

QUARTERLY REPORT

This is a quarterly report on consolidated results for the year ended 31 December 2008
The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Dec-08 RM '000	PRECEDING YEAR QUARTER 31-Dec-07 RM '000	CURRENT YEAR TO DATE 31-Dec-08 RM '000	PRECEDING YEAR TO DATE 31-Dec-07 RM '000
Revenue	138,123	190,911	721,158	608,142
Operating expenses	<u>(105,832)</u>	<u>(78,458)</u>	<u>(382,389)</u>	<u>(228,681)</u>
Other operating income	32,291	112,453	338,769	379,461
Administrative expenses	<u>(26,883)</u>	<u>60,105</u>	<u>219,542</u>	<u>236,623</u>
	<u>(5,732)</u>	<u>(8,850)</u>	<u>(26,553)</u>	<u>(29,239)</u>
Profit/(loss) from operations	(324)	163,708	531,758	586,845
Finance cost	(7,989)	(7,293)	(27,182)	(21,812)
Share of results of associates	<u>12,733</u>	<u>3,682</u>	<u>21,174</u>	<u>15,262</u>
Profit before taxation	4,420	160,097	525,750	580,295
Income tax expense	<u>542</u>	<u>(239)</u>	<u>(4,076)</u>	<u>(2,529)</u>
Profit for the period	<u>4,962</u>	<u>159,858</u>	<u>521,674</u>	<u>577,766</u>
Attributable to:				
Equity holders of the parent	3,238	156,006	460,862	544,592
Minority interests	<u>1,724</u>	<u>3,852</u>	<u>60,812</u>	<u>33,174</u>
	<u>4,962</u>	<u>159,858</u>	<u>521,674</u>	<u>577,766</u>
Earnings per share attributable to equity holders of the parent (sen)				
- Basic	0.32	15.60	46.09	54.46

Please refer to Note B13 for number of shares

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Dec-08 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-07 RM '000
ASSETS		
Non-current assets		
Fixed assets	581,858	655,175
Leasehold property	18,548	18,508
Associate	858,576	47,605
	<u>1,458,982</u>	<u>721,288</u>
Current Assets		
Consumable stores	6,924	6,517
Trade receivables	25,969	42,798
Other receivables and prepayments	49,263	53,444
Investments	131,401	208,716
Short term deposits	791,696	988,783
Cash and bank balances	13,875	38,163
	<u>1,019,128</u>	<u>1,338,421</u>
Non-current assets classified as held for sale	5,595	127,999
	<u>1,024,723</u>	<u>1,466,420</u>
TOTAL ASSETS	<u>2,483,705</u>	<u>2,187,708</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	250,000	250,000
Reserves	1,633,938	1,445,048
	<u>1,883,938</u>	<u>1,695,048</u>
Minority interest	141,945	79,256
Total equity	<u>2,025,883</u>	<u>1,774,304</u>
Non-current liabilities		
Bank and other borrowings	356,635	342,810
Deferred taxation	-	1,338
	<u>356,635</u>	<u>344,148</u>
Current liabilities		
Bank and other borrowings	7,346	6,589
Other payables	90,205	60,845
Provision for Taxation	3,636	1,822
	<u>101,187</u>	<u>69,256</u>
Total liabilities	<u>457,822</u>	<u>413,404</u>
TOTAL EQUITY AND LIABILITIES	<u>2,483,705</u>	<u>2,187,708</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	CUMULATIVE	
	CURRENT YEAR 31-Dec-08 RM '000	PRECEDING YEAR 31-Dec-07 RM '000
Cash Flow From Operating Activities		
Profit before taxation	525,750	580,295
Adjustments for:		
Depreciation and amortisation	29,644	39,540
Loss/(gain) on disposal of quoted investments	13,040	(1,368)
Unrealised (gain)/loss on quoted investments	82,226	(21,406)
Gain on disposal of vessels	(327,305)	(167,389)
Gain on disposal of other fixed assets	(41)	-
Fixed assets written off	2,349	-
Provision for doubtful debts	42	-
Writeback of provision for doubtful debts	-	(435)
Unrealised exchange (gain)/loss	(8,961)	4,245
Dividend income	(1,641)	(1,487)
Interest income	(36,407)	(36,621)
Interest expense	27,182	21,812
Share of results of associates	(21,174)	(15,262)
Operating profit before working capital changes	284,704	401,924
Working capital changes:		
Consumable stores	(362)	(315)
Receivables	29,816	40,499
Payables	29,598	17,939
Cash generated from operating activities	343,756	460,047
Tax paid	(1,707)	(1,285)
Net cash generated from operating activities	342,049	458,762
Cash Flows From Investing Activities		
Construction cost and purchase of vessels	(32,747)	(194,259)
Purchase of new equipment and capitalisation of dry docking cost	(7,036)	(4,015)
Purchase of other fixed assets	(145)	(86)
Purchase of quoted investments	(117,315)	(481,180)
Dividend received	1,641	1,487
Interest received	36,407	36,621
Proceeds from disposal of quoted investments	107,613	465,695
Proceeds from disposal of vessels	559,171	529,291
Proceeds from disposal of other fixed assets	41	-
Subscription of shares in associate company	(792,167)	-
Loan repayment from associate company	3,500	3,352
Net cash generated from/(used in) investing activities	(241,037)	356,906
Cash Flows From Financing Activities		
Interest paid	(23,702)	(21,812)
Repayment of loan from minority shareholder	-	(25,972)
Repayment of loans	-	(11,645)
Repayment of lease financing	(6,287)	(61,998)
Advance to associate company	(704)	-
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)	(2,594)
Net cash used in financing activities	(417,039)	(435,385)
Net Change in Cash & Cash Equivalents	(316,027)	380,283
Effects of Foreign Exchange Rate Changes	94,652	(46,131)
Cash & Cash Equivalents at the beginning of the year	1,026,946	692,794
Cash & Cash Equivalents at the end of the year	805,571	1,026,946
Cash & Cash equivalents comprise:		
Short term deposits	791,696	988,783
Cash and bank balances	13,875	38,163
	805,571	1,026,946

