

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 March 2017

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2017

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-17 RM '000	PRECEDING YEAR QUARTER 31-Mar-16 RM '000	CURRENT YEAR TO DATE 31-Mar-17 RM '000	PRECEDING YEAR TO DATE 31-Mar-16 RM '000
Revenue	64,961	53,500	64,961	53,500
Voyage expenses	<u>(22,180)</u>	<u>(16,658)</u>	<u>(22,180)</u>	<u>(16,658)</u>
Operating expenses	<u>42,781</u> <u>(51,633)</u>	<u>36,842</u> <u>(61,683)</u>	<u>42,781</u> <u>(51,633)</u>	<u>36,842</u> <u>(61,683)</u>
Other operating income, net	(8,852)	(24,841)	(8,852)	(24,841)
Administrative expenses	<u>1,643</u> <u>(2,244)</u>	<u>762</u> <u>(1,987)</u>	<u>1,643</u> <u>(2,244)</u>	<u>762</u> <u>(1,987)</u>
Finance costs	(9,453)	(26,066)	(9,453)	(26,066)
Share of results of an associate	(4,991)	(4,102)	(4,991)	(4,102)
Share of results of joint ventures	<u>(17,370)</u> <u>(775)</u>	<u>4,033</u> <u>1,431</u>	<u>(17,370)</u> <u>(775)</u>	<u>4,033</u> <u>1,431</u>
Loss before taxation	(32,589)	(24,704)	(32,589)	(24,704)
Income tax expense	<u>(250)</u>	<u>(250)</u>	<u>(250)</u>	<u>(250)</u>
Loss for the period	<u><u>(32,839)</u></u>	<u><u>(24,954)</u></u>	<u><u>(32,839)</u></u>	<u><u>(24,954)</u></u>
Attributable to:				
Equity holders of the parent	(33,206)	(24,082)	(33,206)	(24,082)
Non-controlling interests	<u>367</u>	<u>(872)</u>	<u>367</u>	<u>(872)</u>
	<u><u>(32,839)</u></u>	<u><u>(24,954)</u></u>	<u><u>(32,839)</u></u>	<u><u>(24,954)</u></u>
Loss per share (sen)				
- Basic	(3.32)	(2.41)	(3.32)	(2.41)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 March 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE PERIOD 31 MARCH 2017**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-17 RM '000	PRECEDING YEAR QUARTER 31-Mar-16 RM '000	CURRENT YEAR TO DATE 31-Mar-17 RM '000	PRECEDING YEAR TO DATE 31-Mar-16 RM '000
Loss for the period	(32,839)	(24,954)	(32,839)	(24,954)
Other comprehensive loss:				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	(7,461)	(74,013)	(7,461)	(74,013)
Net change in cash flow hedges:				
-Net unrealised profit	6,284	32,844	6,284	32,844
-Net realised profit reclassified to the income statement	(3,876)	(18,217)	(3,876)	(18,217)
Share of associate's other comprehensive income	227	-	227	-
Total comprehensive loss for the period	<u>(37,665)</u>	<u>(84,340)</u>	<u>(37,665)</u>	<u>(84,340)</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	(37,804)	(79,912)	(37,804)	(79,912)
Non-controlling interests	139	(4,428)	139	(4,428)
	<u>(37,665)</u>	<u>(84,340)</u>	<u>(37,665)</u>	<u>(84,340)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Mar-17 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-16 RM '000
ASSETS		
Non-current assets		
Intangible assets	2	6
Property, plant and equipment	502,724	512,704
Deposits	57,827	58,386
Associate	631,734	655,114
Joint ventures	148,939	151,177
	<u>1,341,226</u>	<u>1,377,387</u>
Current Assets		
Consumable stores	9,243	12,220
Receivables and other current assets	51,112	47,961
Short term deposits	16,991	500
Cash and bank balances	47,453	69,141
	<u>124,799</u>	<u>129,822</u>
Non-current assets classified as held for sale	71,218	71,907
	<u>196,017</u>	<u>201,729</u>
TOTAL ASSETS	<u><u>1,537,243</u></u>	<u><u>1,579,116</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	250,000	250,000
Reserves	421,089	458,893
	<u>671,089</u>	<u>708,893</u>
Non-controlling interests	21,006	20,867
Total equity	<u>692,095</u>	<u>729,760</u>
Non-current liabilities		
Payables and other non-current liabilities	24,373	19,086
Borrowings	453,719	438,526
Derivative financial liabilities	121,303	127,588
Provision for onerous contracts	42,788	57,726
	<u>642,183</u>	<u>642,926</u>
Current liabilities		
Payables and other current liabilities	44,317	42,824
Borrowings	86,463	105,343
Provision for taxation	281	186
Provision for onerous contracts	71,904	58,077
	<u>202,965</u>	<u>206,430</u>
Total liabilities	<u>845,148</u>	<u>849,356</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,537,243</u></u>	<u><u>1,579,116</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017

