At 1 January 2005	305,263	5,670	-	-	699	92	554	845	313,123
Charge for the year	31,231	3,213	-	-	175	48	462	450	35,579
Disposals	(22,130)	(245)	-	-	-	-	-	-	(22,375)
Disposal of subsidiaries	(5,136)	-	-	-	-	-	-	-	(5,136)
Written off	-	-	-	-	-	-	-	(105)	(105)
Translation difference	(138)	(3)	-	-	-	-	-	-	(141)
At 31 December 2005	309,090	8,635	-	-	874	140	1,016	1,190	320,945
Net Book Value									
At 31 December 2005	810,574	5,762	130,339	13,060	7,865	2,247	1,379	1,098	972,324
At 31 December 2004	702,309	3,619	329,991	13,060	8,040	2,245	1,092	1,027	1,061,383
Depreciation charge for 2004	32,586	2,248	-	-	174	47	355	484	35,894

Notes to the Financial Statements (Cont'd)
31 December 2005

9. FIXED ASSETS (CONT'D)

COMPANY	Leasehold Property RM'000
Cost	
At 1 January 2005 and 31 December 2005	8,739
Accumulated Depreciation	
At 1 January 2005	699
Charge for the year	175
At 31 December 2005	874
Net Book Value	
At 31 December 2005	7,865
At 31 December 2004	8,040
Depreciation charge for 2004	174

a) In prior years, vessels of certain subsidiaries with an aggregate net book value of RM266,790,000 were charged as security for term loan facilities referred to in Note 21(a) & (b) to the financial statements.

b) Vessels with an aggregate net book value of RM282,137,000, have been placed as security for loans obtained by the Group (Note 21(c)).

c) During the financial year, the Group entered into sale and leaseback arrangements for two vessels (Note 21(d)) with an aggregate net book value of RM49,261,000.

10. SUBSIDIARIES

	Company	
	2005 RM'000	2004 RM'000
Unquoted shares, at cost	56,324	61,829
Impairment losses	(2,928)	(8,689)
	53,396	53,140
Loans to subsidiaries (secured)	53,030	110,960
Loans to subsidiaries (unsecured)	669,998	739,206
Loans from subsidiaries (unsecured)	(6,840)	(13,840)
	716,188	836,326
Total	769,584	889,466

The loans to and from subsidiaries are interest-free with no fixed terms of repayment. Loans to subsidiaries amounting to RM53,030,000 (2004: RM110,960,000) are secured over the respective subsidiaries' vessels.

Notes to the Financial Statements (Cont'd)

31 December 2005

10. SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Company	Country of incorporation	Equity interest 2005	Equity interest 2004	Principal activities
Alam Budi Sdn Bhd	Malaysia	100%	100%	Owner and operator of ships
Alam Gula Sdn Bhd	Malaysia	100%	100%	
Alam Selaras Sdn Bhd	Malaysia	100%	100%	
Alam Senang Sdn Bhd	Malaysia	100%	100%	
Bistari Shipping Sdn Bhd	Malaysia	100%	100%	
Bitara Shipping Sdn Bhd	Malaysia	100%	100%	
Red Sea Pacific Sdn Bhd	Malaysia	100%	100%	
Tekunmata Sdn Bhd	Malaysia	100%	100%	
MBC Padu Sdn Bhd (*)	Malaysia	100%	100%	
Pacific Ship-Managers Sdn Bhd	Malaysia	100%	100%	Shipbroker and manager of ships
- PSM Perkapalan Sdn Bhd	Malaysia	100%	100%	Manager of ships
- Spectrapoint Sdn Bhd	Malaysia	100%	100%	Dormant
Lightwell Shipping Inc (#)	British Virgin Islands (BVI)	100%	100%	Investment holding
- Ambi Shipping Pte Ltd (#)	Singapore	70%	70%	Owner and operator of ships
- Towertime Holdings Limited (#)	BVI	70%	70%	Dormant
- Serong Shipping Pte Ltd (#)	Singapore	100%	100%	
- Suji Shipping Pte Ltd (#)	Singapore	100%	100%	
- Novel Bright Assets Limited (#)	BVI	60%	100%	
- Everspeed Enterprises Limited (#)	BVI	100%	100%	Chartering of ships
Brodsworth Enterprises Limited	BVI	-	100%	Investment holding
- Leadworld Pte Ltd (#)	Singapore	-	100%	Dormant
- Penyu Daun Shipping Pte Ltd (#)	Singapore	-	100%	
- Penyu Pipih Shipping Pte Ltd (#)	Singapore	-	100%	
- Penyu Agar Shipping Pte Ltd (#)	Singapore	-	100%	Owner and operator of ships
Indah Island Depot Sdn Bhd	Malaysia	90%	90%	Operation of container depot
Awanapuri Sdn Bhd	Malaysia	100%	100%	Investment holding
New Johnson Holdings Limited (#)	BVI	100%	100%	Investment holding
- Smart Windsor Assets Limited (#)	BVI	100%	100%	Dormant
- Ethiopian Assets Limited (#)	BVI	100%	100%	
Kohing Investments Limited (#)	BVI	100%	-	Investment holding
MBC Equity Management Sdn Bhd (*)	Malaysia	100%	100%	Trading in marketable securities
Gaintrack Sdn Bhd	Malaysia	100%	100%	

Notes to the Financial Statements (Cont'd)