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	← Attributable to Equity Holders of the Parent →						Minority Interest	Total Equity	
	Non-distributable					Distributable			Total
	Share Capital	Share premium	Capital reserve	Capital redemption reserve	Exchange translation reserve	Retained profits			
RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000		
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	-	-	-	-	(83,661)	-	(83,661)	(4,358)	(88,019)
Profit for the year	-	-	-	-	-	544,592	544,592	33,174	577,766
Dividends	-	-	-	-	-	(320,000)	(320,000)	-	(320,000)
Bonus issue	50,000	(50,000)	-	-	-	-	-	-	-
Dividend paid to minority shareholder of a subsidiary	-	-	-	-	-	-	-	(2,594)	(2,594)
At 31 DECEMBER 2007	250,000	48,791	34,159	40,000	(100,656)	1,422,754	1,695,048	79,256	1,774,304
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	-	-	-	-	108,528	-	108,528	7,723	116,251
Profit for the year	-	-	-	-	-	460,862	460,862	60,812	521,674
Dividends	-	-	-	-	-	(380,500)	(380,500)	-	(380,500)
Dividend paid to minority shareholder of a subsidiary	-	-	-	-	-	-	-	(5,846)	(5,846)
At 31 DECEMBER 2008	250,000	48,791	34,159	40,000	7,872	1,503,116	1,883,938	141,945	2,025,883

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.

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 financial year ended 31 December 2007, a final dividend of 30 sen per share, tax exempt, amounting to RM300 million was paid on 8 May 2008.

In respect of the financial year ended 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.

The Board recommends a final single tier dividend of 30 sen per share, amounting to RM300 million for the financial year ended 31 December 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	635,556	74,266	12,677	(1,341)	721,158
Inter-segment	2,875	-	(4,216)	1,341	-
External revenue	<u>638,431</u>	<u>74,266</u>	<u>8,461</u>	<u>-</u>	<u>721,158</u>
Segment results	555,951	66,713	(127,313) *	-	495,351
Interest income					36,407
Finance cost					(27,182)
Share of results of associates					21,174
Taxation					(4,076)
Profit for the year					<u>521,674</u>

*Included in "others" are unrealised loss on quoted investments of RM82.2million and foreign exchange loss of RM48.6million.

