

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 June 2014

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2014**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-14 RM '000	PRECEDING YEAR QUARTER 30-Jun-13 RM '000	CURRENT YEAR TO DATE 30-Jun-14 RM '000	PRECEDING YEAR TO DATE 30-Jun-13 RM '000
Revenue	61,458	65,767	133,174	126,111
Voyage expenses	<u>(16,180)</u>	<u>(24,960)</u>	<u>(36,683)</u>	<u>(51,905)</u>
Operating expenses	<u>45,278</u> <u>(50,111)</u>	<u>40,807</u> <u>(40,978)</u>	<u>96,491</u> <u>(101,104)</u>	<u>74,206</u> <u>(81,263)</u>
Other operating income/(loss), net	(4,833)	(171)	(4,613)	(7,057)
Administrative expenses	<u>18,174</u> <u>(2,870)</u>	<u>(500)</u> <u>(2,544)</u>	<u>17,348</u> <u>(5,511)</u>	<u>6,408</u> <u>(5,978)</u>
Profit from operations	10,471	(3,215)	7,224	(6,627)
Finance costs	(644)	(252)	(926)	(573)
Share of results of an associate	8,152	18,167	33,700	31,570
Share of results of joint ventures	<u>1,452</u>	<u>(1,269)</u>	<u>2,668</u>	<u>(1,635)</u>
Profit before taxation	19,431	13,431	42,666	22,735
Income tax expense	<u>(176)</u>	<u>(287)</u>	<u>(449)</u>	<u>(527)</u>
Profit for the period	<u>19,255</u>	<u>13,144</u>	<u>42,217</u>	<u>22,208</u>
Attributable to:				
Equity holders of the parent	13,880	13,100	36,904	22,109
Non-controlling interests	<u>5,375</u>	<u>44</u>	<u>5,313</u>	<u>99</u>
	<u>19,255</u>	<u>13,144</u>	<u>42,217</u>	<u>22,208</u>
Earnings per share attributable to equity holders of the parent (sen)				
- Basic	1.39	1.31	3.69	2.21

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 June 2014

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE PERIOD ENDED 30 JUNE 2014**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-14 RM '000	PRECEDING YEAR QUARTER 30-Jun-13 RM '000	CURRENT YEAR TO DATE 30-Jun-14 RM '000	PRECEDING YEAR TO DATE 30-Jun-13 RM '000
Profit for the period	19,255	13,144	42,217	22,208
Other comprehensive income/(loss):				
Currency translation differences	<u>(37,866)</u>	<u>2,150</u>	<u>(44,788)</u>	<u>31,736</u>
Total comprehensive income/(loss) for the period	<u><u>(18,611)</u></u>	<u><u>15,294</u></u>	<u><u>(2,571)</u></u>	<u><u>53,944</u></u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	(22,500)	15,241	(6,204)	52,941
Non-controlling interests	<u>3,889</u>	<u>53</u>	<u>3,633</u>	<u>1,003</u>
	<u><u>(18,611)</u></u>	<u><u>15,294</u></u>	<u><u>(2,571)</u></u>	<u><u>53,944</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014**

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Jun-14 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-13 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	1,476	1,808
Property, plant and equipment	494,374	515,018
Associate	1,224,708	999,366
Joint ventures	203,993	205,860
	<u>1,924,551</u>	<u>1,722,052</u>
<b>Current Assets</b>		
Consumable stores	10,186	9,719
Derivative financial assets	619	442
Trade and other receivables	45,084	39,649
Investments	106,216	108,623
Short term deposits	16,472	30,574
Cash and bank balances	135,006	114,783
	<u>313,583</u>	<u>303,790</u>
<b>TOTAL ASSETS</b>	<u>2,238,134</u>	<u>2,025,842</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	250,000	250,000
Reserves	1,572,537	1,608,741
	<u>1,822,537</u>	<u>1,858,741</u>
Non-controlling interests	58,580	54,947
<b>Total equity</b>	<u>1,881,117</u>	<u>1,913,688</u>
<b>Non-current liabilities</b>		
Borrowings	25,252	32,242
Deferred tax liabilities	221	221
	<u>25,473</u>	<u>32,463</u>
<b>Current liabilities</b>		
Derivative financial liabilities	134	623
Trade and other payables	35,934	34,298
Borrowings	295,317	44,612
Provision for Taxation	159	158
	<u>331,544</u>	<u>79,691</u>
<b>Total liabilities</b>	<u>357,017</u>	<u>112,154</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,238,134</u>	<u>2,025,842</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2014**

