

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 June 2004  
 The figures have not been audited.

**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2004**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-04 RM '000	PRECEDING YEAR QUARTER 30-Jun-03 RM '000	CURRENT YEAR TO DATE 30-Jun-04 RM '000	PRECEDING YEAR TO DATE 30-Jun-03 RM '000
Revenue	91,135	47,569	192,242	95,968
Operating expenses	<u>(32,351)</u>	<u>(30,565)</u>	<u>(61,216)</u>	<u>(59,906)</u>
	58,784	17,004	131,026	36,062
Other operating income	205	8,021	39,251	28,905
Administrative expenses	<u>(2,108)</u>	<u>(1,202)</u>	<u>(4,312)</u>	<u>(2,700)</u>
Profit from operations	56,881	23,823	165,965	62,267
Finance cost	<u>(5,204)</u>	<u>(1,037)</u>	<u>(10,431)</u>	<u>(2,200)</u>
Profit before taxation	51,677	22,786	155,534	60,067
Taxation	<u>(548)</u>	<u>39</u>	<u>(572)</u>	<u>52</u>
Profit after taxation	51,129	22,825	154,962	60,119
Less minority interests	<u>(2,398)</u>	<u>(709)</u>	<u>(4,755)</u>	<u>(1,122)</u>
Net profit attributable to shareholders of the company	<u><u>48,731</u></u>	<u><u>22,116</u></u>	<u><u>150,207</u></u>	<u><u>58,997</u></u>
Earnings per share (sen)				
(i) Basic	6.09	3.16	18.78	8.43
(ii) Diluted	6.09	3.16	18.78	8.43

Please refer to Note B13 for number of shares

**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2004**

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Jun-04 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-03 RM '000
FIXED ASSETS	901,898	1,066,574
	<u>901,898</u>	<u>1,066,574</u>
CURRENT ASSETS		
<i>Consumable stores</i>	5,674	5,131
<i>Trade receivables</i>	10,989	16,221
<i>Other receivables and prepayments</i>	17,034	9,720
<i>Investments</i>	67,189	61,716
<i>Short term deposits</i>	335,407	74,334
<i>Cash and bank balances</i>	2,041	4,925
	<u>438,334</u>	<u>172,047</u>
CURRENT LIABILITIES		
<i>Other payables</i>	55,332	37,628
<i>Bank borrowings</i>	14,414	14,407
<i>Provision for Taxation</i>	411	349
	<u>70,157</u>	<u>52,384</u>
NET CURRENT ASSETS/(LIABILITIES)	368,177	119,663
	<u>1,270,075</u>	<u>1,186,237</u>
SHAREHOLDERS' FUNDS		
SHARE CAPITAL	200,000	200,000
RESERVES	593,011	507,269
	<u>793,011</u>	<u>707,269</u>
MINORITY INTEREST	28,483	23,729
NON-CURRENT LIABILITIES		
<i>Redeemable preference shares</i>	300,000	300,000
<i>Long Term Loans</i>	148,128	155,165
<i>Deferred taxation</i>	453	74
	<u>1,270,075</u>	<u>1,186,237</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2004**

	CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-04 RM '000	PRECEDING YEAR CORRESPONDING QUARTER 30-Jun-03 RM '000
Cash Flow From Operating Activities		
Profit before taxation	155,534	60,067
Adjustments for:		
Depreciation	17,534	24,365
Gain on disposal of fixed assets	(38,364)	(20,471)
Gain on disposal of quoted investments	(443)	(45)
Unrealised (gain)/loss on quoted investments	1,367	(6,804)
Dividend income	(248)	(36)
Movement in foreign exchange translation	(300)	3,686
Interest income	(1,446)	(1,154)
Interest expense	1,431	2,200
Provision for redeemable preference shares dividend	9,000	-
Operating profit/(loss) before working capital changes	144,065	61,808
Working capital changes:		
Consumable stores	(543)	(1,154)
Receivables	(2,082)	9,294
Payables	8,704	(8,523)
Cash generated from operating activities	150,144	61,425
Tax paid	(131)	288
Net cash generated from operating activities	150,013	61,713
Cash Flows From Investing Activities		
Construction cost incurred for fixed assets	(89,183)	(221,259)
Purchase of fixed assets	(941)	(1,130)
Purchase of quoted investments	(13,966)	(4,107)
Dividend received	248	36
Interest received	1,446	1,154
Proceeds from disposal of quoted investments	7,606	2,407
Proceeds from disposal of fixed assets	267,517	32,834
Net cash generated from/(used in) investing activities	172,727	(190,065)
Cash Flows From Financing Activities		
Interest paid	(1,431)	(2,200)
Repayment of term loans	(7,088)	(7,192)
Dividend paid	(56,000)	(19,500)
Loan from minority shareholder of a subsidiary company	58	-
Listing expenses paid	(90)	(370)
Net cash generated from/(used in) financing activities	(64,551)	(29,262)
Net Change in Cash & Cash Equivalents	258,189	(157,614)
Cash & Cash Equivalents at the beginning of the period	73,560	247,431
Cash & Cash Equivalents at the end of the period	331,749	89,817
Cash & Cash equivalents comprise:		
Short term deposits	335,407	93,378
Cash and bank balances	2,041	2,138
	337,448	95,516
Less: Short term deposits pledged as security for a guarantee facility provided by a foreign licensed bank to a third party	(5,699)	(5,699)
	331,749	89,817

