

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 March 2012

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2012

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-12 RM '000	PRECEDING YEAR QUARTER 31-Mar-11 RM '000	CURRENT YEAR TO DATE 31-Mar-12 RM '000	PRECEDING YEAR TO DATE 31-Mar-11 RM '000
Revenue	71,991	114,575	71,991	114,575
Voyage expenses	(25,953)	(29,661)	(25,953)	(29,661)
Operating expenses	46,038 (42,990)	84,914 (45,593)	46,038 (42,990)	84,914 (45,593)
Other operating income/(loss), net	3,048	39,321	3,048	39,321
Administrative expenses	20,538 (3,897)	13,441 (4,096)	20,538 (3,897)	13,441 (4,096)
Profit from operations	19,689	48,666	19,689	48,666
Finance costs	(572)	(513)	(572)	(513)
Share of results of associate	8,111	1,848	8,111	1,848
Share of results of jointly controlled entities	3,974	3,479	3,974	3,479
Profit before taxation	31,202	53,480	31,202	53,480
Income tax expense	(361)	(388)	(361)	(388)
Profit for the period	<u>30,841</u>	<u>53,092</u>	<u>30,841</u>	<u>53,092</u>
Attributable to:				
Equity holders of the parent	30,936	52,658	30,936	52,658
Minority interests	(95)	434	(95)	434
	<u>30,841</u>	<u>53,092</u>	<u>30,841</u>	<u>53,092</u>
Earnings per share attributable to equity holders of the parent (sen)				
- Basic	3.09	5.27	3.09	5.27

Please refer to Note B13 for number of shares

QUARTERLY REPORT

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD ENDED 31 MARCH 2012**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-12 RM '000	PRECEDING YEAR QUARTER 31-Mar-11 RM '000	CURRENT YEAR TO DATE 31-Mar-12 RM '000	PRECEDING YEAR TO DATE 31-Mar-11 RM '000
Profit for the period	30,841	53,092	30,841	53,092
Other comprehensive income:				
Currency translation differences	<u>(77,788)</u>	<u>(25,347)</u>	<u>(77,788)</u>	<u>(25,347)</u>
Total comprehensive income for the period	<u><u>(46,947)</u></u>	<u><u>27,745</u></u>	<u><u>(46,947)</u></u>	<u><u>27,745</u></u>
Total comprehensive income attributable to:				
Equity holders of the parent	(44,341)	28,125	(44,341)	28,125
Minority interests	<u>(2,606)</u>	<u>(380)</u>	<u>(2,606)</u>	<u>(380)</u>
	<u><u>(46,947)</u></u>	<u><u>27,745</u></u>	<u><u>(46,947)</u></u>	<u><u>27,745</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	UNAUDITED	AUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Mar-12 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-11 RM '000 (Restated)	AS AT PRECEDING FINANCIAL YEAR 01-Jan-11 RM '000 (Restated)
ASSETS			
Non-current assets			
Fixed assets	506,394	549,743	562,391
Associate	754,883	781,743	746,052
Jointly controlled entities	184,555	188,910	136,921
	<u>1,445,832</u>	<u>1,520,396</u>	<u>1,445,364</u>
Current Assets			
Consumable stores	6,309	6,975	10,699
Trade receivables	28,478	23,027	27,213
Other receivables and prepayments	10,315	14,092	16,947
Investments	84,413	121,826	127,476
Short term deposits	129,864	148,928	297,477
Cash and bank balances	210,492	149,945	19,215
	<u>469,871</u>	<u>464,793</u>	<u>499,027</u>
Non-current assets classified as held for sale	9,883	2,526	52,863
	<u>479,754</u>	<u>467,319</u>	<u>551,890</u>
TOTAL ASSETS	<u><u>1,925,586</u></u>	<u><u>1,987,715</u></u>	<u><u>1,997,254</u></u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	250,000	250,000	250,000
Reserves	<u>1,445,792</u>	<u>1,490,133</u>	<u>1,435,785</u>
	<u>1,695,792</u>	<u>1,740,133</u>	<u>1,685,785</u>
Minority interest	53,111	55,717	56,634
Total equity	<u>1,748,903</u>	<u>1,795,850</u>	<u>1,742,419</u>
Non-current liabilities			
Bank and other borrowings	92,342	108,523	107,013
	<u>92,342</u>	<u>108,523</u>	<u>107,013</u>
Current liabilities			
Bank and other borrowings	46,799	47,834	43,148
Trade and other payables	37,196	35,188	104,050
Provision for Taxation	346	320	624
	<u>84,341</u>	<u>83,342</u>	<u>147,822</u>
Total liabilities	<u>176,683</u>	<u>191,865</u>	<u>254,835</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,925,586</u></u>	<u><u>1,987,715</u></u>	<u><u>1,997,254</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2012

