

11. ACCOUNTANTS' REPORT



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ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus to be dated 28 October 2003)

20 October 2003

The Board of Directors
Malaysian Bulk Carriers Berhad
Level 17 & 18, PJ Tower
No. 18, Jalan Persiaran Barat
Off Jalan Timur
46050 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

1. INTRODUCTION

This Report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus of Malaysian Bulk Carriers Berhad ("MBC" or "the Company") to be dated 28 October 2003 in connection with the following:

(i) Initial Public Offering

Proposed public issue of 100,000,000 new MBC ordinary shares of RM0.25 par value each representing 12.5% of the enlarged issued and paid-up ordinary share capital at a proposed issue price of RM1.19 per new MBC ordinary share of RM0.25 par value each.

Together with the proposed public issue, the shareholders of MBC propose to offer for sale 140,000,000 existing ordinary shares of RM0.25 par value each, in proportion to their shareholdings in MBC, at an offer price of RM1.19 each, representing 17.5% of the enlarged issued and paid-up ordinary share capital;

(ii) Listing and Quotation

The listing of and quotation for the entire enlarged issued and paid-up share capital of MBC comprising 800,000,000 ordinary shares of RM0.25 par value each and 120,000,000 Redeemable Preference Shares ("RPS") of RM0.25 par value each on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE").

2. LISTING PROPOSAL

2.1 Restructuring Scheme

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Board of the KLSE, the Company undertook the following proposals:

a) Acquisition of Pacific Ship-Managers Sdn Bhd ("PSM") and its Subsidiary Companies ("PSM Group")

Acquisition of the entire equity interest in PSM comprising 200,000 ordinary shares of RM1.00 par value each for a total purchase consideration of RM1,938,000 satisfied fully by cash.

11. ACCOUNTANTS' REPORT (Cont'd)



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2. LISTING PROPOSAL

2.1 Restructuring Scheme (Contd.)

b) Acquisition of Awanapuri Sdn Bhd ("AWNPR")

Acquisition of the entire equity interest in AWNPR comprising 143,604 ordinary shares of RM1.00 par value each for a total purchase consideration of RM2 satisfied fully by cash.

In connection with the acquisition, MBC will settle on behalf of AWNPR, a shareholder's loan of RM12,867,259;

c) Bonus Issue of Ordinary Shares

Bonus issue of 50,000,000 new ordinary shares of RM0.25 par value each to the current shareholders of MBC on the basis of 1 new ordinary share of RM0.25 par value each for 13 ordinary shares of RM0.25 par value via capitalisation of an amount of RM12,500,000 from MBC's audited share premium account;

d) Bonus Issue of Redeemable Preference Shares ("RPS")

Bonus issue of 160,000,000 RPS of RM0.25 par value each at a redemption price of RM2.50 to the current shareholders of MBC on the basis of 8 RPS of RM0.25 par value each for 35 ordinary shares of RM0.25 par value each by way of capitalisation of amounts of RM395,452,000 and RM4,548,000 from the Company's audited share premium and retained profit accounts respectively;

e) Public Issue and Offer for Sale of Ordinary Shares

i) Public issue of 100,000,000 new MBC ordinary shares of RM0.25 par value each representing 12.5% of the enlarged issued and paid-up ordinary share capital to the Malaysian public at the issue price of RM1.19 per new MBC ordinary share; and

ii) Offer for sale by MBC's shareholders of 140,000,000 existing ordinary shares of RM0.25 par value each, in proportion to their shareholdings in MBC, at an offer price of RM1.19 each, representing 17.5% of the enlarged issued and paid-up ordinary share capital.

f) Redemption of RPS

Redemption of 40,000,000 RPS of RM0.25 par value each at RM2.50 each, financed by bank borrowings.

2.2 Listing and Quotation

This will involve the listing of and quotation for the entire enlarged issued and paid-up share capital of MBC comprising 800,000,000 MBC ordinary shares of RM0.25 par value each and 120,000,000 RPS of RM0.25 par value each on the Main Board of the KLSE.

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3. GENERAL INFORMATION

3.1 Incorporation

Malaysian Bulk Carriers Berhad ("MBC") was incorporated in Malaysia on 19 November 1988 as a private company limited by shares under the name of Kelas Mayang Sdn Bhd. On 24 March 1994, the Company assumed its present name, and became a public company on 16 June 2003.

3.2 Principal Activities

The principal activity of MBC is that of an investment holding company. The principal activities of the subsidiary companies are set out in Note 3.4 to this Report.

3.3 Share Capital

MBC was incorporated with an authorised capital of RM25,000 comprising 25,000 ordinary shares of RM1.00 par value each and an issued and paid-up capital of RM2 comprising 2 ordinary shares of RM1.00 par value each.

At the date of this Report, the authorised share capital of MBC is 2,000,000,000 ordinary shares of RM0.25 par value each and 400,000,000 RPS of RM0.25 par value each. The issued and paid-up share capital is 700,000,000 ordinary shares of RM0.25 par value each.

The details of the changes in the authorised and issued and paid-up share capital of MBC from the date of incorporation to the date of this Report are as follows:

Authorised Share Capital

<u>Date of creation</u>	<u>Par value (RM)</u>	<u>Number of shares</u>	<u>Cumulative total RM</u>
<i>Ordinary shares</i>			
19 November 1988	1.00	25,000	25,000
30 May 1989	1.00	75,000	100,000
18 November 1989	1.00	900,000	1,000,000
30 April 1995	1.00	199,000,000	200,000,000
<i>Share split</i>			
9 June 2003	0.25	800,000,000	200,000,000
<i>Date of creation</i>			
9 June 2003	0.25	1,200,000,000	500,000,000
<i>Redeemable Preference Shares</i>			
9 June 2003	0.10	1,000,000,000	100,000,000
20 October 2003	0.10	(1,000,000,000)	-
20 October 2003	0.25	400,000,000	100,000,000

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3. GENERAL INFORMATION (CONTD.)

3.3 Share Capital (Contd.)

Issued and Paid-Up Share Capital

Ordinary shares

<u>Date of allotment</u>	<u>Par value (RM)</u>	<u>Number of shares</u>	<u>Consideration/ type of issue</u>	<u>Cumulative total RM</u>
19 November 1988	1.00	2	Cash/ subscribers' shares	2
30 May 1989	1.00	49,998	Cash	50,000
26 December 1989	1.00	700,000	Issued as partial satisfaction pursuant to the acquisition of subsidiary companies	750,000
30 April 1995	1.00	138,465,270	Cash	139,215,270
30 April 1995	1.00	7,443,415	Bonus issue on the basis of 1,488,683 new ordinary shares of RM1.00 par value each for every 150,000 existing ordinary shares of RM1.00 par value each	146,658,685
30 April 1995	1.00	15,841,315	Issued pursuant to the acquisition of subsidiary companies	162,500,000
9 June 2003	0.25	650,000,000	Share split	162,500,000
1 October 2003	0.25	50,000,000	Bonus issue on the basis of 1 new ordinary share of RM0.25 par value each for every 13 existing ordinary shares of RM0.25 par value each	175,000,000

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3. GENERAL INFORMATION (CONTD.)

3.4 Subsidiary Companies

Details of the subsidiary companies of MBC at the date of this Report are as follows:

Subsidiary	Principal activities	Effective equity interest	Country of incorporation	Date of incorporation	Authorised share capital RM	Issued and paid-up share capital RM
Malaysian incorporated companies						
Alam Budi Sdn Bhd	)	100%	Malaysia	05.11.1999	100,000	100,000
Alam Gula Sdn Bhd	)	100%	Malaysia	24.11.1995	100,000	2
Alam Selaras Sdn Bhd	)	100%	Malaysia	27.05.1991	100,000	100,000
Alam Senang Sdn Bhd	)	100%	Malaysia	17.12.1991	100,000	100,000
Amatklasik Sdn Bhd	)	100%	Malaysia	27.05.1991	100,000	100,000
Aturanseni Sdn Bhd	)	100%	Malaysia	06.05.1991	100,000	100,000
Bistari Shipping Sdn Bhd	)	100%	Malaysia	16.11.1999	100,000	100,000
Bitara Shipping Sdn Bhd	)	100%	Malaysia	27.10.1997	100,000	100,000
Red Sea Pacific Sdn Bhd	)	100%	Malaysia	10.07.1991	100,000	100,000
Tekunmata Sdn Bhd	)	100%	Malaysia	14.06.1991	100,000	100,000
Gaintrack Sdn Bhd	)	100%	Malaysia	27.01.1996	100,000	2
Indah Island Depot Sdn Bhd	)	90%	Malaysia	09.02.2002	100,000	100,000
Alam Tabah Sdn Bhd (*)	)	100%	Malaysia	06.08.1987	10,000,000	10,000,000
Alam Talang Sdn Bhd	)	100%	Malaysia	07.11.1991	100,000	100,000
Alam Tangkas Sdn Bhd	)	100%	Malaysia	07.09.1987	200,000	100,000
Alam Teladan Sdn Bhd (*)	)	100%	Malaysia	24.01.1989	10,000,000	10,000,000
Alam Tenggara Sdn Bhd	)	100%	Malaysia	11.12.1991	100,000	100,000
Alam Tenteram Sdn Bhd (*)	)	100%	Malaysia	25.06.1987	10,000,000	10,000,000
Belia Shipping Sdn Bhd	)	100%	Malaysia	18.03.1997	100,000	100,000
Extisa Sdn Bhd (*))	100%	Malaysia	25.08.1987	10,000,000	10,000,000
Firstclass Performance Sdn Bhd)	100%	Malaysia	28.09.1994	100,000	2

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3. GENERAL INFORMATION (CONTD.)

