

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 June 2005  
The figures have not been audited.

**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2005**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-05 RM '000	PRECEDING YEAR QUARTER 30-Jun-04 RM '000	CURRENT YEAR TO DATE 30-Jun-05 RM '000	PRECEDING YEAR TO DATE 30-Jun-04 RM '000
Revenue	96,358	91,135	200,091	192,242
Operating expenses	<u>(32,016)</u>	<u>(32,351)</u>	<u>(59,767)</u>	<u>(61,216)</u>
Other operating income	64,342	58,784	140,324	131,026
Administrative expenses	<u>120,607</u>	<u>205</u>	<u>415,413</u>	<u>39,251</u>
Profit from operations	<u>(4,303)</u>	<u>(2,108)</u>	<u>(8,047)</u>	<u>(4,312)</u>
Finance cost	180,646	56,881	547,690	165,965
	<u>(1,977)</u>	<u>(5,204)</u>	<u>(5,144)</u>	<u>(10,431)</u>
Share of results of associate	<u>178,669</u>	<u>51,677</u>	<u>542,546</u>	<u>155,534</u>
	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
Profit before taxation	178,670	51,677	542,546	155,534
Taxation	<u>(453)</u>	<u>(548)</u>	<u>472</u>	<u>(572)</u>
Profit after taxation	178,217	51,129	543,018	154,962
Less minority interests	<u>(3,984)</u>	<u>(2,398)</u>	<u>(6,749)</u>	<u>(4,755)</u>
Net profit attributable to shareholders of the company	<u>174,233</u>	<u>48,731</u>	<u>536,269</u>	<u>150,207</u>
Earnings per share (sen)				
(i) Basic	21.78	6.09	67.03	18.78
(ii) Diluted	21.78	6.09	67.03	18.78

Please refer to Note B13 for number of shares

**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2005**

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Jun-05 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-04 RM '000
FIXED ASSETS	808,894	1,061,383
ASSOCIATE COMPANY	16,197	11,412
	825,091	1,072,795
<b>CURRENT ASSETS</b>		
<i>Consumable stores</i>	7,287	4,284
<i>Trade receivables</i>	23,940	16,437
<i>Proceeds from disposal of subsidiaries/vessels</i>	388,593	-
<i>Other receivables and prepayments</i>	9,266	11,769
<i>Investments</i>	96,544	94,068
<i>Short term deposits</i>	258,386	54,474
<i>Cash and bank balances</i>	7,115	1,617
	791,131	182,649
<b>CURRENT LIABILITIES</b>		
<i>Other payables</i>	34,493	43,621
<i>Current portion of term loans</i>	3,376	11,654
<i>Provision for Taxation</i>	309	474
	38,178	55,749
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	752,953	126,900
	1,578,044	1,199,695
<b>SHAREHOLDERS' FUNDS</b>		
SHARE CAPITAL	200,000	200,000
RESERVES	1,156,791	716,075
	1,356,791	916,075
MINORITY INTEREST	40,822	32,553
<b>NON-CURRENT LIABILITIES</b>		
<i>Redeemable preference shares</i>	-	150,000
<i>Long Term Loans</i>	138,800	100,637
<i>Deferred credit</i>	41,557	-
<i>Deferred taxation</i>	74	430
	1,578,044	1,199,695

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2005**

	CUMULATIVE	
	CURRENT YEAR 30-Jun-05 RM '000	PRECEDING YEAR CORRESPONDING 30-Jun-04 RM '000
<b>Cash Flow From Operating Activities</b>		
Profit before taxation	542,546	155,534
Adjustments for:		
Depreciation	16,030	17,534
Amortisation of deferred credit	(1,273)	-
Gain on disposal of fixed assets	(118,148)	(38,364)
(Gain) / loss on disposal of quoted investments	192	(443)
Gain on disposal of subsidiaries/vessels	(294,068)	-
Share of results of associate	-	-
Unrealised loss on quoted investments	2,373	1,367
Dividend income	(556)	(248)
Movement in foreign exchange translation	(96)	(300)
Interest income	(4,528)	(1,446)
Interest expense	5,144	1,431
Provision for redeemable preference shares dividend	-	9,000
Operating profit/(loss) before working capital changes	<u>147,616</u>	<u>144,065</u>
Working capital changes:		
Consumable stores	(1,380)	(543)
Receivables	(7,058)	(2,082)
Payables	(9,128)	8,704
Cash generated from operating activities	<u>130,050</u>	<u>150,144</u>
Tax (paid)/recovered	<u>(373)</u>	<u>(131)</u>
Net cash generated from operating activities	<u>129,677</u>	<u>150,013</u>
<b>Cash Flows From Investing Activities</b>		
Construction cost incurred for fixed assets	(204,856)	(89,183)
Purchase of fixed assets	(458)	(941)
Purchase of quoted investments	(18,114)	(13,966)
Dividend received	556	248
Interest received	4,528	1,446
Proceeds from disposal of quoted investments	13,180	7,606
Proceeds from disposal of fixed assets	323,557	267,517
Proceeds from disposal of subsidiaries	185,864	-
Loan to associate company	(4,785)	-
Net cash generated from/(used in) investing activities	<u>299,472</u>	<u>172,727</u>
<b>Cash Flows From Financing Activities</b>		
Interest paid	(5,144)	(1,431)
Redemption of redeemable preference shares	(150,000)	-
Proceeds from issuance of share to minority shareholder of subsidiary company	1,520	-
Repayment of term loans	(111,847)	(7,088)
Dividend paid to shareholders	(96,000)	(56,000)
Drawdown of term loans	141,732	-
Loan from minority shareholder of a subsidiary company	-	58
Listing expenses paid	-	(90)
Net cash generated from/(used in) financing activities	<u>(219,739)</u>	<u>(64,551)</u>
Net Change in Cash & Cash Equivalents	209,410	258,189
Cash & Cash Equivalents at the beginning of the period	<u>56,091</u>	<u>73,560</u>
Cash & Cash Equivalents at the end of the period	<u>265,501</u>	<u>331,749</u>
<b>Cash &amp; Cash equivalents comprise:</b>		
Short term deposits	258,386	335,407
Cash and bank balances	<u>7,115</u>	<u>2,041</u>
	265,501	337,448
Less: Short term deposits pledged as security for a guarantee facility provided by a foreign licensed bank to a third party	<u>-</u>	<u>(5,699)</u>
	<u>265,501</u>	<u>331,749</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2005**