31 December 2005

10. SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (Cont'd)

Company	Country of incorporation	Equity interest 2005	Equity interest 2004	Principal activities
Alam Tabah Sdn Bhd (*)	Malaysia	100%	100%	)
Alam Talang Sdn Bhd	Malaysia	100%	100%	)
Alam Tangkas Sdn Bhd	Malaysia	100%	100%	)
Alam Teladan Sdn Bhd (*)	Malaysia	100%	100%	)
Alam Tenggiri Sdn Bhd	Malaysia	100%	100%	)
Belia Shipping Sdn Bhd	Malaysia	100%	100%	)
Firstclass Performance Sdn Bhd	Malaysia	100%	100%	)
Kenagamas Sdn Bhd (*)	Malaysia	100%	100%	)
Lavenco Sdn Bhd	Malaysia	100%	100%	) Dormant
MBC Bakti Sdn Bhd	Malaysia	100%	100%	)
MBC Bayu Sdn Bhd	Malaysia	100%	100%	)
MBC Berkat Sdn Bhd	Malaysia	100%	100%	)
Polyscent Sdn Bhd	Malaysia	100%	100%	)
MBC Permai Sdn Bhd	Malaysia	100%	100%	)
Mousaka Inc (@)	St Vincent and The Grenadines	-	100%	)
Amatklasik Sdn Bhd	Malaysia	100%	100%	)
Aturanseni Sdn Bhd	Malaysia	100%	100%	)
MBC Mutiara Sdn Bhd	Malaysia	100%	100%	)
MBC Maju Sdn Bhd	Malaysia	100%	100%	)

Subsidiaries audited by an affiliate of Ernst & Young
* Subsidiaries consolidated under the merger method of accounting
@ Mousaka Inc. has been struck off from the register of International Business Companies, International Financial Services Authority, Saint Vincent and the Grenadines during the year.

11. ASSOCIATE

	Group 2005 RM'000	Group 2004 RM'000
Unquoted shares, at cost	1,900	1,900
Share of post acquisition results	6,693	(16)
Proportionate shareholders' loan to associate	16,868	9,528
	25,461	11,412
The Group's interest in the associate is analysed as follows:		
Share of net assets	8,593	1,884

The loan to associate is unsecured, interest-free and has no fixed terms of repayment.

Details of the associate are as follows:

Company	Country of incorporation	Equity interest 2005	Equity interest 2004	Principal activity
Eminence Bulk Carriers Pte Ltd	Singapore	50%	50%	Owner and operator of ships

The associate is audited by an affiliate of Ernst & Young.

Notes to the Financial Statements (Cont'd)

31 December 2005

12. TRADE RECEIVABLES

	Group	
	2005 RM'000	2004 RM'000
Trade receivables	28,211	17,797
Provision for doubtful debts	(884)	(1,360)
	27,327	16,437

13. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables of the Group include amounts of RM4,864,000 (2004: RM Nil) and RM11,190,000 (2004 : RM Nil) due from PACC Ship Managers Pte Ltd and Paccship UK (A) Ltd respectively, companies in which a substantial shareholder has controlling interest. These balances relate to advances for payment of operating expenses on behalf of the Group.

In last year's accounts, other receivables of the Company included advance payment of RM66,227,000 for construction of the vessels on behalf of its subsidiaries. This amount was classified as vessel construction in progress in the Group financial statements.

14. AMOUNTS DUE FROM / (TO) SUBSIDIARIES

Balances with subsidiaries are unsecured, non interest bearing and have no fixed terms of repayment. Funds are centralised at Group level, and made available to subsidiaries as and when required.

15. INVESTMENTS

	Group	
	2005 RM'000	2004 RM'000
Quoted securities, at fair value		
- Malaysian	24,519	21,967
- Foreign	125,819	72,101
	150,338	94,068

16. SHORT TERM DEPOSITS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits with licensed banks	772,310	54,474	33,097	32,347

The weighted average interest rate during the year was 3.36% (2004: 1.43%) and the average maturity of the deposits at year end was 19 (2004: 10) days.

Notes to the Financial Statements (Cont'd)

31 December 2005

17. OTHER PAYABLES

		Group		Company	
		2005	2004	2005	2004
		RM'000	RM'000	RM'000	RM'000
Accruals		38,007	20,883	1,999	3,043
Charter hire in advance		1,141	4,120	-	-
Due to ship managers and agents	(Note a)	4,883	4,997	-	21
RPS dividend payable		-	1,800	-	1,800
Other creditors	(Note b)	9,707	11,821	730	11,098
Provision for cost sharing expenses		6,500	-	495	-
		60,238	43,621	3,224	15,962

(a) Prior year balances due to ship managers and agents of the Group and of the Company include amounts totalling RM2,409,000 and RM21,000 respectively due to PACC Ship Managers Pte Ltd, a company in which a substantial shareholder has controlling interest. The balances relate to operating expenses paid on behalf by PACC Ship Managers Pte Ltd.

(b) Other creditors of the Group and of the Company include amounts totalling RM7,884,000 (2004: RM11,278,000) and RM588,000 (2004: RM11,098,000) respectively, due to Pacific Carriers Limited ("PCL"), a substantial shareholder of the Company. The balances relate to operating expenses paid on behalf by PCL.

18. SHARE CAPITAL

	Group/Company		Group/Company	
	2005	2004	2005	2004
	No. of shares ('000)	No. of shares ('000)	RM'000	RM'000
Authorised:				
Ordinary shares of RM0.25 par value each	2,000,000	2,000,000	500,000	500,000
Issued and fully paid:				
Ordinary shares of RM0.25 par value each	800,000	800,000	200,000	200,000

19. RESERVES

(a) Capital reserve

The premium on the shares issued in respect of the subsidiaries accounted for under the merger method of accounting of the Company has been credited to the capital reserve in accordance with the relief granted by Section 60(4) of the Companies Act 1965.

(b) Capital redemption reserve

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

Notes to the Financial Statements (Cont'd)

31 December 2005

19. RESERVES (CONT'D)

(c) Retained profit

As at 31 December 2005, the Company has tax exempt profit available for distribution of approximately RM330,327,000 (2004: RM286,006,000), subject to the agreement of the Inland Revenue Board. Based on estimated tax credit available under Section 108 of the Income Tax Act 1967 as at 31 December 2005, the Company is able to frank payments of dividends amounting to RM50,465,000 (2004: RM48,239,000). Distribution of dividends in excess of these amounts would be subjected to tax at the prevailing statutory tax rate.