	Attributable to Equity Holders of the Parent						Minority Interest	Total Equity	
	Non-distributable					Distributable			
	Share Capital	Share premium	Capital reserve	Capital redemption reserve	Exchange translation reserve	Retained profits			Total
RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	
3 MONTHS ENDED 31 MARCH 2011									
At 1 January 2011 (restated)	250,000	48,791	13,209	40,000	-	1,333,785	1,685,785	56,634	1,742,419
Total comprehensive income for the period	-	-	-	-	(24,533)	52,658	28,125	(380)	27,745
At 31 March 2011 (restated)	250,000	48,791	13,209	40,000	(24,533)	1,386,443	1,713,910	56,254	1,770,164
3 MONTHS ENDED 31 MARCH 2012									
At 1 January 2012 (restated)	250,000	48,791	13,209	40,000	63,039	1,325,094	1,740,133	55,717	1,795,850
Total comprehensive income for the period	-	-	-	-	(75,277)	30,936	(44,341)	(2,606)	(46,947)
At 31 March 2012	250,000	48,791	13,209	40,000	(12,238)	1,356,030	1,695,792	53,111	1,748,903

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2012

	CUMULATIVE	
	CURRENT YEAR 31-Mar-12 RM '000	PRECEDING YEAR 31-Mar-11 RM '000
Cash Flow From Operating Activities		
Profit before taxation	31,202	53,480
Adjustments for:		
Depreciation and amortisation	7,302	7,088
(Gain)/loss on disposal of investments	(3,066)	13
Fair value gain on investments	(8,739)	-
Gain on disposal of vessels	(1,940)	(4,629)
Unrealised exchange loss/(gain)	192	(2,608)
Interest income	(487)	(363)
Finance costs	572	513
Share of results of associate	(8,111)	(1,848)
Share of results of jointly controlled entities	(3,974)	(3,479)
Operating profit before working capital changes	<u>12,951</u>	<u>48,167</u>
Working capital changes:		
Consumable stores	(108)	64
Receivables	(3,470)	(2,534)
Payables	2,004	(45,332)
Cash generated from operating activities	<u>11,377</u>	<u>365</u>
Tax paid	<u>(319)</u>	<u>(323)</u>
Net cash generated from operating activities	<u>11,058</u>	<u>42</u>
Cash Flows From Investing Activities		
Purchase of new equipment and capitalisation of dry docking cost	(1,341)	(866)
Purchase of other fixed assets	(11)	(107)
Purchase of investments	-	(4,283)
Dividend from jointly controlled entities	-	730
Interest received	487	363
Proceeds from disposal of investments	45,466	28
Proceeds from disposal of vessels	8,775	57,492
Advances to jointly controlled entities	(170)	-
Net cash generated from investing activities	<u>53,206</u>	<u>53,357</u>
Cash Flows From Financing Activities		
Finance costs paid	(572)	(513)
Repayment of loans	(10,266)	(10,423)
Net cash used in financing activities	<u>(10,838)</u>	<u>(10,936)</u>
Net change in cash and cash equivalents	53,426	42,463
Effects of foreign exchange rate changes	(11,943)	(4,929)
Cash and cash equivalents at the beginning of the period	298,873	316,692
Cash and cash equivalents at the end of the period	<u>340,356</u>	<u>354,226</u>
Cash and cash equivalents comprise:		
Short term deposits	129,864	286,767
Cash and bank balances	<u>210,492</u>	<u>67,459</u>
	<u>340,356</u>	<u>354,226</u>

NOTES TO THE FINANCIAL REPORT

A1. BASIS OF PREPARATION

The interim financial statements have been prepared under the historical cost basis, except for investment securities and derivative financial instruments which are stated at fair value.

The interim financial statements are unaudited and have been prepared in accordance with the MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. This interim financial report also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (FRSs).

