

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 September 2013

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Sep-13 RM '000	PRECEDING YEAR QUARTER 30-Sep-12 RM '000	CURRENT YEAR TO DATE 30-Sep-13 RM '000	PRECEDING YEAR TO DATE 30-Sep-12 RM '000
Revenue	62,820	64,453	188,931	201,229
Voyage expenses	<u>(21,216)</u>	<u>(26,843)</u>	<u>(73,121)</u>	<u>(77,064)</u>
Operating expenses	<u>41,604</u> <u>(47,900)</u>	<u>37,610</u> <u>(40,549)</u>	<u>115,810</u> <u>(129,163)</u>	<u>124,165</u> <u>(123,400)</u>
Other operating income/(loss), net	(6,296)	(2,939)	(13,353)	765
Administrative expenses	<u>3,034</u> <u>(2,485)</u>	<u>12,442</u> <u>(3,471)</u>	<u>9,442</u> <u>(8,463)</u>	<u>29,552</u> <u>(10,244)</u>
Profit from operations	(5,747)	6,032	(12,374)	20,073
Finance costs	(351)	(458)	(924)	(1,586)
Share of results of an associate	13,881	9,619	45,451	21,463
Share of results of jointly controlled entities	<u>824</u>	<u>1,753</u>	<u>(811)</u>	<u>9,121</u>
Profit before taxation	8,607	16,946	31,342	49,071
Income tax expense	<u>(493)</u>	<u>87</u>	<u>(1,020)</u>	<u>(543)</u>
Profit for the period	<u>8,114</u>	<u>17,033</u>	<u>30,322</u>	<u>48,528</u>
Attributable to:				
Equity holders of the parent	8,542	17,093	30,651	48,911
Non-controlling interests	<u>(428)</u>	<u>(60)</u>	<u>(329)</u>	<u>(383)</u>
	<u>8,114</u>	<u>17,033</u>	<u>30,322</u>	<u>48,528</u>
Earnings per share attributable to equity holders of the parent (sen)				
- Basic	0.85	1.71	3.07	4.89

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 September 2013

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Sep-13 RM '000	PRECEDING YEAR QUARTER 30-Sep-12 RM '000	CURRENT YEAR TO DATE 30-Sep-13 RM '000	PRECEDING YEAR TO DATE 30-Sep-12 RM '000
Profit for the period	8,114	17,033	30,322	48,528
Other comprehensive income/(loss):				
Currency translation differences	<u>87,325</u>	<u>(41,775)</u>	<u>119,061</u>	<u>(38,769)</u>
Total comprehensive income/(loss) for the period	<u>95,439</u>	<u>(24,742)</u>	<u>149,383</u>	<u>9,759</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	93,270	(18,301)	146,211	11,538
Non-controlling interests	<u>2,169</u>	<u>(6,441)</u>	<u>3,172</u>	<u>(1,779)</u>
	<u>95,439</u>	<u>(24,742)</u>	<u>149,383</u>	<u>9,759</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013**

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Sep-13 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-12 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets	521,707	483,277
Associate	989,468	885,834
Jointly controlled entities	203,451	190,993
	<u>1,714,626</u>	<u>1,560,104</u>
<b>Current Assets</b>		
Consumable stores	11,522	10,364
Trade and other receivables	50,875	47,990
Investments	98,091	91,903
Short term deposits	13,561	51,923
Cash and bank balances	115,874	138,187
	<u>289,923</u>	<u>340,367</u>
Non-current assets classified as held for sale	2,505	6,366
	<u>292,428</u>	<u>346,733</u>
<b>TOTAL ASSETS</b>	<u><u>2,007,054</u></u>	<u><u>1,906,837</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	250,000	250,000
Reserves	1,582,428	1,466,217
	<u>1,832,428</u>	<u>1,716,217</u>
Non-controlling interests	54,316	53,400
<b>Total equity</b>	<u>1,886,744</u>	<u>1,769,617</u>
<b>Non-current liability</b>		
Bank and other borrowings	66,091	33,516
	<u>66,091</u>	<u>33,516</u>
<b>Current liabilities</b>		
Trade and other payables	40,592	30,436
Bank and other borrowings	13,199	73,077
Provision for Taxation	428	191
	<u>54,219</u>	<u>103,704</u>
<b>Total liabilities</b>	<u>120,310</u>	<u>137,220</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>2,007,054</u></u>	<u><u>1,906,837</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2013

