

QUARTERLY REPORT

This is a quarterly report on consolidated results for the year ended 31 December 2010

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Dec-10 RM '000	PRECEDING YEAR QUARTER 31-Dec-09 RM '000	CURRENT YEAR TO DATE 31-Dec-10 RM '000	PRECEDING YEAR TO DATE 31-Dec-09 RM '000
Revenue	84,725	82,614	404,250	303,707
Operating expenses	<u>(48,067)</u>	<u>(43,211)</u>	<u>(209,461)</u>	<u>(203,682)</u>
	36,658	39,403	194,789	100,025
Other operating income/(loss), net	35,871	39,188	37,969	83,529
Administrative expenses	<u>(6,187)</u>	<u>(5,739)</u>	<u>(19,843)</u>	<u>(18,298)</u>
Profit from operations	66,342	72,852	212,915	165,256
Finance costs	(636)	(1,853)	(6,987)	(13,937)
Share of results of associate	490	11,472	18,172	63,945
Share of results of jointly controlled entities	<u>3,258</u>	<u>7,578</u>	<u>20,268</u>	<u>32,993</u>
Profit before taxation	69,454	90,049	244,368	248,257
Income tax expense	<u>(743)</u>	<u>(822)</u>	<u>(1,696)</u>	<u>(545)</u>
Profit for the year	<u>68,711</u>	<u>89,227</u>	<u>242,672</u>	<u>247,712</u>
Attributable to:				
Equity holders of the parent	67,702	88,447	238,368	243,799
Minority interests	<u>1,009</u>	<u>780</u>	<u>4,304</u>	<u>3,913</u>
	<u>68,711</u>	<u>89,227</u>	<u>242,672</u>	<u>247,712</u>
Earnings per share attributable to equity holders of the parent (sen)				
- Basic	6.77	8.84	23.84	24.38

Please refer to Note B13 for number of shares

QUARTERLY REPORT

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2010**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Dec-10 RM '000	PRECEDING YEAR QUARTER 31-Dec-09 RM '000	CURRENT YEAR TO DATE 31-Dec-10 RM '000	PRECEDING YEAR TO DATE 31-Dec-09 RM '000
Profit for the year	68,711	89,227	242,672	247,712
Other comprehensive income:				
Currency translation differences	<u>(35,786)</u>	<u>(34,823)</u>	<u>(196,865)</u>	<u>(38,045)</u>
Total comprehensive income for the year	<u>32,925</u>	<u>54,404</u>	<u>45,807</u>	<u>209,667</u>
Total comprehensive income attributable to:				
Equity holders of the parent	32,539	53,734	48,711	203,136
Minority interests	<u>386</u>	<u>670</u>	<u>(2,904)</u>	<u>6,531</u>
	<u>32,925</u>	<u>54,404</u>	<u>45,807</u>	<u>209,667</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Dec-10 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-09 RM '000 (restated)
ASSETS		
Non-current assets		
Fixed assets	562,391	645,975
Associate	746,052	815,654
Jointly controlled entities	136,921	139,948
	<u>1,445,364</u>	<u>1,601,577</u>
Current Assets		
Consumable stores	10,699	6,797
Trade receivables	27,213	28,861
Other receivables and prepayments	16,947	48,025
Investments	127,476	150,497
Short term deposits	297,477	406,718
Cash and bank balances	19,215	53,711
	<u>499,027</u>	<u>694,609</u>
Non-current assets classified as held for sale	52,863	-
	<u>551,890</u>	<u>694,609</u>
TOTAL ASSETS	<u><u>1,997,254</u></u>	<u><u>2,296,186</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	250,000	250,000
Reserves	1,435,785	1,537,074
	<u>1,685,785</u>	<u>1,787,074</u>
Minority interest	56,634	74,001
Total equity	<u>1,742,419</u>	<u>1,861,075</u>
Non-current liabilities		
Bank and other borrowings	107,013	344,968
	<u>107,013</u>	<u>344,968</u>
Current liabilities		
Bank and other borrowings	43,148	7,695
Other payables	104,050	81,546
Provision for Taxation	624	902
	<u>147,822</u>	<u>90,143</u>
Total liabilities	<u>254,835</u>	<u>435,111</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,997,254</u></u>	<u><u>2,296,186</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	← Attributable to Equity Holders of the Parent →						Minority Interest RM '000	Total Equity RM '000	
	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
12 MONTHS ENDED 31 DECEMBER 2009									
At 1 JANUARY 2009	250,000	48,791	34,159	40,000	7,872	1,503,116	1,883,938	141,945	2,025,883
Total comprehensive income for the year	-	-	-	-	(40,663)	243,799	203,136	6,531	209,667
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	(11,578)	(11,578)
Liquidation of subsidiaries	-	-	(20,950)	-	(24,560)	45,510	-	116	116
Dividends paid	-	-	-	-	-	(300,000)	(300,000)	-	(300,000)
Dividend paid to minority shareholder of a subsidiary	-	-	-	-	-	-	-	(63,013)	(63,013)
At 31 DECEMBER 2009	250,000	48,791	13,209	40,000	(57,351)	1,492,425	1,787,074	74,001	1,861,075
12 MONTHS ENDED 31 DECEMBER 2010									
At 1 JANUARY 2010	250,000	48,791	13,209	40,000	(57,351)	1,492,425	1,787,074	74,001	1,861,075
Total comprehensive income for the year	-	-	-	-	(189,657)	238,368	48,711	(2,904)	45,807
Dividends paid	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Dividend paid to minority shareholder of a subsidiary	-	-	-	-	-	-	-	(14,463)	(14,463)
At 31 DECEMBER 2010	250,000	48,791	13,209	40,000	(247,008)	1,580,793	1,685,785	56,634	1,742,419