20. REDEEMABLE PREFERENCE SHARES ("RPS")

The RPS are classified as long term liabilities in compliance with FRS 132 - Financial Instruments: Disclosure and Presentation.

	Group/Company		Group/Company	
	2005	2004	2005	2004
	No. of shares ('000)	No. of shares ('000)	RM'000	RM'000
Authorised:				
RPS of RM0.25 par value each	400,000	400,000	100,000	100,000
Issued:				
RPS of RM0.25 par value each at a redemption price of RM2.50 each				
At 1 January	60,000	120,000	150,000	300,000
Redemption	(60,000)	(60,000)	(150,000)	(150,000)
At 31 December	-	60,000	-	150,000

On 13 May 2005, the Company redeemed its remaining 60,000,000 RPS of RM0.25 par value each at RM2.50 each amounting to RM150,000,000.

The terms and features of the RPS were as follows:

(a) Annual cumulative dividends at 60% per annum for the first five years, 64% for the sixth year and 68% for the seventh year will be payable by the Company on each anniversary from the date of issue up to the redemption date.

(b) The RPS will have to be redeemed at the end of the seventh year from the issue date or earlier, at the option of the Company (but not the holders) at RM2.50 each where not less than 3 Business Days' notice must be given. On redemption, the Company shall pay the redemption value plus all dividend in arrears, pro-rated for the period since the last dividend payment date.

(c) The holders of RPS will rank in priority to the holders of ordinary shares of the Company in respect of payment of dividends which have been declared and amounts payable upon liquidation, dissolution or winding-up of the Company.

(d) RPS shall carry no right to vote at any general meeting of the Company except with regards to any proposal to reduce the capital of the Company, dispose of the whole of the Company's property, business and undertaking, and winding-up the Company. In any such case, the holders of the RPS shall be entitled to one vote for each RPS held.

The RPS shall entitle a holder to one vote at any class meeting in relation to any proposal by the Company to vary or abrogate the rights of RPS as stated in the Articles of Association of the Company.

Notes to the Financial Statements (Cont'd)

31 December 2005

21. BORROWINGS

		Group 2005 RM'000	Group 2004 RM'000
(a)	Secured term loan 1	-	12,680
(b)	Secured term loan 2	-	99,167
(c)	Secured loans	269,860	-
(d)	Finance lease payables	132,946	-
		402,806	111,847
	Repayable within 12 months	(23,201)	(11,654)
	Repayable after 12 months	379,605	100,193
(e)	Unsecured loans	9,935	444
		389,540	100,637
	Maturity of borrowings, excluding finance leases and unsecured loans is analysed as follows:		
	Within 1 year	10,271	11,654
	Between 1 and 5 years	41,112	45,447
	After 5 years	218,477	54,746
		269,860	111,847

(a) Term loan 1 was secured by charges over a subsidiary's vessels and assignments of vessels' earnings and marine insurance.

(b) Term loan 2 was secured by charges over certain subsidiaries' vessels.

The weighted average effective interest rate for both term loans 1 and 2 during the year was 3.55% (2004: 2.23%). Both term loans 1 and 2 were fully repaid during the year.

(c) The secured loans relate to the Group's participation in a financing facility and are secured by charges over a subsidiary's vessels as stated in Note 9.

Whilst the secured loans are denominated in Sterling Pound, the Group has swapped the Sterling Pound obligations for US Dollars.

The secured loans bear interest at rates ranging from 4.28% to 4.60% per annum and are repayable by 25 to 28 equal quarterly installments with a balloon payment in 2012.

(d) Finance lease payables

	Group 2005 RM'000	Group 2004 RM'000
Minimum lease payments		
Not later than 1 year	31,978	-
Later than 1 year and not later than 2 years	31,978	-
Later than 2 years and not later than 5 years	96,021	-
Later than 5 years	82,379	-
	242,356	-
Less : Future finance charges	(109,410)	-
Present value of finance lease liabilities	132,946	-

Notes to the Financial Statements (Cont'd)

31 December 2005

21. BORROWINGS (CONT'D)

(d) Finance lease payables (Cont'd)

	Group	
	2005	2004
	RM'000	RM'000
Present value of finance lease liabilities		
Not later than 1 year	12,930	-
Later than 1 year and not later than 2 years	13,726	-
Later than 2 years and not later than 5 years	46,509	-
Later than 5 years	59,781	-
	132,946	-
Analysed as:		
Due within 12 months	12,930	-
Due after 12 months	120,016	-
	132,946	-

The weighted average discount rate implicit in the leases is 6.01% per annum.

(e) The unsecured loans from minority shareholders of subsidiaries are interest free and have no fixed terms of repayment.

22. DEFERRED TAX LIABILITIES

Group

	Fixed Assets	Quoted Investments	Total
	RM'000	RM'000	RM'000
At 1 January 2005	74	356	430
Recognised in income statement (Note 7)	-	(356)	(356)
At 31 December 2005	74	-	74
At 1 January 2004	74	-	74
Recognised in income statement (Note 7)	-	356	356
At 31 December 2004	74	356	430

23. DIVIDENDS

	Amount		Net Dividends Per Ordinary Share	
	2005	2004	2005	2004
	RM'000	RM'000	Sen	Sen
Final				
12 sen (2004: 12 sen), tax exempt	96,000	96,000	12	12
Special				
5 sen (2004: Nil), tax exempt	40,000	-	5	-
	136,000	96,000	17	12

The Directors recommend a first and final dividend of 12 sen per ordinary share of RM0.25 each, tax exempt, amounting to RM96,000,000 and a special dividend of 5 sen per ordinary share of RM0.25 each, tax exempt, amounting to RM40,000,000, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company. In accordance with FRS 110 - Events After the Balance Sheet Date, the proposed dividends are not reflected in the current year's financial statements. Such dividends, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profit in the financial year ending 31 December 2006.