	Attributable to Equity Holders of the Parent						Non-controlling Interests	Total Equity	
	Non-distributable			Distributable					
	Share Capital RM '000	Share premium RM '000	Capital reserve RM '000	Capital redemption reserve RM '000	Exchange translation reserve RM '000	Retained profits RM '000			Total RM '000
<b>9 MONTHS ENDED 30 SEPTEMBER 2012</b>									
<b>At 1 January 2012</b>	250,000	48,791	13,209	40,000	46,348	1,341,785	1,740,133	55,717	1,795,850
Total comprehensive income for the period	-	-	-	-	(37,373)	48,911	11,538	(1,779)	9,759
Dividends paid	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
<b>At 30 September 2012</b>	<b>250,000</b>	<b>48,791</b>	<b>13,209</b>	<b>40,000</b>	<b>8,975</b>	<b>1,360,696</b>	<b>1,721,671</b>	<b>53,938</b>	<b>1,775,609</b>
<b>9 MONTHS ENDED 30 SEPTEMBER 2013</b>									
<b>At 1 January 2013</b>	250,000	48,791	13,209	40,000	(13,617)	1,377,834	1,716,217	53,400	1,769,617
Total comprehensive income for the period	-	-	-	-	115,560	30,651	146,211	3,172	149,383
Dividends paid	-	-	-	-	-	(30,000)	(30,000)	-	(30,000)
Dividend paid to minority shareholder of a subsidiary	-	-	-	-	-	-	-	(2,256)	(2,256)
<b>At 30 September 2013</b>	<b>250,000</b>	<b>48,791</b>	<b>13,209</b>	<b>40,000</b>	<b>101,943</b>	<b>1,378,485</b>	<b>1,832,428</b>	<b>54,316</b>	<b>1,886,744</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

	CUMULATIVE	
	CURRENT YEAR 30-Sep-13 RM '000	PRECEDING YEAR 30-Sep-12 RM '000
<b>Cash Flow From Operating Activities</b>		
Profit before taxation	31,342	49,071
Adjustments for:		
Depreciation and amortisation	20,569	21,572
Gain on disposal of investments	-	(3,066)
Fair value gain on investments	-	(8,729)
Gain on disposal of assets	(3,882)	(11,204)
Unrealised foreign exchange (gain)/loss	(2,266)	(1,775)
Provision for doubtful debts	-	6
Interest income	(1,396)	(1,748)
Finance costs	924	1,586
Share of results of an associate	(45,451)	(21,463)
Share of results of jointly controlled entities	811	(9,121)
Operating (loss)/profit before working capital changes	651	15,129
Working capital changes:		
Consumable stores	(417)	403
Receivables	365	(16,116)
Payables	11,751	777
Cash generated from operating activities	12,350	193
Tax paid	(724)	(769)
Net cash generated from operating activities	11,626	(576)
<b>Cash Flows From Investing Activities</b>		
Construction cost and purchase of vessels	(19,523)	-
Purchase of new equipment and capitalisation of dry docking	(6,011)	(3,411)
Purchase of other fixed assets	(60)	(268)
Dividend from an associate	4,573	-
Dividends from jointly controlled entities	-	856
Interest received	1,396	1,748
Proceeds from disposal of investments	-	45,466
Proceeds from disposal of assets	7,743	28,180
Advances from/(to) jointly controlled entities	(199)	91
Net cash generated from investing activities	(12,081)	72,662
<b>Cash Flows From Financing Activities</b>		
Finance costs paid	(924)	(1,586)
Repayment of loan borrowings	(33,999)	(35,765)
Dividends paid to shareholders	(30,000)	(30,000)
Dividend paid to minority shareholder of a subsidiary	(2,256)	-
Net cash used in financing activities	(67,179)	(67,351)
<b>Net change in cash and cash equivalents</b>	(67,634)	4,735
<b>Effects of foreign exchange rate changes</b>	6,959	(5,298)
<b>Cash and cash equivalents at the beginning of the period</b>	190,110	298,873
<b>Cash and cash equivalents at the end of the period</b>	129,435	298,310
Cash and cash equivalents comprise:		
Short term deposits	13,561	46,866
Cash and bank balances	115,874	251,444
	129,435	298,310