	Attributable to Equity Holders of the Parent							Non-controlling Interests	Total Equity	
	Non-distributable				Cash flow hedge reserve	Foreign currency translation reserve	Distributable retained profits/ (Accumulated losses)			Total
	Share Capital RM '000	Share premium RM '000	Capital reserve RM '000	Capital redemption reserve RM '000						
3 MONTHS ENDED 31 MARCH 2016										
At 1 January 2016	250,000	48,791	7,077	40,000	(4,776)	645,054	193,498	1,179,644	51,381	1,231,025
Total comprehensive income/(loss) for the period	-	-	-	-	14,627	(70,457)	(24,082)	(79,912)	(4,428)	(84,340)
Capital repayment to non-controlling interests	-	-	-	-	-	-	-	-	(16,985)	(16,985)
At 31 March 2016	250,000	48,791	7,077	40,000	9,851	574,597	169,416	1,099,732	29,968	1,129,700
3 MONTHS ENDED 31 MARCH 2017										
At 1 January 2017	250,000	48,791	7,077	40,000	1,605	659,228	(297,808)	708,893	20,867	729,760
Total comprehensive income/(loss) for the period	-	-	-	-	2,635	(7,233)	(33,206)	(37,804)	139	(37,665)
At 31 March 2017	250,000	48,791	7,077	40,000	4,240	651,995	(331,014)	671,089	21,006	692,095

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2017

	CUMULATIVE	
	CURRENT YEAR 31-Mar-17 RM '000	PRECEDING YEAR 31-Mar-16 RM '000
Cash Flow From Operating Activities		
Loss before taxation	(32,589)	(24,704)
Adjustments for:		
Depreciation and amortisation	5,077	7,907
Overprovision for doubtful debts	(921)	-
Unrealised foreign exchange gain	(127)	(67)
Interest income	(183)	(392)
Finance costs	4,991	4,102
Share of results of an associate	17,370	(4,033)
Share of results of joint ventures	775	(1,431)
Operating loss before working capital changes	<u>(5,607)</u>	<u>(18,618)</u>
Working capital changes:		
Consumable stores	2,774	(1,653)
Receivables and other current assets	(2,595)	8,241
Payables and other current liabilities	7,098	(1,925)
Cash used in operating activities	<u>1,670</u>	<u>(13,955)</u>
Tax paid	<u>(175)</u>	<u>(317)</u>
Net cash generated from/(used in) operating activities	<u>1,495</u>	<u>(14,272)</u>
Cash Flows From Investing Activities		
Construction cost and purchase of vessels	-	(41,870)
Purchase of new equipment and capitalisation of dry docking	-	(100)
Purchase of other assets	-	(106)
Deposit paid for vessels	-	(2,856)
Interest received	183	392
Net cash generated from/(used in) investing activities	<u>183</u>	<u>(44,540)</u>
Cash Flows From Financing Activities		
Drawdown of borrowings	46,735	23,278
Finance costs paid	(4,527)	(3,951)
Repayment of borrowings	(48,156)	(7,019)
Capital repayment to non-controlling interests	-	(16,985)
Net cash used in financing activities	<u>(5,948)</u>	<u>(4,677)</u>
Net change in cash and cash equivalents	(4,270)	(63,489)
Effects of foreign exchange rate changes	(927)	(6,423)
Cash and cash equivalents at the beginning of the period	69,641	140,496
Cash and cash equivalents at the end of the period	<u>64,444</u>	<u>70,584</u>
Cash and cash equivalents comprise:		
Short term deposits	16,991	-
Cash and bank balances	47,453	70,584
	<u>64,444</u>	<u>70,584</u>

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 2016.