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

	CURRENT YEAR 31-Dec-10 RM '000	CUMULATIVE PRECEDING YEAR 31-Dec-09 RM '000
Cash Flow From Operating Activities		
Profit before taxation	244,368	248,257
Adjustments for:		
Depreciation and amortisation	31,893	31,996
(Gain)/loss on disposal of quoted investments	3,980	(14,701)
Unrealised gain on quoted investments	(4,354)	(38,226)
Gain on disposal of vessels	(22,590)	(7,966)
Gain on disposal of other fixed assets	-	(204)
Unrealised exchange loss	189	4,868
(Writeback)/provision for doubtful debts	(132)	404
Dividend income	(465)	(838)
Interest income	(3,773)	(6,713)
Finance costs	6,987	13,937
Surplus arising from liquidation of a subsidiary	(156)	(601)
Share of results of associate	(18,172)	(63,945)
Share of results of jointly controlled entities	(20,268)	(32,993)
Operating profit before working capital changes	<u>217,507</u>	<u>133,275</u>
Working capital changes:		
Consumable stores	(3,987)	221
Receivables	7,114	(7,608)
Payables	2,668	(8,504)
Cash generated from operating activities	<u>223,302</u>	<u>117,384</u>
Tax paid	(1,542)	(3,298)
Net cash generated from operating activities	<u>221,760</u>	<u>114,086</u>
Cash Flows From Investing Activities		
Construction cost and purchase of vessels	(78,137)	(83,206)
Purchase of new equipment and capitalisation of dry docking cost	(9,221)	(1,975)
Purchase of other fixed assets	(70)	(1,043)
Purchase of quoted investments	(40,175)	(46,653)
Purchase of other investments	(126,591)	(167,882)
Dividend received	465	838
Dividend from associate company	5,518	11,604
Dividend from jointly controlled entities	30,950	-
Interest received	3,773	6,713
Proceeds from disposal of quoted investments	42,347	75,587
Proceeds from disposal of other investments	136,701	164,829
Proceeds from disposal of vessels	44,876	13,561
Proceeds from disposal of other fixed assets	-	204
Net cash outflow from deemed disposal of a subsidiary	-	(23,234)
Capital distribution from liquidation of subsidiaries	156	54
Proportionate shareholder's advance to jointly controlled entities	(26,598)	(42,377)
Investment in jointly controlled entity	(771)	-
Advance from jointly controlled entity	-	-
Repayment of shareholders' advance from a jointly controlled entity	4,040	5,795
Net cash used in investing activities	<u>(12,737)</u>	<u>(87,185)</u>
Cash Flows From Financing Activities		
Finance costs paid	(6,987)	(12,801)
Repayment of loans	(292,336)	-
Drawdown of loans	192,486	-
Repayment of lease financing	(35,568)	(7,131)
Dividends paid to shareholders	(150,000)	(300,000)
Dividend paid to minority shareholder of a subsidiary	(14,463)	(63,013)
Net cash used in financing activities	<u>(306,868)</u>	<u>(382,945)</u>
Net Change in Cash & Cash Equivalents	(97,845)	(356,044)
Effects of Foreign Exchange Rate Changes	(45,892)	10,902
Cash & Cash Equivalents at the beginning of the year	<u>460,429</u>	<u>805,571</u>
Cash & Cash Equivalents at the end of the year	<u>316,692</u>	<u>460,429</u>
Cash & Cash equivalents comprise:		
Short term deposits	297,477	406,718
Cash and bank balances	19,215	53,711
	<u>316,692</u>	<u>460,429</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 requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009.

