

QUARTERLY REPORT

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2010

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Sep-10 RM '000	PRECEDING YEAR QUARTER 30-Sep-09 RM '000	CURRENT YEAR TO DATE 30-Sep-10 RM '000	PRECEDING YEAR TO DATE 30-Sep-09 RM '000
Revenue	109,027	98,024	319,525	221,093
Operating expenses	<u>(49,228)</u>	<u>(59,070)</u>	<u>(161,394)</u>	<u>(160,471)</u>
	59,799	38,954	158,131	60,622
Other operating income/(loss), net	25,297	16,638	2,098	44,341
Administrative expenses	<u>(5,256)</u>	<u>(4,178)</u>	<u>(13,656)</u>	<u>(12,559)</u>
Profit from operations	79,840	51,414	146,573	92,404
Finance cost	(1,396)	(3,616)	(6,351)	(12,084)
Share of results of associate	8,774	14,072	17,682	52,473
Share of results of jointly controlled entities	<u>851</u>	<u>8,600</u>	<u>17,010</u>	<u>25,415</u>
Profit before taxation	88,069	70,470	174,914	158,208
Income tax expense	<u>53</u>	<u>(489)</u>	<u>(953)</u>	<u>277</u>
Profit for the period	<u>88,122</u>	<u>69,981</u>	<u>173,961</u>	<u>158,485</u>
Attributable to:				
Equity holders of the parent	87,745	69,552	170,666	155,352
Minority interests	<u>377</u>	<u>429</u>	<u>3,295</u>	<u>3,133</u>
	<u>88,122</u>	<u>69,981</u>	<u>173,961</u>	<u>158,485</u>
Earnings per share attributable to equity holders of the parent (sen)				
- Basic	8.77	6.96	17.07	15.54

Please refer to Note B13 for number of shares

QUARTERLY REPORT

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

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Sep-10 RM '000	PRECEDING YEAR QUARTER 30-Sep-09 RM '000	CURRENT YEAR TO DATE 30-Sep-10 RM '000	PRECEDING YEAR TO DATE 30-Sep-09 RM '000
Profit for the period	88,122	69,981	173,961	158,485
Other comprehensive income:				
Currency translation differences	<u>(80,290)</u>	<u>(19,733)</u>	<u>(161,079)</u>	<u>(3,222)</u>
Total comprehensive income for the period	<u>7,832</u>	<u>50,248</u>	<u>12,882</u>	<u>155,263</u>
Total comprehensive income attributable to:				
Equity holders of the parent	10,688	51,483	16,172	149,402
Minority interests	<u>(2,856)</u>	<u>(1,235)</u>	<u>(3,290)</u>	<u>5,861</u>
	<u>7,832</u>	<u>50,248</u>	<u>12,882</u>	<u>155,263</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Sep-10 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-09 RM '000
ASSETS		
Non-current assets		
Fixed assets	607,943	627,554
Leasehold property	17,652	18,421
Associate	764,036	815,654
Jointly controlled entities	150,350	139,948
	<u>1,539,981</u>	<u>1,601,577</u>
Current Assets		
Consumable stores	8,404	6,797
Trade receivables	34,505	28,861
Other receivables and prepayments	26,167	48,025
Investments	69,905	150,497
Short term deposits	336,119	406,718
Cash and bank balances	36,168	53,711
	<u>511,268</u>	<u>694,609</u>
Non-current assets classified as held for sale	18,386	-
	<u>529,654</u>	<u>694,609</u>
TOTAL ASSETS	<u><u>2,069,635</u></u>	<u><u>2,296,186</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	250,000	250,000
Reserves	1,403,246	1,537,074
	<u>1,653,246</u>	<u>1,787,074</u>
Minority interest	56,248	74,001
Total equity	<u>1,709,494</u>	<u>1,861,075</u>
Non-current liabilities		
Bank and other borrowings	215,368	344,968
	<u>215,368</u>	<u>344,968</u>
Current liabilities		
Bank and other borrowings	50,432	7,695
Other payables	93,891	81,546
Provision for Taxation	450	902
	<u>144,773</u>	<u>90,143</u>
Total liabilities	<u>360,141</u>	<u>435,111</u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,069,635</u></u>	<u><u>2,296,186</u></u>

