

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 June 2010

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2010**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-10 RM '000	PRECEDING YEAR QUARTER 30-Jun-09 RM '000	CURRENT YEAR TO DATE 30-Jun-10 RM '000	PRECEDING YEAR TO DATE 30-Jun-09 RM '000
Revenue	96,067	70,393	210,498	123,069
Operating expenses	<u>(51,946)</u>	<u>(50,885)</u>	<u>(112,166)</u>	<u>(101,401)</u>
Other operating income/(loss), net	44,121	19,508	98,332	21,668
Administrative expenses	<u>(19,374)</u>	<u>31,311</u>	<u>(23,199)</u>	<u>27,703</u>
	<u>(4,092)</u>	<u>(4,062)</u>	<u>(8,400)</u>	<u>(8,381)</u>
Profit from operations	20,655	46,757	66,733	40,990
Finance cost	286	(4,413)	(4,955)	(8,468)
Share of results of associate	4,244	22,934	8,908	38,401
Share of results of jointly controlled entities	<u>8,184</u>	<u>8,203</u>	<u>16,159</u>	<u>16,815</u>
Profit before taxation	33,369	73,481	86,845	87,738
Income tax expense	<u>(528)</u>	<u>(1,028)</u>	<u>(1,006)</u>	<u>766</u>
Profit for the period	<u>32,841</u>	<u>72,453</u>	<u>85,839</u>	<u>88,504</u>
Attributable to:				
Equity holders of the parent	31,560	71,097	82,921	85,800
Minority interests	<u>1,281</u>	<u>1,356</u>	<u>2,918</u>	<u>2,704</u>
	<u>32,841</u>	<u>72,453</u>	<u>85,839</u>	<u>88,504</u>
Earnings per share attributable to equity holders of the parent (sen)				
- Basic	3.16	7.11	8.29	8.58

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 June 2010

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2010**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-10 RM '000	PRECEDING YEAR QUARTER 30-Jun-09 RM '000	CURRENT YEAR TO DATE 30-Jun-10 RM '000	PRECEDING YEAR TO DATE 30-Jun-09 RM '000
Profit for the period	32,841	72,453	85,839	88,504
Other comprehensive income:				
Currency translation differences	## (32,883)	(51,278)	(80,789)	16,511
Total comprehensive income for the period	<u>(42)</u>	<u>21,175</u>	<u>5,050</u>	<u>105,015</u>
Total comprehensive income attributable to:				
Equity holders of the parent	(33)	23,551	5,484	97,919
Minority interests	<u>(9)</u>	<u>(2,376)</u>	<u>(434)</u>	<u>7,096</u>
	<u>(42)</u>	<u>21,175</u>	<u>5,050</u>	<u>105,015</u>

## Previously disclosed in the Statement of Changes in Equity

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010**

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Jun-10 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-09 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets	666,139	627,554
Leasehold property	18,025	18,421
Associate	790,908	815,654
Jointly controlled entities	151,355	139,948
	<u>1,626,427</u>	<u>1,601,577</u>
<b>Current Assets</b>		
Consumable stores	6,609	6,797
Trade receivables	31,763	28,861
Other receivables and prepayments	40,991	48,025
Investments	127,680	150,497
Short term deposits	332,088	406,718
Cash and bank balances	55,345	53,711
	<u>594,476</u>	<u>694,609</u>
<b>TOTAL ASSETS</b>	<u><u>2,220,903</u></u>	<u><u>2,296,186</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	250,000	250,000
Reserves	1,392,558	1,537,074
	<u>1,642,558</u>	<u>1,787,074</u>
<b>Minority interest</b>	73,567	74,001
<b>Total equity</b>	<u>1,716,125</u>	<u>1,861,075</u>
<b>Non-current liabilities</b>		
Bank and other borrowings	262,425	344,968
	<u>262,425</u>	<u>344,968</u>
<b>Current liabilities</b>		
Bank and other borrowings	36,761	7,695
Other payables	204,768	81,546
Provision for Taxation	824	902
	<u>242,353</u>	<u>90,143</u>
<b>Total liabilities</b>	<u>504,778</u>	<u>435,111</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>2,220,903</u></u>	<u><u>2,296,186</u></u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2010**

