

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 31 March 2014

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2014**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-14 RM '000	PRECEDING YEAR QUARTER 31-Mar-13 RM '000	CURRENT YEAR TO DATE 31-Mar-14 RM '000	PRECEDING YEAR TO DATE 31-Mar-13 RM '000
Revenue	71,716	60,344	71,716	60,344
Voyage expenses	(20,503)	(26,945)	(20,503)	(26,945)
	51,213	33,399	51,213	33,399
Operating expenses	(50,993)	(40,285)	(50,993)	(40,285)
	220	(6,886)	220	(6,886)
Other operating income/(loss), net	(826)	6,908	(826)	6,908
Administrative expenses	(2,641)	(3,434)	(2,641)	(3,434)
Profit from operations	(3,247)	(3,412)	(3,247)	(3,412)
Finance costs	(282)	(321)	(282)	(321)
Share of results of an associate	25,548	13,403	25,548	13,403
Share of results of joint ventures	1,216	(366)	1,216	(366)
Profit before taxation	23,235	9,304	23,235	9,304
Income tax expense	(273)	(240)	(273)	(240)
Profit for the period	<u>22,962</u>	<u>9,064</u>	<u>22,962</u>	<u>9,064</u>
Attributable to:				
Equity holders of the parent	23,024	9,009	23,024	9,009
Non-controlling interests	(62)	55	(62)	55
	<u>22,962</u>	<u>9,064</u>	<u>22,962</u>	<u>9,064</u>
Earnings per share attributable to equity holders of the parent (sen)				
- Basic	2.30	0.90	2.30	0.90

**QUARTERLY REPORT**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE PERIOD ENDED 31 MARCH 2014**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-14 RM '000	PRECEDING YEAR QUARTER 31-Mar-13 RM '000	CURRENT YEAR TO DATE 31-Mar-14 RM '000	PRECEDING YEAR TO DATE 31-Mar-13 RM '000
Profit for the period	22,962	9,064	22,962	9,064
Other comprehensive income/(loss):				
Currency translation differences	<u>(6,922)</u>	<u>29,586</u>	<u>(6,922)</u>	<u>29,586</u>
Total comprehensive income/(loss) for the period	<u>16,040</u>	<u>38,650</u>	<u>16,040</u>	<u>38,650</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	16,296	37,700	16,296	37,700
Non-controlling interests	<u>(256)</u>	<u>950</u>	<u>(256)</u>	<u>950</u>
	<u>16,040</u>	<u>38,650</u>	<u>16,040</u>	<u>38,650</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014**

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Mar-14 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-13 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	1,644	1,808
Property, plant and equipment	524,489	515,018
Associate	1,021,246	999,366
Joint ventures	206,353	205,860
	<u>1,753,732</u>	<u>1,722,052</u>
<b>Current Assets</b>		
Consumable stores	15,984	9,719
Derivative financial assets	1,015	442
Trade and other receivables	47,138	39,649
Investments	106,195	108,623
Short term deposits	21,374	30,574
Cash and bank balances	100,884	114,783
	<u>292,590</u>	<u>303,790</u>
<b>TOTAL ASSETS</b>	<u>2,046,322</u>	<u>2,025,842</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	250,000	250,000
Reserves	1,625,037	1,608,741
	<u>1,875,037</u>	<u>1,858,741</u>
Non-controlling interests	54,691	54,947
<b>Total equity</b>	<u>1,929,728</u>	<u>1,913,688</u>
<b>Non-current liabilities</b>		
Borrowings	29,993	32,242
Deferred tax liabilities	221	221
	<u>30,214</u>	<u>32,463</u>
<b>Current liabilities</b>		
Derivative financial liabilities	452	623
Trade and other payables	42,463	34,298
Borrowings	43,270	44,612
Provision for Taxation	195	158
	<u>86,380</u>	<u>79,691</u>
<b>Total liabilities</b>	<u>116,594</u>	<u>112,154</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,046,322</u>	<u>2,025,842</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2014**

	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>3 MONTHS ENDED 31 MARCH 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	-	-	-	-	28,691	9,009	37,700	950	38,650
<b>At 31 March 2013</b>	<u>250,000</u>	<u>48,791</u>	<u>13,209</u>	<u>40,000</u>	<u>15,074</u>	<u>1,386,843</u>	<u>1,753,917</u>	<u>54,350</u>	<u>1,808,267</u>
<b>3 MONTHS ENDED 31 MARCH 2014</b>									
<b>At 1 January 2014</b>	250,000	48,791	13,209	40,000	114,375	1,392,366	1,858,741	54,947	1,913,688
Total comprehensive income for the period	-	-	-	-	(6,728)	23,024	16,296	(256)	16,040
<b>At 31 March 2014</b>	<u>250,000</u>	<u>48,791</u>	<u>13,209</u>	<u>40,000</u>	<u>107,647</u>	<u>1,415,390</u>	<u>1,875,037</u>	<u>54,691</u>	<u>1,929,728</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2014**