This condensed report is the Group's first MFRS compliant Condensed Report and hence MFRS 1 - First-time Adoption of Malaysian Financial Reporting Standards has been applied.

The date of transition to MFRS is 1 January 2011. The impact of the transition from FRS to MFRS is described in Note (a) below.

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this condensed report are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

(a) Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM247,008,000 (31 March 2011: RM247,008,000; 31 December 2011: RM247,008,000) were adjusted to retained earnings.

The reconciliation of equity for comparatives periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

(i) Reconciliation of equity as at 1 January 2011

	Under FRS RM'000	Note (a) RM'000	Under MFRS RM'000
<u>Equity as at 1 January 2011</u>			
Exchange translation reserve	(247,008)	247,008	-
Retained profits	1,580,793	(247,008)	1,333,785
	<u>1,580,793</u>	<u>(247,008)</u>	<u>1,333,785</u>

(ii) Reconciliation of equity as at 31 March 2011

	Under FRS RM'000	Note (a) RM'000	Under MFRS RM'000
<u>Equity as at 31 March 2011</u>			
Exchange translation reserve	(271,541)	247,008	(24,533)
Retained profits	1,633,451	(247,008)	1,386,443
	<u>1,633,451</u>	<u>(247,008)</u>	<u>1,386,443</u>

(iii) Reconciliation of equity as at 31 December 2011

	Under FRS RM'000	Note (a) RM'000	Under MFRS RM'000
<u>Equity as at 31 December 2011</u>			
Exchange translation reserve	(183,969)	247,008	63,039
Retained profits	1,572,102	(247,008)	1,325,094
	<u>1,572,102</u>	<u>(247,008)</u>	<u>1,325,094</u>

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2011 were not qualified.

A3. SEASONAL OR CYCLICAL FACTORS

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A4. NATURE AND AMOUNT OF UNUSUAL ITEMS

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the current quarter.

A5. CHANGES IN ESTIMATES

There were no changes to the estimates of amounts reported in prior financial years that may have a material effect in the current quarter.

A6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation or shares held as treasury shares and resale of treasury shares for the current quarter.

A7. DIVIDENDS PAID

No dividends have been paid for the current quarter ended 31 March 2012.

A8. SEGMENT REPORT

	Shipping Bulkers RM '000	Shipping Tankers RM '000	Ship brokerage & management RM '000	Investment holding & others RM '000	Elimination RM '000	Group RM '000
3 months ended 31 March 2012						
Revenue						
Group	57,709	12,581	1,964	-	(263)	71,991
Inter-segment	-	-	(263)	-	263	-
External revenue	<u>57,709</u>	<u>12,581</u>	<u>1,701</u>	<u>-</u>	<u>-</u>	<u>71,991</u>
TCE earnings	<u>37,668</u>	<u>6,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,337</u>
Segment results	6,102	(2,129)	580	14,649	-	19,202
Interest income	96	-	5	386	-	487
Finance costs	(353)	(214)	(5)	-	-	(572)
Share of results of associate	-	-	-	8,111	-	8,111
Share of results of jointly controlled entities	-	-	-	3,974	-	3,974
Profit before tax	<u>5,845</u>	<u>(2,343)</u>	<u>580</u>	<u>27,120</u>	<u>-</u>	<u>31,202</u>
3 months ended 31 March 2011						
Revenue						
Group	96,939	15,743	2,157	-	(264)	114,575
Inter-segment	-	-	(264)	-	264	-
External revenue	<u>96,939</u>	<u>15,743</u>	<u>1,893</u>	<u>-</u>	<u>-</u>	<u>114,575</u>
TCE earnings	<u>72,636</u>	<u>10,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,021</u>
Segment results	36,477	5,750	698	5,378	-	48,303
Interest income	98	-	7	258	-	363
Finance costs	(511)	-	(2)	-	-	(513)
Share of results of associate	-	-	-	1,848	-	1,848
Share of results of jointly controlled entities	-	-	-	3,479	-	3,479
Profit before tax	<u>36,064</u>	<u>5,750</u>	<u>703</u>	<u>10,963</u>	<u>-</u>	<u>53,480</u>

A9. VALUATION OF SHIPS, PROPERTY AND EQUIPMENT

The fixed assets are stated at cost less accumulated depreciation and impairment losses, if any.