3.4 Subsidiary Companies (Contd.)

Subsidiary	Principal activities	Effective equity interest	Country of incorporation	Date of incorporation	Authorised share capital RM	Issued and paid-up share capital RM
Malaysian incorporated companies						
Kenagamas Sdn Bhd (*)	)	100%	Malaysia	28.09.1989	20,000,000	10,000,000
Lavenco Sdn Bhd	)	100%	Malaysia	16.01.1989	200,000	100,000
MBC Bakti Sdn Bhd	)	100%	Malaysia	17.09.1999	100,000	100,000
MBC Bayu Sdn Bhd	)	100%	Malaysia	07.07.1999	100,000	100,000
MBC Berkati Sdn Bhd	)	100%	Malaysia	10.03.1997	100,000	100,000
Polyscent Sdn Bhd	)	100%	Malaysia	30.04.1992	100,000	100,000
Wealthy Fountain Sdn Bhd	)	100%	Malaysia	02.09.1994	100,000	2
Foreign incorporated companies						
Subsidiary	Principal activities	Effective equity interest	Country of incorporation	Date of incorporation	Authorised share capital SGD	Issued and paid-up share capital SGD
Serong Shipping Pte Ltd (#)	)	100%	Singapore	18.10.1989	1,000,000	500,000
Suji Shipping Pte Ltd (#)	)	100%	Singapore	23.03.1987	1,000,000	500,000
Penyu Agar Shipping Pte Ltd (#)	)	100%	Singapore	14.03.2002	500,000	500,000
Vitraul Pte Ltd (#) (@)	)	100%	Singapore	13.05.2002	100,000	2
Aldgate Pte Ltd (#) (@)	)	100%	Singapore	09.09.2002	100,000	2
Leadworld Pte Ltd (#)	)	100%	Singapore	02.01.2003	100,000	2
Penyu Daun Shipping Pte Ltd (#))	100%	Singapore	03.04.2003	500,000	2
Penyu Pipih Shipping Pte Ltd (#))	100%	Singapore	03.04.2003	500,000	2

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3. GENERAL INFORMATION (CONTD.)

3.4 Subsidiary Companies (Contd.)

Foreign incorporated companies							
Subsidiary	Principal activities	Effective equity interest	Country of incorporation	Date of incorporation	Authorised share capital USD	Issued and paid-up share capital USD	
Ambi Shipping Pte Ltd (#)	) Ownership and operation of vessels	70%	Singapore	25.06.1999	15,000,000	15,000,000	
Lightwell Shipping Inc	) Investment holding	100%	British Virgin Islands	21.07.1998	50,000	1	
Brodsworth Enterprises Limited	) Investment holding	100%	British Virgin Islands	02.07.2002	50,000	1	
Mousaka Inc	) Dormant	100%	Saint Vincent and the Grenadines	20.03.1997	100	100	

Subsidiary companies acquired pursuant to the Restructuring Scheme referred to in Notes 2.1(a) and (b) of this Report are as follows:

Malaysian incorporated companies							
Subsidiary	Principal activities	Effective equity interest	Country of incorporation	Date of incorporation	Authorised share capital RM	Issued and paid-up share capital RM	
Pacific Ship-Managers Sdn Bhd	) To carry on business as ship brokers and manager of vessels	100%	Malaysia	30.08.1984	500,000	200,000	
PSM Perkapalan Sdn Bhd	) Manager of vessels	100%	Malaysia	06.12.1999	500,000	200,000	
Spectrapoint Sdn Bhd	) Investment holding	100%	Malaysia	24.11.1995	100,000	2	
Awanapuri Sdn Bhd	) Investment holding	100%	Malaysia	20.05.1995	100,000	2	

Subsidiary companies not audited by Ernst & Young Global

* Subsidiary companies consolidated under the merger method of accounting

@ Subsidiary companies in the process of members' voluntary liquidation

11. ACCOUNTANTS' REPORT (Cont'd)



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3. GENERAL INFORMATION (CONTD.)**3.5 DIVIDENDS**

Details of dividends declared or paid by MBC for the five financial years ended 31 December 2002 and period ended 30 June 2003, are as follows:

Financial year ended	Issued and paid-up share capital on which dividend is paid RM	Gross dividend rate	Tax rate %	Net dividend RM
31.12.98	162,500,000	12%	Tax exempt	19,500,000
31.12.99	162,500,000	7%	Tax exempt	11,375,000
31.12.00	162,500,000	25%	Tax exempt	40,625,000
31.12.01	162,500,000	20%	Tax exempt	32,500,000
31.12.02	162,500,000	22%	Tax exempt	35,750,000

No dividend was declared for the period ended 30 June 2003.

4. FINANCIAL STATEMENTS AND AUDITORS

We are the auditors of MBC and all its subsidiary companies for the periods dealt with in this Report, with the exception of the companies marked (#) in Note 3.4 to this Report. In addition the financial statements of Awanapuri Sdn Bhd for 1998 to 2002 were not audited by us as we were appointed auditors on 28 March 2003.

There was no qualification in the auditors' reports on the financial statements for the periods covered in this Report.

11. ACCOUNTANTS' REPORT (Cont'd)



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5. SUMMARISED INCOME STATEMENTS

5.1 Proforma Consolidated Income Statements

We set out below the proforma consolidated income statements of MBC and its subsidiary companies ("MBC Group"), PSM Group and Awnpr (collectively referred to as "the Group") for the past five financial years ended 31 December 2002 and period ended 30 June 2003 based on audited financial statements. The proforma consolidated income statements are provided for illustrative purposes only, based on the assumption that the Group had been in existence throughout the financial periods under review.

	Financial year / period ended					(6 months)
	31.12.1998	31.12.1999	31.12.2000	31.12.2001	31.12.2002	30.6.2003
	← (adjusted) →					
	← RM'000 →					
Revenue	166,990	158,979	204,794	252,552	197,803	96,806
Earnings before finance cost, depreciation and taxation *	104,373	81,846	165,461	151,795	135,954	86,985
Finance cost	(138)	(3,942)	(7,809)	(12,326)	(6,510)	(2,200)
Depreciation	(50,555)	(55,636)	(54,463)	(65,815)	(61,297)	(15,420)
Profit before taxation	53,680	22,268	103,189	73,654	68,147	69,365
Taxation	(3,142)	(60)	(1,417)	(1,155)	(578)	(150)
Profit after taxation	50,538	22,208	101,772	72,499	67,569	69,215
Minority interest	-	-	312	(2,121)	(1,223)	(1,081)
Net profit for the period	50,538	22,208	102,084	70,378	66,346	68,134
No. of ordinary shares of RM0.25 par value each ('000)	650,000	650,000	650,000	650,000	650,000	650,000
Earnings per share (sen)	7.78	3.42	15.71	10.83	10.21	10.48

* The earnings before finance cost, depreciation and taxation include the gain on disposal of vessels as follows:

	Financial year / period ended					(6 months)
	31.12.1998	31.12.1999	31.12.2000	31.12.2001	31.12.2002	30.6.2003
	← RM'000 →					
Gain on disposal of vessels	12,209	3,167	43,533	1,392	34,671	20,471

11. ACCOUNTANTS' REPORT *(Cont'd)*



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5. SUMMARISED INCOME STATEMENTS (CONTD.)

5.1 Proforma Consolidated Income Statements (Contd.)

The proforma consolidated income statements for the years 1998 to 2002 include the following adjustments:

(a) Revenue

Revenue is adjusted to exclude sale proceeds from the disposal of marketable securities.

(b) Profit Before Taxation

- (i) Dry docking expenses previously provided for based on an estimate of expenses to be incurred, are adjusted and now recognised on an incurred basis. Dry docking costs which enhance the useful life of the vessel are capitalised and amortised to the next dry docking while costs which represent replacement and repair expenses are written off in the income statement.
- (ii) Short term compensated absences previously accounted for when utilised, are now recognised in the year in which the related employee services are rendered.

Notes:

- (a) There were no extraordinary items in all the financial periods under review.
- (b) The earnings per share has been calculated based on the profit after taxation and minority interest divided by the number of issued and paid up capital of 650,000,000 ordinary shares of RM0.25 par value each on the assumption that these shares have been in issue since 1998.

11. ACCOUNTANTS' REPORT (Cont'd)



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5. SUMMARISED INCOME STATEMENTS (CONTD.)

5.2 MBC

The summarised income statements of MBC set out below, are based on the audited financial statements:

	Financial year / period ended					(6 months)
	31.12.1998	31.12.1999	31.12.2000	31.12.2001	31.12.2002	30.6.2003
	RM'000					
Revenue	35,150	20,475	77,400	56,423	30,900	-
Earnings/(loss) before finance cost, depreciation and taxation	42,495	10,932	63,771	51,439	26,354	(356)
Finance cost	-	-	(480)	(1,131)	(782)	-
Depreciation	-	-	-	(175)	(175)	(87)
Profit/(loss) before taxation	42,495	10,932	63,291	50,133	25,397	(443)
Taxation	(2,540)	(3)	(458)	(369)	(246)	(18)
Net profit/(loss) for the period	39,955	10,929	62,833	49,764	25,151	(461)
No. of ordinary shares of RM0.25 par value each ('000)	650,000	650,000	650,000	650,000	650,000	650,000
Earnings/(loss) per share (sen)	6.15	1.68	9.67	7.66	3.87	(0.07)

11. ACCOUNTANTS' REPORT (Cont'd)



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5. SUMMARISED INCOME STATEMENTS (CONTD.)

5.2 MBC

Notes:

- (a) There were no extraordinary items in all the financial periods under review.
- (b) The earnings/(loss) per share has been calculated based on the profit/(loss) after taxation divided by the number of issued and paid up capital of 650,000,000 ordinary shares of RM0.25 par value each on the assumption that these shares have been in issue since 1998.

(c) 1998 to 2002

Revenue for the years under review represents dividend receivable from subsidiary companies.

Profit before taxation ("PBT") decreased in 1998 by 20% mainly due to a decrease in interest income arising from lower deposits placement.

PBT decreased in 1999 by 74% mainly from the decrease in dividend and interest income for the year. Expenses also increased mainly due to a provision for diminution in value of investment of subsidiary companies of RM11 million.