	CUMULATIVE	
	CURRENT YEAR 31-Mar-14 RM '000	PRECEDING YEAR 31-Mar-13 RM '000
<b>Cash Flow From Operating Activities</b>		
Profit before taxation	23,235	9,304
Adjustments for:		
Depreciation and amortisation	7,249	6,743
Fair value loss on investments	2,053	-
Gain on disposal of assets	-	(3,920)
Unrealised foreign exchange (gain)/loss	(595)	(514)
Interest income	(382)	(540)
Finance costs	282	321
Share of results of an associate	(25,548)	(13,403)
Share of results of joint ventures	(1,216)	366
Operating (loss)/profit before working capital changes	5,078	(1,643)
Working capital changes:		
Consumable stores	(6,248)	5,386
Derivatives	(745)	-
Receivables	7,995	1,867
Payables	9,022	401
Cash generated from operating activities	15,102	6,011
Tax paid	(223)	(260)
Net cash generated from operating activities	14,879	5,751
<b>Cash Flows From Investing Activities</b>		
Construction cost and purchase of vessels	(17,470)	-
Deposit paid for vessel	(15,804)	-
Purchase of new equipment and capitalisation of dry docking	(967)	(852)
Purchase of other fixed assets	(6)	(16)
Interest received	382	540
Proceeds from disposal of assets	-	7,781
Advances from/(to) joint ventures	(16)	14
Net cash generated from investing activities	(33,881)	7,467
<b>Cash Flows From Financing Activities</b>		
Finance costs paid	(282)	(321)
Repayment of loan borrowings	(3,325)	(22,401)
Net cash used in financing activities	(3,607)	(22,722)
<b>Net change in cash and cash equivalents</b>	(22,609)	(9,504)
<b>Effects of foreign exchange rate changes</b>	(490)	1,690
<b>Cash and cash equivalents at the beginning of the period</b>	145,357	190,110
<b>Cash and cash equivalents at the end of the period</b>	122,258	182,296
Cash and cash equivalents comprise:		
Short term deposits	21,374	45,693
Cash and bank balances	100,884	136,603
	122,258	182,296

**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 2013.

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 2013 with the exception for MFRS 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 2013 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 31 March 2014.

**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>3 months ended 31 March 2014</b>						
Revenue						
Group	58,649	11,147	2,083	-	(163)	71,716
Inter-segment	-	-	(163)	-	163	-
External revenue	<u>58,649</u>	<u>11,147</u>	<u>1,920</u>	<u>-</u>	<u>-</u>	<u>71,716</u>
TCE earnings	<u>39,278</u>	<u>10,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,293</u>
Segment results	(1,534)	(439)	774	(2,430)	-	(3,629)
Interest income	205	-	4	173	-	382
Finance costs	(153)	(129)	-	-	-	(282)
Share of results of an associate	-	-	-	25,548	-	25,548
Share of results of joint ventures	1,216	-	-	-	-	1,216
Profit before tax	<u>(266)</u>	<u>(568)</u>	<u>778</u>	<u>23,291</u>	<u>-</u>	<u>23,235</u>
<b>3 months ended 31 March 2013</b>						
Revenue						
Group	42,630	16,153	1,713	-	(152)	60,344
Inter-segment	-	-	(152)	-	152	-
External revenue	<u>42,630</u>	<u>16,153</u>	<u>1,561</u>	<u>-</u>	<u>-</u>	<u>60,344</u>
TCE earnings	<u>23,085</u>	<u>8,752</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,837</u>
Segment results	(9,571)	544	369	4,706	-	(3,952)
Interest income	227	-	5	308	-	540
Finance costs	(164)	(149)	(8)	-	-	(321)
Share of results of an associate	-	-	-	13,403	-	13,403
Share of results of joint ventures	(366)	-	-	-	-	(366)
Profit before tax	<u>(9,874)</u>	<u>395</u>	<u>366</u>	<u>18,417</u>	<u>-</u>	<u>9,304</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****a) Disposal of vessel**

A subsidiary, Ambi Shipping Pte Ltd had on 9 April 2014 signed a Memorandum of Agreement to dispose of a vessel (M.V Alam Mesra) to a third party.