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2004**

	Share Capital	Distributable	Non-distributable				Total RM '000
	Ordinary shares RM '000	Retained profits RM '000	Share premium RM '000	Capital reserve RM '000	Capital redemption reserve RM '000	Exchange translation reserve RM '000	
<b>6 MONTHS ENDED 30 JUNE 2004</b>							
At 1 January 2004	200,000	352,874	99,174	34,159	10,000	11,062	707,269
Profit after taxation and minority interest	-	150,207	-	-	-	-	150,207
Dividends	-	(56,000)	-	-	-	-	(56,000)
Listing expenses	-	-	(90)	-	-	-	(90)
Currency translation differences	-	-	-	-	-	(8,375)	(8,375)
At 30 June 2004	200,000	447,081	99,084	34,159	10,000	2,687	793,011
<b>6 MONTHS ENDED 30 JUNE 2003</b>							
At 1 January 2003	162,500 *	241,151	407,952	34,159	-	4,932	850,694
Profit after taxation and minority interest	-	58,997	-	-	-	-	58,997
Listing expenses	-	-	(370)	-	-	-	(370)
Currency translation differences	-	-	-	-	-	4,077	4,077
At 30 June 2003	162,500	300,148	407,582	34,159	-	9,009	913,398

\* Note par value of Ordinary Shares split to RM0.25 each on 11th September 2003

**NOTES TO THE FINANCIAL REPORT**

**A1. ACCOUNTING POLICIES**

The interim financial statements have been prepared in accordance with Malaysian Accounting Standards Board ("MASB") 26 - "Interim Financial Reporting" and Chapter 9 Part K of the Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE").

These condensed interim financial statements are prepared using the same accounting policies and methods of computations as those applied to the most recent annual financial report of the Group for the financial year ended 31 December 2003. There have been no significant changes to those policies.

The Group's revenue mainly comprises charter hire income from various ship chartering activities which are recognised on a time proportion basis.

**A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

The financial statements for the year ended 31 December 2003 was not qualified.

**A3. SEASONALITY OR CYCLICALITY OF OPERATIONS**

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

**A4. EXCEPTIONAL ITEMS**

There are no exceptional items during the current financial year to date, save that the Group recognised a gain on the disposal of two vessels in the current financial year to date amounting to RM38.4 million.

**A5. CHANGES IN ESTIMATES**

There were no changes in accounting estimates that would have any impact on the current financial results.

**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 financial period under review.

**A7. DIVIDENDS**

In respect of the financial year ended 31 December 2003, a first and final dividend of 7 sen per share, tax exempt, amounting to RM56 million was paid on 20 May 2004.

**A8. SEGMENT REPORT**

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

	Shipping Bulkers RM '000	Shipping Tankers RM '000	Non-shipping RM '000	Elimination RM '000	Group RM '000
<b>REVENUE AND RESULT</b>					
Revenue					
External sales	135,001	55,685	1,556	-	192,242
Inter-segment sales	<u>1,006</u>	<u>-</u>	<u>(2,080)</u>	<u>1,074</u>	<u>-</u>
Total revenue	<u>133,995</u>	<u>55,685</u>	<u>3,636</u>	<u>1,074</u>	<u>192,242</u>
Segment results	93,076	71,981	(538)	-	164,519
Interest income					1,446
Finance cost					(10,431)
Taxation					<u>(572)</u>
Profit after taxation					154,962
Minority Interest					<u>(4,755)</u>
Profit for the period					<u>150,207</u>

**A9. VALUATION OF SHIPS, PROPERTY AND EQUIPMENT**

The fixed assets are stated at cost less accumulated depreciation.

A10. SUBSEQUENT MATERIAL EVENTS

There were no items of an exceptional or unusual nature which affect the assets, liabilities, equity, net income or cash flows of the Group.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the period under review including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

A12. CONTINGENT LIABILITIES

There were no changes in contingent liabilities since the last annual balance sheet date to the date of this report.

B1. REVIEW OF PERFORMANCE

Although the second quarter saw the Baltic Dry Index easing off from its first quarter highs, Group revenue nonetheless continued to improve over that of the same period last year. The Group's revenue more than doubled to RM192.2 million against last year's RM96 million. This is despite the drydocking of three tankers and three dry bulkcarriers in the first half of 2004, as opposed to two vessels for the corresponding period in 2003. The average time charter rates achieved for the first half of the year to June 2004 showed an increase for bulkers and tankers of 123% and 32% respectively over that of the period ended June 2003.

Fleet operating expenses continue to remain stable.