	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	Exchange translation reserve RM '000	Retained profits RM '000			Total RM '000
<b>6 MONTHS ENDED 30 JUNE 2013</b>									
<b>At 1 January 2013</b>	250,000	48,791	13,209	40,000	(13,617)	1,377,834	1,716,217	53,400	1,769,617
Total comprehensive income for the period	-	-	-	-	30,832	22,109	52,941	1,003	53,944
Dividends paid	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Dividend paid to minority shareholder of a subsidiary	-	-	-	-	-	-	-	(2,256)	(2,256)
<b>At 30 June 2013</b>	<b>250,000</b>	<b>48,791</b>	<b>13,209</b>	<b>40,000</b>	<b>17,215</b>	<b>1,369,943</b>	<b>1,739,158</b>	<b>52,147</b>	<b>1,791,305</b>
<b>6 MONTHS ENDED 30 JUNE 2014</b>									
<b>At 1 January 2014</b>	250,000	48,791	13,209	40,000	114,375	1,392,366	1,858,741	54,947	1,913,688
Total comprehensive income for the period	-	-	-	-	(43,108)	36,904	(6,204)	3,633	(2,571)
Dividends paid	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Liquidation of subsidiaries	-	-	(6,132)	-	-	6,132	-	-	-
<b>At 30 June 2014</b>	<b>250,000</b>	<b>48,791</b>	<b>7,077</b>	<b>40,000</b>	<b>71,267</b>	<b>1,405,402</b>	<b>1,822,537</b>	<b>58,580</b>	<b>1,881,117</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2014**

	CUMULATIVE	
	CURRENT YEAR 30-Jun-14 RM '000	PRECEDING YEAR 30-Jun-13 RM '000
<b>Cash Flow From Operating Activities</b>		
Profit before taxation	42,666	22,735
Adjustments for:		
Depreciation and amortisation	14,000	13,517
Gain on disposal of property, plant and equipment	(16,154)	(3,920)
Unrealised foreign exchange (gain)/loss	(181)	295
Writeback of provision for doubtful debts	(46)	-
Interest income	(722)	(1,039)
Finance costs	926	573
Realisation of reserves on liquidation of subsidiaries	(443)	-
Loss arising from liquidation of a subsidiary	22	-
Share of results of an associate	(33,700)	(31,570)
Share of results of joint ventures	(2,668)	1,635
Operating (loss)/profit before working capital changes	3,700	2,226
Working capital changes:		
Consumable stores	(682)	4,325
Derivatives	(664)	2,156
Receivables	510	(11,785)
Payables	(1,486)	3,895
Cash generated from operating activities	1,378	817
Tax paid	(478)	(501)
Net cash generated from operating activities	900	316
<b>Cash Flows From Investing Activities</b>		
Acquisition of intangible assets	(20)	-
Construction cost and purchase of new vessels	(37,173)	(19,898)
Purchase of new equipment and capitalisation of dry docking	(950)	(1,790)
Purchase of other fixed assets	(56)	(52)
Interest received	722	1,039
Proceeds from disposal of property, plant and equipment	45,827	7,781
Investment in an associate	(218,421)	-
Advances from/(to) joint ventures	(99)	87
Net cash generated from investing activities	(210,170)	(12,833)
<b>Cash Flows From Financing Activities</b>		
Drawdown of borrowings	258,379	-
Finance costs paid	(926)	(573)
Repayment of borrowings	(8,633)	(25,284)
Dividends paid to shareholders	(30,000)	(30,000)
Dividend paid to minority shareholder of a subsidiary	-	(2,256)
Net cash used in financing activities	218,820	(58,113)
<b>Net change in cash and cash equivalents</b>	9,550	(70,630)
<b>Effects of foreign exchange rate changes</b>	(3,429)	729
<b>Cash and cash equivalents at the beginning of the period</b>	145,357	190,110
<b>Cash and cash equivalents at the end of the period</b>	151,478	120,209
Cash and cash equivalents comprise:		
Short term deposits	16,472	29,085
Cash and bank balances	135,006	91,124
	151,478	120,209

**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 2013.

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 2013 with the exception for MFRS 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.

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

The financial statements for the year ended 31 December 2013 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**

A final single tier dividend of 3 sen per share, amounting to RM30 million for the financial year ended 31 December 2013 was paid on 19 June 2014.

