

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 March 2016

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2016

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-16 RM '000	PRECEDING YEAR QUARTER 31-Mar-15 RM '000	CURRENT YEAR TO DATE 31-Mar-16 RM '000	PRECEDING YEAR TO DATE 31-Mar-15 RM '000
Revenue	53,500	51,745	53,500	51,745
Voyage expenses	(16,658)	(18,511)	(16,658)	(18,511)
	36,842	33,234	36,842	33,234
Operating expenses	(61,683)	(57,091)	(61,683)	(57,091)
	(24,841)	(23,857)	(24,841)	(23,857)
Net change in onerous contract provision	0	1,309	0	1,309
	(24,841)	(22,548)	(24,841)	(22,548)
Other operating income/(loss), net	762	6,118	762	6,118
Administrative expenses	(1,987)	(2,990)	(1,987)	(2,990)
	(26,066)	(19,420)	(26,066)	(19,420)
Finance costs	(4,102)	(2,827)	(4,102)	(2,827)
Share of results of an associate	4,033	16	4,033	16
Share of results of joint ventures	1,431	(888)	1,431	(888)
(Loss)/profit before taxation	(24,704)	(23,119)	(24,704)	(23,119)
Income tax expense	(250)	(309)	(250)	(309)
(Loss)/profit for the period	<u>(24,954)</u>	<u>(23,428)</u>	<u>(24,954)</u>	<u>(23,428)</u>
Attributable to:				
Equity holders of the parent	(24,082)	(22,749)	(24,082)	(22,749)
Non-controlling interests	<u>(872)</u>	<u>(679)</u>	<u>(872)</u>	<u>(679)</u>
	<u>(24,954)</u>	<u>(23,428)</u>	<u>(24,954)</u>	<u>(23,428)</u>
(Loss)/earnings per share (sen)				
- Basic	(2.41)	(2.27)	(2.41)	(2.27)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 March 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2016**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-16 RM '000	PRECEDING YEAR QUARTER 31-Mar-15 RM '000	CURRENT YEAR TO DATE 31-Mar-16 RM '000	PRECEDING YEAR TO DATE 31-Mar-15 RM '000
(Loss)/profit for the period	(24,954)	(23,428)	(24,954)	(23,428)
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	(74,013)	93,286	(74,013)	93,286
Net change in cash flow hedges:				
-Net unrealised profit/(loss)	32,844	(20,887)	32,844	(20,887)
-Net realised (profit)/loss reclassified to the income statement	(18,217)	15,926	(18,217)	15,926
Total comprehensive income/(loss) for the period	<u>(84,340)</u>	<u>64,897</u>	<u>(84,340)</u>	<u>64,897</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	(79,912)	67,863	(79,912)	67,863
Non-controlling interests	<u>(4,428)</u>	<u>(2,966)</u>	<u>(4,428)</u>	<u>(2,966)</u>
	<u>(84,340)</u>	<u>64,897</u>	<u>(84,340)</u>	<u>64,897</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Mar-16 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-15 RM '000
ASSETS		
Non-current assets		
Intangible assets	466	699
Property, plant and equipment	654,642	648,422
Associate	943,341	1,003,777
Joint ventures	154,325	159,907
	<u>1,752,774</u>	<u>1,812,805</u>
Current Assets		
Consumable stores	9,320	8,229
Receivables and other current assets	78,029	86,248
Cash and bank balances	70,584	140,496
	<u>157,933</u>	<u>234,973</u>
Non-current assets classified as held for sale	47,604	49,931
	<u>205,537</u>	<u>284,904</u>
TOTAL ASSETS	<u>1,958,311</u>	<u>2,097,709</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	250,000	250,000
Reserves	849,732	929,644
	<u>1,099,732</u>	<u>1,179,644</u>
Non-controlling interests	29,968	51,381
Total equity	<u>1,129,700</u>	<u>1,231,025</u>
Non-current liabilities		
Borrowings	373,198	383,055
Derivative financial liabilities	77,348	110,192
Deferred tax liabilities	73	73
Provision for onerous contracts	16,406	34,569
	<u>467,025</u>	<u>527,889</u>
Current liabilities		
Payables and other current liabilities	34,878	37,643
Borrowings	236,797	224,585
Provision for taxation	252	319
Provision for onerous contracts	89,659	76,248
	<u>361,586</u>	<u>338,795</u>
Total liabilities	<u>828,611</u>	<u>866,684</u>
TOTAL EQUITY AND LIABILITIES	<u>1,958,311</u>	<u>2,097,709</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2016

