

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 September 2008
The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2008

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Sep-08 RM '000	PRECEDING YEAR QUARTER 30-Sep-07 RM '000	CURRENT YEAR TO DATE 30-Sep-08 RM '000	PRECEDING YEAR TO DATE 30-Sep-07 RM '000
Revenue	216,545	163,676	583,035	417,231
Operating expenses	<u>(103,179)</u>	<u>(66,935)</u>	<u>(276,557)</u>	<u>(150,223)</u>
	113,366	96,741	306,478	267,008
Other operating income	93,130	44,761	246,425	176,518
Administrative expenses	<u>(6,973)</u>	<u>(7,411)</u>	<u>(20,821)</u>	<u>(20,389)</u>
Profit from operations	199,523	134,091	532,082	423,137
Finance cost	(6,059)	(6,379)	(19,193)	(14,519)
Share of results of associate	<u>1,196</u>	<u>3,915</u>	<u>8,441</u>	<u>11,580</u>
Profit before taxation	194,660	131,627	521,330	420,198
Income tax expense	<u>(1,363)</u>	<u>(315)</u>	<u>(4,618)</u>	<u>(2,290)</u>
Profit for the period	<u>193,297</u>	<u>131,312</u>	<u>516,712</u>	<u>417,908</u>
Attributable to:				
Equity holders of the parent	143,472	115,467	457,624	388,586
Minority interests	<u>49,825</u>	<u>15,845</u>	<u>59,088</u>	<u>29,322</u>
	<u>193,297</u>	<u>131,312</u>	<u>516,712</u>	<u>417,908</u>
Earnings per share attributable to equity holders of the parent (sen)				
- Basic	14.35	11.55	45.76	38.86

Please refer to Note B13 for number of shares

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2008

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Sep-08 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-07 RM '000
ASSETS		
Non-current assets		
Fixed assets	635,327	655,175
Leasehold property	18,539	18,508
Associate	56,092	47,605
	<u>709,958</u>	<u>721,288</u>
Current Assets		
Consumable stores	12,309	6,517
Trade receivables	46,502	42,798
Other receivables and prepayments	52,937	53,444
Investments	166,824	208,716
Short term deposits	1,399,525	988,783
Cash and bank balances	18,157	38,163
	<u>1,696,254</u>	<u>1,338,421</u>
Non-current assets classified as held for sale	-	127,999
	<u>1,696,254</u>	<u>1,466,420</u>
TOTAL ASSETS	<u><u>2,406,212</u></u>	<u><u>2,187,708</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	250,000	250,000
Reserves	1,591,554	1,445,048
	<u>1,841,554</u>	<u>1,695,048</u>
Minority interest	138,450	79,256
Total equity	<u>1,980,004</u>	<u>1,774,304</u>
Non-current liabilities		
Bank and other borrowings	353,084	342,810
Deferred taxation	1,338	1,338
	<u>354,422</u>	<u>344,148</u>
Current liabilities		
Bank and other borrowings	7,146	6,589
Other payables	60,789	60,845
Provision for Taxation	3,851	1,822
	<u>71,786</u>	<u>69,256</u>
Total liabilities	<u>426,208</u>	<u>413,404</u>
TOTAL EQUITY AND LIABILITIES	<u><u>2,406,212</u></u>	<u><u>2,187,708</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2008

