

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 March 2015

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2015

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-15 RM '000	PRECEDING YEAR QUARTER 31-Mar-14 RM '000	CURRENT YEAR TO DATE 31-Mar-15 RM '000	PRECEDING YEAR TO DATE 31-Mar-14 RM '000
Revenue	51,745	71,716	51,745	71,716
Voyage expenses	<u>(18,511)</u>	<u>(20,503)</u>	<u>(18,511)</u>	<u>(20,503)</u>
Operating expenses	<u>33,234</u> <u>(57,091)</u>	<u>51,213</u> <u>(50,993)</u>	<u>33,234</u> <u>(57,091)</u>	<u>51,213</u> <u>(50,993)</u>
Other operating income/(loss), net	(23,857)	220	(23,857)	220
Administrative expenses	<u>7,427</u> <u>(2,990)</u>	<u>(826)</u> <u>(2,641)</u>	<u>7,427</u> <u>(2,990)</u>	<u>(826)</u> <u>(2,641)</u>
Loss from operations	(19,420)	(3,247)	(19,420)	(3,247)
Finance costs	<u>(2,827)</u>	<u>(282)</u>	<u>(2,827)</u>	<u>(282)</u>
Share of results of an associate	16	25,548	16	25,548
Share of results of joint ventures	<u>(888)</u>	<u>1,216</u>	<u>(888)</u>	<u>1,216</u>
(Loss)/profit before taxation	(23,119)	23,235	(23,119)	23,235
Income tax expense	<u>(309)</u>	<u>(273)</u>	<u>(309)</u>	<u>(273)</u>
(Loss)/profit for the period	<u><u>(23,428)</u></u>	<u><u>22,962</u></u>	<u><u>(23,428)</u></u>	<u><u>22,962</u></u>
Attributable to:				
Equity holders of the parent	(22,749)	23,024	(22,749)	23,024
Non-controlling interests	<u>(679)</u>	<u>(62)</u>	<u>(679)</u>	<u>(62)</u>
	<u><u>(23,428)</u></u>	<u><u>22,962</u></u>	<u><u>(23,428)</u></u>	<u><u>22,962</u></u>
(Loss)/earnings per share attributable to equity holders of the parent (sen)				
- Basic	(2.27)	2.30	(2.27)	2.30

QUARTERLY REPORT

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2015**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-15 RM '000	PRECEDING YEAR QUARTER 31-Mar-14 RM '000	CURRENT YEAR TO DATE 31-Mar-15 RM '000	PRECEDING YEAR TO DATE 31-Mar-14 RM '000
(Loss)/profit for the period	(23,428)	22,962	(23,428)	22,962
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	93,286	(6,922)	93,286	(6,922)
Net change in cash flow hedges:				
-Net unrealised loss	(20,887)	-	(20,887)	-
-Net realised loss reclassified to the income statement	15,926	-	15,926	-
Total comprehensive income/(loss) for the period	<u>64,897</u>	<u>16,040</u>	<u>64,897</u>	<u>16,040</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	67,863	16,296	67,863	16,296
Non-controlling interests	<u>(2,966)</u>	<u>(256)</u>	<u>(2,966)</u>	<u>(256)</u>
	<u>64,897</u>	<u>16,040</u>	<u>64,897</u>	<u>16,040</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Mar-15 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-14 RM '000
ASSETS		
Non-current assets		
Intangible assets	1,145	1,263
Property, plant and equipment	858,593	750,672
Associate	1,399,694	1,334,026
Joint ventures	214,459	204,376
	<u>2,473,891</u>	<u>2,290,337</u>
Current Assets		
Consumable stores	11,145	7,855
Receivables and other current assets	64,972	53,049
Derivative financial assets	-	2,948
Short term deposits	-	1,363
Cash and bank balances	62,283	150,097
	<u>138,400</u>	<u>215,312</u>
TOTAL ASSETS	<u><u>2,612,291</u></u>	<u><u>2,505,649</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	250,000	250,000
Reserves	1,770,313	1,702,450
	<u>2,020,313</u>	<u>1,952,450</u>
Non-controlling interests	60,666	63,632
Total equity	<u>2,080,979</u>	<u>2,016,082</u>
Non-current liabilities		
Borrowings	347,330	347,403
Derivative financial liabilities	52,498	31,611
Deferred tax liabilities	165	165
	<u>399,993</u>	<u>379,179</u>
Current liabilities		
Payables and other current liabilities	32,386	36,900
Borrowings	94,756	68,153
Provision for taxation	255	180
Provision for onerous contracts	3,922	5,155
	<u>131,319</u>	<u>110,388</u>
Total liabilities	<u>531,312</u>	<u>489,567</u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,612,291</u></u>	<u><u>2,505,649</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2015