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

	← Attributable to Equity Holders of the Parent →						Minority Interest	Total Equity		
	Non-distributable					Distributable			RM '000	RM '000
	Share Capital	Share premium	Capital reserve	Capital redemption reserve	Exchange translation reserve	Retained profits				
RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	Total RM '000	RM '000	RM '000		
9 MONTHS ENDED 30 SEPTEMBER 2009										
At 1 JANUARY 2009	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	-	-	-	-	-	155,352	155,352	3,133	158,485	
Other comprehensive income	-	-	-	-	(5,950)	-	(5,950)	2,728	(3,222)	
Total comprehensive income for the period	-	-	-	-	(5,950)	155,352	149,402	5,861	155,263	
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	(11,578)	(11,578)	
Dividends paid	-	-	-	-	-	(300,000)	(300,000)	-	(300,000)	
Dividend paid to minority shareholder of a subsidiary	-	-	-	-	-	-	-	(63,013)	(63,013)	
At 30 SEPTEMBER 2009	250,000	48,791	34,159	40,000	1,922	1,358,468	1,733,340	73,215	1,806,555	
9 MONTHS ENDED 30 SEPTEMBER 2010										
At 1 JANUARY 2010	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	-	-	-	-	-	170,666	170,666	3,295	173,961	
Other comprehensive income	-	-	-	-	(154,494)	-	(154,494)	(6,585)	(161,079)	
Total comprehensive income for the period	-	-	-	-	(154,494)	170,666	16,172	(3,290)	12,882	
Dividends paid	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)	
Dividend paid to minority shareholder of a subsidiary	-	-	-	-	-	-	-	(14,463)	(14,463)	
At 30 SEPTEMBER 2010	250,000	48,791	13,209	40,000	(211,845)	1,513,091	1,653,246	56,248	1,709,494	

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

	CUMULATIVE	
	CURRENT YEAR 30-Sep-10 RM '000	PRECEDING YEAR 30-Sep-09 RM '000
Cash Flow From Operating Activities		
Profit before taxation	174,914	158,208
Adjustments for:		
Depreciation and amortisation	24,246	23,379
Amortisation of leasehold property	107	169
(Gain)/loss on disposal of quoted investments	4,045	(9,641)
Unrealised loss/(gain) on quoted investments	2,957	(5,981)
Gain on disposal of vessels	-	(7,966)
Gain on disposal of other fixed assets	(1)	(204)
Unrealised exchange gain	(3,559)	(2,092)
Writeback of provision for doubtful debts	(130)	(94)
Dividend income	(417)	(765)
Interest income	(3,179)	(4,874)
Interest expense	6,351	12,084
Share of results of associate	(17,682)	(52,473)
Share of results of jointly controlled entities	(17,010)	(25,415)
Operating profit before working capital changes	<u>170,642</u>	<u>84,335</u>
Working capital changes:		
Consumable stores	(1,743)	(891)
Receivables	13,520	(12,492)
Payables	(4,671)	(29,370)
Cash generated from operating activities	<u>177,748</u>	<u>41,582</u>
Tax paid	(1,636)	(2,267)
Net cash generated from operating activities	<u>176,112</u>	<u>39,315</u>
Cash Flows From Investing Activities		
Purchase of vessel	(78,077)	-
Purchase of new equipment and capitalisation of dry docking cost	(5,519)	(1,970)
Purchase of other fixed assets	(64)	(1,035)
Purchase of quoted investments	(27,615)	(35,033)
Purchase of other investments	(71,584)	(119,197)
Dividend received	417	765
Interest received	3,179	4,874
Proceeds from disposal of quoted investments	34,437	56,684
Proceeds from disposal of other investments	129,116	96,193
Proceeds from disposal of vessels	-	13,561
Proceeds from disposal of other fixed assets	1	204
Net cash outflow from deemed disposal of a subsidiary	-	(23,234)
Proportionate shareholder's advance to a jointly controlled entity	-	(40,273)
Loan repayment from associate company	-	5,795
Repayment of shareholder's advance from a jointly controlled entity	2,876	-
Net cash used in investing activities	<u>(12,833)</u>	<u>(42,666)</u>
Cash Flows From Financing Activities		
Interest paid	(6,349)	(9,060)
Repayment of loans	(212,905)	-
Drawdown of loans	192,486	-
Repayment of lease financing	(16,093)	(5,313)
Dividend paid to shareholders	(150,000)	(300,000)
Dividend paid to minority shareholder of subsidiary	(14,463)	(63,014)
Net cash used in financing activities	<u>(207,324)</u>	<u>(377,387)</u>
Net Change in Cash & Cash Equivalents	(44,045)	(380,738)
Effects of Foreign Exchange Rate Changes	(44,097)	17,691
Cash & Cash Equivalents at the beginning of the period	<u>460,429</u>	<u>805,571</u>
Cash & Cash Equivalents at the end of the period	<u>372,287</u>	<u>442,524</u>
Cash & Cash equivalents comprise:		
Short term deposits	336,119	332,738
Cash and bank balances	36,168	109,786
	<u>372,287</u>	<u>442,524</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 new Financial Reporting Standards (FRSs), Amendments to FRSs and IC Interpretations which are effective for financial periods beginning on or after 1 July 2009 and 1 January 2010. The adoption of these 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

