

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 June 2015

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2015

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-15 RM '000	PRECEDING YEAR QUARTER 30-Jun-14 RM '000	CURRENT YEAR TO DATE 30-Jun-15 RM '000	PRECEDING YEAR TO DATE 30-Jun-14 RM '000
Revenue	58,138	61,458	109,883	133,174
Voyage expenses	<u>(16,679)</u>	<u>(16,180)</u>	<u>(35,190)</u>	<u>(36,683)</u>
Operating expenses	<u>41,459</u> <u>(60,436)</u>	<u>45,278</u> <u>(50,111)</u>	<u>74,693</u> <u>(117,527)</u>	<u>96,491</u> <u>(101,104)</u>
Other operating income/(loss), net	(18,977)	(4,833)	(42,834)	(4,613)
Administrative expenses	<u>(1,792)</u> <u>(3,323)</u>	<u>18,174</u> <u>(2,870)</u>	<u>5,635</u> <u>(6,313)</u>	<u>17,348</u> <u>(5,511)</u>
Loss from operations	(24,092)	10,471	(43,512)	7,224
Finance costs	(2,924)	(644)	(5,751)	(926)
Share of results of an associate	4,650	8,152	4,666	33,700
Share of results of joint ventures	<u>1,063</u>	<u>1,452</u>	<u>175</u>	<u>2,668</u>
(Loss)/profit before taxation	(21,303)	19,431	(44,422)	42,666
Income tax expense	<u>(211)</u>	<u>(176)</u>	<u>(520)</u>	<u>(449)</u>
(Loss)/profit for the period	<u>(21,514)</u>	<u>19,255</u>	<u>(44,942)</u>	<u>42,217</u>
Attributable to:				
Equity holders of the parent	(21,125)	13,880	(43,874)	36,904
Non-controlling interests	<u>(389)</u>	<u>5,375</u>	<u>(1,068)</u>	<u>5,313</u>
	<u>(21,514)</u>	<u>19,255</u>	<u>(44,942)</u>	<u>42,217</u>
(Loss)/earnings per share attributable to equity holders of the parent (sen)				
- Basic	(2.11)	1.39	(4.39)	3.69

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 June 2015

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2015**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-15 RM '000	PRECEDING YEAR QUARTER 30-Jun-14 RM '000	CURRENT YEAR TO DATE 30-Jun-15 RM '000	PRECEDING YEAR TO DATE 30-Jun-14 RM '000
(Loss)/profit for the period	(21,514)	19,255	(44,942)	42,217
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	27,386	(37,866)	120,672	(44,788)
Net change in cash flow hedges:				
-Net unrealised loss	(5,502)	-	(26,389)	-
-Net realised loss reclassified to the income statement	3,926	-	19,852	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income/(loss) for the period	<u>4,296</u>	<u>(18,611)</u>	<u>69,193</u>	<u>(2,571)</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	(1,070)	(22,500)	66,793	(6,204)
Non-controlling interests	5,366	3,889	2,400	3,633
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>4,296</u>	<u>(18,611)</u>	<u>69,193</u>	<u>(2,571)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Jun-15 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-14 RM '000
ASSETS		
Non-current assets		
Intangible assets	975	1,263
Property, plant and equipment	865,483	750,672
Associate	1,404,413	1,334,026
Joint ventures	189,985	204,376
	<u>2,460,856</u>	<u>2,290,337</u>
Current Assets		
Consumable stores	11,693	7,855
Receivables and other current assets	79,040	53,049
Derivative financial assets	-	2,948
Short term deposits	3,932	1,363
Cash and bank balances	69,358	150,097
	<u>164,023</u>	<u>215,312</u>
TOTAL ASSETS	<u><u>2,624,879</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	1,759,243	1,702,450
	<u>2,009,243</u>	<u>1,952,450</u>
Non-controlling interests	60,960	63,632
Total equity	<u>2,070,203</u>	<u>2,016,082</u>
Non-current liabilities		
Borrowings	345,090	347,403
Derivative financial liabilities	57,999	31,611
Deferred tax liabilities	165	165
	<u>403,254</u>	<u>379,179</u>
Current liabilities		
Payables and other current liabilities	36,734	36,900
Borrowings	107,895	68,153
Provision for taxation	252	180
Provision for onerous contracts	6,541	5,155
	<u>151,422</u>	<u>110,388</u>
Total liabilities	<u>554,676</u>	<u>489,567</u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,624,879</u></u>	<u><u>2,505,649</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 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
6 MONTHS ENDED 30 JUNE 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	-	-	-	-	-	(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	-	-	-
At 30 June 2014	250,000	48,791	7,077	40,000	-	71,267	1,405,402	1,822,537	58,580	1,881,117
6 MONTHS ENDED 30 JUNE 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	-	-	-	-	(6,537)	117,204	(43,874)	66,793	2,400	69,193
Dividends paid	-	-	-	-	-	-	(10,000)	(10,000)	-	(10,000)
Dividend paid to minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	(5,072)	(5,072)
At 30 June 2015	250,000	48,791	7,077	40,000	(9,097)	345,695	1,326,777	2,009,243	60,960	2,070,203