	Attributable to Equity Holders of the Parent							Non-controlling Interests	Total Equity	
	Non-distributable					Distributable				
	Share Capital RM '000	Share premium RM '000	Capital reserve RM '000	Capital redemption reserve RM '000	Cash flow hedge reserve RM '000	Foreign currency translation reserve RM '000	Retained profits RM '000			Total RM '000
3 MONTHS ENDED 31 MARCH 2014										
At 1 January 2014	250,000	48,791	13,209	40,000	-	114,375	1,392,366	1,858,741	54,947	1,913,688
Total comprehensive income/(loss) for the period	-	-	-	-	-	(6,728)	23,024	16,296	(256)	16,040
At 31 March 2014	250,000	48,791	13,209	40,000	-	107,647	1,415,390	1,875,037	54,691	1,929,728
3 MONTHS ENDED 31 MARCH 2015										
At 1 January 2015	250,000	48,791	7,077	40,000	(2,560)	228,491	1,380,651	1,952,450	63,632	2,016,082
Total comprehensive income/(loss) for the period	-	-	-	-	(4,961)	95,573	(22,749)	67,863	(2,966)	64,897
At 31 March 2015	250,000	48,791	7,077	40,000	(7,521)	324,064	1,357,902	2,020,313	60,666	2,080,979

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 31 MARCH 2015

	CUMULATIVE	
	CURRENT YEAR 31-Mar-15 RM '000	PRECEDING YEAR 31-Mar-14 RM '000
Cash Flow From Operating Activities		
(Loss)/profit before taxation	(23,119)	23,235
Adjustments for:		
Depreciation and amortisation	10,092	7,249
Gain on disposal of property, plant and equipment	(292)	-
Fair value loss on investments	-	2,053
Unrealised foreign exchange gain	(36)	(595)
Reversal of a liability	(5,040)	-
Overprovision for onerous contracts	(1,309)	-
Interest income	(316)	(382)
Finance costs	2,827	282
Share of results of an associate	(16)	(25,548)
Share of results of joint ventures	888	(1,216)
Operating (loss)/profit before working capital changes	<u>(16,321)</u>	<u>5,078</u>
Working capital changes:		
Consumable stores	(2,888)	(6,248)
Derivatives	2,910	(745)
Receivables and other current assets	10,815	7,995
Payables and other current liabilities	2,018	9,022
Cash (used in)/generated from operating activities	<u>(3,466)</u>	<u>15,102</u>
Tax paid	(199)	(223)
Net cash (used in)/generated from operating activities	<u>(3,665)</u>	<u>14,879</u>
Cash Flows From Investing Activities		
Construction cost and purchase of vessels	(79,007)	(17,470)
Purchase of new equipment and capitalisation of dry docking	(1,035)	(967)
Purchase of other fixed assets	(24)	(6)
Deposit paid for vessel	(22,839)	(15,804)
Interest received	316	382
Proceeds from disposal of property, plant and equipment	292	-
Advances to joint ventures	(881)	(16)
Net cash used in investing activities	<u>(103,178)</u>	<u>(33,881)</u>
Cash Flows From Financing Activities		
Drawdown of borrowings	22,984	-
Finance costs paid	(2,653)	(282)
Repayment of borrowings	(2,776)	(3,325)
Dividend paid to non-controlling interests	(5,071)	-
Net cash generated from/(used in) financing activities	<u>12,484</u>	<u>(3,607)</u>
Net change in cash and cash equivalents	(94,359)	(22,609)
Effects of foreign exchange rate changes	5,182	(490)
Cash and cash equivalents at the beginning of the period	<u>151,460</u>	<u>145,357</u>
Cash and cash equivalents at the end of the period	<u><u>62,283</u></u>	<u><u>122,258</u></u>
Cash and cash equivalents comprise:		
Short term deposits	-	21,374
Cash and bank balances	<u>62,283</u>	<u>100,884</u>
	<u><u>62,283</u></u>	<u><u>122,258</u></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. This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2014.

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 2014.

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2014 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 dividend was paid for during current quarter ended 31 March 2015.