**NOTES TO THE FINANCIAL REPORT**

**A1. BASIS OF PREPARATION**

The interim financial statements have been prepared under the historical cost basis, except for investment securities and derivative financial instruments which are stated at fair value.

The interim financial statements are unaudited and have been prepared in accordance with the MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. This interim financial report also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2012.

The significant accounting policies and methods of computation applied in this report are consistent with those adopted in the financial statements for the year ended 31 December 2012 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.

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

The financial statements for the year ended 31 December 2012 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**

No dividends have been paid for the current quarter ended 30 September 2013.

**A8. SEGMENT REPORT**

	Shipping Bulkers RM '000	Shipping Tankers RM '000	Ship brokerage & management RM '000	Investment holding & others RM '000	Elimination RM '000	Group RM '000
<b>9 months ended 30 September 2013</b>						
Revenue						
Group	138,406	45,391	5,597	-	(463)	188,931
Inter-segment	-	-	(463)	-	463	-
External revenue	<u>138,406</u>	<u>45,391</u>	<u>5,134</u>	<u>-</u>	<u>-</u>	<u>188,931</u>
TCE earnings	<u>82,889</u>	<u>27,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,676</u>
Segment results	(18,606)	113	1,748	2,975	-	(13,770)
Interest income	643	-	16	737	-	1,396
Finance costs	(493)	(421)	(10)	-	-	(924)
Share of results of an associate	-	-	-	45,451	-	45,451
Share of results of jointly controlled entities	(811)	-	-	-	-	(811)
Profit before tax	<u>(19,267)</u>	<u>(308)</u>	<u>1,754</u>	<u>49,163</u>	<u>-</u>	<u>31,342</u>
<b>9 months ended 30 September 2012</b>						
Revenue						
Group	151,660	44,744	5,416	-	(591)	201,229
Inter-segment	115	-	(706)	-	591	-
External revenue	<u>151,775</u>	<u>44,744</u>	<u>4,710</u>	<u>-</u>	<u>-</u>	<u>201,229</u>
TCE earnings	<u>95,231</u>	<u>24,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>119,455</u>
Segment results	1,779	(1,274)	1,141	16,679	-	18,325
Interest income	110	-	23	1,615	-	1,748
Finance costs	(951)	(617)	(18)	-	-	(1,586)
Share of results of an associate	-	-	-	21,463	-	21,463
Share of results of jointly controlled entities	9,121	-	-	-	-	9,121
Profit before tax	<u>10,059</u>	<u>(1,891)</u>	<u>1,146</u>	<u>39,757</u>	<u>-</u>	<u>49,071</u>

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

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

**A10. SUBSEQUENT MATERIAL EVENTS**Purchase of vessel

On 9 October 2013, the Group signed a letter of intent for the purchase and construction of one 33,000 dwt bulk carriers with estimated delivery in January 2016.

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

There is no change in the composition of the Group during the current quarter under review.

**A12. CONTINGENT LIABILITIES**

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

**B1. REVIEW OF PERFORMANCE**

The Group reported a profit before tax (PBT) of RM31.3 million in the first 9 months of 2013, a decline of 36% compared to RM49.1 million registered in the same period last year.