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 30 JUNE 2015

	CUMULATIVE CURRENT YEAR 30-Jun-15 RM '000	PRECEDING YEAR 30-Jun-14 RM '000
Cash Flow From Operating Activities		
(Loss)/profit before taxation	(44,422)	42,666
Adjustments for:		
Depreciation and amortisation	21,013	14,000
Gain on disposal of property, plant and equipment	(292)	(16,154)
Unrealised foreign exchange loss/(gain)	193	(181)
Writeback of provision for doubtful debts	-	(46)
Reversal of a liability	(5,040)	-
Provision for onerous contracts	1,161	-
Interest income	(491)	(722)
Finance costs	5,751	926
Realisation of reserves on liquidation of subsidiaries	-	(443)
Loss arising from liquidation of a subsidiary	-	22
Share of results of an associate	(4,666)	(33,700)
Share of results of joint ventures	(175)	(2,668)
Operating (loss)/profit before working capital changes	<u>(26,968)</u>	<u>3,700</u>
Working capital changes:		
Consumable stores	(3,276)	(682)
Derivatives	2,910	(664)
Receivables and other current assets	7,116	510
Payables and other current liabilities	6,158	(1,486)
Cash (used in)/generated from operating activities	<u>(14,060)</u>	<u>1,378</u>
Tax paid	(462)	(478)
Net cash (used in)/generated from operating activities	<u>(14,522)</u>	<u>900</u>
Cash Flows From Investing Activities		
Acquisition of intangible assets	-	(20)
Construction cost and purchase of vessels	(86,985)	(37,173)
Purchase of new equipment and capitalisation of dry docking	(1,039)	(950)
Purchase of other fixed assets	(24)	(56)
Deposit paid for vessel	(33,680)	-
Dividend from an associate	15,614	-
Dividends from joint ventures	27,502	-
Interest received	491	722
Proceeds from disposal of property, plant and equipment	292	45,827
Investment in an associate	-	(218,421)
Advances to joint ventures	(881)	(99)
Net cash used in investing activities	<u>(78,710)</u>	<u>(210,170)</u>
Cash Flows From Financing Activities		
Drawdown of borrowings	34,294	258,379
Finance costs paid	(5,320)	(926)
Repayment of borrowings	(5,784)	(8,633)
Dividends paid to shareholders	(10,000)	(30,000)
Dividend paid to non-controlling interests	(5,072)	-
Net cash generated from financing activities	<u>8,118</u>	<u>218,820</u>
Net change in cash and cash equivalents	<u>(85,114)</u>	<u>9,550</u>
Effects of foreign exchange rate changes	6,944	(3,429)
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>73,290</u></u>	<u><u>151,478</u></u>
Cash and cash equivalents comprise:		
Short term deposits	3,932	16,472
Cash and bank balances	69,358	135,006
	<u><u>73,290</u></u>	<u><u>151,478</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