	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 2005</b>							
At 1 January 2005	200,000	555,953	98,791	34,159	25,000	2,172	916,075
Transfer to Capital Redemption Reserve upon redemption of RPS	-	(15,000)	-	-	15,000	-	-
Profit after taxation and minority interest	-	536,269	-	-	-	-	536,269
Dividends	-	(96,000)	-	-	-	-	(96,000)
Currency translation differences	-	-	-	-	-	447	447
At 30 June 2005	200,000	981,222	98,791	34,159	40,000	2,619	1,356,791
<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
Listing expenses	-	-	(90)	-	-	-	(90)
Profit after taxation and minority interest	-	150,207	-	-	-	-	150,207
Dividends	-	(56,000)	-	-	-	-	(56,000)
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

**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 Bursa Malaysia Securities Berhad ("Bursa Malaysia").

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 2004. 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 2004 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 quarter, save that the Group recognised a gain on the disposal of subsidiaries amounting to RM294 million and gain on disposal of vessels of RM119 million.

**A5. CHANGES IN ESTIMATES**

There were no changes to the estimates of amounts reported in prior financial years that may have a material effect in the current quarter.

**A6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES**

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation or shares held as treasury shares and resale of treasury shares for the current financial year under review.

**A7. DIVIDENDS**

There were no dividends paid or declared during the current quarter.

In respect of the financial year ended 31 December 2004, a first and final dividend of 12 sen per share, tax exempt, amounting to RM96 million was paid on 25 May 2005.

**A8. SEGMENT REPORT**

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

	Shipping Bulkers RM '000	Shipping Tankers RM '000	Ship brokerage & management & others RM '000	Elimination RM '000	Group RM '000
<b>REVENUE AND RESULT</b>					
Revenue					
External sales	140,112	57,871	2,108	-	200,091
Inter-segment sales	(1,159)	-	2,141	(982)	-
<b>Total revenue</b>	<b>138,953</b>	<b>57,871</b>	<b>4,249</b>	<b>(982)</b>	<b>200,091</b>
Segment results	207,208	336,821	(867)	-	543,162
Interest income					4,528
Finance cost					(5,144)
Share of results of associate					-
Taxation					472
Profit after taxation					543,018
Minority Interest					(6,749)
<b>Profit for the period</b>					<b>536,269</b>

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

The fixed assets are stated at cost less accumulated depreciation.

**A10. SUBSEQUENT MATERIAL EVENTS**

On 15th July 2005, Aturanseni Sdn Bhd, a subsidiary company, has signed a Memorandum of Agreement to dispose its vessel, Alam Selamat, for a cash consideration of Yen2.15 billion. This vessel will then be time chartered into the Group for a period of seven years. The MBC Group has a purchase option at any time after year 3. In the event the option is not exercised, the Group has a purchase obligation at the end of the charter period for a price of Yen560 million.

Other than disclosed above, 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 have been no changes in the composition of the Group during the current quarter under review.

**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**

Group revenue of RM200.1 million for the first half ended 2005 reported a 4% increase against the first half of 2004. Time Charter Equivalents (TCE) achieved for the first half of 2005, on both the dry bulk and tankers were higher than for the first half of 2004, with the dry bulk registering a 3.7% increase and the tanker, a higher 18%. The hire days were marginally lower (3.5%) compared to last year due to a net decline in MBC's total fleet.

Profit before tax and minority interest for the first half of 2005 amounted to RM542.5 million, a 2.5 fold increase compared to 2004's first half profits of RM155.5 million. The gains realized on the disposal, which included the four panamax tankers and two handymax dry bulk carriers contributed RM413.5 million (first half 2004, RM38.4 million) to the results of the Group. Operating profits from ship operations increased by RM9.3 million, in comparison with the first half 2004 profits.