**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
<b>6 months ended 30 June 2014</b>						
Revenue						
Group	106,459	23,068	3,938	-	(291)	133,174
Inter-segment	-	-	(291)	-	291	-
External revenue	<u>106,459</u>	<u>23,068</u>	<u>3,647</u>	<u>-</u>	<u>-</u>	<u>133,174</u>
TCE earnings	<u>71,945</u>	<u>20,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,844</u>
Segment results	5,772	1,910	1,037	(2,217)	-	6,502
Interest income	445	-	7	270	-	722
Finance costs	(288)	(250)	(5)	(383)	-	(926)
Share of results of an associate	-	-	-	33,700	-	33,700
Share of results of joint ventures	2,668	-	-	-	-	2,668
Profit before tax	<u>8,597</u>	<u>1,660</u>	<u>1,039</u>	<u>31,370</u>	<u>-</u>	<u>42,666</u>
<b>6 months ended 30 June 2013</b>						
Revenue						
Group	89,636	33,273	3,506	-	(304)	126,111
Inter-segment	-	-	(304)	-	304	-
External revenue	<u>89,636</u>	<u>33,273</u>	<u>3,202</u>	<u>-</u>	<u>-</u>	<u>126,111</u>
TCE earnings	<u>52,071</u>	<u>18,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,004</u>
Segment results	(13,636)	2,763	1,075	2,132	-	(7,666)
Interest income	435	-	10	594	-	1,039
Finance costs	(280)	(283)	(10)	-	-	(573)
Share of results of an associate	-	-	-	31,570	-	31,570
Share of results of joint ventures	(1,635)	-	-	-	-	(1,635)
Profit before tax	<u>(15,116)</u>	<u>2,480</u>	<u>1,075</u>	<u>34,296</u>	<u>-</u>	<u>22,735</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**

- (i) Three dormant wholly owned subsidiaries have been dissolved on 4 July 2014.
- (ii) The Group has incorporated a wholly-owned subsidiary, Manis Shipping Pte Ltd, on 9 July 2014.

**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**

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

The Group's profit increased by 88% to RM42.666 million in the first half of this year, from RM22.735 million reported in the same period last year mainly due to gain on disposal of a vessel and improved charter rates.

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

	Average TCE/day		Hire days	
	Jan-Jun 2014	Jan-Jun 2013	Jan-Jun 2014	Jan-Jun 2013
	USD	USD	Days	Days
Dry bulk	10,019	8,725	2,186	1,992
Tanker	13,247	12,377	510	542
<b>Total fleet</b>	<b>10,629</b>	<b>9,506</b>	<b>2,696</b>	<b>2,534</b>

The performance of the respective segments in the first half of 2014 as compared to the same period last year is as follows:-

#### (1) Dry bulk segment

Included in the dry bulk results is a one-off gain of RM16.152 million. On a like comparative basis (without the gain on disposal of vessel), the bulk segment reported a lower loss of RM7.555 million, against a loss of RM15.116 million in the same period last year. The significant improvement was largely due to higher charter rates earned, and in particular the Group's own vessels reported a profit in first half. Unfortunately, chartered-in vessels continued to report losses.

#### (2) Tanker segment

Despite the improved charter rates earned, our tanker segment's results declined by RM0.820 million due to the scheduled docking of vessels which resulted in docking cost of RM1.911 million and a loss of 30 revenue days.

#### (3) Ship brokerage and management

Profit from this segment remains flat.

#### (4) Investment holding and others

Contribution from our associate (POSH) was relatively unchanged increasing marginally due to the weakened Ringgit against US Dollar.

Overall, profit attributable to shareholders increased 67% (RM14.795 million) to RM36.904 million in first half 2014, from RM22.109 million reported in the same period last year.

## B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		
	Apr-Jun 14 RM'000	Jan-Mar 14 RM'000	Variance RM'000
Revenue	61,458	71,716	(10,258)
Voyage expenses	(16,180)	(20,503)	4,323
	45,278	51,213	(5,935)
Operating expenses	(50,111)	(50,993)	882
	(4,833)	220	(5,053)
Other operating income/(loss), net	18,174	(826)	19,000
Administrative expenses	(2,870)	(2,641)	(229)
Profit from operations	10,471	(3,247)	13,718
Finance costs	(644)	(282)	(362)
Share of results of an associate	8,152	25,548	(17,396)
Share of results of joint ventures	1,452	1,216	236
Profit before taxation	19,431	23,235	(3,804)
Income tax expense	(176)	(273)	97
Profit for the period	19,255	22,962	(3,707)
<u>Attributable to:</u>			
Equity holders of the parent	13,880	23,024	(9,144)
Non-controlling interests	5,375	(62)	5,437
	19,255	22,962	(3,707)

The Group reported an operating loss of RM4.833 million in the second quarter due to a very weak dry bulk market with charter rates at one of the lowest levels. The downtime incurred for docking and the docking costs further eroded second quarter results.