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 2016.

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2016 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 2017.

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
3 months ended 31 March 2017						
Revenue						
Group	57,578	6,258	1,456	-	(331)	64,961
Inter-segment	-	-	(331)	-	331	-
External revenue	<u>57,578</u>	<u>6,258</u>	<u>1,125</u>	<u>-</u>	<u>-</u>	<u>64,961</u>
TCE earnings	<u>39,212</u>	<u>2,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,656</u>
Segment results	(5,120)	261	(209)	(412)	-	(5,480)
Depreciation and amortisation	(4,995)	-	(15)	(67)	-	(5,077)
Interest income	73	-	15	95	-	183
Finance costs	(2,982)	-	-	(2,009)	-	(4,991)
Overprovision for doubtful debts	921	-	-	-	-	921
Share of results of an associate	-	-	-	(17,370)	-	(17,370)
Share of results of joint ventures	(775)	-	-	-	-	(775)
(Loss)/profit before tax	<u>(12,878)</u>	<u>261</u>	<u>(209)</u>	<u>(19,763)</u>	<u>-</u>	<u>(32,589)</u>
3 months ended 31 March 2016						
Revenue						
Group	32,818	18,908	2,219	-	(445)	53,500
Inter-segment	-	-	(445)	-	445	-
External revenue	<u>32,818</u>	<u>18,908</u>	<u>1,774</u>	<u>-</u>	<u>-</u>	<u>53,500</u>
TCE earnings	<u>17,347</u>	<u>17,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,068</u>
Segment results	(28,729)	9,956	540	(318)	-	(18,551)
Depreciation and amortisation	(4,899)	(2,712)	(127)	(169)	-	(7,907)
Interest income	211	-	6	175	-	392
Finance costs	(2,190)	(160)	-	(1,752)	-	(4,102)
Share of results of an associate	-	-	-	4,033	-	4,033
Share of results of joint ventures	1,431	-	-	-	-	1,431
(Loss)/profit before tax	<u>(34,176)</u>	<u>7,084</u>	<u>419</u>	<u>1,969</u>	<u>-</u>	<u>(24,704)</u>

A9. VALUATION OF SHIPS, PROPERTY AND EQUIPMENT

The property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

A10. SIGNIFICANT EVENTS

During the quarter, the Group signed two separate Memorandum of Agreements to dispose of two vessels to third parties.

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

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

B1. REVIEW OF PERFORMANCE

MBC Group reported a loss before tax of RM32.589 million in Q1 FY2017, compared to RM24.704 million loss in Q1 FY2016 mainly due to negative contribution from associate, PACC Offshore Services Holdings Ltd (POSH). Excluding associate results, the Group's underlying loss decreased by 47% to RM15.219 million in Q1 FY2017 (Q1 FY2016: RM28.737 million) mainly due to improved charter rates.

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

	Average TCE/day		Hire days	
	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Mar 2016
	USD	USD	Days	Days
Dry bulk	6,421	4,087	1,665	1,756
Tanker	8,341	15,119	69	273
Total fleet	6,497	5,571	1,734	2,029

The performance of the key segments in Q1 FY2017 as compared to the same period last year is as follows:-

(1) Dry bulk segment

Dry bulk segment's underlying loss decreased by 62% to RM12.878 million in Q1 FY2017 (Q1 FY2016: RM34.176 million) mainly due to improved charter rates (Q1 FY2017: USD6,421 versus Q1 FY2016: USD4,087).