	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 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
3 MONTHS ENDED 31 MARCH 2016										
At 1 January 2016	250,000	48,791	7,077	40,000	(4,776)	645,054	193,498	1,179,644	51,381	1,231,025
Total comprehensive income/(loss) for the period	-	-	-	-	14,627	(70,457)	(24,082)	(79,912)	(4,428)	(84,340)
Capital repayment to non-controlling interests	-	-	-	-	-	-	-	-	(16,985)	(16,985)
At 31 March 2016	250,000	48,791	7,077	40,000	9,851	574,597	169,416	1,099,732	29,968	1,129,700

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2016

	CUMULATIVE	
	CURRENT	PRECEDING
	YEAR	YEAR
	31-Mar-16	31-Mar-15
	RM '000	RM '000
Cash Flow From Operating Activities		
(Loss)/profit before taxation	(24,704)	(23,119)
Adjustments for:		
Depreciation and amortisation	7,907	10,092
Gain on disposal of property, plant and equipment	-	(292)
Unrealised foreign exchange loss/(gain)	(67)	(36)
Reversal of a liability	-	(5,040)
Net change in onerous contract provision	-	(1,309)
Interest income	(392)	(316)
Finance costs	4,102	2,827
Share of results of an associate	(4,033)	(16)
Share of results of joint ventures	(1,431)	888
Operating loss before working capital changes	<u>(18,618)</u>	<u>(16,321)</u>
Working capital changes:		
Consumable stores	(1,653)	(2,888)
Derivatives	-	2,910
Receivables and other current assets	8,241	10,815
Payables and other current liabilities	(1,925)	2,018
Cash used in operating activities	<u>(13,955)</u>	<u>(3,466)</u>
Tax paid	(317)	(199)
Net cash used in operating activities	<u>(14,272)</u>	<u>(3,665)</u>
Cash Flows From Investing Activities		
Construction cost and purchase of vessels	(41,870)	(79,007)
Purchase of new equipment and capitalisation of dry docking	(100)	(1,035)
Purchase of other assets	(106)	(24)
Deposit paid for vessels	(2,856)	(22,839)
Interest received	392	316
Proceeds from disposal of property, plant and equipment	-	292
Advances to joint ventures	-	(881)
Net cash used in investing activities	<u>(44,540)</u>	<u>(103,178)</u>
Cash Flows From Financing Activities		
Drawdown of borrowings	23,278	22,984
Finance costs paid	(3,951)	(2,653)
Repayment of borrowings	(7,019)	(2,776)
Capital repayment to non-controlling interests	(16,985)	-
Dividend paid to non-controlling interests	-	(5,071)
Net cash generated from/(used in) financing activities	<u>(4,677)</u>	<u>12,484</u>
Net change in cash and cash equivalents	(63,489)	(94,359)
Effects of foreign exchange rate changes	(6,423)	5,182
Cash and cash equivalents at the beginning of the period	140,496	151,460
Cash and cash equivalents at the end of the period	<u>70,584</u>	<u>62,283</u>
Cash and cash equivalents comprise:		
Cash and bank balances	<u>70,584</u>	<u>62,283</u>
	<u>70,584</u>	<u>62,283</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 2015.

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 2015.

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2015 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 2016.