No dividends have been paid or declared for the current quarter ended 30 September 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
REVENUE AND RESULT					
Revenue					
Group	278,370	33,714	8,392	(951)	319,525
Inter-segment	426	-	(1,377)	951	-
External revenue	<u>278,796</u>	<u>33,714</u>	<u>7,015</u>	<u>-</u>	<u>319,525</u>
Segment results	149,471	5,106	(11,183) *	-	143,394
Interest income					3,179
Finance cost					(6,351)
Share of results of associate					17,682
Share of results of jointly controlled entities					17,010
Taxation					(953)
Profit for the period					<u>173,961</u>

*Included in "others" segment is mark-to-market provisions on quoted investments of RM6.59 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**(a) Disposal of vessel**

A subsidiary, Everspeed Enterprises Limited, has on 9 September 2010, entered into a Memorandum of Agreement to dispose of a vessel (MV Alam Selamat) to a third party for a cash consideration of USD15.9 million. The sale was completed on 1 November 2010.

(b) Joint Venture

A subsidiary, Lightwell Shipping Inc, has on 11 October 2010, entered into a joint venture agreement with Commonwealth Shipping Company Inc. to establish a joint venture company called "Progress Shipping Pte Ltd" (Progress), incorporated in Singapore to own and operate vessels.

In October/November 2010, Progress entered into Shipbuilding Contracts for the construction of two 32,500 dwt bulk carriers with expected deliveries in May 2011 and August 2011.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

A wholly owned dormant subsidiary, Tekunmata Sdn Bhd, was struck off from the register of Companies Commission of Malaysia on 8 October 2010.

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 revenue for the 9 months ended September 2010 of RM319.5 million is a 45% (RM98 million) increase against revenue for the same period last year. This is due to an improved TCE rate and higher revenue days for the dry bulk fleet.

The dry bulk sector has been quite robust this year with the Baltic Dry Index (BDI) averaging 2885 for the 9 months in 2010, a 22% improvement from the average of 2363 for the comparative period last year. The Group's average dry bulk TCE rates of US\$26,908/day is 49% higher than the US\$17,996/day average for the same period last year. On the other hand, the tanker market weakness remains and this has resulted in a 27% lower 9 months tanker TCE average of US\$12,315/day against last year's comparative period average of US\$16,970/day.

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

	Ave. TCE/Day		Hire Days	
	Sep-10 (USD)	Sep-09 (USD)	Sep-10 (Day)	Sep-09 (Day)
Dry Bulk	26,908	17,996	3,218	2,720
Product Tankers	12,315	16,970	852	750
Fleet Average	23,852	17,775	4,070	3,470

On the back of a better performing dry bulk segment, operating profit (revenue less operating expenses) increased significantly to RM158.1 million for Q3 2010, from RM60.6 million for the same period last year.

However, other operating income of RM2.1 million was substantially lower than that achieved in the comparative period last year (RM44.3 million). Current period's other operating income includes foreign exchange gain of RM5.0 million (compared to RM14.6 million gain last year), offset by losses on quoted equities of RM6.6 million (against last year's gain of RM16.4 million). Administrative expenses increased by RM1.1 million whereas finance costs reduced by RM5.7 million.

Its associated company, PACC Offshore Services Holdings Pte Ltd (POSH), contributed RM17.7 million profit to the Group's result which is a substantial decline from the RM52.5 million in the same period previous year. The rates for all offshore vessels and services continue to be weak since the 4th quarter of 2009.