	CUMULATIVE	
	CURRENT YEAR 30-Sep-08 RM '000	PRECEDING YEAR 30-Sep-07 RM '000
Cash Flow From Operating Activities		
Profit before taxation	521,330	420,198
Adjustments for:		
Depreciation and amortisation	21,854	28,038
Gain on disposal of fixed assets	(16)	-
Loss/(gain) on disposal of quoted investments	2,879	(6,109)
Gain on disposal of vessels	(302,967)	(133,470)
Provision for doubtful debts	36	124
Provision for claims	-	3,659
Unrealised exchange (gain)/loss	601	6,946
Share of results of associate	(8,441)	(11,580)
Unrealised loss on quoted investments	62,256	2,386
Dividend income	(1,167)	(1,176)
Interest income	(27,595)	(28,053)
Interest expense	19,193	14,519
Operating profit before working capital changes	287,963	295,482
Working capital changes:		
Consumable stores	(5,271)	(408)
Receivables	(10,904)	(29,119)
Payables	9,747	(24,292)
Cash generated from operating activities	281,535	241,663
(Tax paid) / tax refunded	(730)	(649)
Net cash generated from operating activities	280,805	241,014
Cash Flows From Investing Activities		
Construction cost and purchase of vessels	(16,444)	(183,589)
Purchase of new equipment and capitalisation of dry docking cost	(5,387)	(3,198)
Purchase of other fixed assets	(132)	(75)
Purchase of quoted investments	(107,128)	(226,593)
Dividend received	1,167	1,176
Interest received	27,595	28,053
Proceeds from disposal of quoted investments	90,075	264,133
Proceeds from disposal of vessels	473,448	388,173
Proceeds from disposal of other fixed assets	16	-
Net cash generated from/(used in) investing activities	463,210	268,080
Cash Flows From Financing Activities		
Interest paid	(19,193)	(14,519)
Repayment of loan from minority shareholder	-	(25,971)
Repayment of loans	-	(3,400)
Repayment of lease financing	(4,560)	(60,406)
Loan from minority shareholder of a subsidiary company	-	8,636
Dividend paid to shareholders	(380,500)	(320,000)
Dividend paid to minority shareholder of subsidiary	(5,846)	-
Net cash used in financing activities	(410,099)	(415,660)
Net Change in Cash & Cash Equivalents	333,916	93,434
Effects of Foreign Exchange Rate Changes	56,820	(11,226)
Cash & Cash Equivalents at the beginning of the period	1,026,946	692,794
Cash & Cash Equivalents at the end of the period	1,417,682	775,002
Cash & Cash equivalents comprise:		
Short term deposits	1,399,525	725,577
Cash and bank balances	18,157	49,425
	1,417,682	775,002

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2008

	← Attributable to Equity Holders of the Parent →						Minority Interest	Total Equity	
	Non-distributable					Distributable			
	Share Capital	Share premium	Capital reserve	Capital redemption reserve	Exchange translation reserve	Retained profits			Total
RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000		
9 MONTHS ENDED 30 SEPTEMBER 2007									
At 1 JANUARY 2007	200,000	98,791	34,159	40,000	(16,995)	1,198,162	1,554,117	53,034	1,607,151
Currency translation differences	-	-	-	-	(11,736)	-	(11,736)	(2,681)	(14,417)
Profit for the period	-	-	-	-	-	388,586	388,586	29,322	417,908
Dividends	-	-	-	-	-	(320,000)	(320,000)	-	(320,000)
Bonus issue	50,000	(50,000)	-	-	-	-	-	-	-
At 30 SEPTEMBER 2007	250,000	48,791	34,159	40,000	(28,731)	1,266,748	1,610,967	79,675	1,690,642
9 MONTHS ENDED 30 SEPTEMBER 2008									
At 1 JANUARY 2008	250,000	48,791	34,159	40,000	(100,656)	1,422,754	1,695,048	79,256	1,774,304
Currency translation differences	-	-	-	-	69,382	-	69,382	5,952	75,334
Profit for the period	-	-	-	-	-	457,624	457,624	59,088	516,712
Dividends	-	-	-	-	-	(380,500)	(380,500)	-	(380,500)
Dividend paid to minority shareholder of a subsidiary	-	-	-	-	-	-	-	(5,846)	(5,846)
At 30 SEPTEMBER 2008	250,000	48,791	34,159	40,000	(31,274)	1,499,878	1,841,554	138,450	1,980,004

NOTES TO THE FINANCIAL REPORT

A1. BASIS OF PREPARATION

The interim financial statements have been prepared under the historical cost convention.

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. The accounting policies and methods of computation adopted by the Group in this report are consistent with those adopted in the financial statements for the year ended 31 December 2007 with the exception for 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.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007.

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2007 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

In respect of the financial year ending 31 December 2008, an interim gross dividend of 10.00 sen per ordinary share comprising 7.50 sen less 26% income tax and 2.50 sen tax exempt was paid on 25 September 2008.