An inevitable cost of a growing company is the increasing cost of people and in this bouyant market, people costs particularly shipping professionals have increased. Thus with the expanding needs of MBC due to the deliveries of newbuildings and contracts of affreightment which MBC has secured, the administrative expenses of the Group has increased.

**B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

The softening of the dry bulk freight rates from the last quarter of 2004 into early 2005 has gathered momentum into the third quarter of 2005. Thus revenue for the second quarter has declined by 7% compared against the first quarter of 2005. Apart from declining freight rates in the dry bulk sector, lower hire days from the sale of ships also contributed to reduced revenues. However, the delivery of Alam Padu, a post panamax dry bulk carrier in April this year cushioned the fall.

The sale of the our handymax dry bulkers and the resulting capital gains of RM119.4 million increased the second quarter's attributable profit to RM174.2 million. However it is lower than the first quarter's record result of RM362.0 million, largely due to the profits on the sale of the panamax tankers.

## B3. PROSPECTS

The IMF sees the global economy growing 4.3% this year. World trade volume for 2005 is expected to slow to 7.4% from 9.4% last year. The growth in China's imports has slackened this year. This may indicate either an easing of growth in activity or that a larger share of domestic demand is being satisfied by Chinese enterprises following several years of sharp increases in production capacity. Whilst the continued concerns with rising interest rates and energy cost remains, the economic outlook for 2005 is still moderately positive.

The average dry bulk charter rates in the second quarter were well below the first quarter's average. In July, the Baltic Dry Bulk index averaged 2027 which is 44.4% lower than the second quarter average. The weakness in the dry bulk segment can also be attributed to:

- the growing capacity coming on stream, an estimated additional capacity of 12.7 million deadweight tonnes in 2005 and a further 23.6 million deadweight tonnes in 2006. The minimal scrapping of old vessels and a decline in shipping demand due to slower global growth has caused freight rates to ease; and
- the easing of port congestion has the effect of releasing additional tonnage supply back into the market further aggravating the supply/demand situation.

The tanker market has also weakened in the second quarter of 2005 though not in the same magnitude as dry bulkers. Generally the MR tanker market, where MBC has 3 vessels, is expected to remain stable.

Going forward, all 5 newbuilding Post Panamax bulk carriers will be delivered this year. These have secured profitable employment either through period charters or through long term cargo contracts.

On 21st July, Malaysia lifted its currency peg against the US dollar, the effect of which was a strengthening of the Ringgit, albeit by under 2%. The immediate impact of a Ringgit strengthening will be on revenue, since all businesses in the shipping sector are conducted in US dollars. The overall impact on MBC's revenue and profits will largely depend on how much the Ringgit will appreciate.

Earlier, your Board has taken the necessary steps to respond to the weakness in the market by selling a part of MBC's fleets and thus hedging the Group's profits. Should the freight market enter a sustained period of weakness resulting in further decline in ship prices, there will be opportunities for the Group to acquire vessels.

## B4. VARIANCE OF PROFIT FORECAST AND PROFIT GUARANTEE

There were no profit forecast or profit guarantee for the period under review.

## B5. TAXATION

	Current quarter RM'000	Current financial year-to-date RM'000
Income tax charge/(credit)		
-current year	513	531
-prior year	(43)	(647)
Deferred tax expense	(17)	(356)
	<u>453</u>	<u>(472)</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-to-date RM'000
Purchase consideration	5,480	18,114
Sale proceeds	8,153	13,180
Profit/(loss) on disposal of quoted securities	(236)	(192)

- ii) Investments in quoted securities as at 30 June 2005 are as follows:-

Marketable Securities	RM '000
At cost	72,526
At carrying value	96,544
At market value	99,714

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 2005.

## B9. GROUP BORROWINGS

- i) The Group borrowings as at 30 June 2005 are as follows:

	RM '000
Long Term Borrowings	
- Secured	
Repayable within 12 months	3,376
Repayable after 12 months	138,356
	<hr/>
	141,732
- Unsecured loan	444
Total	<hr/> <hr/>
	142,176

The secured borrowings are denominated in Sterling Pound and these have been swapped into US Dollars whereas 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

There were no dividends declared during the current quarter.

## 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-05	PRECEDING YEAR QUARTER 30-Jun-04	CURRENT YEAR TO DATE 30-Jun-05	PRECEDING YEAR TO DATE 30-Jun-04
Net profit (RM'000)	174,233	48,731	536,269	150,207
Weighted average number of ordinary shares in issue('000)	800,000	800,000	800,000	800,000
Earnings per share(sen)	<u>21.78</u>	<u>6.09</u>	<u>67.03</u>	<u>18.78</u>

## B14. CAPITAL COMMITMENTS

Capital commitments as at 30 June 2005, in foreign currency and its equivalent in RM are as follows:

			RM'000
Approved and contracted for			
- new shipbuildings	USD'000	139,930	531,694
- vessel purchase obligation	JPY'000	445,000	15,612
			<u>547,306</u>