**b) Subscription of new shares in an associate**

Pursuant to an initial public offering (IPO) of our associate PACC Offshore Services Holdings Ltd (POSH), the Group had on 25 April 2014 subscribed for 71,676,000 new ordinary shares in POSH at SGD1.15 per share for a total consideration of SGD82,427,400. The Group's shareholdings in POSH subsequent to the IPO remain at 21.23%. The subscription was fully funded by borrowings.

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

A wholly owned subsidiary, Bitara Shipping Sdn Bhd, was struck off from the register of Companies Commission of Malaysia with effect from 19 March 2014.

**A12. CONTINGENT LIABILITIES**

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

The Group reported a profit before tax (PBT) of RM23.235 million in the first quarter of 2014, an increase of 150% compared to the RM9.304 million registered in the same period last year mainly due to improved charter rates and increased contribution from our associate, PACC Offshore Services Holdings Ltd (POSH).

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

	Average TCE/day		Hire days	
	Jan-Mar 2014	Jan-Mar 2013	Jan-Mar 2014	Jan-Mar 2013
	USD	USD	Days	Days
Dry bulk	10,621	8,203	1,122	939
Tanker	13,159	12,479	251	269
<b>Total fleet</b>	<b>11,085</b>	<b>9,154</b>	<b>1,373</b>	<b>1,208</b>

The performance of the respective segments in the first quarter 2014 as compared to the same period last year is analysed as follows:-

#### 1) Dry bulk segment

Dry bulk segment's profit increased by RM9.608 million year on year as its average charter rates earned rose 29% (or USD2,418/day). The average charter rates for all classes of vessels have improved, albeit at varying levels. However, our chartered in vessels continued to suffer loss as the rates earned, though improved, are still at levels below the charter-in cost. The Group has in January 2014 taken delivery of a new Handysize vessel under a long term charter with purchase option.

#### 2) Tanker segment

Despite the improved charter rates earned, our tanker segment's results declined by RM0.963 million due to docking cost of a tanker (RM1.619 million).

#### 3) Ship brokerage and management

Profit from this segment increased by RM0.412 million mainly due to higher brokerage commission earned.

#### 4) Investment holding and others

Contribution from our associate (POSH) increased 91% (RM12.145 million) to RM25.548 million in the first quarter of 2014, from RM13.403 million for the same period last year. This more than offset the lower contribution from other investments.

Overall, profit attributable to shareholders increased 156% (RM14.015 million) to RM23.024 million in the first quarter of 2014, from RM9.009 million reported in the corresponding period last year.

## B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		
	Jan-Mar 14 RM '000	Oct-Dec 13 RM '000	Variance RM '000
Revenue	71,716	57,813	13,903
Voyage expenses	<u>(20,503)</u>	<u>(11,645)</u>	<u>(8,858)</u>
	51,213	46,168	5,045
Operating expenses	<u>(50,993)</u>	<u>(48,462)</u>	<u>(2,531)</u>
	220	(2,294)	2,514
Other operating income/(loss), net	(826)	16,055	(16,881)
Administrative expenses	<u>(2,641)</u>	<u>(3,648)</u>	<u>1,007</u>
Profit from operations	(3,247)	10,113	(13,360)
Finance costs	(282)	(309)	27
Share of results of an associate	25,548	3,195	22,353
Share of results of joint ventures	<u>1,216</u>	<u>1,165</u>	<u>51</u>
Profit before taxation	23,235	14,164	9,071
Income tax expense	<u>(273)</u>	<u>(48)</u>	<u>(225)</u>
Profit for the period	<u>22,962</u>	<u>14,116</u>	<u>8,846</u>
<b>Attributable to:</b>			
Equity holders of the parent	23,024	13,881	9,143
Non-controlling interests	<u>(62)</u>	<u>235</u>	<u>(297)</u>
	<u>22,962</u>	<u>14,116</u>	<u>8,846</u>

The Group posted an operating profit of RM0.220 million in the first quarter of 2014, compared to a loss of RM2.294 million in the preceding quarter. The improvement was largely due to higher charter rates earned. The quarterly average TCE rates earned by our fleet increased to USD11,085/day in the first quarter of 2014, from USD10,350/day in the preceding quarter.