The Group disposed of an 11-year old handysize bulker in March 2017. The vessel will be delivered to the buyer in June 2017.

(2) Tanker segment

Tanker segment's underlying profit decreased by 96% to RM0.261 million in Q1 FY2017 (Q1 FY2016: RM7.084 million) mainly due to the disposal of 2 tankers and drop in charter rates (Q1 FY2017: USD8,341 versus Q1 FY2016: USD15,119).

The Group disposed of its only remaining tanker in February 2017. The vessel will be delivered to the buyer in June/August 2017.

(3) Investment holding and others

The associate, PACC Offshore Services Holdings Ltd (POSH) reported a net attributable loss of USD18.377 million in Q1 FY2017, compared to a profit of USD4.451 million in Q1 FY2016.

The Group's share of POSH results was a loss of RM17.370 million in Q1 FY2017, against a profit of RM4.033 million in Q1 FY2016.

The Group's attributable loss increased by 38% to RM33.206 million in Q1 FY2017 (Q1 FY2016: RM24.082 million).

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		Variance RM '000
	Jan-Mar 17 RM '000	Oct-Dec 16 RM '000	
Revenue	64,961	64,156	805
Voyage expenses	(22,180)	(18,079)	(4,101)
	42,781	46,077	(3,296)
Operating expenses	(51,633)	(47,385)	(4,248)
Operating loss	(8,852)	(1,308)	(7,544)
Impairment loss on vessels	0	(50,347)	50,347
	(8,852)	(51,655)	42,803
Other operating income/(loss), net	1,643	622	1,021
Administrative expenses	(2,244)	(2,593)	349
	(9,453)	(53,626)	44,173
Finance costs	(4,991)	(4,316)	(675)
Share of results of an associate	(17,370)	(302,399)	285,029
Impairment loss on associate	0	(39,304)	39,304
Share of results of joint ventures	(775)	(540)	(235)
(Loss)/profit before taxation	(32,589)	(400,185)	367,596
Income tax expense	(250)	(237)	(13)
(Loss)/profit for the period	<u>(32,839)</u>	<u>(400,422)</u>	<u>367,583</u>
<u>Attributable to:</u>			
Equity holders of the parent	(33,206)	(396,086)	362,880
Non-controlling interests	367	(4,336)	4,703
	<u>(32,839)</u>	<u>(400,422)</u>	<u>367,583</u>

On like basis, the Group's operating loss of RM8.852 million in Q1 FY2017 was RM7.544 million higher compared with Q4 FY2016's loss of RM1.308 million mainly due to a write-back of RM7.528 million of earlier provisions of expenses in Q4 FY2016.

Charter rates for our dry bulk fleet dropped by 4% to USD6,421 in Q1 FY2017, from USD6,664 in Q4 FY2016. Our tanker rates dropped by 34% to USD8,341 in Q1 FY2017, from USD12,732 in Q4 FY2016.

Other net operating income of RM1.643 million in Q1 FY2017 mainly comprises of rental and interest income and a reversal of provision for doubtful debts.

Administrative expenses decreased by RM0.349 million due to lower shared services cost while higher borrowings increased finance cost by RM0.675 million.

The associate, POSH, recorded a net loss of USD18.402 million in Q1 FY2017, compared to USD345.465 million loss in Q4 FY2016. POSH's operating loss decreased by USD16.934 million to USD18.402 million in Q1 FY2017, from USD35.336 million loss in Q4 FY2016. Our share of POSH results was a loss of RM17.370 million in Q1 FY2017.

Share of joint ventures' results was a loss of RM0.775 million in Q1 FY2017, compared to RM0.540 million loss in Q4 FY2016 mainly due to lower charter rates.

The Group's attributable loss decreased by RM362.880 million to RM33.206 million in Q1 FY2017, from RM396.086 million loss in Q4 FY2016.

B3. PROSPECTS

Dry bulk market started 2017 on a significantly better note than a year ago. We are witnessing lower fleet growth and increased demand for raw materials especially from China. We expect rates to gradually improve as the oversupply situation tapers.