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	511,255	63,166	9,648	(1,034)	583,035
Inter-segment	2,550	-	(3,584)	1,034	-
External revenue	<u>513,805</u>	<u>63,166</u>	<u>6,064</u>	<u>-</u>	<u>583,035</u>
Segment results	526,286	68,381	(90,181) *	-	504,486
Interest income					27,596
Finance cost					(19,193)
Share of results of associate					8,441
Taxation					<u>(4,618)</u>
Profit for the period					<u>516,712</u>

*Included in "others" are unrealised loss on quoted investments of RM62.3million and foreign exchange loss of RM23.1million.

A9. VALUATION OF SHIPS, PROPERTY AND EQUIPMENT

The fixed assets are stated at cost less accumulated depreciation and impairment losses.

A10. SUBSEQUENT MATERIAL EVENTS

On 24 October 2008, the Company had entered into a conditional Subscription Agreement with PACC Offshore Services Holdings Pte Ltd ("POSH") to subscribe for 34 million new ordinary shares in POSH, representing 22.08% of the enlarged issued and paid up share capital of POSH for a consideration of USD221 million.

The Company has appointed AmInvestment Bank Berhad as its Main Adviser. As this is a related party transaction, the Company has appointed KPMG Corporate Advisory Sdn Bhd as its Independent Adviser. Please refer to our announcement dated 24 October 2008 for further details.

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 at the date of this report except for an assessment of RM58.4 million raised by the Inland Revenue Board in respect of deemed interest income, which the Company is contesting.

B1. REVIEW OF PERFORMANCE

The MBC Group's revenue for the 9 months ending September 2008 amounted to RM583.0 million, which is 40% (RM165.8 million) higher than the Group's revenue for the comparative period last year. The higher revenue for 2008 is mainly due to higher average TCE rates earned & increased hire days achieved by the dry bulk fleet.

Average TCE rate of US\$40,949/day for dry bulk fleet is US\$14,230/day higher than the average achieved for the comparative period last year of US\$26,719/day. This is in line with the trend of the BDI which started the year at 8,891, and peaked to a high of 11,793 during the second quarter. The dry bulk segment is further boosted by the increased hire days for the dry bulk sector.

In the tanker segment, average TCE and hire days for the 9 months in 2008 were lower. Average TCE rate declined from US\$21,468/day to this year's 9 months average of US\$20,612/day, a 4% drop whilst hire days reduced by 314 days due to the sale of Alam Comel, a 34,671 dwt product tanker.

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

	Ave. TCE/Day		Hire Days	
	9 months ending		9 months ending	
	Sep.08 (USD)	Sep.07 (USD)	Sep.08 (Day)	Sep.07 (Day)
Dry Bulk	40,949	26,719	3,875	3,460
Product Tankers	20,612	21,468	935	1,249
Fleet Average	36,995	25,326	4,810	4,709

Total expenses for the 9 months to September 2008 increased by RM126.3 million as compared to the corresponding period in 2007. A major reason for the increase in operating expenses is the increased charter-in activities for 2008. The 9 months in 2008 reported a total of RM185.1 million in charter hire paid compared to only RM43.5 million for the same period last year. This represents 67% of the total operating expenses. However, depreciation has been reduced by 25% as a result of the sale of vessels during the period.

The Group's investments were impacted by the financial crisis resulting in a mark to market loss of RM62.3 million. Fortunately, the Group had earlier disposed of two dry bulk carriers and a tanker during the 9 months period which contributed towards the RM302.9 million gains from the sales. This compared favorably to last year's gains on disposal of 4 vessels which registered a gain of RM133.5 million.

For the 9 months period ended September 2008, the Group returned a profit before tax of RM521.3 million. This is 24% higher than that of the comparative period last year of RM420.2 million.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Group revenue for the third quarter of RM216.5 million reported a 16% increase (RM30.5 million) compared to second quarter revenue of RM186.0 million. This is mainly from increased charter-in activities wherein total hire days on bulkers increased from 1,278 days in the 2nd quarter to 1,334 days this 3rd quarter. This increase coupled with a higher 3rd quarter average TCE rate of US\$43,386/day, compared to the 2nd quarter's average of US\$41,514/day, boosted the current's quarter revenue.