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 2009 with the exception for the adoption of the new Financial Reporting Standards (FRSs), Amendments to FRSs and IC Interpretations which are effective for financial periods beginning on or after 1 July 2009 and 1 January 2010. The adoption of these FRSs, amendments to FRSs and IC Interpretations did not have any material impact on the financial results of the Group.

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2009 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

The final single tier dividend of 15 sen per ordinary share in respect of the financial year ended 31 December 2009, amounting to RM150,000,000 was paid on 29 April 2010.

A8. SEGMENT REPORT

Segmental analysis for the current financial year to date is as follows:

	Shipping Bulkers RM '000	Shipping Tankers RM '000	Ship brokerage & management RM '000	Investment holding & others RM '000	Elimination RM '000	Group RM '000
REVENUE AND RESULT						
Revenue						
Group	348,710	45,978	10,795	-	(1,233)	404,250
Inter-segment	537	-	(1,770)	-	1,233	-
External revenue	<u>349,247</u>	<u>45,978</u>	<u>9,025</u>	<u>-</u>	<u>-</u>	<u>404,250</u>
Segment results	194,858	4,128	4,892	5,264*	-	209,142
Interest income						3,773
Finance costs						(6,987)
Share of results of associate						18,172
Share of results of jointly controlled entities						20,268
Taxation						(1,696)
Profit for the year						<u>242,672</u>

*Included in "Investment holding & others" segment is attributable foreign exchange gain of RM7.1 million.

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

Disposal of vessel

A subsidiary, Bitara Shipping Sdn Bhd, has on 19 November 2010, entered into a Memorandum of Agreement to dispose of a tanker (MV Alam Bitara) to a third party for a cash consideration of USD19.0 million. The sale was completed on 15 February 2011.

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

In respect of the Company's tax case with the Inland Revenue Board on the tax assessment of RM58.4 million raised on deemed interest income, the Company is currently contesting this assessment and no provision has been made in the accounts.

B1. REVIEW OF PERFORMANCE

The MBC Group's revenue for the financial year ended 31 December 2010 was RM404.3 million. This represents a 33% growth over 2009's revenue of RM 303.7 million, principally due to higher time charter rates and revenue days.

The Baltic Dry Index (BDI), which tracks various drybulk rates over routes on a time charter and voyage basis, averaged 2,758 points in 2010, a 5% (or 141 points) improvement from the average of 2,617 points in 2009.

The Group's drybulk fleet outperformed the BDI, posting average TCE rates 36% higher in 2010 (2010: US\$25,993/day against 2009's US\$19,076/day. However, the tanker market remains weak and this has resulted in a 25% lower tanker TCE average of US\$11,993/day against last year's comparative average of US\$15,975/day.

The table below summarizes the fleet's average TCE for dry bulk and tankers.

	Ave TCE/day		Hire days	
	2010	2009	2010	2009
	USD	USD	Days	Days
Dry bulk	25,993	19,076	4,191	3,691
Product Tankers	11,993	15,975	1,215	991
Total Fleet	22,846	18,419	5,406	4,682

Supported by the improved dry bulk segment, the Group's operating profit (revenue less operating expenses) recorded a significant 95% increase.

Other operating income of RM38.0 million is substantially lower than that achieved last year (RM83.5 million) due to the lower gains from quoted equities (RM0.8 million for 2010 against 2009's gain of RM53.8 million), whilst administrative expenses increased by RM1.5 million due to higher cost of doing business. Finance cost on the other hand is RM6.95 million lower compared to last year, mainly attributable to a RM135.4 million repayment on the Group's borrowings, coupled with lower interest rates.

Contribution from its associate, PACC Offshore Services Holdings Pte Ltd (POSH) declined by 72% to RM18.2 million from RM63.9 million in the previous year due to reduced activities in the oil and gas sector and over supply of vessels in the service sector.

