

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 June 2008  
The figures have not been audited.

**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2008**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-08 RM '000	PRECEDING YEAR QUARTER 30-Jun-07 RM '000	CURRENT YEAR TO DATE 30-Jun-08 RM '000	PRECEDING YEAR TO DATE 30-Jun-07 RM '000
Revenue	186,026	146,138	366,490	253,555
Operating expenses	<u>(99,274)</u>	<u>(45,746)</u>	<u>(173,378)</u>	<u>(83,288)</u>
Other operating income	86,752	100,392	193,112	170,267
Administrative expenses	<u>149,472</u>	<u>45,310</u>	<u>153,295</u>	<u>131,757</u>
	<u>(6,303)</u>	<u>(6,006)</u>	<u>(13,848)</u>	<u>(12,978)</u>
Profit from operations	229,921	139,696	332,559	289,046
Finance cost	(6,501)	(3,141)	(13,134)	(8,140)
Share of results of associate	<u>3,552</u>	<u>4,004</u>	<u>7,245</u>	<u>7,665</u>
Profit before taxation	226,972	140,559	326,670	288,571
Income tax expense	<u>(518)</u>	<u>(310)</u>	<u>(3,255)</u>	<u>(1,975)</u>
Profit for the period	<u>226,454</u>	<u>140,249</u>	<u>323,415</u>	<u>286,596</u>
Attributable to:				
Equity holders of the parent	221,895	129,465	314,152	273,119
Minority interests	<u>4,559</u>	<u>10,784</u>	<u>9,263</u>	<u>13,477</u>
	<u>226,454</u>	<u>140,249</u>	<u>323,415</u>	<u>286,596</u>
Earnings per share attributable to equity holders of the parent (sen)				
- Basic	22.19	12.95	31.42	27.31

Please refer to Note B13 for number of shares

**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008**

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Jun-08 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-07 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets	607,860	655,175
Leasehold property	18,256	18,508
Associate	54,706	47,605
	<u>680,822</u>	<u>721,288</u>
<b>Current Assets</b>		
Consumable stores	9,325	6,517
Trade receivables	35,595	42,798
Other receivables and prepayments	44,628	53,444
Investments	191,267	208,716
Short term deposits	1,164,449	988,783
Cash and bank balances	2,516	38,163
	<u>1,447,780</u>	<u>1,338,421</u>
Non-current assets classified as held for sale	42,245	127,999
	<u>1,490,025</u>	<u>1,466,420</u>
<b>TOTAL ASSETS</b>	<u><u>2,170,847</u></u>	<u><u>2,187,708</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	250,000	250,000
Reserves	1,431,491	1,445,048
	<u>1,681,491</u>	<u>1,695,048</u>
<b>Minority interest</b>	87,094	79,256
<b>Total equity</b>	<u>1,768,585</u>	<u>1,774,304</u>
<b>Non-current liabilities</b>		
Bank and other borrowings	334,179	342,810
Deferred taxation	1,338	1,338
	<u>335,517</u>	<u>344,148</u>
<b>Current liabilities</b>		
Bank and other borrowings	7,786	6,589
Other payables	56,285	60,845
Provision for Taxation	2,674	1,822
	<u>66,745</u>	<u>69,256</u>
<b>Total liabilities</b>	<u>402,262</u>	<u>413,404</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>2,170,847</u></u>	<u><u>2,187,708</u></u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2008**