The current quarter's other operating loss of RM0.826 million comprises mark to market loss on investments of RM2.053 million, partially offset by foreign exchange gain and other income. This compared unfavorably to the preceding quarter's other operating income of RM16.055 million which comprises mainly of gains on investments and disposal of land (RM13.223 million). Whilst administrative expenses declined RM1.007 million, finance costs remained unchanged.

Our associate (POSH) reported another profitable quarter, contributing RM25.548 million to the Group's bottom line.

Profit attributable to shareholders increased 66% to RM23.024 million in the first quarter of 2014, from RM13.881 million reported in the preceding quarter.



**B3. PROSPECTS**

In its April 2014 World Economic Outlook Update, International Monetary Fund (IMF)'s projects global growth to strengthen from 3% in 2013 to 3.6% in 2014 and 3.9% in 2015 driven largely on the recovery in the advanced economies.

In 2014, seaborne Chinese iron ore imports are projected to rise 12% y-o-y to total 894.2 million tons, which underpins an estimated 9.2% y-o-y growth in global seaborne iron ore trade this year. The growth is expected to be driven largely by the recent strong expansion of Australian iron ore production capacity, which has caused iron ore prices to fall about 20% this year, and pollution concerns that drive China away from its relatively low grade domestic iron ore. Confident of a strong steel demand growth in China, the global iron ore miners Vale and BHP Billiton are on course to increase their annual iron ore output. This is positive for the Capesize and Panamax vessels.

New dry bulk ordering activity accelerated since the end of 2013 as ship owners and private equity funds taking advantage of the relatively low (compared to historical highs) newbuilding prices, and with the expectations for improved freight markets in 2015-2016. There were 399 new bulkcarriers (32.5 million dwt) contracted in the first 4 months of this year, compared to total new orders of 904 bulkcarriers (73.1 million dwt) for full year of 2013 (RS Platou). If the ordering continues at the pace seen this year, tonnage overcapacity could be a concern.

RS Platou anticipates a further gradual strengthening of market fundamentals with estimates of 6 percent per annum escalation of seaborne dry bulk trade over the next 12-18 months and 5 percent per annum expansion in dry bulk fleet.

The board is confident that our associate POSH will continue to contribute positively to the Group. Overall the board believes the Group will remain profitable for the year.

**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	273	273
	<u>273</u>	<u>273</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 31-Mar-14 RM'000	As at 31-Mar-13 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	1,193,407	1,217,663
- Unrealised	1,273	9,845
Less: Effects of adoption of MFRS 1*	<u>(103,414)</u>	<u>(103,414)</u>
	1,091,266	1,124,094
Total share of retained profits from an associate:		
- Realised	187,597	131,226
- Unrealised	(110)	43
Less: Effects of adoption of MFRS 1*	<u>(115,434)</u>	<u>(115,434)</u>
	72,053	15,835
Total share of retained profits from joint ventures		
- Realised	93,438	91,488
- Unrealised	(12)	2
Less: Effects of adoption of MFRS 1*	<u>(11,469)</u>	<u>(11,469)</u>
	81,957	80,021
Add: Consolidation adjustments	170,114	166,893
Total Group retained profits as per consolidated accounts	<u>1,415,390</u>	<u>1,386,843</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	382	382
Finance costs	(282)	(282)
Depreciation and amortisation	(7,249)	(7,249)
Fair value loss on investments	(2,053)	(2,053)
Unrealised exchange gain	595	595

**B8. STATUS OF CORPORATE PROPOSALS**

There were no other outstanding corporate proposals submitted by the Group as at 31 March 2014.

**B9. BORROWINGS**

The Group borrowings as at 31 March 2014 are as follows:

Currency	Current RM '000	Non-current RM '000
USD	43,270	29,993

**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 31 March 2014.

**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 31-Mar-14	PRECEDING YEAR QUARTER 31-Mar-13	CURRENT YEAR TO DATE 31-Mar-14	PRECEDING YEAR TO DATE 31-Mar-13
Profit attributable to ordinary equity holders of the parent (RM'000)	23,024	9,009	23,024	9,009
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)	2.30	0.90	2.30	0.90

**B13. COMMITMENTS**

Commitments as at 31 March 2014 are as follows:

(i) Capital commitments	RM'000 277,975
(ii) Non-cancellable charter-in commitments	
Due within 1 year	94,450
Due later than 1 year and not later than 5 years	382,055
Due later than 5 years	236,316
	<u>990,796</u>

Share of joint ventures' commitments:-

(i) Capital commitment	41,262
(ii) Non-cancellable charter-in commitment	11,604
	<u>52,866</u>
	<u>1,043,662</u>