Notes to the Financial Statements (Cont'd)

31 December 2005

24. COMMITMENTS

		Group		Company	
		2005	2004	2005	2004
		RM'000	RM'000	RM'000	RM'000
(a)	Capital expenditure approved and contracted for	342,076	693,412	-	314,933
	Share of capital commitments of associate	-	38,813	-	-
(b)	Non-cancellable				
	Time charter commitments				
	Due later than 1 year and not later than 5 years	38,138	-	-	-
	Due later than 5 years	110,905	-	-	-
		491,119	732,225	-	314,933

25. CONTINGENT LIABILITY

	Group		Company	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Corporate guarantee to a third party in respect of claims for damages, equivalent to USD300,000	-	1,140	-	1,140

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

		Group		Company	
		2005	2004	2005	2004
		RM'000	RM'000	RM'000	RM'000
Transactions with Pacific Carriers Limited ("PCL"), a substantial shareholder of the Company, and its subsidiaries					
(a)	Pacific Carriers Limited				
	Corporate administration fee	355	274	-	-
	Commercial fee	16,910	18,212	-	-
	Commission on disposal of vessels	3,309	2,755	-	-
	Net cost sharing of expenses(*)	10,469	7,580	771	515
	* Includes:				
	Directors' emoluments	6,727	6,367	496	433
(b)	PACC Ship Managers Pte Ltd, a subsidiary of PCL				
	Management fee	699	648	-	-
	Crewing agents fee	512	629	-	-
	Procurement fee	2,577	3,112	-	-
	Supervision fee	1,720	855	-	-

Notes to the Financial Statements (Cont'd)

31 December 2005

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
(c) PCL Group				
Charterhire receivable	(54,266)	(40,731)	-	-
Crew management fees	(386)	(369)	-	-
Rental receivable	(63)	(50)	(63)	(50)
Rental receivable from Agrifert (Malaysia) Sdn Bhd (formerly known as Pengedar Bahan Pertanian Sdn Bhd), a subsidiary of a substantial shareholder, Kuok (Singapore) Limited	(198)	(198)	(198)	(198)
Transactions with subsidiaries of a substantial shareholder, PPB Group Berhad				
(a) Share registration fee payable to PPB Corporate Services Sdn Bhd	44	43	44	43
(b) Insurance premium payable to Jerneh Insurance Berhad	3,189	3,077	-	-
(c) Commission and brokerage receivable from Katella Sdn Bhd	(734)	(801)	-	-
Fees for legal services payable to Tay & Partners, a firm of which a Director, Tay Beng Chai, is the Managing Partner	15	132	15	132
Transactions with subsidiaries				
Dividend received from subsidiaries			(145,400)	(192,603)
Rental received from subsidiaries			(592)	(592)
Corporate administration fees payable to a subsidiary				
- current year			406	144
- underprovision in prior year			160	-

The Directors are of the opinion that the above transactions were in the normal course of business and at mutually agreed terms.

Notes to the Financial Statements (Cont'd)

31 December 2005

27. SEGMENTAL INFORMATION

2005	Shipping bulkers RM'000	Shipping tankers RM'000	Ship brokerage and management RM'000	Non-shipping RM'000	Elimination RM'000	Total RM'000
Revenue						
Group total	284,249	105,177	5,300	2,927	(1,870)	395,783
Inter-segment	2,077	-	(3,947)	-	1,870	-
External	286,326	105,177	1,353	2,927	-	395,783
Results						
Segment results	278,261	361,819	1,626	10,240	-	651,946
Interest income						14,011
Finance cost						(16,946)
Share of results of associate						6,709
Taxation						(26)
Profit after taxation						655,694
Minority interest						(10,990)
Profit for the year						644,704
Other information						
Segment assets	1,022,472	548,349	11,845	1,749,121	(1,349,470)	1,982,317
Segment liabilities	408,839	354,706	10,389	1,048,691	(1,349,470)	473,155
Capital expenditure	8,372	353,918	530	810	-	363,630
Depreciation	22,796	11,648	556	579	-	35,579
Other non-cash expenses	409	46	97	(143)	-	409

Notes to the Financial Statements (Cont'd)

31 December 2005

27. SEGMENTAL INFORMATION (CONT'D)

2004	Shipping bulkers RM'000	Shipping tankers RM'000	Ship brokerage and management RM'000	Non-shipping RM'000	Elimination RM'000	Total RM'000
Revenue						
Group total	259,457	117,564	5,642	1,784	(2,159)	382,288
Inter-segment	2,170	-	(4,329)	-	2,159	-
External	261,627	117,564	1,313	1,784	-	382,288
Results						
Segment results	176,088	113,991	(1,954)	11,936	-	300,061
Interest income						3,894
Finance cost						(19,402)
Share of results of associate						(16)
Taxation						(722)
Profit after taxation						283,815
Minority interest						(9,736)
Profit for the year						274,079
Other information						
Segment assets	384,126	402,408	9,533	1,606,375	(1,146,998)	1,255,444
Segment liabilities	163,712	280,655	9,714	999,733	(1,146,998)	306,816
Capital expenditure	38,431	238,005	904	252	-	277,592
Depreciation	19,403	15,430	636	425	-	35,894
Other non-cash expenses	(398)	(38)	(47)	89	-	(394)

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

28. FINANCIAL RISK MANAGEMENT

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the group's businesses whilst managing its currency, interest rate, market, liquidity and credit risks.

The Group has established risk management policies, guidelines and control procedures to manage its exposure to financial risks.

Financial risk factors

The Group's activities expose them to a variety of financial risks and price risk (including currency risk, interest rate risk and market risk), credit risk, liquidity risk and cash flow interest rate risk. The Group manages these risks by using derivative financial instruments such as interest rate swaps and foreign exchange contracts to hedge certain risk exposures.