A10. SUBSEQUENT MATERIAL EVENTSDisposal of vessel

A subsidiary, Alam Gula Sdn Bhd, has on 16 March 2012, entered into a Memorandum of Agreement to dispose of a vessel (MV Alam Gula) to a third party for a cash consideration of USD3.1 million. The sale was completed on 30 April 2012.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There is no change in the composition of the Group during the current quarter under review.

A12. CONTINGENT LIABILITIES

In respect of the Company's tax case with the Inland Revenue Board on the tax assessment of RM58.4 million raised on deemed interest income, the Company is currently contesting this assessment and no provision has been made in the accounts.

B1. REVIEW OF PERFORMANCE

The Group's profit before tax slipped 42% to RM31.2 million in the first three months of the year, from RM53.5 million in the comparative period last year amid depressed shipping market. Charter rates were generally at a lower level than experienced in 2011.

The table below summarizes the average time charter equivalent (TCE) for MBC's dry bulk and tanker fleet.

	Ave TCE/day		Hire days	
	Q1 2012	Q1 2011	Q1 2012	Q1 2011
	USD	USD	Days	Days
Dry bulk	10,793	21,398	1,136	1,104
Tankers	10,077	12,610	247	280
Total Fleet	10,665	19,620	1,383	1,384

The performance of the respective segments for the first quarter ended 31 March 2012 as compared to the corresponding period last year is analysed as follows:-

Dry bulk segment

Charter earnings from our dry bulk slipped 48% to RM37.7 million in the first quarter of 2012, from RM72.6 million achieved in the same period last year. Time charter equivalent (TCE) rates earned was halved to USD10,793/day, from USD21,398/day a year earlier. The dry bulk market was under significant pressure in early 2012 due to the rapid fleet expansion, slow iron ore trade growth and declining exports of Indian iron ore. Weather disruptions in Brazil and cyclones on the west coast of Australia early this year have also disrupted shipments.

Dry bulk's profit before tax (PBT) fell 84 % to RM 5.84 million, from RM36.1 million a year earlier. Lower charter rates earned was the main factor for the drop.

Tankers segment

Charter earnings for tankers are down 36% to RM6.7 million following a 20% drop in TCE rates to USD10,077/day. The product tanker market was adversely impacted by the slow growth in global oil demand and refinery shut downs in America and Europe earlier this year. The tanker segment registered a loss of RM2.3 million in the first quarter of 2012, against a profit of RM5.7 million in first quarter last year. This is mainly attributed to lower TCE rates earned and the loss of 26 days' revenue due to unemployment of vessels.

Ship brokerage and management

PBT from this segment decreased marginally by RM0.1 million due to lower brokerage commission earned.

Current quarter's investment holding income includes gain on disposal of investments (RM3.0 million) and write-back of mark-to-market provisions (RM8.7 million).

Contribution from our associate (POSH Group) increased by 3.4 times to RM8.11 million, from RM1.85 million last year partly due to foreign exchange gain, vessel disposal gain and improvement in utilisation and charter rates in the offshore services sector.

All in all, the Group registered an attributable profit of RM30.9 million for the first quarter 2012, a 41% (RM21.7 million) drop compared to RM52.7 million achieved in the first quarter of previous year.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group's operating profit declined 82% to RM3.0 million in the first quarter of 2012, against RM16.6 million of the immediate preceding quarter. Charter rates earned declined 20% q-o-q to USD10,665/day whilst revenue days increased by 28 days due to the delivery of a new long term chartered in vessel.

"Other operating income" of RM20.5 million comprises mainly of gain on investments (realised gain and write-back of mark-to-market provisions) of RM11.8 million and foreign exchange gain (RM6.0 million).

On a like comparative basis (excluding overprovision reported last quarter) administrative costs were RM0.74 million higher in this current quarter due to rising cost.

Share of profit from associate and jointly controlled entities improved by 130% and 22% respectively.

Overall, profit attributable to shareholders increased by 89% (or RM14.5 million) to RM30.9 million in the first quarter 2012, from the preceding quarter's RM16.4 million.

B3. PROSPECTS

Euro zone's GDP stagnated in the first quarter of 2012 and the euro zone countries are still projected to go into mild recession in 2012. In its April 2012 update, the IMF projected global growth to drop from 4% in 2011 to 3½% in 2012. Activity is expected to remain firm in most emerging and developing countries and for the major advanced economies, any recovery is expected to be weak.