The table below summarizes the average time charter equivalent (TCE) for MBC's dry bulk and tanker fleet.

	Average TCE/day		Hire days	
	9 months ended Sep-13	9 months ended Sep-12	9 months ended Sep-13	9 months ended Sep-12
	USD	USD	Days	Days
Dry bulk	8,968	10,115	3,031	3,101
Tanker	12,387	10,571	786	803
<b>Total fleet</b>	<b>9,672</b>	<b>10,209</b>	<b>3,817</b>	<b>3,904</b>

The performance of the respective segments in the first 9 months of 2013 as compared to the same period last year is analysed as follows:-

Dry bulk segment

Dry bulk segment reported a loss before tax of RM19.3 million in the first 9 months of 2013, a decline of RM29.3 million compared to a profit of RM10.1 million recorded in the corresponding period a year ago. Lower charter rates earned (-11%), higher docking cost (4 vessels docked this period compared to 1 vessel last year) and lesser hire days all contributed to the decline in dry bulk's results.

Tanker segment

Tanker segment reported a smaller loss of RM0.3 million in the 9 months ended September 2013, compared to the RM1.9 million loss registered in the same period last year. Average tanker charter rates of USD12,387/day, was about 17% up year on year. The improvement was partly offset by higher docking cost.

Ship brokerage and management

Profit from this segment increased marginally by RM0.6 million due to higher management fees earned.

Investment holding and others

Contribution from our associate (the POSH Group) more than doubled to RM45.5 million, from last year's RM21.5 million due to the improved offshore service sector. This more than offset the lower contribution from other investments.

Overall, profit attributable to shareholders declined 37% to RM30.7 million in the 9 months ended September 2013, from RM48.9 million registered in the same period last year.

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

	Individual Quarter		Variance RM '000
	Jul-Sep RM '000	Apr-Jun RM '000	
Revenue	62,820	65,767	(2,947)
Voyage expenses	(21,216)	(24,960)	3,744
	41,604	40,807	797
Operating expenses	(47,900)	(40,978)	(6,922)
	(6,296)	(171)	(6,125)
Other operating income/(loss), net	3,034	(500)	3,534
Administrative expenses	(2,485)	(2,544)	59
Profit from operations	(5,747)	(3,215)	(2,532)
Finance costs	(351)	(252)	(99)
Share of results of an associate	13,881	18,167	(4,286)
Share of results of jointly controlled entities	824	(1,269)	2,093
Profit before taxation	8,607	13,431	(4,824)
Income tax expense	(493)	(287)	(206)
<b>Profit for the period</b>	<b>8,114</b>	<b>13,144</b>	<b>(5,030)</b>
<u>Attributable to:</u>			
Equity holders of the parent	8,542	13,100	(4,558)
Non-controlling interests	(428)	44	(472)
	<b>8,114</b>	<b>13,144</b>	<b>(5,030)</b>

The Group posted a quarterly operating loss of RM6.3 million in July to September 2013, a decline of RM6.1 million compared to the RM0.2 million loss in the preceding quarter. Charter rates earned increased marginally quarter on quarter but the improvement was eroded by the higher docking cost as 3 vessels were docked in the July to September quarter.

Other operating income increased RM3.5 million due to foreign exchange gain. Administrative expenses and finance costs remained stable quarter on quarter.

Our associate (POSH) reported another strong quarter, contributing RM13.9 million to the Group's bottom line.

All in, profit attributable to shareholders declined 35% quarter on quarter to RM8.5 million in the third quarter of 2013, from RM13.1 million reported in the second quarter 2013.



**B3. PROSPECTS**

In its October 2013 World Economic Outlook, the International Monetary Fund cut its global growth forecast for 2013 by 0.3% from its July's estimate, citing the weakness in emerging economies for the latest revision to 2.9%. Notwithstanding that, the emerging market economies continue to account for the bulk of global growth.