(a) Price Risk

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 is exposed to foreign exchange risks in relation to the foreign currency loan facilities whereas the Company is exposed to foreign exchange risks in its loan granted to foreign subsidiaries.

Notes to the Financial Statements (Cont'd)

31 December 2005

28. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Price Risk (Cont'd)

Currency Risk (Cont'd)

The Group has investments in foreign subsidiaries and associates, whose net assets measured in Ringgit Malaysia are exposed to foreign currency translation risks as their reporting and operations are in foreign currencies.

The Group operates internationally and its foreign currency assets and liabilities give rise to foreign exchange exposures. Foreign currency forward contracts are entered into to manage the Group's exposure to movement in foreign currency exchange rates on specific or total transactions. The duration of such contracts does not exceed a year. Where necessary, the contracts are rolled over at market rates upon maturity or settled at the prevailing exchange rate. The Group maintains a natural hedge, whenever possible, by borrowing in the currency which matches the future revenue stream to be generated from its investments.

Cash Flow and Fair Value Interest Rate Risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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

The Group's primary interest rate risk relates to interest-bearing debts. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings and a mix of interest revision dates. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes. The Group also uses hedging instruments such as interest rate swaps to minimise its exposure to interest rate volatility.

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group has entered into forward freight agreements to manage exposure to fluctuations in daily charter hire rates on specific transactions. As at 31 December 2005, there were no open forward contracts outstanding.

(b) Liquidity Risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's exposure to liquidity risk is minimal. It manages its funds centrally and maintains flexibility in funding by keeping committed credit lines available.

(c) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit monitoring procedures. Credit risks are minimized and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

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

29. FINANCIAL INSTRUMENTS - FAIR VALUES

The carrying amounts of the following financial assets and financial liabilities as reflected in the balance sheet approximate their fair values: investments (excluding subsidiaries), long term receivables, trade and other receivables, trade and other payables, bank borrowings and subsidiaries' balances.

Notes to the Financial Statements (Cont'd)

31 December 2005

30. SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the financial year were as follows:

(i) Disposal of Subsidiaries

On 3 February 2005, the Company disposed its entire equity interest in Brodsworth Enterprises Limited and its subsidiaries for a net cash consideration of approximately RM572,055,000 which included repayment of loans of RM277,849,000 to the Group.

(ii) Disposal of Vessels

During the year, two subsidiaries of the Company, MBC Mutiara Sdn Bhd and MBC Maju Sdn Bhd, disposed a vessel each to third parties for a total net cash consideration of RM254,809,000.

(iii) Sale and Leaseback Arrangements

During the year, the Group's subsidiaries, Amatklasik Sdn Bhd and Aturanseni Sdn Bhd disposed a vessel each to third parties. These vessels were simultaneously chartered back by another subsidiary, Everspeed Enterprises Limited. Each transaction as a whole is considered a finance lease and disclosed as such at Group level. Details on the financing terms are included in Note 21(d).

(iv) Joint Venture with Bignonia Shipping Corp.

During the year, the Company transferred its shareholding in Novel Bright Assets Limited ("Novel Bright") to Lightwell Shipping Inc ("Lightwell"), a wholly-owned subsidiary.

On 3 April 2005, Lightwell signed a 60:40 Joint Venture Agreement with Bignonia Shipping Corp to participate in the shareholding and operations of Novel Bright, which will own and operate a product tanker that is presently under construction.

(v) Loan Facilities

The Company, together with its subsidiary, Everspeed Enterprises Limited, obtained loans amounting to GBP42,026,000 (RM273,681,000) in May 2005 for its three post panamax bulk carriers which were under construction, with novation of the shipbuilding contracts to the financier. Under the arrangement, the Group was reimbursed the vessel construction installments paid as at the date of novation, and financing was provided for the remaining installment payments.

These vessels were delivered during the year.

(vi) Acquisition of Subsidiary Company

During the year, the Company acquired the entire issued share capital of 1 share of par value USD1 in Kohing Investments Limited, a company incorporated in the British Virgin Islands, for a consideration of USD1 (RM4).

(vii) Striking off of Subsidiary

During the year, Mousaka Inc., a wholly-owned subsidiary of the Company, has been struck off from the register of International Business Companies, International Financial Services Authority, Saint Vincent and the Grenadines.

31. SUBSEQUENT EVENT

The Company acquired the entire 200,000 issued and paid up ordinary shares of RM1 each in PSM Perkapalan Sdn Bhd from Pacific Ship-Managers Sdn Bhd (a wholly owned subsidiary of the Company) on 20 January 2006, for a cash consideration of RM200,000.

List of Properties

ADDRESS/DESCRIPTION	EXISTING USE/ APPROXIMATE AREA	TENURE/ DATE OF EXPIRY OF LEASE	AGE OF BUILDING	NET BOOK VALUE @ 31.12.05 (RM'000)	DATE OF ACQUISITION
Level 17 (East Wing) PJ Tower No.18, Jalan Persiaran Barat Off Jalan Timur 46050 Petaling Jaya Selangor	Office/ 5,436 sq. ft.	99 Year Lease/ 11.9.2088	8 Years	1,949	12.07.2001
Level 17 (West Wing) PJ Tower No.18, Jalan Persiaran Barat Off Jalan Timur 46050 Petaling Jaya Selangor	Office/ 5,533 sq. ft.	99 Year Lease/ 11.9.2088	8 Years	1,984	12.07.2001
Level 18 (East Wing) PJ Tower No.18, Jalan Persiaran Barat Off Jalan Timur 46050 Petaling Jaya Selangor	Office/ 5,436 sq. ft	99 Year Lease/ 11.9.2088	8 Years	1,949	12.07.2001
Level 18 (West Wing) PJ Tower No.18, Jalan Persiaran Barat Off Jalan Timur 46050 Petaling Jaya Selangor	Office/ 5,533 sq. ft.	99 Year Lease/ 11.9.2088	8 Years	1,984	12.07.2001
Lot No.21, Section 7 Mukim of Kelang District of Kelang	Container Depot/ 787,159 sq. ft.	99 Year Lease/ 24.2.2097	Not Applicable	13,060	01.10.2003