The fluctuations in PBT for the years 2000 to 2002 were mainly due to the fluctuations in dividend receivable for the respective years.

(d) 2003

No revenue was recorded for the period ended 30 June 2003 as no dividends were declared by MBC's subsidiary companies. As such, the Company incurred a loss for the period.

(e) Taxation

The statutory tax rate for the financial periods under review was 28% except for 1999 as that year constituted the basis period for the Year of Assessment 2000 (preceding year basis) where tax on income other than dividend income, was waived. The effective tax rate for the years/period under review was lower than the statutory rate as dividend income was exempted from tax in the hands of the shareholders under Section 54A of the Income Tax Act 1967 as it was derived from dividend paid out of shipping income. Taxation was in respect of interest income only.

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5. SUMMARISED INCOME STATEMENTS (CONTD.)

5.3 MBC Group

The summarised income statements of MBC Group set out below, are based on the audited financial statements, and include the adjustments referred to in Section 5.1 of this Report:

	Financial year / period ended					(6 months)
	31.12.1998	31.12.1999	31.12.2000 (adjusted)	31.12.2001	31.12.2002	30.6.2003
	RM'000					
Revenue	165,138	156,418	202,201	249,864	195,773	95,968
Earnings before finance cost, depreciation and taxation *	100,763	77,303	165,291	149,326	135,962	86,540
Finance cost	(138)	(3,942)	(7,809)	(12,326)	(6,510)	(2,200)
Depreciation	(50,202)	(55,329)	(54,111)	(65,516)	(60,782)	(15,199)
Profit before taxation	50,423	18,032	103,371	71,484	68,670	69,141
Taxation	(2,237)	(60)	(955)	(550)	(324)	52
Profit after taxation	48,186	17,972	102,416	70,934	68,346	69,193
Minority interest	-	-	312	(2,121)	(1,223)	(1,081)
Net profit for the period	48,186	17,972	102,728	68,813	67,123	68,112
No. of ordinary shares of RM0.25 par value each ('000)	650,000	650,000	650,000	650,000	650,000	650,000
Earnings per share (sen)	7.41	2.76	15.80	10.59	10.33	10.48

* The earnings before finance cost, depreciation and taxation include the gain on disposal of vessels as follows:

	Financial year / period ended					(6 months)
	31.12.1998	31.12.1999	31.12.2000	31.12.2001	31.12.2002	30.6.2003
	RM'000					
Gain on disposal of vessels	12,209	3,167	43,533	1,392	34,671	20,471

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5. SUMMARISED INCOME STATEMENTS (CONTFD.)

5.3 MBC Group (Contd.)

Notes:

- (a) There were no extraordinary items in all the financial periods under review.
- (b) The earnings per share has been calculated based on the profit after taxation and minority interest divided by the number of issued and paid up capital of 650,000,000 ordinary shares of RM0.25 par value each on the assumption that these shares have been in issue since 1998.
- (c) **1998**
The revenue increased by 39% to RM165.1 million. This significant improvement was mainly due to the weakening of the RM against the USD (before the pegging of USD at RM3.80 in September 1998). This resulted in an increase in MBC Group's reported RM revenue despite the decrease in charter hire rates from a weak dry bulk market. Revenue also increased due to the addition of 2 new tankers to the fleet. The decrease in profit before taxation ("PBT") of 8% from the previous year was mainly due to a decrease in interest income and a decrease in gain on foreign exchange from the weakening of the RM against the USD.
- (d) **1999**
The decrease in revenue of 5% was due to a decrease in charter hire rates from continued weakness in the freight market and a loss in hire days from the docking of 7 vessels during the year. The decrease in PBT of 64% was due to increased vessel operating expenses mainly from depreciation and docking costs and an increase in finance cost from additional borrowings to finance the acquisition of vessels. Other operating income also decreased mainly from a lower gain on disposal of vessels and a decrease in interest income.
- (e) **2000**
The revenue increased by 29% due to improved charter hire rates, especially in the tanker shipping sector. PBT increased significantly as a result of the increase in revenue as well as the gain of RM43.5 million on disposal of 2 newly constructed vessels. Interest income also increased mainly from placement of the proceeds on disposal of the vessels in short term deposits. These were offset by an increase in finance costs from additional borrowings for the construction of new vessels, and a provision for major rectification work on 2 vessels.
- (f) **2001**
Revenue increased by 24% mainly due to the increase in charter hire rates which were positively affected by the increase in world demand and supply of liquid products, namely gas and petroleum. PBT declined by 31% due to the increase in vessel operating expenses, mainly docking costs and lower operating income from the disposal of a vessel. Finance cost also increased due to additional borrowings for the construction of new vessels. Total bank borrowings amounted to RM276.3 million at 31 December 2001 compared to RM188.3 million at 31 December 2000.
- (g) **2002**
Revenue and PBT declined by 22% and 4% respectively, mainly due to lower charter hire rates attributable to weaker markets arising from worsening economic conditions in the United States. However, the decrease in revenue was mitigated by gains of RM34.7 million on disposal of 8 vessels and a decrease in interest costs due to significant repayment of MBC Group's term loans and revolving credit facilities.
- (h) **2003**
The annualised revenue declined by only 2% despite the decrease in operational hire days by 23% arising from the disposal of vessels in 2002. This was due to improved charter hire rates especially in the dry bulk market with stronger steel activities in China.

PBT for the period improved significantly from improved charter hire rates and lower depreciation cost from the reduced fleet size. During the period, the Group has also reviewed and revised the expected useful life of vessels from 20 years to 25 years. The change in estimate resulted in a lower depreciation recognised for the period of RM9.1 million.

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5. SUMMARISED INCOME STATEMENTS (CONTD.)

5.3 MBC Group (Contd.)

Notes:

(i) Taxation

Shipping income derived from the operations of MBC Group's sea-going Malaysian and Singapore registered vessels are tax exempt under Section 54A of the Malaysian Income Tax Act 1967 and Section 13A of the Singapore Income Tax Act respectively.

However, income from MBC Group's other activities are subject to tax. The statutory tax rate for the periods under review was 28% except for 1999 as that year constituted the basis period for the Year of Assessment 2000 (preceding year basis) where tax on income other than dividend income, was waived. The effective tax rate for the periods under review were lower than the statutory tax rate as taxation was only in respect of interest income, dividend income from quoted shares, and gain on disposal of quoted shares.

11. ACCOUNTANTS' REPORT (Cont'd)



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5. SUMMARISED INCOME STATEMENTS (CONTD.)

5.4 Pacific Ship-Managers Sdn Bhd ("PSM")

The summarised income statements of PSM set out below, are based on the audited financial statements, and include the adjustments referred to in Section 5.1(b)(ii) of this Report:

	Financial year / period ended					
	31.12.1998	31.12.1999	31.12.2000	31.12.2001	31.12.2002	(6 months) 30.6.2003
	← (adjusted) →		← RM'000 →			
Revenue	11,316	12,138	2,531	2,617	1,829	1,989
Earnings/(loss) before depreciation and taxation	3,362	4,549	696	1,149	(255)	1,396
Depreciation	(353)	(307)	(346)	(286)	(455)	(186)
Profit/(loss) before taxation	3,009	4,242	350	863	(710)	1,210
Taxation	(906)	-	(101)	(200)	-	(441)
Net profit/(loss) for the period	2,103	4,242	249	663	(710)	769
No. of ordinary shares of RM1.00 par value each ('000)	200	200	200	200	200	200
Earnings/(loss) per share (sen)	1,052	2,121	125	332	(355)	385

11. ACCOUNTANTS' REPORT (Cont'd)



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5. SUMMARISED INCOME STATEMENTS (CONTD.)**5.4 Pacific Ship-Managers Sdn Bhd ("PSM") (Contd.)**Notes

- (a) There were no extraordinary items in all the financial periods under review.
- (b) 1998
PSM's revenue comprise income earned from ship brokerage and management services. Management services involve technical assistance such as crew management, and procurement of spares and consumable stores. PSM's revenue were generally derived from the Malaysian flagged vessels of MBC Group.
- PSM also provides corporate shared services which comprise mainly accounting and administrative functions to MBC Group. PSM charges fees at an agreed rate based on the extent of services rendered and is reviewed on an annual basis.
- The revenue for 1998 increased by 16% to RM11.3 million mainly from higher management fees earned. However, profit before taxation decreased by 48% mainly due to an increase in procurement agency fees paid of RM1.9 million and higher administration expenses incurred during the year.
- (c) 1999
Revenue increased marginally by 7% to RM12.1 million. However, profit before taxation increased by 41%. This was due to a higher recovery of corporate shared services expenses.
- (d) 2000
Revenue declined 79% mainly because PSM ceased to provide management and procurement services during the year. However, the technical management activity was undertaken by PSM's subsidiary company, PSM Perkapalan Sdn Bhd. Profit before taxation and expenses declined in line with the decrease in revenue.
- (e) 2001 and 2002
There were insignificant movements in revenue for the years 2001 and 2002 as the ship brokerage fees were based on consistent rates. A loss before taxation was recorded in 2002 due to lower recovery of corporate shared service expenses.
- (f) 2003
Ship brokerage fees were based on consistent rates. Improvement in revenue and PBT were due to dividend received from a subsidiary company and a higher recovery of corporate shared service expenses.
- (g) Taxation
The statutory tax rate for the financial periods under review was 28%. In 1999, no taxation was provided for as the financial year falls in the Year of Assessment 2000 (preceding year basis) where tax on income earned, other than dividend income, was waived.

In 1998, the effective tax rate was higher than the statutory tax rate due to certain items disallowed for tax purposes.

For the years 2000 and 2001, the effective tax rate was lower than the statutory rate as interest income from deposits with foreign banks was tax exempt.

There was no tax charge in 2002 as PSM incurred a loss for the year.

The tax charge for period ended 30 June 2003 was in respect of dividend income.

11. ACCOUNTANTS' REPORT (Cont'd)



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5. SUMMARISED INCOME STATEMENTS (CONTD.)