The Group closed the 9 months ended 30 September 2010 with profit attributable to shareholders of RM170.7 million, 10% higher than the comparative period last year of RM155.4 million.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Revenue for Q3 2010 is RM12.9 million higher than that achieved in the preceding quarter. Whilst average TCE slipped slightly in Q3 (down by 6.1%), the increased revenue days boosted revenue for Q3. With a slightly lower operating expense, RM49.2 million for Q3 versus RM51.9 million for Q2, operating profit (i.e. revenue less operating expenses) for Q3 2010 of RM59.8 million is 36% higher compared to Q2 2010's RM44.1 million.

The equities and foreign currency exchange losses in the preceding quarter has turned around for the quarter under review, reporting a positive variance of RM44.7 million for other operating activities segment. Both administrative expenses and finance cost are higher compared to that for the preceding quarter.

Contribution from associate increased from RM4.2 million in Q2 2010 to RM8.8 million this quarter. Gain from disposals of 3 AHTS/AHT vessels contributed to an improved third quarter results for the POSH Group. Notwithstanding the improved Q3 results, the offshore services market remains weak and there are still no signs of a turnaround.

Results from our jointly controlled entities declined substantially from RM8.2 million in Q2 2010, to RM0.9 million in this quarter due to lower rates earned by their vessels.

The Group closed this quarter with a profit attributable to shareholders of RM87.7 million, a substantial increase (+178% or RM56.2 million) against Q2 2010's RM31.6 million.

B3. PROSPECTS

In October 2010, the International Monetary Fund revised their outlook and predicts the world economy expanding 4.8 percent this year and 4.2 percent next year. The advanced economies continue to face challenges and their recoveries will remain fragile. Weak employment growth, reduced household income, low consumer confidence continue to hamper growth for the advanced economies which remains sluggish. Growth for the emerging and developing economies such as those in China, India, Russia, Eastern Europe and Latin America are expected to expand 7.1 percent this year and 6.4 percent in 2011.

It also estimated that the volume of global trade in goods and services will grow 11.4% for 2010 and 7% for 2011. This compares with a 11% plunge in 2009 and a slow 2.9% growth in 2008. This is affirmed by reports that China's iron ore imports are expected to increase for the rest of the year as steel mills embark on a period of restocking. The continued strong Chinese demand for iron ore, coal, and grains coupled with growing Indian demands is good for shipping. However, this positive note will be tempered by the supply side of the shipping market. New tonnages entering the market will pressure the freight market and counteract the upside potential for shipping.

Recently MBC entered into a jointly controlled venture with Mexican partners to invest in two handysize new-buildings, scheduled for delivery in May and August 2011 respectively. This will add and modernize MBC's tonnage which by end 2011, will total about 930,000 dwt inclusive of jointly controlled and long term chartered-in tonnages.

The Board expects the Group's performance to continue to be satisfactory for the rest of 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	46	1,128
-prior year	(99)	(175)
	<u>(53)</u>	<u>953</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	11,372	27,615
Sale proceeds	12,110	34,437
Gain / (loss) on disposal of quoted securities	(4,116)	(4,045)

ii) Details of investments in quoted securities:

	As at 30-Sep-10 RM '000
Marketable securities	
At cost	72,922
At book value	69,816
At market value	72,008

B8. STATUS OF CORPORATE PROPOSALS

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

B9. GROUP BORROWINGS

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

	Currency	Current RM '000	Non-current RM '000
Secured loans	USD	43,610	202,719
Finance lease payables	USD	6,822	12,649
		<u>50,432</u>	<u>215,368</u>

B10. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments outstanding as at 30 September 2010:

	Notional Value RM '000	Fair Value RM '000
<i>Less than 1 year</i>		
Currency forward contracts	112,987	116,529

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 September 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-Sep-10	PRECEDING YEAR QUARTER 30-Sep-09	CURRENT YEAR TO DATE 30-Sep-10	PRECEDING YEAR TO DATE 30-Sep-09
Profit attributable to ordinary equity holders of the parent (RM'000)	87,745	69,552	170,666	155,352
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>8.77</u>	<u>6.96</u>	<u>17.07</u>	<u>15.54</u>

B14. COMMITMENTS

Commitments as at 30 September 2010 are as follows:

	RM'000
(i) Approved and contracted for	
Capital commitments	7,333
(ii) Non-cancellable charter-in commitments	
Due within 1 year	18,282
Due later than 1 year and not later than 5 years	238,286
Due later than 5 years	425,922
	<u>689,823</u>