Analysis of Shareholdings

as per Record of Depositors as at 3 March 2006

Class of Shares	:	Ordinary Shares of RM0.25 each
Voting Rights	:	One vote per shareholder on a show of hands One vote per ordinary share on a poll

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of Shares	%
Less than 100	4	0.03	200	0.00
100 – 1,000	4,502	32.99	4,358,300	0.55
1,001 – 10,000	7,186	52.65	31,377,900	3.92
10,001 – 100,000	1,720	12.60	53,028,900	6.63
100,001 – less than 5% of issued shares	234	1.71	151,234,700	18.90
5% and above of issued shares	3	0.02	560,000,000	70.00
	13,649	100.00	800,000,000	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name	No. of Shares	%	No. of Shares	%
Pacific Carriers Limited (PCL)	275,692,000	34.46	-	-
Global Maritime Ventures Berhad (GMV)	172,308,000	21.54	-	-
Malayan Sugar Manufacturing Company Berhad (MSM)	112,000,000	14.00	-	-
Kuok (Singapore) Limited [(1)]	-		275,692,000	34.46
Bank Perusahaan Kecil & Sederhana Malaysia Berhad (formerly known as Bank Industri & Teknologi Malaysia Berhad) (BP) [(2)]	-		172,308,000	21.54
Minister of Finance [(3)]	-		172,308,000	21.54
PPB Group Berhad (PPB) [(4)]	-		112,000,000	14.00
Kuok Brothers Sdn Berhad [(5)]	-		112,000,000	14.00
Kuok Hock Nien [(6)]	-		387,692,000	48.46

Notes:-

1. Deemed interest through its 100% direct interest in PCL.
2. Deemed interest through its 90% direct interest in GMV.
3. Deemed interest through its 99.99% direct interest in BP.
4. Deemed interest through its 100% direct interest in MSM
5. Deemed interest through its 39.46% direct interest in PPB.
6. Deemed interest through his deemed interest in PCL and MSM pursuant to Section 6A of the Companies Act, 1965

Analysis of Shareholdings (Cont'd)

as per Record of Depositors as at 3 March 2006

DIRECTORS' INTEREST IN SHARES

Name	Direct Interest No. of Shares	Direct Interest %	Deemed Interest No. of Shares	Deemed Interest %
Teo Joo Kim	1,377,000	0.17	205,000 [1]	0.03
Kuok Khoon Kuan	1,703,000	0.21	113,000 [1]	0.01
Wu Long Peng	1,300,000	0.16	-	-
Dato' Lim Chee Wah	1,450,000	0.18	-	-
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	695,000	0.09	4,000 [1]	-
Mohammad bin Abdullah	100,000	0.01	-	-
Dato' Haji Abdul Rahim Mohd Zin	-	-	-	-
Tay Beng Chai	300,000	0.04	2,000 [1]	-
Phua Cheng Tar (Alternate to Kuok Khoon Kuan)	1,000,000	0.13	-	-

Note:-
1. Deemed interest through family members.

30 LARGEST SHAREHOLDERS

	Name	No. of Shares Held	%
1.	Pacific Carriers Limited	275,692,000	34.46
2.	Global Maritime Ventures Berhad	172,308,000	21.54
3.	Malayan Sugar Manufacturing Company Berhad	112,000,000	14.00
4.	Employees Provident Fund Board	22,313,600	2.79
5.	Lembaga Tabung Angkatan Tentera	8,340,600	1.04
6.	Universal Trustee (Malaysia) Berhad *For SBB Equity Income Fund*	6,270,600	0.78
7.	HSBC Nominees (Asing) Sdn Bhd *BNY Brussels* *For The Great Eastern Life Assurance Co Ltd*	4,769,100	0.60
8.	Century Castle Limited	4,590,000	0.57
9.	Citigroup Nominees (Asing) Sdn Bhd *Bear Stearns Securities Corp* *For Oceanic Hedge Fund*	3,910,000	0.49
10.	AMMB Nominees (Tempatan) Sdn Bhd *Amtrustee Berhad* *For HLG Penny Stock Fund*	3,500,000	0.44
11.	SBB Nominees (Tempatan) Sdn Bhd *For Employees Provident Fund Board*	3,295,000	0.41
12.	Amanah Raya Berhad *For SBB Double Growth Fund*	2,700,000	0.34
13.	AMMB Nominees (Tempatan) Sdn Bhd *Amtrustee Berhad* *For SBB Dana Al-Ihsan*	2,518,200	0.31

Analysis of Shareholdings (Cont'd)

as per Record of Depositors as at 3 March 2006

30 LARGEST SHAREHOLDERS (CONT'D)

	Name	No. of Shares Held	%
14.	Amanah Saham Mara Berhad	2,270,000	0.28
15.	HSBC Nominees (Tempatan) Sdn Bhd *Nomura Asset Mgmt SG* *For Employees Provident Fund Board*	2,012,500	0.25
16.	Amanah Raya Berhad *For SBB Value Fund*	1,960,000	0.25
17.	Cartaban Nominees (Asing) Sdn Bhd *Investors Bank and Trust Company* *For Ishares, Inc.*	1,866,800	0.23
18.	Jerneh Insurance Bhd	1,852,700	0.23
19.	Wilemma Holdings Limited	1,771,300	0.22
20.	Kuok Khoon Kuan	1,703,000	0.21
21.	Mayban Securities Nominees (Asing) Sdn Bhd *OCBC Securities Private Limited* *For Tecity Management Pte Ltd*	1,591,000	0.20
22.	Koh Yoke Chai	1,590,000	0.20
23.	Cartaban Nominees (Asing) Sdn Bhd *Government of Singapore Investment Corporation Pte Ltd* *For Government of Singapore (C)*	1,575,100	0.20
24.	Dato' Lim Chee Wah	1,450,000	0.18
25.	Universal Trustee (Malaysia) Berhad *For SBB Dana Al-Mizan*	1,444,400	0.18
26.	Universal Trustee (Malaysia) Berhad *For SBB Premium Capital Fund*	1,405,900	0.18
27.	SBB Nominees (Tempatan) Sdn Bhd *For Pertubuhan Keselamatan Sosial*	1,380,300	0.17
28.	Teo Joo Kim	1,377,000	0.17
29.	Wu Long Peng	1,300,000	0.16
30.	Amanah Raya Berhad *For SBB Dana Al-Ikhlas*	1,200,000	0.15
		649,957,100	81.24