	CUMULATIVE	
	CURRENT YEAR 30-Jun-08 RM '000	PRECEDING YEAR 30-Jun-07 RM '000
<b>Cash Flow From Operating Activities</b>		
Profit before taxation	326,670	288,571
Adjustments for:		
Depreciation and amortisation	14,839	20,191
Gain on disposal of fixed assets	(16)	-
Loss/(gain) on disposal of quoted investments	129	(3,429)
Gain on disposal of vessels	(144,430)	(105,846)
Writeback of provision for doubtful debts	(98)	(152)
Unrealised exchange gain	13	2,363
Share of results of associate	(7,245)	(7,665)
Unrealised loss on quoted investments	29,925	1,045
Dividend income	(669)	(523)
Interest income	(18,938)	(19,199)
Interest expense	13,134	8,140
Operating profit before working capital changes	<u>213,314</u>	<u>183,496</u>
Working capital changes:		
Consumable stores	(2,576)	(525)
Receivables	19,201	(7,589)
Payables	(6,546)	(7,832)
Cash generated from operating activities	<u>223,393</u>	<u>167,550</u>
(Tax paid) / tax refunded	<u>(1,154)</u>	<u>57</u>
Net cash generated from operating activities	<u>222,239</u>	<u>167,607</u>
<b>Cash Flows From Investing Activities</b>		
Construction cost and purchase of vessels	(16,060)	(128,829)
Purchase of new equipment and capitalisation of dry docking cost	(5,301)	(3,080)
Purchase of other fixed assets	(110)	(53)
Purchase of quoted investments	(79,602)	(207,000)
Dividend received	669	523
Interest received	18,938	19,199
Proceeds from disposal of quoted investments	63,799	86,425
Proceeds from disposal of vessels	271,875	249,456
Proceeds from disposal of other fixed assets	16	-
Net cash generated from/(used in) investing activities	<u>254,224</u>	<u>16,641</u>
<b>Cash Flows From Financing Activities</b>		
Interest paid	(13,134)	(8,140)
Repayment of loans	-	(61,138)
Repayment of lease financing	(2,989)	(3,021)
Loan from minority shareholder of a subsidiary company	-	4,361
Dividend paid to shareholders	(300,000)	(240,000)
Net cash used in financing activities	<u>(316,123)</u>	<u>(307,938)</u>
<b>Net Change in Cash &amp; Cash Equivalents</b>	160,340	(123,690)
<b>Effects of Foreign Exchange Rate Changes</b>	(20,321)	(16,574)
<b>Cash &amp; Cash Equivalents at the beginning of the period</b>	1,026,946	692,794
<b>Cash &amp; Cash Equivalents at the end of the period</b>	<u>1,166,965</u>	<u>552,530</u>
Cash & Cash equivalents comprise:		
Short term deposits	1,164,449	546,841
Cash and bank balances	2,516	5,689
	<u>1,166,965</u>	<u>552,530</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2008

	← Attributable to Equity Holders of the Parent →						Minority Interest	Total Equity	
	Non-distributable					Distributable			
	Share Capital	Share premium	Capital reserve	Capital redemption reserve	Exchange translation reserve	Retained profits			Total
RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000		
<b>6 MONTHS ENDED 30 JUNE 2007</b>									
<b>At 1 JANUARY 2007</b>	200,000	98,791	34,159	40,000	(16,995)	1,198,162	1,554,117	53,034	1,607,151
Currency translation differences	-	-	-	-	(35,423)	-	(35,423)	(4,573)	(39,996)
Profit for the period	-	-	-	-	-	273,119	273,119	13,477	286,596
Dividends	-	-	-	-	-	(240,000)	(240,000)	-	(240,000)
Bonus issue	50,000	(50,000)	-	-	-	-	-	-	-
<b>At 30 JUNE 2007</b>	<b>250,000</b>	<b>48,791</b>	<b>34,159</b>	<b>40,000</b>	<b>(52,418)</b>	<b>1,231,281</b>	<b>1,551,813</b>	<b>61,938</b>	<b>1,613,751</b>
<b>6 MONTHS ENDED 30 JUNE 2008</b>									
<b>At 1 JANUARY 2008</b>	250,000	48,791	34,159	40,000	(100,656)	1,422,754	1,695,048	79,256	1,774,304
Currency translation differences	-	-	-	-	(27,708)	-	(27,708)	(1,425)	(29,133)
Profit for the period	-	-	-	-	-	314,151	314,151	9,263	323,414
Dividends	-	-	-	-	-	(300,000)	(300,000)	-	(300,000)
<b>At 30 JUNE 2008</b>	<b>250,000</b>	<b>48,791</b>	<b>34,159</b>	<b>40,000</b>	<b>(128,364)</b>	<b>1,436,905</b>	<b>1,681,491</b>	<b>87,094</b>	<b>1,768,585</b>

**NOTES TO THE FINANCIAL REPORT**

**A1. BASIS OF PREPARATION**

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The accounting policies and methods of computation adopted by the Group in this report are consistent with those adopted in the financial statements for the year ended 31 December 2007 with the exception for FRS 139, whereby unrealised gains on quoted investments are not recognised in the financial statements until year end. Unrealised losses on quoted investments are recognised immediately whilst unrealised gains will only be recognised at the year end.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007.

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

The financial statements for the year ended 31 December 2007 were not qualified.

**A3. SEASONAL OR CYCLICAL FACTORS**

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

**A4. NATURE AND AMOUNT OF UNUSUAL ITEMS**

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the current quarter.