Although the supply of bulk carriers is forecasted to slow to 6% in 2013 (down from 10% in 2012 and 15% in 2011), it still outpaces the dry bulk trade which is projected to grow only at 5%. Overall, increased dry bulk imports by China and India are expected to remain the main drivers of global trade growth next year.

The outlook for both dry bulk and tanker remains challenging as supply of newbuildings continues whereas vessel scrapping has slowed down.

The Group has taken delivery of two new vessels (one Supramax and one Handysize) under long term charter this year and has another 6 new vessels in the pipeline for deliveries in the next 3 years.

Our associate PACC Offshore Services Holdings Pte Ltd (POSH) reported strong earnings in the first three quarters of the year. The offshore sector remains active and it should continue to contribute positively to the Group's performance in 2013.

**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	474	1,001
-prior year	19	19
	<u>493</u>	<u>1,020</u>

The shipping income of the Group that is derived from the operations of sea-going Malaysian registered ships and Singapore registered ships is tax exempt under Section 54A of the Malaysian Income Tax Act, 1967 and Section 13A of the Singapore Income Tax Act respectively. The taxation charge for the Group is attributable to tax in respect of non-tax exempt activities of the Group.

**B6. RETAINED PROFITS**

	Group	
	As at 30-Sep-13 RM'000	As at 31-Dec-12 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,182,010	1,234,525
- Unrealised	9,421	8,511
	<u>1,191,431</u>	<u>1,243,036</u>
Total share of retained profits from an associate:		
- Realised	159,060	115,701
- Unrealised	(316)	2,165
	158,744	117,866
Total share of retained profits from jointly controlled entities:		
- Realised	91,088	91,854
- Unrealised	(43)	2
	91,045	91,856
Add: Consolidation adjustments	167,582	155,393
Less: Effects of adoption of MFRS 1*	(230,317)	(230,317)
Total Group retained profits as per consolidated accounts	<u>1,378,485</u>	<u>1,377,834</u>

\* At the date of transition to MFRS, the Group's cumulative currency translation differences were adjusted to retained earnings.

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

**B7. NOTES TO CONDENSED CONSOLIDATED INCOME STATEMENT**

	Current quarter RM'000	Current financial year-to-date RM'000
Interest income	357	1,396
Finance costs	(351)	(924)
Depreciation and amortisation	(7,052)	(20,569)
Unrealised exchange gain/(loss)	<u>2,561</u>	<u>2,266</u>

**B8. STATUS OF CORPORATE PROPOSALS**

There were no other outstanding corporate proposals submitted by the Group as at 30 September 2013.

**B9. GROUP BORROWINGS**

The Group borrowings as at 30 September 2013 are as follows:

Currency	Current RM '000	Non-current RM '000
USD	13,199	66,091

**B10. MATERIAL LITIGATION**

Save for disclosure already made in earlier announcements, there are no new material litigation and/or significant developments in the ongoing cases under litigation.

**B11. DIVIDENDS**

The Directors do not recommend any dividend for the current financial quarter ended 30 September 2013.

**B12. 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-Sep-13	PRECEDING YEAR QUARTER 30-Sep-12	CURRENT YEAR TO DATE 30-Sep-13	PRECEDING YEAR TO DATE 30-Sep-12
Profit attributable to ordinary equity holders of the parent (RM'000)	8,542	17,093	30,651	48,911
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>0.85</u>	<u>1.71</u>	<u>3.07</u>	<u>4.89</u>

**B13. COMMITMENTS**

Commitments as at 30 September 2013 are as follows:

	RM'000
<u>The Group</u>	
(i) Capital commitments	231,336
(ii) Non-cancellable charter-in commitments	
Due within 1 year	90,339
Due later than 1 year and not later than 5 years	381,524
Due later than 5 years	284,431
	<u>987,630</u>
<u>Share of jointly controlled entity's commitments</u>	
(i) Capital commitment	41,123
(ii) Non-cancellable charter-in commitment	15,950
	<u>57,073</u>
	<u>1,044,703</u>