5.5 Pacific Ship-Managers Sdn Bhd and its subsidiary companies ("PSM Group")

The summarised income statements of PSM Group set out below, are based on the audited financial statements, and include the adjustments referred to in Section 5.1(b)(ii) of this Report:

	Financial year / period ended					
	31.12.1998	31.12.1999 (adjusted)	31.12.2000	31.12.2001	31.12.2002	(6 months) 30.6.2003
	RM'000					
Revenue	11,316	12,138	5,309	5,484	4,134	1,563
Earnings before depreciation and taxation	3,610	4,543	1,871	2,361	672	330
Depreciation	(353)	(307)	(352)	(299)	(515)	(221)
Profit before taxation	3,257	4,236	1,519	2,062	157	109
Taxation	(906)	-	(461)	(605)	(253)	(118)
Net profit/(loss) for the period	2,351	4,236	1,058	1,457	(96)	(9)
No. of ordinary shares of RM1.00 par value each ('000)	200	200	200	200	200	200
Earnings/(loss) per share (sen)	1,176	2,118	529	729	(48)	(5)

11. ACCOUNTANTS' REPORT (Cont'd)



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5. SUMMARISED INCOME STATEMENTS (CONTD.)

5.5 PSM Group (Contd.)

Notes

- (a) There were no extraordinary items in all the financial periods under review.
- (b) 1998 and 1999
Revenue and profit before taxation for the years 1998 and 1999 were mainly ship brokerage and management services earned by PSM.
- (c) 2000
Revenue declined 56% mainly because of the cessation of services on procurement of spares and consumable stores. Profit before taxation and administrative expenses decreased in line with the decrease in revenue.
- (d) 2001
Revenue and profit before taxation were comparable to the previous year.
- (e) 2002
Revenue decreased 25% mainly due to the loss in revenue from 5 bulkers disposed by MBC during the year. The decrease in profit before taxation was due to the decrease in revenue and a lower recovery of corporate shared service expenses.
- (f) 2003
The annualised revenue declined by 24% mainly due to loss in revenue from 2 bulkers disposed by MBC during the period. The decrease in profit before taxation was due to the decrease in revenue.
- (g) Taxation
The statutory tax rate for the financial years under review was 28%. In 1999, no taxation was provided for as the financial year falls in the Year of Assessment 2000 (preceding year basis) where tax on income earned, other than dividend income, was waived.

For the years 2000 and 2001, the effective tax rate was higher than the statutory tax rate due to certain items disallowed for tax purposes.

In 2002, the effective tax rate was higher than the statutory rate as losses of certain companies are not eligible for group relief.

For the period ended 30 June 2003, the effective tax rate was higher than the statutory rate due to certain items disallowed for tax purposes.

11. ACCOUNTANTS' REPORT (Cont'd)



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5. SUMMARISED INCOME STATEMENTS (CONTD.)**5.6 Awanapuri Sdn Bhd ("AWNPR")**

The summarised income statements of AWNPR set out below, are based on the audited financial statements:

	Financial year / period ended					
	31.12.1998	31.12.1999	31.12.2000	31.12.2001	31.12.2002	(6 months) 30.6.2003
	←————— RM'000 —————→					
Revenue	-	-	-	-	279	209
(Loss)/profit before taxation	-	-	(1,702)	108	(680)	115
Taxation	-	-	-	-	-	(84)
Net (loss)/profit for the period	-	-	(1,702)	108	(680)	31
No. of ordinary shares of RM1.00 par value each	2	2	2	2	2	2
(Loss)/earnings per share (sen)	-	-	(85,100,000)	5,400,000	(34,000,000)	1,550,000

11. ACCOUNTANTS' REPORT (Cont'd)



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5. SUMMARISED INCOME STATEMENTS (CONTD.)

5.6 Awanapuri Sdn Bhd ("AWNPR") (Contd.)

Notes

- (a) There were no extraordinary items in all the financial periods under review.
- (b) 2000
The loss before taxation was mainly due to the write off of preliminary and pre-operating expenses in compliance with the Malaysian Accounting Standards Board Standard No. 1. The loss was offset by an unrealised gain on foreign exchange from translation of the balance with holding company, which was denominated in Singapore Dollar.
- (c) 2001
The profit before taxation was mainly due to the unrealised gain on foreign exchange from the translation of balances with the holding company. This increase was offset by expenses on quit rent and stamp duty on the leasehold land previously acquired.
- (d) 2002
AWNPR commenced operations in 2002. Revenue represents rental income receivable from leasing of property. Loss before taxation was registered due to unrealised loss on foreign exchange.
- (e) 2003
The profit before taxation was mainly due to rental income from leasing of property and a lower unrealised loss on foreign exchange for the period compared to the year 2002.
- (f) Taxation
For period ended 30 June 2003, the effective tax rate was higher than the statutory tax rate due to certain items disallowed for tax purposes.

11. ACCOUNTANTS' REPORT (Cont'd)



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6. SUMMARISED BALANCE SHEETS

6.1 MBC

The summarised balance sheets of MBC set out below, are based on the audited financial statements:

	31.12.1998	31.12.1999	As at		31.12.2002	30.6.2003
			31.12.2000	31.12.2001		
	RM'000					
Fixed Assets	-	-	-	8,564	8,389	8,302
Subsidiary Companies	464,003	627,977	807,334	794,361	693,061	750,058
Investments	293	-	-	-	-	-
Current Assets	240,432	107,855	46,456	93,009	136,278	130,368
Current Liabilities	39,183	70,733	166,482	191,363	143,755	195,217
Net Current Assets/(Liabilities)	201,249	37,122	(120,026)	(98,354)	(7,477)	(64,849)
	665,545	665,099	687,308	704,571	693,973	693,511
Share Capital	162,500	162,500	162,500	162,500	162,500	162,500
Reserves	503,045	502,599	524,808	542,071	531,473	531,011
Shareholders' Funds	665,545	665,099	687,308	704,571	693,973	693,511
Net Tangible Assets per ordinary share of RM0.25 par value each (RM)	1.02	1.02	1.06	1.08	1.07	1.07

11. ACCOUNTANTS' REPORT (Cont'd)



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6. SUMMARISED BALANCE SHEETS (CONTD.)

6.2 MBC Group

The summarised balance sheets of MBC Group set out below, are based on the audited financial statements, and include the adjustments referred to in Section 5.1 of this Report:

	31.12.1998	31.12.1999	As at		31.12.2002	30.6.2003
			31.12.2000	31.12.2001		
		(adjusted)				
	RM'000					
Fixed Assets	677,488	611,434	716,411	935,843	784,558	979,774
Deferred Expenditure	161	52	-	-	-	-
Investments	293	-	-	-	-	-
Current Assets	112,805	215,246	293,946	218,145	318,382	167,038
Current Liabilities	41,727	35,931	73,486	118,007	62,465	40,260
Net Current Assets	71,078	179,315	220,460	100,138	255,917	126,778
	749,020	790,801	936,871	1,035,981	1,040,475	1,106,552
Share Capital	162,500	162,500	162,500	162,500	162,500	162,500
Reserves	546,619	553,222	615,329	644,804	688,195	760,384
Shareholders' Funds	709,119	715,722	777,829	807,304	850,695	922,884
Minority Interest	-	4,103	16,787	18,908	20,141	21,222
Long Term Loans (Secured)	39,901	70,976	142,255	209,769	169,639	162,446
	749,020	790,801	936,871	1,035,981	1,040,475	1,106,552
Net Tangible Assets						
per ordinary share of						
RM0.25 par value each (RM)	1.09	1.10	1.20	1.24	1.31	1.42

11. ACCOUNTANTS' REPORT (Cont'd)



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6. SUMMARISED BALANCE SHEETS (CONTD.)

6.2 Pacific Ship-Managers Sdn Bhd ("PSM")

The summarised balance sheets of PSM set out below, are based on the audited financial statements, and include the adjustments referred to in Section 5.1(b)(ii) of this Report:

	31.12.1998	31.12.1999	As at		31.12.2002	30.6.2003
		(adjusted)	31.12.2000	31.12.2001		
	RM'000					
Fixed Assets	552	309	451	834	1,362	1,231
Subsidiary Companies	95	112	200	200	200	200
Current Assets	12,006	9,876	7,627	6,052	9,223	10,987
Current Liabilities	10,890	7,141	7,025	6,510	10,918	11,783
Net Current Assets/(Liabilities)	1,116	2,735	602	(458)	(1,695)	(796)
	1,763	3,156	1,253	576	(133)	635
Share Capital	200	200	200	200	200	200
Retained Profit/ (Accumulated Losses)	1,508	2,942	1,039	302	(407)	361
Shareholders' Funds	1,708	3,142	1,239	502	(207)	561
Deferred Taxation	55	14	14	74	74	74
	1,763	3,156	1,253	576	(133)	635
Net Tangible Assets/(Liabilities) per ordinary share of RM1.00 par value each (RM)	8.54	15.71	6.20	2.51	(1.04)	2.81

11. ACCOUNTANTS' REPORT (Cont'd)



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6. SUMMARISED BALANCE SHEETS (CONTD.)

6.3 Pacific Ship-Managers Sdn Bhd and its subsidiary companies ("PSM Group")

The balance sheets of PSM Group set out below, are based on the audited financial statements, and include the adjustments referred to in Section 5.1(b)(ii) of this Report:

	31.12.1998	31.12.1999 (adjusted)	As at 31.12.2000	31.12.2001	31.12.2002	30.6.2003
	RM'000					
Fixed Assets	552	309	474	863	1,473	1,344
Current Assets	12,105	9,983	6,633	6,478	7,947	10,030
Current Liabilities	10,895	7,143	5,116	5,233	7,408	9,371
Net Current Assets	1,210	2,840	1,517	1,245	539	659
	1,762	3,149	1,991	2,108	2,012	2,003
Share Capital	200	200	200	200	200	200
Retained Profit	1,507	2,935	1,777	1,834	1,738	1,729
Shareholders' Funds	1,707	3,135	1,977	2,034	1,938	1,929
Deferred Taxation	55	14	14	74	74	74
	1,762	3,149	1,991	2,108	2,012	2,003
Net Tangible Assets per ordinary share of RM1.00 par value each (RM)	8.54	15.68	9.89	10.17	9.69	9.65

11. ACCOUNTANTS' REPORT (Cont'd)



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6. SUMMARISED BALANCE SHEETS (CONTD.)