**A5. CHANGES IN ESTIMATES**

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

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

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

**A7. DIVIDENDS PAID**

The Board recommends an interim gross dividend of 10.00 sen per ordinary share comprising 7.50 sen less 26% income tax and 2.50 sen tax exempt for the financial year ending 31 December 2008.

In respect of financial year ended 31 December 2007, the company paid an interim dividend of 8.00 sen per share tax exempt, and a final dividend of 30.00 sen per share, tax exempt, amounting to RM80 million and RM300 million respectively. The final dividend of 30.00 sen per share was paid during this current quarter on 8 May 2008.

**A8. SEGMENT REPORT**

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

	Shipping Bulkers RM '000	Shipping Tankers RM '000	Ship brokerage & management & others RM '000	Elimination RM '000	Group RM '000
<b>REVENUE AND RESULT</b>					
Revenue					
External sales	324,943	39,178	2,369	-	366,490
Inter-segment sales	(1,600)	-	2,335	(735)	-
Total revenue	<u>323,343</u>	<u>39,178</u>	<u>4,704</u>	<u>(735)</u>	<u>366,490</u>
Segment results	274,768	53,929	(15,076) *	-	313,621
Interest income					18,938
Finance cost					(13,134)
Share of results of associate					7,245
Taxation					(3,255)
Profit for the period					<u>323,415</u>

\* Included in "others" is unrealised loss on quoted investments of RM29.9million.

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

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

**A10. SUBSEQUENT MATERIAL EVENTS**

A subsidiary of the company, Ambi Shipping Pte Ltd completed the disposal of a drybulk vessel in July 2008.

**A11. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the current quarter under review.

**A12. CONTINGENT LIABILITIES**

The Inland Revenue Board has raised an assessment of RM58.4 million in respect of deemed interest income. The company is contesting this assessment. Further explanation is contained in note B5.

**B1. REVIEW OF PERFORMANCE**

The Group's revenue for this 6 months ending June 2008 amounted to RM366.5million, which is 44.5% (RM112.9m) higher than group revenue for the first half of 2007. The comparatively higher revenue is mainly due to stronger dry-bulk freight market.

Average fleet TCE rates for bulkers increased from Q1 average of USD37,803/day to current 6 month average of USD39,670 and is in line with the general improvement of the BDI over the period.

The BCTI started the year at 1,083 and peaked on 19th June 2008 at 1,509. The average TCE rate for tanker segment dropped slightly from Q1 average of USD18,614 to this current 6 month average of USD18,259/day.

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

	Ave. TCE/Day		Hire Days	
	6 months ending		6 months ending	
	Jun-08 (USD)	Jun-07 (USD)	Jun-08 (Day)	Jun-07 (Day)
Dry bulk	39,670	24,284	2,541	2,221
Product Tankers	18,259	21,571	659	843
<b>Total Fleet</b>	<b>35,261</b>	<b>23,538</b>	<b>3,200</b>	<b>3,064</b>

Operating expenses for this first half year include higher charter-in costs for third party vessels taken in to perform the Tenaga COA. This also accounts for the increase in hire days in the table above from 2,221 days in 2007 to 2,541 for this 6 month period, of which charter in days accounted for 449 and 907 for the 6 months to June 2007 and 2008 respectively.

Other operating income includes gains on disposal of a bulker and a tanker amounting to RM144.4 million, whilst the previous comparative period reported gains of RM105.8 million from disposal of 2 bulkers and a tanker.

The six month's profit attributable to shareholders of RM314.15 million represents a 15% increase over the previous year's 6 month results of RM273.12 million.

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

Group's revenue of RM186.0 million for Q2/2008 is 3% higher than that of the previous quarter. The reduced hire days and lower TCE rates for the tanker segment was more than compensated by higher TCE rates achieved from the dry bulk segment.

However, operating expenses have increased from RM74.1million in the previous quarter to the current quarter of RM99.3million. This is due to the increased charter-in activities in Q2 which are necessary to perform the TNB's contract of affreightment. Charter-in days increased from 396 days in Q1 2008 to 511 days this quarter. These charter-in activities in a strong freight market has adverse impact on MBC's operating income.

Other operating income increased significantly in Q2 on account of gains from the sale of 2 vessels as reported above and helped boost profit from operations by 124% quarter on quarter.

Q2 2008's profit attributable to shareholders of RM221.89 million is 2.4 times higher than Q1 2008's of RM92.26 million.

**B3. PROSPECTS**

The BDI closed June 2008 at 9589 and has since dropped to 7543 as at 19th August 2008.