	← Attributable to Equity Holders of the Parent →						Minority Interest	Total Equity		
	Non-distributable					Distributable			RM '000	RM '000
	Share Capital RM '000	Share premium RM '000	Capital reserve RM '000	Capital redemption reserve RM '000	Exchange translation reserve RM '000	Retained profits RM '000				
<b>6 MONTHS ENDED 30 JUNE 2009</b>										
<b>At 1 JANUARY 2009</b>	250,000	48,791	34,159	40,000	7,872	1,503,116	1,883,938	141,945	2,025,883	
Profit for the period	-	-	-	-	-	85,800	85,800	2,704	88,504	
Other comprehensive income	-	-	-	-	12,119	-	12,119	4,392	16,511	
Total comprehensive income for the period	-	-	-	-	12,119	85,800	97,919	7,096	105,015	
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	(11,578)	(11,578)	
Dividends	-	-	-	-	-	(300,000)	(300,000)	-	(300,000)	
Dividend paid to minority shareholder of a subsidiary	-	-	-	-	-	-	-	(63,013)	(63,013)	
<b>At 30 JUNE 2009</b>	<b>250,000</b>	<b>48,791</b>	<b>34,159</b>	<b>40,000</b>	<b>19,991</b>	<b>1,288,916</b>	<b>1,681,857</b>	<b>74,450</b>	<b>1,756,307</b>	
<b>6 MONTHS ENDED 30 JUNE 2010</b>										
<b>At 1 JANUARY 2010</b>	250,000	48,791	13,209	40,000	(57,351)	1,492,425	1,787,074	74,001	1,861,075	
Profit for the period	-	-	-	-	-	82,921	82,921	2,918	85,839	
Other comprehensive income	-	-	-	-	(77,437)	-	(77,437)	(3,352)	(80,789)	
Total comprehensive income for the period	-	-	-	-	(77,437)	82,921	5,484	(434)	5,050	
Dividends paid	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)	
<b>At 30 JUNE 2010</b>	<b>250,000</b>	<b>48,791</b>	<b>13,209</b>	<b>40,000</b>	<b>(134,788)</b>	<b>1,425,346</b>	<b>1,642,558</b>	<b>73,567</b>	<b>1,716,125</b>	

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2010**

	CUMULATIVE	
	CURRENT YEAR 30-Jun-10 RM '000	PRECEDING YEAR 30-Jun-09 RM '000
<b>Cash Flow From Operating Activities</b>		
Profit before taxation	86,845	87,738
Adjustments for:		
Depreciation and amortisation	15,789	15,504
Amortisation of leasehold property	78	140
Gain on disposal of quoted investments	(71)	(7,606)
Unrealised loss/(gain) on quoted investments	13,344	(3,516)
Gain on disposal of vessels	-	(7,966)
Unrealised exchange gain	(1,025)	(1,994)
Writeback of provision for doubtful debts	(130)	(34)
Dividend income	(263)	(597)
Interest income	(2,458)	(3,342)
Interest expense	4,955	8,468
Share of results of associate	(8,908)	(38,401)
Share of results of jointly controlled entities	(16,159)	(16,815)
Operating profit before working capital changes	<u>91,997</u>	<u>31,579</u>
Working capital changes:		
Consumable stores	278	681
Receivables	4,168	9,472
Payables	<u>103,106</u>	<u>(46,459)</u>
Cash generated from/(used in) operating activities	199,549	(4,727)
Tax paid	<u>(1,160)</u>	<u>(1,192)</u>
Net cash generated from/(used in) operating activities	<u>198,389</u>	<u>(5,919)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of vessel	(78,077)	-
Purchase of new equipment and capitalisation of dry docking cost	(3,520)	(2,049)
Purchase of other fixed assets	(35)	(104)
Purchase of quoted investments	(16,243)	(18,178)
Purchase of other investments	(52,645)	(55,126)
Dividend received	263	597
Interest received	2,458	3,342
Proceeds from disposal of quoted investments	22,327	39,964
Proceeds from disposal of other investments	49,643	44,389
Proceeds from disposal of vessels	-	13,561
Net cash outflow from deemed disposal of a subsidiary	-	(23,234)
Proportionate shareholder's advance to a jointly controlled entity	-	(40,365)
Loan repayment from associate	-	704
Loan repayment from jointly controlled entity	2,876	-
Net cash used in investing activities	<u>(72,953)</u>	<u>(36,499)</u>
<b>Cash Flows From Financing Activities</b>		
Interest paid	(4,955)	(6,419)
Repayment of loans	(197,079)	-
Drawdown of loans	192,486	-
Repayment of lease financing	(14,511)	(3,513)
Advance to an associate	-	-
Dividend paid to shareholders	(150,000)	(300,000)
Dividend paid to minority shareholder of subsidiary	-	(63,013)
Net cash used in financing activities	<u>(174,059)</u>	<u>(372,945)</u>
<b>Net Change in Cash &amp; Cash Equivalents</b>	(48,623)	(415,363)
<b>Effects of Foreign Exchange Rate Changes</b>	(24,373)	17,584
<b>Cash &amp; Cash Equivalents at the beginning of the period</b>	<u>460,429</u>	<u>805,571</u>
<b>Cash &amp; Cash Equivalents at the end of the period</b>	<u>387,433</u>	<u>407,792</u>
Cash & Cash equivalents comprise:		
Short term deposits	332,088	391,161
Cash and bank balances	55,345	16,631
	<u>387,433</u>	<u>407,792</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 requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009.