6.4 Awanapuri Sdn Bhd ("AWNPR")

The summarised balance sheets of AWNPR set out below, are based on the audited financial statements:

	31.12.1998	31.12.1999	As at		31.12.2002	30.6.2003
			31.12.2000	31.12.2001		
	RM'000					
Leasehold Property	11,507	11,507	11,507	11,488	11,488	11,488
Pre-operating Expenses	2,310	2,178	-	-	-	-
Current Assets	3	1	5	3	40	51
Current Liabilities	1	5	59	359	233	174
Net Current Assets/(Liabilities)	2	(4)	(54)	(356)	(193)	(123)
	13,819	13,681	11,453	11,132	11,295	11,365
Share Capital	*	*	*	*	*	*
Accumulated Loss	-	-	(1,702)	(1,594)	(2,274)	(2,243)
	-	-	(1,702)	(1,594)	(2,274)	(2,243)
Due to Holding Company	13,819	13,681	13,155	12,726	13,569	13,608
	13,819	13,681	11,453	11,132	11,295	11,365
Net Liability per ordinary share of RM1.00 par value each (RM'000)	-	-	(851)	(797)	(1,137)	(1,122)

* This represents RM2

11. ACCOUNTANTS' REPORT (Cont'd)



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7. STATEMENT OF ASSETS AND LIABILITIES

The proforma statement of assets and liabilities of MBC Group, PSM Group and AWNPR (collectively referred to as the "Proforma Group") at 30 June 2003 is based on the audited financial statements, adjusted for the revaluation of leasehold land in AWNPR. The proforma statement of assets and liabilities is presented, for illustrative purposes only, to show the effects of the restructuring scheme stated in Section 2.1 to this Report. The statement of assets and liabilities should be read in conjunction with the notes thereto.

	Note	MBC Group (Audited) at 30.6.2003 RM'000	Proforma Group at 30.6.2003 RM'000
FIXED ASSETS	8.3	979,774	994,137
CURRENT ASSETS			
Consumable stores	8.4	4,563	4,563
Trade receivables	8.5	13,479	13,479
Other receivables and prepayments	8.6	4,714	14,334
Investments	8.7	48,767	48,767
Short term deposits	8.8	93,378	78,573
Cash and bank balances		2,137	115,378
		167,038	275,094
CURRENT LIABILITIES			
Other payables	8.9	25,184	34,626
Borrowings	8.10	14,414	114,414
Provision for taxation		662	752
		40,260	149,792
NET CURRENT ASSETS		126,778	125,302
		<u>1,106,552</u>	<u>1,119,439</u>

11. ACCOUNTANTS' REPORT (Cont'd)



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7. STATEMENT OF ASSETS AND LIABILITIES (CONT'D.)

	Note	MBC Group (Audited) at 30.6.2003 RM'000	Proforma Group at at 30.6.2003 RM'000
SHARE CAPITAL	8.11	162,500	200,000
RESERVES	8.12	<u>760,384</u>	<u>435,771</u>
SHAREHOLDERS' FUNDS		922,884	635,771
MINORITY INTEREST		21,222	21,222
LONG TERM LIABILITIES	8.10	<u>162,446</u>	<u>462,446</u>
		<u>1,106,552</u>	<u>1,119,439</u>

11. ACCOUNTANTS' REPORT (*Cont'd*)



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8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES

8.1 Basis of Accounting

The financial statements of the Group are prepared under the historical cost convention and comply with applicable Approved Accounting Standards in Malaysia.

8.2 Summary of significant accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of MBC and its subsidiary companies for the period ended 30 June 2003. All the subsidiaries are consolidated on the acquisition method of accounting except for those subsidiary companies indicated in Note 3.4 to this Report which are consolidated on the merger method of accounting as permitted under Malaysian Accounting Standards Board Standard 21 (Business Combinations).

- (i) Under the acquisition method of accounting, the results of MBC and its subsidiary companies acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the Group financial statements.

The net difference between the acquisition cost and fair value of assets acquired is reflected in the financial statements as goodwill or reserve on consolidation as appropriate and written off in the income statement.

- (ii) Under the merger method of accounting, the results of the subsidiary companies are presented as if the companies had been combined throughout the current and previous financial years.

The difference between the cost of acquisition over the nominal value of the share capital and share premium of the subsidiary companies is classified as capital reserve.

(b) Subsidiary Companies

Investment in subsidiary companies is stated at cost and provision is made at Company level for any diminution in value of investment which is considered to be permanent.

(c) Income Recognition

(i) Voyage income

Net voyage income is recognised over the period of the voyage on a pro-rata basis.

(ii) Investment income

Dividend income from investment in subsidiary companies is accounted for in MBC's income statement as and when declared. Dividend income from quoted investments is accounted for as and when receivable.

(iii) Rental income

Rental income is recognised on an accrual basis.

11. ACCOUNTANTS' REPORT (Cont'd)



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8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.2 Summary of significant accounting policies (Contd.)

(c) Income Recognition (contd.)

(iv) Ship brokerage and charter hire income

Ship brokerage and charterhire commission and management fees are recognised when services are rendered.

(v) Management fees

The fees earned from the management of vessel crew and technical matters are recognised when services are rendered.

(vi) Interest income

Interest income is recognised on an accrual basis.

(d) Consumable Stores

Consumable stores which comprise lubricant oil stocks, bunkers and ship provisions are stated at the lower of cost and net realisable value, cost being determined on a first-in first-out basis. In arriving at net realisable value, due allowance is made for all obsolete and slow moving items.

(e) Fixed Assets and Depreciation

Fixed assets are stated at cost less depreciation and impairment losses. Depreciation is calculated on the straight line basis to write off the cost of the assets net of residual value over their expected useful lives. Cost of vessels includes the cost of any major enhancement and improvement which increase the future benefits from the vessel beyond their previously assessed standard of performance. Expenditure for routine replacements and repairs is written off immediately in the income statement.

Dry docking costs which enhance the useful lives of the vessels are capitalised in the year they are incurred and amortised over the period until the next dry docking.

No depreciation is provided for construction in progress.

The rates used are as follows:

Vessels	124 - 300 months
Dry docking	24 - 36 months
Leasehold building / Depot site development	2% per annum
Vehicles	20% per annum
Office equipment	20% - 33 1/3% per annum
Furniture and fittings	10% per annum
Renovations	33 1/3% per annum

Leaschold land is on 99 years lease, which expires on 2097, is stated at cost and not depreciated.

During the period, the Group revised the expected useful life of vessels from 20 years to 25 years. The effect of the change in estimate is a lower depreciation charge recognised for the period of RM9,165,603. The Directors are of the opinion that the revised estimate is more reflective of the expected pattern of economic benefits derived from these assets.

11. ACCOUNTANTS' REPORT (Cont'd)



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8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)**8.2 Summary of significant accounting policies (Contd.)****(f) Foreign Currencies**

Foreign currency assets and liabilities are reported in Ringgit Malaysia at rates of exchange approximating those ruling at balance sheet date. Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange approximating those ruling at the dates of transactions. All exchange differences are included in the income statement.

For consolidation purposes, assets and liabilities of foreign subsidiaries are translated into Ringgit Malaysia at the rates of exchange which approximate those ruling at balance sheet date except for share capital which is recorded at historical rate, while income statements are translated at average rates for the year. Exchange differences are transferred directly to the Exchange Fluctuation Reserve.

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and at bank and deposits with banks and licensed financial institutions and exclude deposits pledged.

(h) Impairment of Assets

The carrying amounts of the Group's and of the Company's assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statement.

(i) Deferred Taxation

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(j) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

(i) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

11. ACCOUNTANTS' REPORT *(Cont'd)*



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8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.2 Summary of significant accounting policies (Contd.)

(j) Financial Instruments (Contd.)

(ii) Marketable Securities

Investments in quoted securities are stated at fair value determined by published prices. Gains and losses arising from changes in the fair value of these investments are recognised immediately in the income statements.

On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is charged or credited to the income statements.

(iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Borrowings

Bank borrowings are recorded at the amount of proceeds received. Borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(vi) Financial Derivatives

Off-balance sheet financial derivatives include forwards in capital markets. Derivatives are stated at fair values which are marked to the forward rates at balance sheet date. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other payables in the balance sheet. The resultant gains and losses from derivatives held for trading purposes are recognised in the income statements.

11. ACCOUNTANTS' REPORT (Cont'd)

8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.3 Fixed Assets

	Vessels RM'000	Dry Docking RM'000	Vessel Construction in Progress RM'000	Depot Site Development RM'000	Leasehold Land RM'000	Leasehold Building RM'000	Office Equipment, Furniture, Fittings and Renovations RM'000	Vehicles RM'000	Total RM
MBC Group									
Cost	887,904	4,884	336,615	2,366	-	8,739	101	707	1,241,316
Accumulated Depreciation	(258,525)	(2,460)	-	(23)	-	(437)	(13)	(84)	(261,542)
Net Book Value	629,379	2,424	336,615	2,343	-	8,302	88	623	979,774
Proforma Group									
Cost	887,904	4,884	336,615	2,366	13,060	8,739	4,069	923	1,258,560
Accumulated Depreciation	(258,525)	(2,460)	-	(23)	-	(437)	(2,732)	(246)	(264,423)
Net Book Value	629,379	2,424	336,615	2,343	13,060	8,302	1,337	677	994,137

11. ACCOUNTANTS' REPORT (Cont'd)



AF: 0039

8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.3 Fixed Assets (Contd.)