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 2015						
Revenue						
Group	37,826	12,371	1,805	-	(257)	51,745
Inter-segment	-	-	(257)	-	257	-
External revenue	<u>37,826</u>	<u>12,371</u>	<u>1,548</u>	<u>-</u>	<u>-</u>	<u>51,745</u>
TCE earnings	<u>19,994</u>	<u>11,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,686</u>
Segment results	(13,840)	4,853	459	(1,116)	-	(9,644)
Depreciation and amortisation	(7,091)	(2,775)	(101)	(125)	-	(10,092)
Interest income	234	-	5	77	-	316
Finance costs	(1,390)	(119)	-	(1,318)	-	(2,827)
Share of results of an associate	-	-	-	16	-	16
Share of results of joint ventures	(888)	-	-	-	-	(888)
(Loss)/profit before tax	<u>(22,975)</u>	<u>1,959</u>	<u>363</u>	<u>(2,466)</u>	<u>-</u>	<u>(23,119)</u>
3 months ended 31 March 2014						
Revenue						
Group	58,649	11,147	2,083	-	(163)	71,716
Inter-segment	-	-	(163)	-	163	-
External revenue	<u>58,649</u>	<u>11,147</u>	<u>1,920</u>	<u>-</u>	<u>-</u>	<u>71,716</u>
TCE earnings	<u>39,278</u>	<u>10,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,293</u>
Segment results	3,049	2,012	868	(2,309)	-	3,620
Depreciation and amortisation	(4,583)	(2,451)	(94)	(121)	-	(7,249)
Interest income	205	-	4	173	-	382
Finance costs	(153)	(129)	-	-	-	(282)
Share of results of an associate	-	-	-	25,548	-	25,548
Share of results of joint ventures	1,216	-	-	-	-	1,216
(Loss)/profit before tax	<u>(266)</u>	<u>(568)</u>	<u>778</u>	<u>23,291</u>	<u>-</u>	<u>23,235</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 EVENTS

There were no material events subsequent to the current quarter ended 31 March 2015 up to the date of this report.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter under review.

A12. CONTINGENT LIABILITIES

There were no contingent liabilities since the last annual balance sheet date to the date of this report.

B1. REVIEW OF PERFORMANCE

MBC Group results declined RM46.354 million year on year, turning a pre-tax profit of RM23.235 million in first quarter last year, into a pre-tax loss of RM23.119 million in first quarter this year. Main contributors to the drop were the extremely depressed dry bulk rates and lower contribution from PACC Offshore Services Holdings Ltd (POSH).

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

	Average TCE/day		Hire days	
	Jan-Mar2015	Jan-Mar2014	Jan-Mar2015	Jan-Mar2014
	USD	USD	Days	Days
Dry bulk	6,085	10,621	1,182	1,122
Tanker	13,407	13,159	270	251
Total fleet	7,444	11,085	1,452	1,373

The performance of the respective segments in first quarter 2015 as compared to the same period last year is as follows:-

(1) Dry bulk segment

Dry bulk freight rates plunged at the beginning of the year with the BDI registering an all time low of 509 on 18 February 2015. Our dry bulk segment results declined by RM22.709 million year on year as rates dropped 43% (or USD4,536/day) to an average of USD6,085/day.

(2) Tanker segment

Tanker segment turned in a profit of RM1.959 million in first quarter 2015, from a loss of RM0.568 million in the corresponding period last year. The improved results were mainly due to the absence of docking costs incurred last year.

(3) Ship brokerage and management

Profit from this segment declined by RM0.415 million mainly due to lower brokerage fees earned.

(4) Investment holding and others

POSH reported a post-tax profit of USD0.021 million in first quarter 2015, representing a 99.9% decline compared to the USD36.677 million registered in the same period last year. The decline was mainly due to the soft demand in offshore marine support services sector and the absence of a USD25.9 million one-off gain from sale of five vessels recorded in the same period last year. Consequently, our share of POSH results declined RM25.532 million to RM0.016 million.

The Group registered an attributable loss of RM22.749 million, against a profit of RM23.024 million in the first quarter last year.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		
	Jan-Mar 15 RM '000	Oct-Dec 14 RM '000	Variance RM '000
Revenue	51,745	59,567	(7,822)
Voyage expenses	(18,511)	(18,823)	312
	33,234	40,744	(7,510)
Operating expenses	(57,091)	(52,651)	(4,440)
	(23,857)	(11,907)	(11,950)
Other operating income/(loss), net	7,427	5,277	2,150
Administrative expenses	(2,990)	(2,587)	(403)
Profit from operations	(19,420)	(9,217)	(10,203)
Finance costs	(2,827)	(2,614)	(213)
Share of results of an associate	16	(6,809)	6,825
Share of results of joint ventures	(888)	(3,065)	2,177
Profit before taxation	(23,119)	(21,705)	(1,414)
Income tax expense	(309)	(158)	(151)
Profit for the period	<u>(23,428)</u>	<u>(21,863)</u>	<u>(1,565)</u>
<u>Attributable to:</u>			
Equity holders of the parent	(22,749)	(21,782)	(967)
Non-controlling interests	(679)	(81)	(598)
	<u>(23,428)</u>	<u>(21,863)</u>	<u>(1,565)</u>

The Group reported an operating loss of RM23.857 million in first quarter 2015, against an operating loss of RM11.907 million in the fourth quarter last year as dry bulk rates continued to fall to new lows, averaging USD6,085/day.