A final single tier dividend of 1 sen per share, amounting to RM10 million for the financial year ended 31 December 2014 was paid on 18 June 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
6 months ended 30 June 2015						
Revenue						
Group	80,322	26,325	3,836	-	(600)	109,883
Inter-segment	-	-	(600)	-	600	-
External revenue	<u>80,322</u>	<u>26,325</u>	<u>3,236</u>	<u>-</u>	<u>-</u>	<u>109,883</u>
TCE earnings	<u>46,424</u>	<u>25,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,457</u>
Segment results	(32,625)	10,958	722	(2,045)	-	(22,990)
Depreciation and amortisation	(15,007)	(5,544)	(206)	(256)	-	(21,013)
Interest income	320	-	11	160	-	491
Finance costs	(2,823)	(243)	(6)	(2,679)	-	(5,751)
Share of results of an associate	-	-	-	4,666	-	4,666
Share of results of joint ventures	175	-	-	-	-	175
(Loss)/profit before tax	<u>(49,960)</u>	<u>5,171</u>	<u>521</u>	<u>(154)</u>	<u>-</u>	<u>(44,422)</u>
6 months ended 30 June 2014						
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	14,404	6,844	1,228	(1,974)	-	20,502
Depreciation and amortisation	(8,632)	(4,934)	(191)	(243)	-	(14,000)
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
(Loss)/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>

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 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 by RM87.088 million year on year, reporting a pre-tax loss of RM44.422 million in first half of the year against a pre-tax profit of RM42.666 million in first half of 2014. The decline was mainly due to the continued depressed dry bulk rates and a substantially lower contribution from associate, 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-Jun 2015	Jan-Jun 2014	Jan-Jun 2015	Jan-Jun 2014
	USD	USD	Days	Days
Dry bulk	5,668	9,950	2,511	2,202
Tanker	13,519	13,247	542	510
Total fleet	7,062	10,570	3,053	2,712

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

(1) Dry bulk segment

Baltic Dry Index dropped by 47% to an average of 623 points in 1H2015, from 1,179 points in 1H2014. Our dry bulk segment reported a loss of RM49.960 million in 1H2015, a decline of RM58.557 million compared to a profit of RM8.597 million recorded in 1H2014. The decline was mainly due to a 43% (USD4,282/day) drop in charter rates earned and the absence of gain on disposal of vessel reported in the same period last year (RM16.152 million).

(2) Tanker segment

Tanker segment profit increased by RM3.511 million year-on-year mainly because there were no scheduled dockings this year. Rates earned remained firm, staying at last year's level.

(3) Ship brokerage and management

Profit from this segment declined by RM0.518 million year-on-year mainly due to lower brokerage fees earned.

(4) Investment holding and others

POSH's profit after tax down 87% to USD6.131 million in 1H2015, from USD48.547 million registered in 1H2014. The decline was mainly due to the absence of USD35 million gain on sale of vessels recorded in the same period last year. Our share of POSH results declined RM29.034 million to RM4.666 million in 1H2015.

The Group reported an attributable loss of RM43.874 million in first half of 2015, against a profit of RM36.904 million in the first half of last year.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		
	Apr-Jun 15 RM '000	Jan-Mar 15 RM '000	Variance RM '000
Revenue	58,138	51,745	6,393
Voyage expenses	(16,679)	(18,511)	1,832
Operating expenses	41,459	33,234	8,225
	(60,436)	(57,091)	(3,345)
Other operating income/(loss), net	(18,977)	(23,857)	4,880
Administrative expenses	(1,792)	7,427	(9,219)
	(3,323)	(2,990)	(333)
Profit from operations	(24,092)	(19,420)	(4,672)
Finance costs	(2,924)	(2,827)	(97)
Share of results of an associate	4,650	16	4,634
Share of results of joint ventures	1,063	(888)	1,951
Profit before taxation	(21,303)	(23,119)	1,816
Income tax expense	(211)	(309)	98
Profit for the period	(21,514)	(23,428)	1,914
<u>Attributable to:</u>			
Equity holders of the parent	(21,125)	(22,749)	1,624
Non-controlling interests	(389)	(679)	290
	(21,514)	(23,428)	1,914

The Group reported an operating loss of RM18.977 million in second quarter of 2015, against an operating loss of RM23.857 million in first quarter of the year. Tanker rates remained firm at above USD13,000/day, whereas our dry bulk TCE rates continued to fall, averaging USD5,298/day in second quarter of 2015.