(a) Vessels of certain subsidiary companies with an aggregate net book value of RM281.6 million have been charged as security for term loan facilities, referred to in Note 8.10 to this Report, obtained by the respective subsidiary companies.

(b) The strata title of the leasehold building is in the process of being transferred to MBC.

8.4 Consumable Stores

	Proforma / MBC Group RM'000
Bunkers	2,918
Lubricant oils	1,403
Bonded stores	128
Vessel provisions	114
	<u>4,563</u>

8.5 Trade Receivables

	Proforma / MBC Group RM'000
Trade receivables	14,844
Specific provision for doubtful debts	<u>(1,365)</u>
	<u>13,479</u>

8.6 Other Receivables and Prepayments

	MBC Group RM'000	Proforma Group RM'000
Advances to ship managers	998	6,932
Deposits and prepayments	2,173	2,393
Claims receivable	992	992
Agents' accounts	-	2,973
Others	551	1,044
	<u>4,714</u>	<u>14,334</u>

8.7 Investments

	Proforma / MBC Group RM'000
Quoted securities, at cost	
- Malaysian	4,511
- Foreign	<u>37,995</u>
	42,506
Unrealised gain	<u>6,261</u>
At fair value	<u>48,767</u>

11. ACCOUNTANTS' REPORT (Cont'd)



AT: 0039

8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.8 Short Term Deposits

	MBC Group RM'000	Proforma Group RM'000
Deposits with licensed bank	93,378	78,573

Deposits amounting to RM5.7 million are pledged as security for a guarantee facility provided by a foreign licensed bank to a third party.

The weighted average interest rate during the period was 1.45% and the average maturity of the deposits at period end is 30 days.

8.9 Other Payables

	MBC Group RM'000	Proforma Group RM'000
Accruals	16,773	18,130
Other creditors	8,411	16,496
	<u>25,184</u>	<u>34,626</u>

8.10 Long Term Liabilities

	MBC Group RM'000	Proforma Group RM'000
Secured term loans	176,474	176,474
Unsecured term loan	-	100,000
Repayable within 12 months	<u>(14,414)</u>	<u>(114,414)</u>
Repayable after 12 months	162,060	162,060
Unsecured loan from minority shareholder	386	386
Redeemable preference shares (RPS)	<u>-</u>	<u>300,000</u>
	<u>162,446</u>	<u>462,446</u>

The term loans with licensed banks amounting to RM176.5 million are secured by way of charges over certain subsidiary companies' vessels, assignment of earnings derived from the vessels and assignment of marine insurance on the vessels. The weighted average effective interest rate during the period was 2.38%.

The unsecured loan from minority shareholder of a subsidiary company is interest free and has no fixed terms of repayment.

The RPS are classified as long term liabilities in compliance with Malaysian Accounting Standards Board Standard No. 24 - Financial Instruments: Disclosure and Presentation.

11. ACCOUNTANTS' REPORT (Cont'd)



AF: 0039

8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.10 Long Term Liabilities (Contd.)

Details of the authorised and issued RPS are as follows:

	Proforma Group RM'000
Authorised	
400 million RPS of RM0.25 par value each	<u>100,000</u>
Issued	
Bonus issue of 160 million RPS of RM0.25 par value each at a redemption price of RM2.50 each	40,000
Redemption of 40 million RPS of RM0.25 each at RM2.50 financed by an unsecured short term loan	<u>(10,000)</u>
	<u>30,000</u>

The bonus issue is on the basis of 8 RPS of RM0.25 par value each for every 35 ordinary shares of RM0.25 par value each held by way of capitalisation of amounts of RM395 million and RM5 million from the Company's audited share premium and retained profit accounts respectively.

The terms and features of the RPS are as follows:

- a) Dividends on the RPS will be payable by the Company on each anniversary from the date of issue up to the redemption date.
- b) Annual cumulative dividend rate of 60% per annum for the first five years, 64% for the sixth year and 68% for the seventh year.
- c) The RPS will have to be redeemed at the end of the seventh year from the issue date. However, the RPS may be redeemed at the option of the Company (but not the holders) at RM2.50 each where not less than 3 Business Days notice must be given. On redemption, the Company shall pay all dividend in arrears and the redemption value, and if redemption is not on a dividend date, then a pro-rated dividend for the period since the last dividend date as well.
- d) With respect to the payment of dividends which have been declared and amounts payable upon liquidation, dissolution or winding-up of the Company, the holders of RPS will rank in priority to the holders of ordinary shares of the Company.
- e) RPS shall carry no right to vote at any general meeting of the Company except with regards to any proposal to reduce the capital of the Company, to dispose of the whole of the Company's property, business and undertaking, to wind-up the Company, during the winding-up of the Company, when the dividend or part of the dividend is in arrears for more than 6 months, and on any proposal that affects rights attached to the RPS. In any such case, the holders of the RPS shall be entitled to vote together with the holders of ordinary shares and to one vote for each RPS held.

The RPS shall entitle a holder to one vote at any class meeting in relation to any proposal by the Company to vary or abrogate the rights of RPS as stated in the Articles of the Company. In all class meetings, each RPS shall entitle the holder to one vote.

11. ACCOUNTANTS' REPORT (Cont'd)



AF: 0039

8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)

8.11 Share Capital

	No. of Ordinary Shares		Amount	
	MBC Group '000	Proforma Group '000	MBC Group RM'000	Proforma Group RM'000
Authorised				
Ordinary shares of RM0.25 each				
- Arising from share split	800,000	800,000	200,000	200,000
- Increase during the period	1,200,000	1,200,000	300,000	300,000
	<u>2,000,000</u>	<u>2,000,000</u>	<u>500,000</u>	<u>500,000</u>
Redeemable Preference Shares of RM0.10 par value each				
- Created during the period	1,000,000	1,000,000	100,000	100,000
- Altered by consolidation	-	(1,000,000)	-	(100,000)
	<u>1,000,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Redeemable Preference Shares of RM0.25 par value each				
- Altered by consolidation	-	400,000	-	100,000
	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>100,000</u>
Issued and fully paid				
Ordinary shares of RM0.25 each				
- Arising from share split	650,000	650,000	162,500	162,500
- Bonus issue	-	50,000	-	12,500
- Public Issue	-	100,000	-	25,000
	<u>650,000</u>	<u>800,000</u>	<u>162,500</u>	<u>200,000</u>

On 20 October 2003, the authorised RPS were altered by consolidation of 1 billion RPS of RM0.10 par value each into 400 million RPS of RM0.25 par value each.

8.12 Reserves

		MBC Group RM'000	Proforma Group RM'000
Non-distributable:			
- Share premium	(Note a)	407,952	88,000
- Capital reserve	(Note b)	34,159	34,159
- Exchange translation reserve		9,009	9,009
- Capital redemption reserve	(Note c)	-	10,000
		<u>451,120</u>	<u>141,168</u>
Distributable:			
- Retained profit	(Note d)	<u>309,264</u>	<u>294,603</u>
		<u>760,384</u>	<u>435,771</u>

11. ACCOUNTANTS' REPORT (Cont'd)



At: 0039

8. NOTES TO STATEMENT OF ASSETS AND LIABILITIES (CONTD.)**8.12 Reserves (Contd.)**

(a) Share Premium

	Proforma Group RM'000
Before restructuring	407,952
Bonus issue of ordinary shares of RM0.25 par value each	(12,500)
Issue of RPS	(395,452)
Premium arising from Public Issue of 100,000,000 ordinary shares of RM0.25 par value each at RM1.19	94,000
Share issue and listing expenses	<u>(6,000)</u>
	<u><u>88,000</u></u>

(b) Capital Reserve

The premium on the shares issued in respect of the subsidiary companies accounted for under the merger method of accounting of the Company has been credited to the capital reserve in accordance with the relief granted by Section 60(4) of the Companies Act 1965.

(c) Capital Redemption Reserve

This is in respect of the nominal amount of the RPS redeemed and credited to the Capital Redemption Reserve in accordance with Section 61(5) of the Companies Act 1965.

(d) Retained Profit

The entire retained profit of the Group is available for distribution by way of dividends without having to incur additional tax liabilities.

8.13 Capital Commitments

	Proforma / MBC Group RM'000
Approved and contracted for	<u><u>812,082</u></u>

11. ACCOUNTANTS' REPORT (Cont'd)



AI: 0039

9. CONSOLIDATED CASH FLOW FOR THE PERIOD ENDED 30 JUNE 2003

The consolidated cash flow statement of MBC Group for the period ended 30 June 2003 set out below, is based on the audited consolidated financial statements.