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 2016						
Revenue						
Group	32,818	18,908	2,219	-	(445)	53,500
Inter-segment	-	-	(445)	-	445	-
External revenue	<u>32,818</u>	<u>18,908</u>	<u>1,774</u>	<u>-</u>	<u>-</u>	<u>53,500</u>
TCE earnings	<u>17,347</u>	<u>17,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,068</u>
Segment results	(28,729)	9,956	540	(318)	-	(18,551)
Depreciation and amortisation	(4,899)	(2,712)	(127)	(169)	-	(7,907)
Interest income	211	-	6	175	-	392
Finance costs	(2,190)	(160)	-	(1,752)	-	(4,102)
Share of results of an associate	-	-	-	4,033	-	4,033
Share of results of joint ventures	1,431	-	-	-	-	1,431
(Loss)/profit before tax	<u>(34,176)</u>	<u>7,084</u>	<u>419</u>	<u>1,969</u>	<u>-</u>	<u>(24,704)</u>
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	(15,149)	4,853	459	(1,116)	-	(10,953)
Depreciation and amortisation	(7,091)	(2,775)	(101)	(125)	-	(10,092)
Provision for onerous contracts	1,309	-	-	-	-	1,309
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>

A9. VALUATION OF SHIPS, PROPERTY AND EQUIPMENT

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

A10. SUBSEQUENT MATERIAL EVENTS

On 19 April 2016, the Group signed a Memorandum of Agreement to dispose of a post panamax (M.V Alam Pesona) to a third party for a consideration of USD6.9 million.

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 reported a loss of RM24.704 million in first quarter 2016, compared with RM23.119 million loss in the same period last year.

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

	Average TCE/day		Hire days	
	Jan-Mar 2016	Jan-Mar 2015	Jan-Mar 2016	Jan-Mar 2015
	USD	USD	Days	Days
Dry bulk	4,129	6,899	1,738	1,639
Tanker	15,119	13,407	273	270
Total fleet	5,620	7,818	2,011	1,909

The performance of the respective segments in first quarter 2016 as compared to the same period last year is as follows:-

(1) Dry bulk segment

Dry bulk segment reported an increased loss of RM34.176 million in first quarter 2016, compared to RM22.975 million in the same period last year due to a 40% decline in charter rates earned.

(2) Tanker segment

Tanker segment profit increased by RM5.125 million to RM7.084 million in first quarter 2016, from RM1.959 million in first quarter last year due to a 13% increase in charter rates earned.

(3) Ship brokerage and management

Profit from this segment improved marginally due to higher fees earned.

(4) Investment holding and others

POSH reported a profit of USD4.5 million in first quarter 2016, against USD21,000 in first quarter 2015 mostly due to higher contribution from its offshore accommodation segment.

Our share of POSH results was a profit of RM4.033 million in first quarter 2016, against a profit of RM16,000 in the same period last year.

All in, the attributable loss was RM24.082 million in first quarter 2016, compared with RM22.749 million loss in the same period last year.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		
	Jan-Mar 16 RM '000	Oct-Dec 15 RM '000	Variance RM '000
Revenue	53,500	64,746	(11,246)
Voyage expenses	(16,658)	(23,339)	6,681
Operating expenses	36,842	41,407	(4,565)
	(61,683)	(79,434)	17,751
Operating loss	(24,841)	(38,027)	13,186
Net change in onerous contract provision	0	(108,018)	108,018
Impairment loss on vessels	0	(295,172)	295,172
	(24,841)	(441,217)	416,376
Other operating income/(loss), net	762	503	259
Administrative expenses	(1,987)	75	(2,062)
	(26,066)	(440,639)	414,573
Finance costs	(4,102)	(3,657)	(445)
Share of results of an associate	4,033	(120,756)	124,789
Impairment loss on associate	0	(495,774)	495,774
Share of results of joint ventures	1,431	(76,671)	78,102
(Loss)/profit before taxation	(24,704)	(1,137,497)	1,112,793
Income tax expense	(250)	(272)	22
(Loss)/profit for the period	(24,954)	(1,137,769)	1,112,815
Attributable to:			
Equity holders of the parent	(24,082)	(1,119,085)	1,095,003
Non-controlling interests	(872)	(18,684)	17,812
	(24,954)	(1,137,769)	1,112,815

Operating loss (before onerous contract and impairments) decreased by RM13.186 million to RM24.841 million in first quarter 2016, from RM38.027 million in preceding quarter mostly due to lower docking cost (RM9.744 million).