The Group's attributable profit of RM238.4 million, is marginally lower (-2%) compared to that achieved in 2009.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

On a quarterly basis, the Group's revenue declined by 22% (or RM24.3 million) q-o-q and operating profit fell 39% (or RM23.1 million). The drop is due to lower ship-chartering activities (-246 hire days) and lower average TCE rates earned (Q4: USD19,785/day against Q3: USD21,829/day).

The Group disposed of a dry bulk carrier in November 2010 registering a gain of RM22.6 million which contributed to a higher other operating income in this quarter.

Results from jointly controlled entities grew by RM2.4 million q-o-q. Contribution from POSH however declined by RM8.3 million to RM0.5 million in Q4, from RM8.8 million in the preceding quarter. The offshore services market remains weak but there are already signs of improvement.

The Group recorded a profit attributable to shareholders of RM67.7 million, a 22% decline against Q3's RM87.7 million.

B3. PROSPECTS

The IMF, in its January 2011 World Economic Outlook (WEO) update projected that the world economy will grow by 4 ½ percent in 2011, a ¼ percent up on their October 2010 WEO update. World trade volume grew by 12% in 2010 and is forecasted to grow by 7.1% in 2011 and 6.8% in 2012.

Led by China's increasing needs for iron ore, coal and grains, the Group expects to see growing global demand for major commodity classes over the next few years. Whilst it will lead to greater demand for shipping capacity, this will be balanced by the high fleet growth on the supply side.

One of the Group's jointly controlled entities is scheduled to take delivery of two new 32,500 dwt bulk carriers in May and August this year. The Group has sold the Alam Bitara, a 45,513 dwt product tanker, and this was recently delivered to buyers on 15 February 2011.

2011 will be a challenging year. Concerns over European sovereign risk, global interest rates, IMF's view of an uneven global recovery and the impending additional supply of shipping capacity pose threats that could potentially derail the fragile global economic recovery. Added to these, has been the recent unrest in the Middle East. Given these external factors, we are therefore more cautious about our expectations for our future performance but will continue to pursue opportunities as they present themselves.

Barring unforeseen circumstances, the Board remains confident that the Group will be profitable in 2011.

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	743	1,871
-prior year	-	(175)
	<u>743</u>	<u>1,696</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. RETAINED PROFITS

	As at 31-Dec-10 RM'000	As at 30-Sep-10 RM'000
Realised	1,602,059	1,534,585
Unrealised	(21,266)	(21,494)
	<u>1,580,793</u>	<u>1,513,091</u>

B7. PROFITS ON SALE OF INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments and/or properties for the current financial quarter.

B8. 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	12,560	40,175
Sale proceeds	7,910	42,347
Gain / (loss) on disposal of quoted securities	65	(3,980)

ii) Details of investments in quoted securities:

	As at 31-Dec-10 RM '000
Marketable securities	
At cost	30
At book value	26
At market value	26

B9. STATUS OF CORPORATE PROPOSALS

There were no other outstanding corporate proposals submitted by the Group as at 31 December 2010.

B10. GROUP BORROWINGS

i) The Group borrowings as at 31 December 2010 are as follows:

	Currency	Current RM '000	Non-current RM '000
Secured loans	USD	43,148	107,013

B11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments outstanding as at 31 December 2010:

	Notional Value RM '000	Fair Value RM '000
<i>Less than 1 year</i>		
Currency forward contracts	203,050	205,175

B12. 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.

B13. DIVIDENDS

The Board recommends a final single tier dividend of 10 sen per ordinary share, amounting to RM100 million for the current financial year ended 31 December 2010.

B14. 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-10	PRECEDING YEAR QUARTER 31-Dec-09	CURRENT YEAR TO DATE 31-Dec-10	PRECEDING YEAR TO DATE 31-Dec-09
Profit attributable to ordinary equity holders of the parent (RM'000)	67,702	88,447	238,368	243,799
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)	6.77	8.84	23.84	24.38

B15. COMMITMENTS

Commitments as at 31 December 2010 are as follows:

	RM'000
(i) The Group	
Non-cancellable charter-in commitments	
Due within 1 year	24,897
Due later than 1 year and not later than 5 years	245,419
Due later than 5 years	406,808
	<hr/>
	677,124
(ii) Share of jointly controlled entity's capital commitments	49,620
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	<u>726,744</u>