Additional Compliance Information

In compliance with the Listing Requirements of Bursa Malaysia Securities Berhad, the following additional compliance information is provided-

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

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, or their Directors and management by any regulatory authorities during the financial year ended 31 December 2005.

2. Non-Audit Fees Paid to Auditors

The non-audit fees paid to the External Auditors of MBC Group for the financial year ended 31 December 2005 were as follows-

Auditors	Fees (RM)	Purpose
Ernst & Young	52,500	Additional fees for professional services rendered as Reporting Accountants in connection with the listing of the Company.
Ernst & Young	16,200	For professional services rendered in connection with payroll audit.

3. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests, or relate to loan subsisting as at 31 December 2005 or entered into during the financial year ended 31 December 2005 except as disclosed in the Financial Statements as set out in this Annual Report.

4. Continuing Education Programme for Directors

During the financial year ended 31 December 2005 the Directors have attended such trainings and forums in areas that would enable them to effectively discharge their duties to the Group and/or that are relevant to the Group's business activities. These trainings and forums include the following-

- Credit Rating & Corporate Governance;
- Detection and Prevention of Fraud;
- Crisis Management;
- Updates on Regulatory Issues, Risk Management, Culture of A Performing Company & Directors' Remuneration;
- Enterprise Governance & Performance Management Awareness Programme;
- Financial Reporting Forum;
- Asia Business Leader Forum; and
- The Asian Banker Summit.

Directors' Responsibility Statement

The Directors are required by the Companies Act, 1965 ("Act") to lay before the Company at its Annual General Meeting, financial statements (which include the consolidated balance sheet and the consolidated income statement of the Group) for each financial year, made out in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Act and the Listing Requirements of Bursa Malaysia Securities Berhad.

The financial statements of the Company and the Group for the financial year ended 31 December 2005 are set out from pages 34 to 68 of this Annual Report.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year to which it relates and to ensure that the financial statements are made out in accordance with applicable approved accounting standards, the provisions of the Act and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also required by the Act to ensure that proper accounting records are maintained, which disclose and sufficiently explain the transactions and financial position of the Company and the Group, and enable true and fair financial statements to be prepared from time to time and in a timely manner.

Kuok Khoon Kuan
Chief Executive Officer

Wu Long Peng
Executive Director

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 17th Annual General Meeting of Malaysian Bulk Carriers Berhad ("Company") will be held on Monday, 17 April 2006 at 10:00 a.m. at Saujana Ballroom, The Saujana, Kuala Lumpur, 2km, Off Sultan Abdul Aziz Shah Airport Highway, Saujana, 47200 Subang, Selangor Darul Ehsan for the following purposes:

AGENDA

(1) To receive the audited Financial Statements for the financial year ended 31 December 2005 and the reports of the Directors and the Auditors thereon. **Resolution 1**

(2) To declare a first and final dividend of 12 sen per share and a special dividend of 5 sen per share, tax exempt, for the financial year ended 31 December 2005. **Resolution 2**

(3) To re-elect the following Directors who are retiring pursuant to Article 95 of the Company's Articles of Association:
(a) Teo Joo Kim **Resolution 3**
(b) Dato' Lim Chee Wah **Resolution 4**

(4) To re-elect the following Director who is retiring pursuant to Article 100 of the Company's Article of Association:
(a) Dato' Haji Abdul Rahim Mohd Zin **Resolution 5**

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

(6) To approve the payment of Directors' fees of RM379,000 for the financial year ended 31 December 2005. **Resolution 7**

"THAT approval be hereby given for the payment of Directors' fees of RM379,000 for the financial year ended 31 December 2005"

(7) To approve the payment of Directors' special fees of RM400,000 for the financial year ended 31 December 2005. **Resolution 8**

"THAT the payment of Directors' special fees of RM400,000 for the financial year ended 31 December 2005 be hereby approved **AND THAT** authority be hereby given to the Executive Chairman to fix the amount payable to each Director."

(8) To authorise the issue of shares pursuant to Section 132D of the Companies Act, 1965. **Resolution 9**

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

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

Notice of Annual General Meeting (Cont'd)

(9) To renew the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **Resolution 10**

"THAT pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries ("MBC Group") be and are hereby authorised to enter into the recurrent related party transactions as set out in the Circular to Shareholders dated 24 March 2006, which are necessary for MBC Group's day-to-day operations in the ordinary course of business on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders,

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

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

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

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

whichever is the earlier,

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

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

(10) To authorise the Purchase of Own Shares **Resolution 11**

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

Notice of Annual General Meeting (Cont'd)

(10) To authorise the Purchase of Own Shares (Cont'd)

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

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

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

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

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

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

(11) To transact any other business.