Administrative expenses were RM2.062 million higher as preceding quarter includes an over provision adjustment.

POSH recorded a profit of USD4.5 million in first quarter 2016 against a loss of USD149.7 million (excluding impairments, net loss was USD1.2 million) in the fourth quarter last year. On a like basis, net profit of USD4.5 million in first quarter 2016, compared favourably against the loss of USD1.2 million in fourth quarter 2015.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS (CONT'D)

Our share of POSH results was a profit of RM4.033 million in first quarter 2016, compared to a loss of RM120.756 million in fourth quarter 2015.

The Group's attributable loss was RM24.082 million in first quarter 2016, compared to RM1.12 billion in the preceding quarter.

B3. PROSPECTS

After sliding to a new record low of 290 points on 10 February 2016, the Baltic Dry Index began to improve and as at the date of this report had recovered to 624 points. The spot charter rates for Panamax, Supramax and Handysize are still below operating cost, at USD4,885/day, USD5,911/day and USD4,887/day respectively (Source: Baltic Exchange on 23 May 2016).

Dry bulk trade is currently projected to remain flat for the rest of 2016 mainly due to the persistent over supply in tonnage. The net dry bulk fleet growth is expected to slow to 1.4% in 2016 (from 2.4% in 2015). MBC currently have two Medium Range tankers in its fleet. The tanker market has probably peaked and the Group would be exploring opportunities to dispose the remaining vessels.

2016 will remain a difficult year for dry bulk shipping.

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	241	241
-prior year	9	9
	<u>250</u>	<u>250</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-16 RM'000	As at 31-Mar-15 RM'000
Total (accumulated losses)/retained profits of the Company and its subsidiaries:		
- Realised	(374,364)	1,105,440
- Unrealised	(106,070)	1,180
Less: Effects of adoption of MFRS 1*	(103,414)	(103,414)
	<u>(583,848)</u>	<u>1,003,206</u>
Total share of (accumulated losses)/retained profits from an associate:		
- Realised	81,531	198,354
- Unrealised	(627)	328
Less: Effects of adoption of MFRS 1*	(115,434)	(115,434)
	<u>(34,530)</u>	<u>83,248</u>
Total share of (accumulated losses)/retained profits from joint ventures		
- Realised	(12,494)	91,675
- Unrealised	(17)	(12)
Less: Effects of adoption of MFRS 1*	(11,469)	(11,469)
	<u>(23,980)</u>	<u>80,194</u>
Add: Consolidation adjustments	811,774	191,254
Total Group retained profits as per consolidated accounts	<u>169,416</u>	<u>1,357,902</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	392	392
Finance costs	(4,102)	(4,102)
Depreciation and amortisation	(7,907)	(7,907)
Unrealised exchange loss	67	67

B8. STATUS OF CORPORATE PROPOSALS

There were no other outstanding corporate proposals submitted by the Group as at 31 March 2016.

B9. BORROWINGS

The Group borrowings as at 31 March 2016 are as follows:

Currency	Current RM '000	Non-current RM '000
USD	236,797	76,532
RM	-	296,666
	<u>236,797</u>	<u>373,198</u>

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 2016.

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-16	PRECEDING YEAR QUARTER 31-Mar-15	CURRENT YEAR TO DATE 31-Mar-16	PRECEDING YEAR TO DATE 31-Mar-15
(Loss)/profit attributable to equity holders of the parent (RM'000)	(24,082)	(22,749)	(24,082)	(22,749)
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>(2.41)</u>	<u>(2.27)</u>	<u>(2.41)</u>	<u>(2.27)</u>

B13. COMMITMENTS

Commitments as at 31 March 2016 are as follows:

(i) Capital commitments	<u>RM'000</u> 349,766
(ii) Vessel operating lease commitments - as lessee	
Due within 1 year	107,344
Due later than 1 year and not later than 5 years	403,573
Due later than 5 years	71,905
	<u>582,822</u>
(iii) Vessel operating lease commitments - as lessor	
Due within 1 year	
- Group	25,843
- Share of joint ventures' commitments	5,219
	<u>31,062</u>