Profit for first half 2004 attributable to shareholders increased by more than 150% to RM150.2 million as compared to the corresponding period in 2003.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Baltic Dry Index (BDI) opened the year at 4,761, peaking at 5,681 in February 2004 and closing the first quarter at 4,822. It continued to soften into the second quarter easing to 3,005 by 30 June 2004.

Net Group profit before tax for the second quarter of 2004 declined to RM51.7 million from RM103.9 million for the first quarter. The first quarter's profit was however boosted by a RM38.4 million gain on disposal of vessels.

Apart from a weaker freight market, the lower second quarter profits can also be attributed to more docking days and docking costs incurred. Four vessels were drydocked in this second quarter as compared to two vessels in the first quarter contributing to a 10% decline in revenue to RM91.1million compared to RM101.1million in the first quarter.

The weaker market, reduced revenue days and the docking costs expensed all contributed towards a lower operating profit of RM58.8 million for the second quarter compared to RM72.2 million for first quarter 2004.

B3. PROSPECTS

By mid August, the BDI has recovered about 58% from its low in June 2004. This improvement in the market on the back of increased activities resulted in greater optimism and the perception that previous downturn was temporary and had been overdone.

Current high oil prices, rising interest rates, US trade and budget deficits, political unease in the Middle East and uncertainties caused by terrorism, make prospects less predictable. However, despite such uncertainties, there is optimism that China will engineer a soft landing and that despite recent concerns to the above, the IMF and World Bank have remained upbeat about global economy.

The recent Japanese nuclear power plant incident is expected to lead to the closure of some nuclear power plants for further inspections. The closure of such plants will lead to Japan seeking alternative energy sources. Last year's bout of Japanese nuclear power outages resulted in a sharp increase in the importation of oils and coals contributing significantly in driving up the tanker and drybulk markets.

Outlook for balance 2004 therefore continues to look promising and barring any unforeseen factors, the Board expects the second half of the year to remain profitable.

## B4. VARIANCE OF PROFIT FORECAST AND PROFIT GUARANTEE

There were no profit forecast or profit guarantee for the six month period ending 30 June 2004.

## B5. TAXATION

	Current quarter RM'000	Current financial year-to-date RM'000
Income tax charge/(credit)		
-current year	169	232
-prior year	-	(39)
Deferred tax expense		
-under provision in prior year	379	379
	<u>548</u>	<u>572</u>

The income of the Group that is derived from the operations of sea-going Malaysian registered ships is tax exempt under Section 54A of the Income Tax Act, 1967. The taxation charge for the Group is attributable to tax in respect of non-tax exempt activities of the Group.

## B6. PROFITS ON SALE OF INVESTMENTS AND/OR PROPERTIES

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

## B7. PURCHASES AND SALES OF QUOTED SECURITIES

i) The total purchase consideration, sale proceeds and profit/loss on disposal of quoted securities for the current quarter and financial year-to-date are as follows:

	Current quarter RM'000	Current financial year RM'000
Purchase consideration	3,477	13,966
Sale proceeds	7,497	7,606
Profit/(loss) on disposal of quoted securities	433	443

ii) Investments in quoted securities as at 30 June 2004 are as follows:-

Marketable Securities	RM '000
At cost	51,069
At carrying value	67,189
At market value	67,189

The Group's policy on quoted securities does not recognise unrealised gains (if any) until the financial year end.

## B8. STATUS OF CORPORATE PROPOSALS

There were no outstanding corporate proposals submitted by the Group as at 30 June 2004.

## B9. GROUP BORROWINGS

i) The Group borrowings as at 30 June 2004 are as follows:

	RM '000
Short Term Borrowings	
Secured	14,414
Long Term Borrowings	
Secured	<u>147,684</u>
	162,098
Unsecured loan	444
Total	<u>162,542</u>

The secured borrowings are denominated in USD & the unsecured loan is denominated in RM.

## B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

## B11. MATERIAL LITIGATION

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

## B12. DIVIDENDS

The Directors do not recommend any dividend for the current financial period.

## B13. EARNINGS PER SHARE

Earnings per share of the Group are calculated by dividing the net profit by the weighted average number of ordinary shares in issue.

	CURRENT YEAR QUARTER 30-Jun-04	PRECEDING YEAR QUARTER 30-Jun-03	CURRENT YEAR TO DATE 30-Jun-04	PRECEDING YEAR TO DATE 30-Jun-03
Net profit (RM'000)	48,731	22,116	150,207	58,997
Weighted average number of ordinary shares in issue('000)	800,000	700,000	800,000	700,000
Earnings per share(sen)	<u>6.09</u>	<u>3.16</u>	<u>18.78</u>	<u>8.43</u>

The effect of the share split and bonus shares issued have been adjusted for the quarter ended 30 June, 2003.

## B14. CAPITAL COMMITMENTS

Capital commitments on new shipbuildings net of instalments paid, as at 30 June 2004, in USD and its equivalent in RM are as follows:

	USD'000	RM'000
Approved and contracted for - new shipbuildings	161,355	613,147
	<u>161,355</u>	<u>613,147</u>