A9. VALUATION OF SHIPS, PROPERTY AND EQUIPMENT

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

A10. SUBSEQUENT MATERIAL EVENTS

In November 2008, a wholly owned subsidiary of the Company entered into an agreement to dispose of its vessel Alam Sempurna to a third party for a consideration of USD3.85 million. The sale was completed in January 2009.

Other than as disclosed above, there were no other material events subsequent to the balance sheet date.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

The Group had, on 16 December 2008, subscribed for 34 million new ordinary shares of Pacc Offshore Services Holdings Pte Ltd ("POSH"), representing about 21% of the paid up share capital of POSH as at year end, for a consideration of USD221 million.

Other than as disclosed above, there were no other 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

Group revenue of RM721.2m for the year ended 31 December 2008 is an 18.6% increase over the previous year's revenue of RM608.1m.

Although the dry bulk market collapsed in the last quarter of the year, in the run-up to the decline, the Baltic Dry Index ("BDI") registered a historical high of 11,793 (20th May 2008). This run-up in the BDI supported by higher revenue days (5,120 days) and a higher average Time Charter Equivalent ("TCE"), enabled the Group to register an overall improved year's revenue compared to FY2007.

The tanker segment reported lower revenue days due to sale of 4 vessels and whilst its performance was flat in FY2008, it did not impair the Group's performance during the year.

MBC's average TCE for the dry bulk segment is 26.10% higher against last year, whereas the tanker segment is 4.6% lower than that of the previous year.

	Dec-08 (USD)	Dec-07 (USD)	Dec-08 (Days)	Dec-07 (Days)
Dry Bulk	37,952	30,096	5,120	4,682
Product Tankers	19,206	20,141	1,168	1,698
Fleet Average	34,470	27,446	6,288	6,380

Overall operating expenses which include vessel operating expenses (RM124.1m) and charter-hire paid (RM258.2m) increased by 67.2%, year-on-year to RM382.4m. FY2008 reported increased charter-in activities which in FY2007 were only RM88.2m.

On a year-on-year comparison, vessel operating expenses decreased by 12% from RM140.5m in FY2007 to RM124.1m in FY2008. The lower operating expenses are largely due to the reduced fleet, 2 dry-bulks and a chemical tanker was sold during the year.

The operating profit for FY2008 of RM338.8m reports an 11% decrease against the previous year's RM379.5m. This was improved by other operating income of RM219.5m, comprising mainly of gains from sale of vessels (RM327.3m) and interest income (RM36.4m) and adverse mark-to-market provisions for the Group's quoted investments (RM93.6m) and foreign currency basket (RM48.6m). Administrative overheads decrease by 9.2%.

In FY2008, the MBC Group invested US\$221m (RM790.7m) to take a 21% stake in Pacc Offshore Services Holdings Pte Ltd ("POSH") which was approved at an Extraordinary General Meeting. For FY2008, MBC booked RM4.3m post-acquisition profit (which is included as part of "Share of results of associates" (RM21.2m versus FY2007's RM15.3m). The POSH Group reported a US\$83m profit for its full FY2008's performance.

Profit attributable to shareholders for the year ended 31 December 2008 decreased to RM460.9m against FY2007's RM544.6m.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Quarter on quarter, revenue for the last quarter of FY2008 decreased by 36.2%, from RM216.5m to RM138.1m. The lower revenue compared to Q3 is due mainly to the decline in dry bulk's TCE average from US\$43,386/day for Q3 to US\$28,623/day for Q4. Tanker's freight rate was not spared either and reported a 48% decline. Overall revenue days for both dry bulk and tankers reduce by about 9%.

Operating income for Q4 is RM32.3m compared to RM113.4m for Q3.

Other operating income for Q4 reported a loss of RM26.9m compared to Q3's net income of RM93.1m. This is attributable to mark-to-market provisions of RM46.7m for the Group's currency position and its' quoted equities investments. Administrative expenses remained flat quarter-on-quarter and finance expenses were higher, largely due to the stronger USD.