The recent improvement in freight rates is certainly positive but there is still overcapacity with high volume of newbuilding deliveries coming onto the market. Unless this is matched by high demolition activity, the freight market will remain challenging.

On the offshore supply services sector, current oversupply situation will continue to exert pressure on charter rates and vessel utilisation, and this will continue to have a negative impact on the financial performance of our associate, POSH.

The Board expects the rest of 2017 to remain difficult.

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 year	255	255
-prior year	(5)	(5)
	<u>250</u>	<u>250</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-17 RM'000	As at 31-Mar-16 RM'000
Total accumulated losses of the Company and its subsidiaries:		
- Realised	(1,504,340)	(374,364)
- Unrealised	(114,565)	(106,070)
Less: Effects of adoption of MFRS 1*	<u>(103,414)</u>	<u>(103,414)</u>
	(1,722,319)	(583,848)
Total share of accumulated losses from an associate:		
- Realised	(270,802)	81,531
- Unrealised	(357)	(627)
Less: Effects of adoption of MFRS 1*	<u>(115,434)</u>	<u>(115,434)</u>
	(386,593)	(34,530)
Total share of accumulated losses from joint ventures		
- Realised	(29,130)	(12,494)
- Unrealised	(8)	(17)
Less: Effects of adoption of MFRS 1*	<u>(11,469)</u>	<u>(11,469)</u>
	(40,607)	(23,980)
Add: Consolidation adjustments	1,818,505	811,774
Total Group (accumulated losses)/retained profits as per consolidated accounts	<u>(331,014)</u>	<u>169,416</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	183	183
Finance costs	(4,991)	(4,991)
Depreciation and amortisation	(5,077)	(5,077)
Overprovision for doubtful debts	921	921
Unrealised exchange gain	<u>127</u>	<u>127</u>

B8. STATUS OF CORPORATE PROPOSALS

There were no other outstanding corporate proposals submitted by the Group as at 31 March 2017.

B9. BORROWINGS

The Group borrowings as at 31 March 2017 are as follows:

Currency	Current RM '000	Non-current RM '000
USD	30,244	212,550
RM	56,219	241,169
	<u>86,463</u>	<u>453,719</u>

B10. MATERIAL LITIGATION

The Group does not have any material litigation which would materially and adversely affect the financial position of the Group.

B11. DIVIDENDS

The Directors do not recommend any dividend for the current quarter ended 31 March 2017.

B12. EARNINGS PER SHARE

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

	CURRENT YEAR QUARTER 31-Mar-17	PRECEDING YEAR QUARTER 31-Mar-16	CURRENT YEAR TO DATE 31-Mar-17	PRECEDING YEAR TO DATE 31-Mar-16
Loss attributable to equity holders of the parent (RM'000)	(33,206)	(24,082)	(33,206)	(24,082)
Number of ordinary shares in issue('000)	1,000,000	1,000,000	1,000,000	1,000,000
Loss per share attributable to equity holders of the parent (sen)	<u>(3.32)</u>	<u>(2.41)</u>	<u>(3.32)</u>	<u>(2.41)</u>

B13. COMMITMENTS

Commitments as at 31 March 2017 are as follows:

	RM'000
(i) Capital commitments	<u>336,712</u>
(ii) Vessel operating lease commitments - as lessee	
Due within 1 year	116,076
Due later than 1 year and not later than 5 years	355,948
Due later than 5 years	33,566
	<u>505,590</u>
(iii) Vessel operating lease commitments - as lessor	
Due within 1 year	
- Share of joint ventures' commitments	<u>4,646</u>
(iv) Contract of Affreightment (COA)	
Due within 1 year	23,643
Due later than 1 year and not later than 5 years	94,637
Due later than 5 years	222,827
	<u>341,107</u>

The amounts comprise of estimated freight receivable under a 15-year COA with TNB Fuel Services Sdn Bhd (a subsidiary of Tenaga Nasional Berhad).