The significant accounting policies and methods of computation applied in this report are consistent with those adopted in the financial statements for the year ended 31 December 2009 with the exception for

- i) FRS 139, whereby unrealised gains on quoted investments are not recognised in the financial statements until year end. Unrealised losses on quoted investments are recognised immediately whilst unrealised gains will only be recognised at the year end; and
- ii) the adoption of the following Financial Reporting Standards (FRS), amendments to FRSs, and IC Interpretations:

FRS 8	Operating Segments
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate  
Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations  
Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation  
Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosure and IC Interpretation 9 Reassessment of Embedded Derivatives  
Improvement to FRSs (2009)

The adoption of the above FRSs, amendments to FRSs and IC Interpretations did not have any material impact on the financial results of the Group.

### A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2009 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

The final single tier dividend of 15 sen per share, amounting to RM150 million for the financial year ended 31 December 2009 was paid on 30 April 2010.

**A8. SEGMENT REPORT**

Segmental analysis for the current financial period to date is as follows:

	Shipping Bulkers RM '000	Shipping Tankers RM '000	Ship brokerage & management & others RM '000	Elimination RM '000	Group RM '000
<b>REVENUE AND RESULT</b>					
Revenue					
Group	183,164	22,162	5,842	(670)	210,498
Inter-segment	281	-	(951)	670	-
External revenue	<u>183,445</u>	<u>22,162</u>	<u>4,891</u>	<u>-</u>	<u>210,498</u>
Segment results	88,751	5,284	(29,760) *	-	64,275
Interest income					2,458
Finance cost					(4,955)
Share of results of associate					8,908
Share of results of jointly controlled entities					16,159
Taxation					<u>(1,006)</u>
Profit for the period					<u><u>85,839</u></u>

\*Included in "others" segment are attributable foreign exchange loss of RM12.6 million and mark-to-market provisions on quoted investments of RM13.3 million.

**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 EVENTS**

There were no material events subsequent to the current quarter ended 30 June 2010 up to the date of this report.

**A11. CHANGES IN THE COMPOSITION OF THE GROUP**

- MBC Equity Management Sdn Bhd, a wholly owned subsidiary, commenced members' voluntary winding-up on 5 July 2010.
- New Johnson Holdings Limited, a wholly owned subsidiary, had on 24 May 2010 incorporated a 100% owned subsidiary known as Bakti Shipping Pte Ltd. The principal activity of Bakti Shipping Pte Ltd is to carry on the business as owners and operators of vessels.

**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 Court of the Special Commissioners of Income Tax has fixed the dates for hearing on 1st to 3rd September 2010. No provision has been made in the accounts and the Company is contesting this assessment.

**B1. REVIEW OF PERFORMANCE**

The Group's revenue for the first half year 2010 of RM210.5 million is a 71% (RM87 million) increase against revenue for the same period last year. This is mainly due to the improved hire rates for the dry bulk fleet.

The BDI started the year at 3140, then firming to a high of 4209 in May, before declining to close at 2406 for the half year. The BDI averaged 3164 for the 6 months and compares favorably to 1H2009's average of 2128. The stronger market is reflected in the higher TCE/day achieved for 1H2010 of US\$28,397/day, against last year's US\$14,348/day. The tanker market however weakened against the comparative period with TCE rate averaging at US\$14,927/day against that for the comparative period last year of US\$17,359/day.

The table below summarizes the fleet's average time charter equivalent (TCE) for bulkers and tankers.

	Ave. TCE/Day		Hire Days	
	1H2010 (USD)	1H2009 (USD)	1H2010 (Day)	1H2009 (Day)
Dry Bulk	28,397	14,348	1,957	1,794
Product Tankers	14,927	17,359	458	474
<b>Fleet Average</b>	<b>25,842</b>	<b>14,977</b>	<b>2,415</b>	<b>2,268</b>

With the improved performance from the dry bulk segment, operating profit (revenue less operating expenses) increased significantly from RM21.7 million last half year, to RM98.3 million this half year.

However, the mark-to-market provisions for quoted equities and strong ringgit against other currencies adversely impacted other operating income. Hence, other operating income reported RM23.199 million loss against the comparative profit of RM27.703 million for first half 2009. Administrative expenses remained stable and finance costs reduced by 41% (RM3.5 million).