The IMF in their latest report dated July 2008 projects global growth for 2008 to average 4.1% in 2008 and 3.9% in 2009. This includes a modest 1.3% growth in the United States for 2008 whilst China's rate is expected to slow from nearly 12% in 2007 to 10% over 2008-2009.

The Group completed the sale of 1 more bulker in the July 2008 for a consideration of USD63.9million. The gain on the disposal of RM158.5million will be recognised in the 3rd quarter results.

Current market weakness has largely been due to slower demand from China on account of the Beijing Olympics. However, expectations are high for a post-Olympics revival of Chinese activities and have led to a strong forward freight futures market. The suspension of industrial and construction activities in Beijing and the surrounding provinces and municipalities is expected to be temporary as the underlying demand still remains positive albeit at slightly lower levels than in recent years. The outlook for 2008 is positive and the Board expects to deliver another year of good results.

**B4. VARIANCE OF PROFIT FORECAST AND PROFIT GUARANTEE**

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

**B5. TAXATION**

	Current quarter RM'000	Current financial year-to-date RM'000
Income tax charge		
-current period	518	1,160
-prior year	-	2,095
	<u>518</u>	<u>3,255</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.

Following a field audit, the Inland Revenue Board ("IRB") has deemed interest income for all interest-free loans which MBC provides to its wholly-owned subsidiaries and raised a tax assessment of RM58.4million on these deemed interest income covering financial years 2003 to 2005.

MBC does not agree with this assessment because it considers these loans as part of its equity (debt equity) which finances the acquisition of the various vessels the Group has acquired. As is common practice amongst international ship-owners, ships are typically owned via a "one-ship one company" structure with debt equity and nominal capital to ring-fence against frivolous claims and liabilities. Despite various exchanges with IRB, the IRB has maintained its stance and consequently an assessment has been raised by the IRB on 15 August 2008.

MBC views this assessment as a significant departure from the IRB's past practices in respect of interest-free loans to wholly-owned subsidiaries and considers this as incorrect under the Malaysian income tax law. Consequently, no provision will be made in the accounts and the Company will contest this assessment.

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

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

**B7. QUOTED SECURITIES**

i) Details of purchases and disposals of quoted securities are as follows:

	Current quarter RM'000	Current financial year-to-date RM'000
Purchase consideration	40,180	79,602
Sale proceeds	31,811	63,799
Profit/(loss) on disposal of quoted securities	(672)	(129)

ii) Details of investments in quoted securities:

	As at 30-Jun-08 RM '000
Marketable securities	
At cost	161,945
At book value	191,095
At market value	194,268

**B8. STATUS OF CORPORATE PROPOSALS**

There were no outstanding corporate proposals submitted by the Group as at 30 June 2008.

**B9. GROUP BORROWINGS**

i) The Group borrowings as at 30 June 2008 are as follows:

	Currency	Current RM '000	Non-current RM '000
Secured loans	GBP	342	295,538
Unsecured loan	RM	-	544
Finance lease payables	USD	6,343	39,198
		<u>6,685</u>	<u>335,280</u>

The secured loans are denominated in Sterling Pound and these have been swapped into US Dollars.

**B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

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

**B11. MATERIAL LITIGATION**

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

**B12. DIVIDENDS**

The Board recommends an interim gross dividend of 10.00 sen per ordinary share comprising 7.50 sen less 26% income tax and 2.50 sen tax exempt for the financial year ending 31 December 2008.

**B13. EARNINGS PER SHARE**

The basic earnings per share of the Group is calculated by dividing the profit attributable to ordinary equity holders of the parent by the number of ordinary shares in issue.

	CURRENT YEAR QUARTER 30-Jun-08	PRECEDING YEAR QUARTER 30-Jun-07	CURRENT YEAR TO DATE 30-Jun-08	PRECEDING YEAR TO DATE 30-Jun-07
Profit attributable to ordinary equity holders of the parent (RM'000)	221,895	129,465	314,152	273,119
Number of ordinary shares in issue('000)	1,000,000	1,000,000	1,000,000	1,000,000
Earnings per share attributable to equity holders of the parent (sen)	<u>22.19</u>	<u>12.95</u>	<u>31.42</u>	<u>27.31</u>

**B14. COMMITMENTS**

Commitments as at 30 June 2008 are as follows:

	RM'000
(i) Approved and contracted for Capital commitments	
- USD2.986 million	9,711
- JPY560 million	17,136
(ii) Non-cancellable charter commitments	
Due within 1 year	72,403
Due later than 1 year and not later than 5 years	212,522
Due later than 5 years	578,597
	<u>890,369</u>