Net other operating loss of RM1.792 million consists mainly of onerous contracts provision. Administrative expenses increased by RM0.333 million due to ex-gratia payment (RM0.550 million) to long serving directors who retired at last annual general meeting.

POSH profit increased by USD6.089 million to USD6.110 million in second quarter of 2015 (Q1 2015: USD0.021 million) mainly due to the positive contribution from its 2 newly delivered offshore accommodation vessels. Our share of POSH results was RM4.650 million in second quarter of 2015, compared to RM0.016 million in first quarter of the year.

The Group's attributable loss was RM21.125 million in second quarter of 2015, compared to RM22.749 million in the preceding quarter.

B3. PROSPECTS

Dry bulk demand continues to be adversely affected by declining Chinese iron ore and coal imports. Although dry bulk supply growth is expected to slow to 2.3% this year (from 4.4% last year) due to the surge in demolition, it continues to outpace demand growth and bulk market will remain difficult.

In contrast to dry bulk, the outlook for product tanker looks promising. Product tanker demand is supported by the low oil prices and rates have been firm so far in 2015. Clarkson estimates that product tanker demand will grow by 4.7% in full year 2015, a much faster pace than the 2.6% in 2014.

POSH's performance continues to be negatively affected by the low oil prices. However, its new offshore accommodation vessels are expected to contribute positively towards its profit in the remainder of the year.

The Board believes that the second half of the year will continue to be difficult. The Group will likely report a loss for FY2015, a first in its long record of profitable performance.

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	211	509
-prior year	-	11
	<u>211</u>	<u>520</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-15 RM'000	As at 30-Jun-14 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,113,175	1,150,101
- Unrealised	(1,517)	17,131
Less: Effects of adoption of MFRS 1*	<u>(103,414)</u>	<u>(103,414)</u>
	1,008,244	1,063,818
Total share of retained profits from an associate:		
- Realised	187,853	195,753
- Unrealised	(136)	(115)
Less: Effects of adoption of MFRS 1*	<u>(115,434)</u>	<u>(115,434)</u>
	72,283	80,204
Total share of retained profits from joint ventures		
- Realised	65,244	94,889
- Unrealised	(21)	(11)
Less: Effects of adoption of MFRS 1*	<u>(11,469)</u>	<u>(11,469)</u>
	53,754	83,409
Add: Consolidation adjustments	192,496	177,971
Total Group retained profits as per consolidated accounts	<u>1,326,777</u>	<u>1,405,402</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	175	491
Finance costs	(2,924)	(5,751)
Depreciation and amortisation	(10,921)	(21,013)
Unrealised exchange gain/(loss)	<u>(229)</u>	<u>(193)</u>

B8. STATUS OF CORPORATE PROPOSALS

There were no other outstanding corporate proposals submitted by the Group as at 30 June 2015

B9. BORROWINGS

The Group borrowings as at 30 June 2015 are as follows:

Currency	Current RM '000	Non-current RM '000
USD	107,895	345,090

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 30 June 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 30-Jun-15	PRECEDING YEAR QUARTER 30-Jun-14	CURRENT YEAR TO DATE 30-Jun-15	PRECEDING YEAR TO DATE 30-Jun-14
(Loss)/profit attributable to equity holders of the parent (RM'000)	(21,125)	13,880	(43,874)	36,904
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>(2.11)</u>	<u>1.39</u>	<u>(4.39)</u>	<u>3.69</u>

B13. COMMITMENTS

Commitments as at 30 June 2015 are as follows:

(i) Capital commitments	RM'000 359,432
(ii) Non-cancellable charter-in commitments	
Due within 1 year	96,403
Due later than 1 year and not later than 5 years	385,058
Due later than 5 years	117,502
	<u>958,395</u>
Share of joint ventures' commitments:-	
(i) Capital commitment	<u>40,763</u>
	<u>999,158</u>