Other operating profit of RM18.174 million in second quarter mainly comprises of a one-off gain from disposal of a vessel and positive mark-to market adjustment on investments. Administrative expenses increased by 9% compared to the preceding quarter. Finance costs increased by 128% or USD0.362 million due to the interest cost on new loans for investment in an associate (POSH) and vessel installments.

Contribution from our associate (POSH) decreased by 68% to RM8.152 million in the second quarter, compared to RM25.548 million in the preceding quarter.

Profit attributable to shareholders decreased 40% to RM13.880 million for the second quarter of 2014, from RM23.024 million reported in the first quarter.



**B3. PROSPECTS**

The International Monetary Fund (IMF) in its July 2014 Update, lowered its world economic growth outlook to 3.4% due to a weak first quarter and slower than expected growth in several emerging economies. The volume of world trade is projected to increase by 4.0% in 2014, compared with 3.1% in 2013.

On the demand side, dry bulk trade is forecasted to grow at 4.2% in 2014. The ramp up of iron ore production in Australia has led to a substantial increase in seaborne iron ore trade in the year to date and the iron ore supply continues to expand. Chinese iron ore imports are expected to register fairly firm year on year growth for the remainder of the year.

Dry bulk fleet supply is projected to grow 5.1% in 2014, marginally faster than the increase in dry bulk trade. The largest deliveries is expected in the Panamax sector (7%) followed by Handymax (5.6%).

The cumulative build up of tonnage will continue to place pressure on the market in the short term and this should deter further newbuilding ordering and hopefully bring about the required demand/supply tonnage equilibrium.

The Board believes positive contribution from our associate POSH will continue to underpin the Group's profitability in 2014.

**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	176	449
	<u>176</u>	<u>449</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 30-Jun-14 RM'000	As at 31-Dec-13 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,150,101	1,182,473
- Unrealised	17,131	18,801
Less: Effects of adoption of MFRS 1*	<u>(103,414)</u>	<u>(103,414)</u>
	1,063,818	1,097,860
Total share of retained profits from an associate:		
- Realised	195,753	160,822
- Unrealised	(115)	1,117
Less: Effects of adoption of MFRS 1*	<u>(115,434)</u>	<u>(115,434)</u>
	80,204	46,505
Total share of retained profits from joint ventures		
- Realised	94,889	92,189
- Unrealised	(11)	21
Less: Effects of adoption of MFRS 1*	<u>(11,469)</u>	<u>(11,469)</u>
	83,409	80,741
Add: Consolidation adjustments	177,971	167,260
Total Group retained profits as per consolidated accounts	<u>1,405,402</u>	<u>1,392,366</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	340	722
Finance costs	(644)	(926)
Depreciation and amortisation	(6,751)	(14,000)
Fair value gain/(loss) on investments	2,053	-
Unrealised exchange gain/(loss)	(414)	181

**B8. STATUS OF CORPORATE PROPOSALS**

There were no other outstanding corporate proposals submitted by the Group as at 30 June 2014.

**B9. BORROWINGS**

The Group borrowings as at 30 June 2014 are as follows:

Currency	Current RM '000	Non-current RM '000
USD	295,317	25,252

**B10. 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.

**B11. DIVIDENDS**

The Directors do not recommend any dividend for the current financial quarter ended 30 June 2014.

**B12. 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-14	PRECEDING YEAR QUARTER 30-Jun-13	CURRENT YEAR TO DATE 30-Jun-14	PRECEDING YEAR TO DATE 30-Jun-13
Profit attributable to ordinary equity holders of the parent (RM'000)	13,880	13,100	36,904	22,109
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)	1.39	1.31	3.69	2.21

**B13. COMMITMENTS**

Commitments as at 30 June 2014 are as follows:

(i) Capital commitments	RM'000 265,259
(ii) Non-cancellable charter-in commitments	
Due within 1 year	92,704
Due later than 1 year and not later than 5 years	375,284
Due later than 5 years	209,472
	<u>942,719</u>

Share of joint ventures' commitments:-

(i) Capital commitment	38,363
(ii) Non-cancellable charter-in commitment	9,229
	<u>47,592</u>
	<u>990,311</u>