	RM'000
Profit before taxation	69,141
Adjustments for:	
Depreciation of fixed assets	15,199
Gain on disposal of fixed assets	(20,471)
Gain on disposal of investments	(45)
Unrealised gain on quoted investments	(6,803)
Dividend income	(36)
Movement in foreign exchange translation	3,686
Interest income	(1,154)
Interest expense	<u>2,200</u>
Operating profit before working capital changes	61,717
Changes in working capital:	
Consumable stores	(1,154)
Receivables	3,433
Payables	<u>(2,941)</u>
Cash generated from operations	61,055
Tax recovered	<u>287</u>
Net cash generated from operating activities carried forward	61,342
CASH FLOWS FROM INVESTING ACTIVITIES	
Construction cost incurred for fixed assets	(220,940)
Purchase of quoted investments	(4,108)
Purchase of fixed assets	(1,449)
Dividend received	36
Interest received	1,155
Proceeds from disposal of quoted investments	2,407
Proceeds from disposal of fixed assets	<u>32,834</u>
Net cash generated from investing activities	<u>(190,065)</u>
Cash flow carried forward	(128,723)

11. ACCOUNTANTS' REPORT (Cont'd)



AF: 0039

9. CONSOLIDATED CASH FLOW FOR THE PERIOD ENDED 30 JUNE 2003 (CONTD.)

	RM'000
Cash flow brought forward	(128,723)
CASH FLOWS FROM FINANCING ACTIVITIES	
Interest paid	(2,200)
Repayment of term loans	(7,192)
Dividend paid	(19,500)
Net cash used in financing activities	<u>(28,892)</u>
Net movement in cash and cash equivalents	(157,615)
Cash and cash equivalents brought forward	<u>247,431</u>
Cash and cash equivalents carried forward	<u><u>89,816</u></u>
Cash and cash equivalents comprise:	
Short term deposits	93,378
Cash and bank balances	<u>2,137</u>
	95,515
Less: Short term deposits pledged as security for a guarantee facility provided by a foreign licensed bank to a third party	<u>(5,699)</u>
	<u><u>89,816</u></u>

11. ACCOUNTANTS' REPORT (Cont'd)



AF: 0039

10. PROFORMA NET TANGIBLE ASSETS COVER

Based on the statement of assets and liabilities of the Proforma Group as at 30 June 2003, the NTA per ordinary share after incorporating the adjustments for public issue and estimated cost of flotation will be as follows:

(i) Net Tangible Assets	RM'000
NTA of MBC Group as at 30 June 2003	922,884
Less: Write off of goodwill arising from the acquisition of AWNPR	<u>(113)</u>
Bonus issue of RPS	<u>922,771</u> <u>(400,000)</u>
Proceeds from public issue	<u>522,771</u> <u>119,000</u>
Less: Estimated cost of flotation	<u>641,771</u> <u>(6,000)</u>
Proforma NTA	<u><u>635,771</u></u>
(ii) Share Capital	Number of ordinary shares of RM0.25 par value each ('000)
At 30 June 2003 (Note 8.11)	650,000
Bonus issue	50,000
Public issue	<u>100,000</u>
Enlarged issued and paid-up share capital	<u><u>800,000</u></u>
Proforma NTA per ordinary share of RM0.25 par value each before public issue (RM)	<u><u>0.75</u></u>
Proforma NTA per ordinary share of RM0.25 par value each after public issue (RM)	<u><u>0.79</u></u>

Estimated share issue and listing expenses of RM6 million relating to the Public Issue of 100 million new ordinary shares of RM0.25 par value each at an issue price of RM1.19 per ordinary share have been debited against the share premium account.

11. ACCOUNTANTS' REPORT (Cont'd)



AF: 0039

11. AUDITED FINANCIAL STATEMENTS

No financial statements have been prepared in respect of any period subsequent to 30 June 2003 for the Group.

Yours faithfully

A handwritten signature in black ink, appearing to be a stylized 'EY' or similar initials.

ERNST & YOUNG
AF: 0039
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Mei Ling' in a cursive style.

Choong Mei Ling
1918/09/04 (J)
Partner

Kuala Lumpur, Malaysia

Signed copies of this document have been prepared in English and Bahasa Malaysia versions. In the event of any inconsistency between these, the English version shall prevail.

12. VALUATION CERTIFICATES



Date: **16 OCT 2003**

The Board of Directors
 Malaysian Bulk Carriers Berhad
 Level 17 & 18 PJ Tower
 No. 18 Jalan Persiaran Barat
 Off Jalan Timur
 46050 Petaling Jaya
 Selangor Darul Ehsan
 Malaysia

Dear Sirs,

FLEET VALUATION

This certificate has been prepared after instruction by Malaysian Bulk Carriers Berhad ('MBC') to undertake the below valuations for inclusion in the Prospectus to be dated **28 OCT 2003** in conjunction with the proposed restructuring and subsequent listing of MBC on the Main Board of the Kuala Lumpur Stock Exchange.

We hereby confirm that on 9th September 2003, we made an assessment of the following vessels and we are of the opinion that on that date, the values on the basis of prompt charter free delivery in sound seagoing condition, undamaged and fully equipped, as between a willing seller and willing buyer were as detailed in the table attached.

The valuations in the table attached are given in good faith and on the basis of information we have been able to obtain from available and relevant books of reference.

We have not made a physical inspection of the vessel, nor have we examined their Classification Records, but we have assumed for the purposes of this valuation, that each vessel was in sound seagoing condition, class maintained, undamaged, fully equipped and freely transferable.

The particulars of the vessels are from current Register Books and such other information as we have been able to obtain from available and relevant works of reference in our possession, but we can accept no responsibility for their accuracy.

We believe this opinion to be reasonably accurate but we wish to emphasise that the figure we have reached in respect of each of the vessels is only a statement of opinion, which should not be taken as a representation of fact. Any person intending to rely upon this figure should satisfy himself, by inspection of the vessel or otherwise, as to the correctness of the statements set out herein.

35 COSWAY STREET
 LONDON
 NW1 5BT

BRAEMAR

SEASCOPE LTD

General Enquiries: 020 7100 0000

SALE AND PURCHASE
 TEL: 020 7100 5000
 FAX: 020 7100 5001

DRY CARGO
 TEL: 020 7100 3000
 FAX: 020 7100 3001

CONTAINER CHARTERING
 TEL: 020 7100 2000
 FAX: 020 7100 2001

SEASCOPE OFFSHORE
 TEL: 020 7100 4000
 FAX: 020 7100 4001

RESEARCH DEPARTMENT
 TEL: 020 7100 1700
 FAX: 020 7100 1701

CRUDE TANKER CHARTERING
 TEL: 020 7100 6000
 FAX: 020 7100 6001

LARGE PRODUCT CHARTERING
 TEL: 020 7100 6500
 FAX: 020 7100 6501

SMALL PRODUCT CHARTERING
 TEL: 020 7100 7000
 FAX: 020 7100 7001

CHEMICALS CHARTERING
 TEL: 020 7100 8000
 FAX: 020 7100 8001

GAS CHARTERING
 TEL: 020 7100 9000
 FAX: 020 7100 9001

Registered in England No 102 0997 Vat Registration: No 503 2955 45

12. VALUATION CERTIFICATES (Cont'd)



VESSEL:	Grt	Built	Cert Reg. No	Port Reg.	Reg Date	IMO No	Class No	Class	Valuation (US\$)
BULKCARRIERS									
ALAM GULA	13,815	May-85 Japan	327259	Port Kelang	19-Aug-96	8505159	851854	NK	4,500,000
ALAM SENANG	17,065	May-84 Japan	326966	Port Kelang	06-Apr-94	8308812	8401292	ABS	4,750,000
ALAM SEMPURNA	17,065	Feb-84 Japan	326131	Port Kelang	10-Mar-92	8312071	8400632	ABS	4,750,000
ALAM SEJAHTERA	17,879	Jan-85 Japan	326140	Port Kelang	07-Sep-92	8307686	8500276	ABS	5,250,000
ALAM SELAMAT	21,941	Jul-92 Japan	326145	Port Kelang	08-Apr-93	9006643	9006643	LRS	11,500,000
ALAM SENTOSA	21,941	Apr-92 Japan	326144	Port Kelang	05-Oct-92	9000302	9000302	LRS	11,500,000
ALAM SELARAS	21,941	Feb-92 Japan	326141	Port Kelang	24-Jul-92	9000297	9000297	LRS	11,500,000
ALAM MAKMUR	27,011	Nov-00 Japan	388828	Singapore	12-Feb-01	9219458	002414	NK	18,250,000
ALAM MESRA	27,011	Oct-00 Japan	388827	Singapore	12-Feb-01	9219446	002275	NK	18,250,000
IKAN SERONG	27,986	Oct-01 Japan	389248	Singapore	11-Jan-02	9227821	012881	NK	20,500,000
IKAN SUJI	27,986	Sep-01 Japan	389247	Singapore	11-Jan-02	9227819	012660	NK	20,500,000
TANKERS									
ALAM BUDI	28,539	Mar-01 Japan	328474	Port Kelang	11-Apr-01	9224568	0140644	ABS	30,000,000
ALAM BHARA	28,932	May-99 Korea	328350	Port Kelang	03-Aug-99	9181033	9181003	LRS	27,000,000
ALAM BISTARI	28,539	May-01 Japan	328475	Port Kelang	12-Jun-01	9224570	0140645	ABS	30,000,000
BULKARRIER NEWBUILDINGS									
IHI HULL No. 3185	46,600	Aug-05 Japan	-	-	-	-	-	LRS	26,000,000
IHI HULL No. 3184	46,600	Jun-05 Japan	-	-	-	-	-	LRS	26,000,000
IHI HULL No. 3183	46,600	Apr-05 Japan	-	-	-	-	-	LRS	26,000,000
IHI HULL No. 3187	46,600	Nov-05 Japan	-	-	-	-	-	LRS	26,000,000
IHI HULL No. 3186	46,600	Oct-05 Japan	-	-	-	-	-	LRS	26,000,000
TANKER NEWBUILDINGS									
SAMSUNG HULL No. 1469	41,690	Mar-04 Korea	-	-	-	-	-	ABS	36,250,000
SAMSUNG HULL No. 1522	41,690	Jan-06 Korea	-	-	-	-	-	ABS	35,500,000
SAMSUNG HULL No. 1450	41,690	Feb-04 Korea	-	-	-	-	-	ABS	36,250,000
SAMSUNG HULL No. 1449	41,690	Nov-03 Korea	-	-	-	-	-	ABS	36,250,000
SAMSUNG HULL No. 1479	41,690	Apr-05 Korea	-	-	-	-	-	ABS	35,500,000
SAMSUNG HULL No. 1521	41,690	Nov-05 Korea	-	-	-	-	-	ABS	35,500,000

12. VALUATION CERTIFICATES (Cont'd)



Yours faithfully
For BRAEMAR SEASCOPE VALUATIONS LIMITED

Director: Julian David Brynteson
Passport Number: 015524576
Date: **16 OCT 2003**

Director: Quentin Bruce Soanes
Passport Number: 093014414
Date: **16 OCT 2003**

12. VALUATION CERTIFICATES (Cont'd)

C H Williams Talhar & Wong

C H Williams Talhar & Wong Sdn Bhd (18149-U)

Juruukur Berkanun Perunding Harta Antarabangsa
Chartered Surveyors International Property Consultants

Our Ref : 3291/03/TKL(A)

Date : **16 OCT 2003**

The Board of Directors
Malaysian Bulk Carriers Berhad
Level 17 & 18, PJ Tower
No. 18 Jalan Persiaran Barat
Off Jalan Timur
46050 Petaling Jaya, Selangor

Dear Sirs

**VALUATION OF
LOT NO. PT 64241
MUKIM OF KLANG
DISTRICT OF KLANG
STATE OF SELANGOR**

This certificate has been prepared for inclusion in the Prospectus to be dated **28 OCT 2003** in relation to the "Proposed restructuring and subsequent listing of Malaysian Bulk Carriers Berhad on the Main Board of the Kuala Lumpur Stock Exchange.