Whilst China's import of iron ore and coal slowed along with nickel ore export ban by Indonesia, the Panamax and Supramax segments are benefitting from the South American grain season. However, the heavy deliveries of newbuildings continue to put pressure on the shipping market. The effect of which is that the Baltic Dry Index closed at 950 points on 30 May 2012, remaining flat against 934 points in 31 March 2012.

The pace of new deliveries is coming down from 2010-2011 levels but it is nonetheless at historically high level. Ship scrapping has hit its highest level in 2011 and is expected to increase in 2012. The higher ship scrapping and the elevated slippage rates are not enough to mitigate oversupply.

Since early this year, the Group has disposed of 2 over-aged handysize with a modest gain of RM5.8 million and took delivery of two newbuildings under long term charter contracts with purchase options. The Group's average fleet age is now 5.3 years.

The Group over the last few years had anticipated this current downturn and is well prepared to weather through the difficult period ahead. With the healthy balance sheet, the Group is well positioned to grow.

B4. VARIANCE OF PROFIT FORECAST AND PROFIT GUARANTEE

There were no profit forecast or profit guarantee for the period under review.

B5. TAXATION

	Current quarter RM'000	Current financial year-to-date RM'000
Income tax charge		
-current period	360	360
-prior year	1	1
	<u>361</u>	<u>361</u>

The income of the Group that is derived from the operations of sea-going Malaysian registered ships is tax exempt under Section 54A of the Income Tax Act, 1967. The taxation charge for the Group is attributable to tax in respect of non-tax exempt activities of the Group.

B6. RETAINED PROFITS

	As at 31-Mar-12 RM'000	As at 31-Dec-11 RM'000
Realised	1,356,030	1,572,102
Unrealised	-	-
	<u>1,356,030</u>	<u>1,572,102</u>

B7. PROFITS ON SALE OF INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments and/or properties for the current financial quarter.

B8. NOTES TO CONDENSED CONSOLIDATED INCOME STATEMENT

	Current quarter RM'000	Current financial year-to-date RM'000
Interest income	(487)	(487)
Finance costs	572	572
Depreciation and amortisation	7,302	7,302
Gain on disposal of investment	(3,066)	(3,066)
Fair value gain on investment	(8,739)	(8,739)
Unrealised exchange loss	192	192

B9. STATUS OF CORPORATE PROPOSALS

There were no other outstanding corporate proposals submitted by the Group as at 31 March 2012.

B10. GROUP BORROWINGS

The Group borrowings as at 31 March 2012 are as follows:

	<u>Currency</u>	<u>Current RM '000</u>	<u>Non-current RM '000</u>
Secured loans	USD	46,799	92,342

B11. MATERIAL LITIGATION

Save for disclosure already made in earlier announcements, there are no new material litigation and/or significant developments in the ongoing cases under litigation.

B12. DIVIDENDS

The Directors do not recommend any dividend for the current financial quarter ended 31 March 2012.

B13. EARNINGS PER SHARE

The basic earnings per share of the Group is calculated by dividing the profit attributable to ordinary equity holders of the parent by the number of ordinary shares in issue.

	CURRENT YEAR QUARTER 31-Mar-12	PRECEDING YEAR QUARTER 31-Mar-11	CURRENT YEAR TO DATE 31-Mar-12	PRECEDING YEAR TO DATE 31-Mar-11
Profit attributable to ordinary equity holders of the parent (RM'000)	30,936	52,658	30,936	52,658
Number of ordinary shares in issue('000)	1,000,000	1,000,000	1,000,000	1,000,000
Earnings per share attributable to equity holders of the parent (sen)	<u>3.09</u>	<u>5.27</u>	<u>3.09</u>	<u>5.27</u>

B14. COMMITMENTS

Commitments as at 31 March 2012 are as follows:

	RM'000
(i) The Group	
Non-cancellable charter-in commitments	
Due within 1 year	49,354
Due later than 1 year and not later than 5 years	270,007
Due later than 5 years	316,088
	<u>635,449</u>
(ii) Share of jointly controlled entity's commitments	
Non-cancellable charter-in commitment	24,477
	<u>24,477</u>
	<u>659,926</u>