BY ORDER OF THE BOARD

Wong Bee Siah (MAICSA 7006010)
Yap Bee Yong (MIA 11165)
Company Secretaries

24 March 2006
Petaling Jaya

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a first and final dividend of 12 sen per share and a special dividend of 5 sen per share, tax exempt, has been recommended by the Directors in respect of the financial year ended 31 December 2005. Subject to the shareholders' approval at the forthcoming 17th Annual General Meeting of the Company, the proposed dividend will be paid on Friday, 5 May 2006 to the shareholders whose names appear in the Record of Depositors on Friday, 21 April 2006.

A Depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the Depositor's securities account before 4.00 p.m. on Friday, 21 April 2006 in respect of ordinary transfers; and

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

Notice of Annual General Meeting (Cont'd)

Notes:

1. A member entitled to attend and vote is entitled to appoint at least one (1) proxy to attend and vote instead of him. Where the member appoints two (2) or more proxies to attend the same meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed shall be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the meeting or any adjournment thereof and in default, the instrument of proxy shall be invalid.

EXPLANATORY NOTES ON RESOLUTIONS 7, 8, 9, 10 AND 11

1 Resolution 7

- *To approve the payment of Directors' fees of RM379,000 for the financial year ended 31 December 2005.*

  The proposed Ordinary Resolution, if passed, will authorise the payment of increased fees to the Directors from RM356,000 for the financial year ended 31 December 2004 to RM379,000 for the financial year ended 31 December 2005.

2 Resolution 8

- *To approve the payment of Directors' special fees of RM400,000 for the financial year ended 31 December 2005.*

  The proposed Ordinary Resolution, if passed, will authorise the payment of Directors' special fees of RM400,000 and further authorises the Executive Chairman to fix the amount payable to each Director.

3 Resolution 9

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

  The proposed Ordinary Resolution, if passed, will give the Directors power to allot and issue shares for such purposes as the Directors in their absolute discretion deem fit without having to convene a general meeting, subject to the limitation that the shares to be issued shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company for the time being.

  This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

4 Resolution 10

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

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

  Further information on the proposed Ordinary Resolution is set out in the Circular to Shareholders dated 24 March 2006.

5 Resolution 11

- *To authorise the Purchase of Own Shares*

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

  Further information on the proposed Ordinary Resolution is set out in the Circular to Shareholders dated 24 March 2006.

Statement Accompanying Notice of Annual General Meeting

1. The Directors standing for re-election at the 17th Annual General Meeting of the Company are-

(a) Teo Joo Kim
(b) Dato' Lim Chee Wah
(c) Dato' Haji Abdul Rahim Mohd Zin

2. The details of attendance of Directors at board meetings held during the financial year ended 31 December 2005 are as follows-

Directors	No. of Meetings Attended	%
Teo Joo Kim	4/4	100
Kuok Khoon Kuan	4/4	100
Wu Long Peng	4/4	100
Dato' Lim Chee Wah	4/4	100
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	4/4	100
Mohammad bin Abdullah	4/4	100
Tay Beng Chai	4/4	100
Dato' Haji Abdul Rahim Mohd Zin (Appointed with effect from 31 October 2005)	1/1	100
Phua Cheng Tar (Alternate to Kuok Khoon Kuan)	4/4	100
Dato' Md Noor bin Mohammad Yusoff (Resigned with effect from 30 September 2005)	3/3	100

3. Further details of the Directors who are standing for re-election are as set out in pages 22 to 24 and page 71 of this Annual Report.

4. Day, Date, Time and Venue of the 17th Annual General Meeting of the Company

The 17th Annual General Meeting of the Company will be held as follows:

Day/Date	Monday, 17 April 2006
Time	10:00 a.m.
Venue	Saujana Ballroom, The Saujana, Kuala Lumpur, 2km, off Sultan Abdul Aziz Shah Airport Highway, Saujana, 47200 Subang, Selangor Darul Ehsan.

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

Form of Proxy

I/We, ____

of ____

being a member(s) of MALAYSIAN BULK CARRIERS BERHAD hereby appoint the *Chairman of the Meeting

*or______________________________of____

____

*and/or failing him, ____________________________of _______________________________

____

*(*Delete where inapplicable)*

as my /our proxy, to vote for me/us on my/our behalf at the 17th Annual General Meeting of the Company to be held on Monday, 17 April 2006 at 10:00 a.m. at Saujana Ballroom, The Saujana, Kuala Lumpur, 2km, off Sultan Abdul Aziz Shah Airport Highway, Saujana, 47200 Subang, Selangor Darul Ehsan and at any adjournment thereof in the manner indicated below:

		For	Against
1	To receive the audited Financial Statements for the financial year ended 31 December 2005 and the reports of the Directors and the Auditors thereon.		
2	To approve the payment of a first and final dividend of 12 sen per share and a special dividend of 5 sen per share, tax exempt, for the financial year ended 31 December 2005.		
3	To re-elect Mr Teo Joo Kim as a Director.		
4	To re-elect Dato' Lim Chee Wah as a Director.		
5	To re-elect Dato' Haji Abdul Rahim Mohd Zin as a Director.		
6	To re-appoint Messrs Ernst & Young as Auditors of the Company.		
7	To approve the payment of Directors' fees.		
8	To approve the payment of Directors' special fees.		
9	To authorise the Directors to allot and issue shares.		
10	To approve the renewal of shareholders' mandate for recurrent related party transactions.		
11	To authorise the Purchase of Own Shares		

(Please indicate with an "X" or "√" in the space provided as to how you wish your votes to be cast.)

The proportion of my/our holding to be represented by my/our proxy/proxies are as follows –

1st Proxy : %

2nd Proxy : %

100%

Dated this day of 2006

No. of Shares Held:

Signature of Shareholder:

Notes:

1 A member entitled to attend and vote is entitled to appoint at least one (1) proxy to attend and vote instead of him. Where the member appoints two (2) or more proxies to attend the same meeting, the member shall specify the proportion of his shareholdings to be represented by each proxy.

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

3 A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply.

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

fold here

STAMP

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

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MALAYSIAN BULK CARRIERS BERHAD 175953-W
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