We received an instruction from Malaysian Bulk Carriers Berhad to value the above-mentioned property for the purpose of submission to the Securities Commission, Malaysia .

We have inspected the property on 30th April 2003 and as instructed the material date of valuation is taken as at 15th June 2003.

The basis of the valuation is the market value of the subject property. The market value is the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuation has been prepared in accordance with the requirements as set out in the Guidelines on Asset Valuations for Submission to the Securities Commission, Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.



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Md Baharuddin Mustafa
B.Sc., FISM, MMSM, APPPS
Wan Nordin Wan Salleh
Dip. Val., Dip. Est. Mgt., MMSM, APPPS
Danny Yeo Soon Kee
Dip. Val., MMSM, APPPS
Foo Gee Jen
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Feng Kiang Hai
MBA, B.Sc., MMSM, APPPS

Consultant
Abdu Halim Osman
B.Sc., FRCS, FRM, APPPS



12. VALUATION CERTIFICATES (Cont'd)

C H Williams Talhar & Wong



C H Williams Talhar & Wong Sdn Bhd (18149-U)

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Our Ref : 3291/03/TKL(A)

Brief description of the subject property is as follows: -

Property held for owner occupation / future development

Property Identification (Titie Details, Address)	General Description of Property	Market Value
<p><u>Lot No.:</u> PT 64241, Mukim of Klang, District of Klang, Selangor</p> <p><u>Title No.:</u> HSD 67521</p> <p><u>Address:</u> Lot 21, Jalan Perigi Nanas 7/2, Seksyen 7, Taman Perindustrian Pulau Indah, 42920 Pelabuhan Klang, Selangor Darul Ehsan</p> <p><u>Developer's Lot No.:</u> Lot No. 21, Section 7, Phase 1A, Pulau Indah Industrial Park, West Port</p> <p><u>Titled Land Area:</u> 73,156.07 square metres</p> <p><u>Registered Owner:</u> Awanapuri Sdn Bhd</p> <p><u>Category of Land Use:</u> Industry</p> <p><u>Tenure:</u> Leasehold 99 years expiring on 24th February 2097</p> <p><u>Express Condition:</u> Industry</p> <p><u>Restriction In Interest:</u> Tanah yang diberi milik ini tidak boleh dipindah milik, dipajak atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri.</p> <p><i>For the purpose of this valuation exercise, we have adopted the land area at 74,333 square metres as stated in the Certified Plan No. PA 92623 dated 25th November 2001.</i></p>	<p>The subject property is a parcel of industrial land known as Lot 21, Jalan Perigi Nanas 7/2, Seksyen 7, Taman Perindustrian Pulau Indah, Pelabuhan Klang, Selangor Darul Ehsan.</p> <p><u>Site</u> The site, a corner lot, is irregular in shaped with a surveyed land area of 74,333 square metres (about 18.368 acres). It has frontages onto Jalan Perigi Nanas 7/2 along its western boundary and Jalan Perigi Nanas 7/1 along its northern boundary.</p> <p>The land is generally flat and lies at about the level of the above-mentioned metalled roads. Part of the subject site, from its middle to southern portion measures approximately 8 acres was occupied by a tenant, Indah Island Depot Sdn Bhd. This portion has been demarcated and secured with metal gates and perimeter chain link fencing.</p> <p>The remaining northern portion of the subject site is vacant and not demarcated by any form of fencing. It is generally covered with light undergrowth.</p> <p><u>Buildings / Improvements</u> There are temporary buildings/structures erected on the tenanted portion of the subject site include an office building, a guardhouse, a utilities store, an inspection shed and a maintenance/repair shed.</p> <p>The office and utilities store are generally converted from containers while the inspection shed and maintenance/repair shed are of open-sided steel framework structure with metal cladding sheets and roofing. The guardhouse is a simple steel framework structure with metal cladding walls and roofing sheets.</p> <p>The approximate built-up areas of the above mentioned buildings / structures are as below :-</p> <p>i) Single Storey Office : 59.4 square metres ii) Utilities / Store : 44.4 square metres iii) Guardhouse : 9.0 square metres iv) Inspection Shed : 111.5 square metres v) Maintenance /Repair Shed : 198.0 square metres</p>	RM13,060,000/-

12. VALUATION CERTIFICATES (Cont'd)

C H Williams Talhar & Wong



C H Williams Talhar & Wong Sdn Bhd (18149-U)

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Our Ref : 3291/03/TKL(A)

Property Identification (Title Details, Address)	General Description of Property	Market Value
Please refer to Page 2	<p><u>Buildings / Improvements (Cont'd)</u></p> <p>The southern portion of the subject site has been compacted and paved with premix/tarmac and being used as container depot. It has also been improved with diesel containment bay, washing bay and cooling bay.</p> <p>The above site improvements work and structures were certified completed by Messrs. Sj Architect vide a copy of Certificate of Practical Completion dated 25th January 2003.</p> <p>At the time of our inspection, the site improvements and structures on the southern portion of the subject property were generally in a good state of repair and maintenance.</p> <p>The planning application for container depot development on the tenanted part of the subject site has been submitted to Majlis Perbandaran Klang and the relevant authorities and departments.</p> <p><u>Occupation Status</u></p> <p>The northern portion of the subject property was vacant whilst the southern portion measuring about 8 acres was tenanted to Indah Island Depot Sdn Bhd via a "Lease Agreement" between Awanapuri Sdn Bhd (Lessor) and Indah Island Depot Sdn Bhd (Lessee) dated 2nd May 2002. The tenancy is for a term of three (3) years commencing from 1st April 2002 and with an option for a further term of three (3) years subject to the condition stated therein.</p> <p>The current rental payable is RM34,836/- per month or calculated at a rate of RM0.10 per square foot over the tenanted area of 8 acres.</p> <p>Vide a "Supplemental Agreement In Relation to the Lease Agreement" prepared by Messrs. Tay & Partners Advocates & Solicitors dated 12th June 2003, we noted that the Lessor had confirmed that it shall recover possession of the demised premises from the Lessee on "as is where is" basis.</p> <p><i>We were made to understand by the client that the relationship between Awanapuri Sdn Bhd and Malaysian Bulk Carriers Berhad is that Awanapuri Sdn Bhd is the wholly owned subsidiary of Kuok (Singapore) Ltd and who has deemed interest in Malaysia Bulk Carriers Bhd.</i></p>	Please refer to Page 2

12. VALUATION CERTIFICATES (Cont'd)

C H Williams Talhar & Wong



C H Williams Talhar & Wong Sdn Bhd (18149-U)

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Our Ref : 3291/03/TKL(A)

We have valued the property as mentioned above by the Comparison Method of Valuation vide our Valuation Report under Reference No. 3291/03/TKL(A) dated 17th June 2003.

We are of the view that the Comparison Method is the most appropriate method of valuation for a parcel of industrial land. In arriving at our valuation, we have also taken into consideration the contract sum for the construction of the above-mentioned improvement works and structures on part of the subject property.

In our opinion, the market value of the subject property as at 15th June 2003 with permission to sell, charge, lease, transfer and free from all encumbrances is RM13,060,000/- (Ringgit Malaysia : Thirteen Million and Sixty Thousand Only).

Yours faithfully
for and on behalf of
C H Williams Talhar & Wong Sdn Bhd

CHONG PAH AUNG
BSc (Estate Management) FRICS FISM
Chartered Valuation Surveyor & Registered Valuer (V-153)

13. DIRECTORS' REPORT

(Prepared for inclusion in this Prospectus)



MALAYSIAN BULK CARRIERS BERHAD

(Company No: 175953-W)

Date: **20 OCT 2003**

Level 17, PJ Tower,
No. 18, Jalan Persiaran Barat, Off Jalan Timur,
46050 Petaling Jaya, Selangor, Malaysia.
Tel: 603-79661688 Fax: 603-79661628
Telex: MA 36419 ALAMCO
Cable Address: PACSHIP Petaling Jaya

The Shareholders
Malaysian Bulk Carriers Berhad
Level 17 and 18, PJ Tower
No. 18, Jalan Persiaran Barat
Off Jalan Timur
46050 Petaling Jaya
Selangor Darul Ehsan

Dear Sir/ Madam

On behalf of the Board of Directors, I report that after due enquiry by us in relation to the period from 30 June 2003, being the date of the last audited accounts of the Group, to the Latest Practicable Date (being a date not earlier than 14 days before the date of issue of the prospectus)-

- (a) the business of the Group has, in the Directors' opinion, been satisfactorily maintained;
- (b) in the Directors' opinion, no circumstance has arisen which has adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Sections 2.11.1 and 9.2.2 of the Prospectus, there are no contingent liabilities by reason of any guarantees or indemnities given by the Group;
- (e) there has not been any default by the Group or any known event which could give rise to a default situation, in respect of payments of either interest or principal sums in relation to any borrowings in which the Directors are aware of; and
- (f) save as disclosed in Sections 9.4 and 9.6 of the Prospectus, there have been no changes in the published reserves, nor any unusual factors affecting the profits of the Group.

Yours faithfully
For and on behalf of the Board of
Malaysian Bulk Carriers Berhad

Teo Joo Kim
Executive Chairman