The 3rd quarter results also includes a gain on disposal of 1 vessel amounting to RM158.5 million which compares favorably with 2nd quarter's gains of RM144.4 million.

The 3rd quarter includes mark to market provisions of RM32.3 million on its investments. Notwithstanding this, the quarter under review is still very profitable, albeit at lower group profit before tax of RM194.7 million compared to the previous quarter's RM226.9 million.

B3. PROSPECTS

The business conditions for the second half of this year has seen the sharpest of declines in dry bulk freight with the Baltic Dry Index (BDI) plunging from its year high of 11,793 down to 820 points on 10 November 2008.

The outlook going forward looks bleak and the IMF in their November 6th update on the World Economic Outlook has revised their forecast for global growth down to 2.2% for 2009. The advanced economies of the US and several European economies are projected to see negative growth in 2009, although such setbacks hopefully will be mitigated by positive growth in China and other emerging economies of 5.1% collectively.

The sub-prime problem in the US has grown into a global banking and financial crisis. The mortgage defaults, de-leveraging by investment banks, hedge funds and other investors, and margin calls all have a huge impact on bank balance sheets resulting in banks curtailing credit worldwide. This resulted in reduced trade flows hence the sharp decline in freight rates. The severity of the problem has merited drastic measures by various governments to try to contain the situation in the hope that quick and decisive actions will speedily restore confidence and have trade flowing again. In these tumultuous times it is necessary to recognize that MBC has substantial cash balances and is well poised to take advantage of opportunities that may emerge.

Since September close, the world stock exchanges continue with their free fall and the US Dollar strengthened dramatically against all currencies except the Japanese Yen. If this trend is not reversed, our investments both in equities and a basket of foreign currencies will be further impacted. And with the current depressed shipping market, your Board expects that the 4th quarter results will not be good.

These are difficult times with the banking crisis resonating across all sectors of the global economy. The MBC Board will continue to make decisions that will create values for the group in the longer term. Overall the Group still fared well for the period and will close FY2008 with commendable results.

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	991	2,151
-prior year	372	2,467
	<u>1,363</u>	<u>4,618</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	27,526	107,128
Sale proceeds	26,276	90,075
Profit/(loss) on disposal of quoted securities	(2,750)	(2,879)

ii) Details of investments in quoted securities:

	As at 30-Sep-08 RM '000
Marketable securities	
At cost	168,037
At book value *	166,652
At market value	167,330

*Includes writeback of prior year gains of RM64.9 million.

B8. STATUS OF CORPORATE PROPOSALS

Other than as disclosed in note A10 above, there were no other outstanding corporate proposals submitted by the Group as at 30 September 2008.

B9. GROUP BORROWINGS

i) The Group borrowings as at 30 September 2008 are as follows:

	Currency	Current RM '000	Non-current RM '000
Secured loans	GBP	361	312,967
Unsecured loan	RM	-	544
Finance lease payables	USD	6,785	39,573
		<u>7,146</u>	<u>353,084</u>

The secured loans are denominated in Sterling Pound and these have been swapped into US Dollars.

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group did not enter into any contracts involving off balance sheet financial instruments as at the date of this report.

B11. MATERIAL LITIGATION

There is no material litigation involving the Group since the last annual balance sheet date to the date of this report.

B12. DIVIDENDS

The Directors do not recommend any dividend for the quarter under review.

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-08	PRECEDING YEAR QUARTER 30-Sep-07	CURRENT YEAR TO DATE 30-Sep-08	PRECEDING YEAR TO DATE 30-Sep-07
Profit attributable to ordinary equity holders of the parent (RM'000)	143,472	115,467	457,624	388,586
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>14.35</u>	<u>11.55</u>	<u>45.76</u>	<u>38.86</u>

B14. COMMITMENTS

Commitments as at 30 September 2008 are as follows:

	RM'000
(i) Approved and contracted for	
Capital commitments	
- USD2.999 million	10,280
- JPY560 million	17,898
(ii) Non-cancellable charter commitments	
Due within 1 year	76,230
Due later than 1 year and not later than 5 years	214,147
Due later than 5 years	599,409
	<u>917,964</u>