Profit attributable to shareholders in Q4 was RM3.2m, a 98% decline from RM143.5m achieved in Q3.

B3. PROSPECTS

The outlook for the world economy is grim and expectations are for the global economic slowdown to be protracted and severe. This is corroborated by the latest International Monetary Fund's ("IMF") forecast wherein global growth is now slashed to 0.5% for 2009. In its report the IMF expects the world economy to gradually recover only in 2010 and the growth rate to be around 3%. "A sustained economic recovery will not be possible until the financial sector's functionality is restored and credit makers are unclogged," the IMF said.

The BDI plummeted 94% from 11,793 in May 20th to 663 on December 5 last year as global trade slowed sharply. However, recent restocking orders from China have caused the Cape-size rates to firm as China resumed iron ore shipments from Australia and Brazil. Consequently the BDI has recovered substantially from its December lows. But the fundamentals in the other industries such as steel, automobiles and shipyards are still bleak and recent freight market's strength does not appear sustainable especially since substantial new-building deliveries and laid up tonnage continue to be an overhang in the market. The tanker market, though not as bad as the dry bulk is also weak and is expected to continue to be weak.

The ongoing financial crisis is restricting credit for companies and consumers, and is aggravating the current world economic condition. With the financial sector gripped by their de-leveraging and recapitalizing concerns, credit overall remains tight.

Amid all the grim background, it is encouraging to note that the governments of the major countries are taking steps to inject substantial financial stimulus into their respective economies so as to stem the economic slide. Despite the bleak economic outlook for 2009, MBC is well placed to weather the difficulties. The collapse of the dry-bulk market will provide opportunities for the Group to consider acquisitions and MBC along with its strategic partners have been active in exploring same. The shareholders have supported the Group's diversification into offshore oil and gas services which continue to outperform other shipping sectors.

The freight market faces uncertainty in FY2009. The recent recovery in the freight market does not appear sustainable and as such offer little prospect for over-aged tonnage to benefit from the next up cycle. In this respect, the Group completed the disposal of its 25 year old Alam Sempurna in January 2009 for a very modest gain of RM8.1m. Whilst the four quarters in FY2009 may present uneven results, the Board is generally satisfied that FY2009 will be profitable, albeit substantially lower compared to FY2008.

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	935	3,086
-prior year	(139)	2,328
Deferred tax	(1,338)	(1,338)
	<u>(542)</u>	<u>4,076</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	10,187	117,315
Sale proceeds	17,538	107,613
Profit/(loss) on disposal of quoted securities	(10,161)	(13,040)

ii) Details of investments in quoted securities:

	As at 31-Dec-08 RM '000
Marketable securities	
At cost	152,489
At book value	131,229
At market value	131,229

B8. STATUS OF CORPORATE PROPOSALS

There were no other outstanding corporate proposals submitted by the Group as at 31 December 2008.

B9. GROUP BORROWINGS

i) The Group borrowings as at 31 December 2008 are as follows:

	Currency	Current RM '000	Non-current RM '000
Secured loans	GBP	375	317,839
Unsecured loan	RM	-	544
Finance lease payables	USD	6,971	38,252
		<u>7,346</u>	<u>356,635</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 Board recommends a final single tier dividend of 30 sen per share, amounting to RM300 million for the financial year ended 31 December 2008.

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 31-Dec-08	PRECEDING YEAR QUARTER 31-Dec-07	CURRENT YEAR TO DATE 31-Dec-08	PRECEDING YEAR TO DATE 31-Dec-07
Profit attributable to ordinary equity holders of the parent (RM'000)	3,238	156,006	460,862	544,592
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>0.32</u>	<u>15.60</u>	<u>46.09</u>	<u>54.46</u>

B14. COMMITMENTS

Commitments as at 31 December 2008 are as follows:

	RM'000
(i) Approved and contracted for	
Capital commitments	
- JPY560 million	21,526
(ii) Non-cancellable charter commitments	
Due within 1 year	79,073
Due later than 1 year and not later than 5 years	221,285
Due later than 5 years	605,979
	<u>927,863</u>