Net other operating income of RM7.427 million consists mainly of a reversal of a liability and overprovision for onerous contracts. Administrative expenses increased by RM0.403 million due to professional fees for a legal case. Finance costs increased by RM0.213 million due to higher borrowings.

Contribution from POSH was RM0.016 million, compared to a loss of RM6.809 million in the fourth quarter last year.

The Group's attributable loss increased to RM22.749 million in first quarter 2015, against a loss of RM21.782 million in the preceding quarter.

B3. PROSPECTS

In April 2015 World Economic Outlook (WEO) update, IMF projected global growth to be 3.5% and 3.8% in 2015 and 2016 respectively, in line with its earlier forecasts in January 2015. Relative to 2014, the outlook for advanced economies is improving, while growth in emerging market is projected to be lower.

Dry bulk demand is expected to be adversely affected in 2015 by the weaker Chinese iron ore and coal imports. Dry bulk supply is expected to outpace demand. Consequently, the bulk market will continue to be difficult.

POSH's performance continues to be negatively affected by the low oil prices. However, the long term contracts it secured for its offshore accommodation vessels will contribute significantly to its performance for the remainder of the year.

The Board maintains its view that 2015 will be a testing year for the Group.

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	298	298
-prior year	11	11
	<u>309</u>	<u>309</u>

The shipping income of the Group that is derived from the operations of 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. The taxation charge for the Group is attributable to tax in respect of non-tax exempt activities of the Group.

B6. RETAINED PROFITS

	Group	
	As at 31-Mar-15 RM'000	As at 31-Mar-14 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,105,440	1,193,407
- Unrealised	1,180	1,273
Less: Effects of adoption of MFRS 1*	<u>(103,414)</u>	<u>(103,414)</u>
	1,003,206	1,091,266
Total share of retained profits from an associate:		
- Realised	198,354	187,597
- Unrealised	328	(110)
Less: Effects of adoption of MFRS 1*	<u>(115,434)</u>	<u>(115,434)</u>
	83,248	72,053
Total share of retained profits from joint ventures		
- Realised	91,675	93,438
- Unrealised	(12)	(12)
Less: Effects of adoption of MFRS 1*	<u>(11,469)</u>	<u>(11,469)</u>
	80,194	81,957
Add: Consolidation adjustments	191,254	170,114
Total Group retained profits as per consolidated accounts	<u>1,357,902</u>	<u>1,415,390</u>

* At the date of transition to MFRS, the Group's cumulative currency translation differences were adjusted to retained earnings.

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

B7. NOTES TO CONDENSED CONSOLIDATED INCOME STATEMENT

	Current quarter RM'000	Current financial year-to-date RM'000
Interest income	316	316
Finance costs	(2,827)	(2,827)
Depreciation and amortisation	(10,092)	(10,092)
Unrealised exchange gain/(loss)	<u>36</u>	<u>36</u>

B8. STATUS OF CORPORATE PROPOSALS

There were no other outstanding corporate proposals submitted by the Group as at 31 March 2015

B9. BORROWINGS

The Group borrowings as at 31 March 2015 are as follows:

Currency	Current RM '000	Non-current RM '000
USD	94,756	347,330

B10. MATERIAL LITIGATION

The Group does not have any material litigation which would materially and adversely affect the financial position of the Group.

B11. DIVIDENDS

The Directors do not recommend any dividend for the current quarter ended 31 March 2015.

B12. EARNINGS PER SHARE

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

	CURRENT YEAR QUARTER 31-Mar-15	PRECEDING YEAR QUARTER 31-Mar-14	CURRENT YEAR TO DATE 31-Mar-15	PRECEDING YEAR TO DATE 31-Mar-14
(Loss)/profit attributable to equity holders of the parent (RM'000)	(22,749)	23,024	(22,749)	23,024
Number of ordinary shares in issue('000)	1,000,000	1,000,000	1,000,000	1,000,000
(Loss)/earnings per share attributable to equity holders of the parent (sen)	<u>(2.27)</u>	<u>2.30</u>	<u>(2.27)</u>	<u>2.30</u>

B13. COMMITMENTS

Commitments as at 31 March 2015 are as follows:

(i) Capital commitments	RM'000 286,723
(ii) Non-cancellable charter-in commitments	
Due within 1 year	97,398
Due later than 1 year and not later than 5 years	381,309
Due later than 5 years	137,041
	<u>902,471</u>

Share of joint ventures' commitments:-

(i) Capital commitment	40,592
(ii) Non-cancellable charter-in commitment	3,110
	<u>43,702</u>
	<u>946,173</u>