**B1. REVIEW OF PERFORMANCE (Cont'd)**

The Group's share of results in its associated company, PACC Offshore Services Holdings Pte Ltd (POSH), is RM8.9 million, a sharp decline from the RM38.4 million in 1H2009. The offshore services sector continues to remain weak due to tonnage over supply and is further exacerbated by the moratorium on deep water drilling in the Gulf. The regulatory uncertainty emanating from this incident has had adverse impact on deep water activities and a knock-on effect on offshore services operations.

The Group closed the first half year of 2010 with profit attributable to shareholders of RM82.9 million, 3% lower than the comparative period last year of RM85.8 million.

**B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

The average dry bulk TCE achieved in Q2 2010 for both the dry bulk and tanker segment were lower than Q1 2010. This resulted in lower revenue of RM96.1 million in Q2 2010, compared to RM114.4 million in the preceding quarter. Consequently, operating profit (i.e. revenue less operating expenses) for Q2 2010 of RM44.1 million is 19% lower compared to Q1 2010's RM54.2 million.

On a quarter-on-quarter basis, other operating income dropped by a further RM15.5 million due mainly to mark-to-market provisions on equities and strong ringgit against other currencies. Q2 2010's administrative expenses remained unchanged whilst financing costs reduced due to lower interest rates. Contribution from associate and jointly controlled entities in this quarter declined marginally compared to Q1 2010.

The Group closed this quarter with a profit attributable to shareholders of RM31.6 million, a 39% decline against Q1 2010's RM51.4 million.

**B3. PROSPECTS**

The International Monetary Fund ("IMF") in their July 2010 update forecasted global growth at about 4 ½ % for 2010 with the emerging and developing economies led by China and India providing strength to drive the global economy. However, recent economic slow down in China, EU/UK fiscal tightening and deficit cuts, coupled with US high persistent unemployment and housing slowdown are adding to mounting fears that the global economy may result in another deep recession.

The Baltic Dry Index has fallen 60% since late May, hitting a low of 1964 on 3 August 2010. Slower iron ore activity, weaker coal imports into China, easing port congestion and oversupply of vessels have weighed heavily on the freight market in recent weeks. This is aggravated by newbuilding deliveries where recent market reports that the total dry bulk fleet is expected to expand by some 340 ships amounting to 32 million dwt capacity in the first half of 2010, and that newbuilding deliveries will further increase capacity in the second half. Consequently, fleet growth remains at levels that will outpace demand, which leaves the dry bulk market facing the risk of over-tonnage by year-end.

The Board expects the current volatile conditions of the freight market to continue and it will be challenging for the months to come. The Board is however confident that the MBC Group will continue to remain profitable for the year.

**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	501	1,082
-prior year	27	(76)
	<u>528</u>	<u>1,006</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. PROFITS ON SALE OF INVESTMENTS AND/OR PROPERTIES**

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



**B7. QUOTED SECURITIES**

i) Details of purchases and disposals of quoted securities are as follows:

	Current quarter RM'000	Current financial year-to-date RM'000
Purchase consideration	7,431	16,243
Sale proceeds	11,117	22,327
Gain / (loss) on disposal of quoted securities	(613)	71

ii) Details of investments in quoted securities:

	As at 30-Jun-10 RM '000
Marketable securities	
At cost	91,790
At book value	127,593
At market value	127,932

**B8. STATUS OF CORPORATE PROPOSALS**

There were no other outstanding corporate proposals submitted by the Group as at 30 June 2010.

**B9. GROUP BORROWINGS**

i) The Group borrowings as at 30 June 2010 are as follows:

	Currency	Current RM '000	Non-current RM '000
Secured loans	USD	30,306	246,798
Finance lease payables	USD	6,455	15,627
		<u>36,761</u>	<u>262,425</u>

The secured loans are denominated in Sterling Pound and these have been swapped into US Dollars.

**B10. DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments outstanding as at 30 June 2010:

	Notional Value RM '000	Fair Value RM '000
<i>Less than 1 year</i>		
Currency forward contracts	303,698	298,964

**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 30 June 2010.

**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 30-Jun-10	PRECEDING YEAR QUARTER 30-Jun-09	CURRENT YEAR TO DATE 30-Jun-10	PRECEDING YEAR TO DATE 30-Jun-09
Profit attributable to ordinary equity holders of the parent (RM'000)	31,560	71,097	82,921	85,800
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>3.16</u>	<u>7.11</u>	<u>8.29</u>	<u>8.58</u>

**B14. COMMITMENTS**

Commitments as at 30 June 2010 are as follows:

	RM'000
(i) Approved and contracted for	
Capital commitments	7,156
(ii) Non-cancellable charter-in commitments	
Due within 1 year	17,249
Due later than 1 year and not later than 5 years	234,970
Due later than 5 years	458,452
	<u>717,827</u>