

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 September 2019

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

| | INDIVIDUAL QUARTER | | CUMULATIVE | |
|-------------------------------------------|----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|
| | CURRENT YEAR QUARTER 30-Sep-19 RM '000 | PRECEDING YEAR QUARTER 30-Sep-18 RM '000 | CURRENT YEAR TO DATE 30-Sep-19 RM '000 | PRECEDING YEAR TO DATE 30-Sep-18 RM '000 |
| Revenue | 67,149 | 58,179 | 199,982 | 169,930 |
| Voyage expenses | (13,266) | (10,692) | (45,386) | (27,093) |
| Operating expenses | 53,883 (44,856) | 47,487 (50,237) | 154,596 (134,671) | 142,837 (144,082) |
| Net change in onerous contracts provision | 9,027 | (2,750) | 19,925 | (1,245) |
| Impairment loss on vessels | 2,973 (6,001) | 23,738 - | 4,640 (6,001) | 23,738 - |
| Other operating income/(loss), net | 5,999 | 20,988 | 18,564 | 22,493 |
| Administrative expenses | 1,262 (2,016) | 686 (1,315) | (9,970) (7,016) | 2,602 (7,165) |
| Interest expense on bank borrowings | 5,245 (4,389) | 20,359 (4,397) | 1,578 (13,955) | 17,930 (12,724) |
| Interest expense on lease liabilities | (2,310) | - | (7,595) | - |
| Share of results of an associate | - | - | - | (8,402) |
| Impairment loss on associate | - | 7,338 | - | (140,325) |
| Share of results of joint ventures | 488 | (250) | 1,832 | 1,408 |
| (Loss)/profit before tax | (966) | 23,050 | (18,140) | (142,113) |
| Income tax expense | (328) | (5) | (852) | (363) |
| (Loss)/profit for the period | <u>(1,294)</u> | <u>23,045</u> | <u>(18,992)</u> | <u>(142,476)</u> |
| Attributable to: | | | | |
| Equity holders of the parent | (1,294) | 23,017 | (18,997) | (142,598) |
| Non-controlling interest | - | 28 | 5 | 122 |
| | <u>(1,294)</u> | <u>23,045</u> | <u>(18,992)</u> | <u>(142,476)</u> |
| (Loss)/profit per share (sen) | | | | |
| - Basic | (0.13) | 2.30 | (1.90) | (14.26) |

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 September 2019

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

| | INDIVIDUAL QUARTER | | CUMULATIVE | |
|----------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------------------------------------------|
| | CURRENT YEAR QUARTER 30-Sep-19 RM '000 | PRECEDING YEAR QUARTER 30-Sep-18 RM '000 | CURRENT YEAR TO DATE 30-Sep-19 RM '000 | PRECEDING YEAR TO DATE 30-Sep-18 RM '000 |
| (Loss)/profit for the period | (1,294) | 23,045 | (18,992) | (142,476) |
| Other comprehensive income/(loss): | | | | |
| <u>Items that will be reclassified to profit or loss</u> | | | | |
| Currency translation differences | 4,405 | 4,693 | 6,512 | (3,599) |
| Net change in cash flow hedge | (3,865) | 2,664 | (4,636) | 2,334 |
| Share of associate's other comprehensive income | - | - | - | 6,821 |
| Total comprehensive income/(loss) for the period | <u>(754)</u> | <u>30,402</u> | <u>(17,116)</u> | <u>(136,920)</u> |
| Total comprehensive income/(loss) attributable to: | | | | |
| Equity holders of the parent | (754) | 30,337 | (17,115) | (136,283) |
| Non-controlling interest | - | 65 | (1) | (637) |
| | <u>(754)</u> | <u>30,402</u> | <u>(17,116)</u> | <u>(136,920)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

| | UNAUDITED | AUDITED |
|------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------|
| | AS AT END OF CURRENT QUARTER 30-Sep-19 RM '000 | AS AT PRECEDING FINANCIAL YEAR END 31-Dec-18 RM '000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 812,348 | 503,239 |
| Joint ventures | 36,810 | 36,680 |
| | <u>849,158</u> | <u>539,919</u> |
| Current assets | | |
| Consumable stores | 4,144 | 10,108 |
| Receivables and other current assets | 39,576 | 34,212 |
| Contract assets | - | 966 |
| Short term deposits | 15,313 | 261,138 |
| Cash and bank balances | 24,895 | 27,986 |
| | <u>83,928</u> | <u>334,410</u> |
| Non-current assets classified as held for sale | 93,446 | 148,411 |
| | <u>177,374</u> | <u>482,821</u> |
| TOTAL ASSETS | <u><u>1,026,532</u></u> | <u><u>1,022,740</u></u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the parent | | |
| Share capital | 338,791 | 338,791 |
| Reserves | 218,030 | 216,148 |
| Accumulated losses | <u>(175,133)</u> | <u>(161,847)</u> |
| | 381,688 | 393,092 |
| Non-controlling interest | 131 | 1,085 |
| Total equity | <u>381,819</u> | <u>394,177</u> |
| Non-current liabilities | | |
| Payables and other non-current liabilities | - | 46,086 |
| Borrowings | 262,899 | 197,685 |
| Lease liabilities | 150,530 | - |
| Derivative financial liabilities | 3,153 | 816 |
| Provision for onerous contracts | - | 44,526 |
| | <u>416,582</u> | <u>289,113</u> |
| Current liabilities | | |
| Payables and other current liabilities | 28,534 | 44,230 |
| Contract liabilities | 5,691 | 5,072 |
| Borrowings | 108,634 | 211,472 |
| Lease liabilities | 84,705 | - |
| Derivative financial liabilities | 188 | 59,309 |
| Provision for taxation | 379 | 309 |
| Provision for onerous contracts | - | 19,058 |
| | <u>228,131</u> | <u>339,450</u> |
| Total liabilities | <u>644,713</u> | <u>628,563</u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>1,026,532</u></u> | <u><u>1,022,740</u></u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2019

| | Attributable to Equity Holders of the Parent | | | | | | | Total equity RM '000 |
|----------------------------------------------------------------------------|----------------------------------------------|------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------|------------------|--------------------------------------------|-------------------------|
| | Share capital RM '000 | Cash flow hedge reserve RM '000 | Foreign currency translation reserve RM '000 | Reserves of non-current assets classified as held for sale RM '000 | Accumulated losses RM '000 | Total RM '000 | Non- controlling interest RM '000 | |
| 9 MONTHS ENDED 30 SEPTEMBER 2018 | | | | | | | | |
| At 1 January 2018 | 338,791 | 6,647 | 606,026 | - | (425,685) | 525,779 | 23,404 | 549,183 |
| Total comprehensive income/(loss) for the period | - | 9,155 | (2,840) | - | (142,598) | (136,283) | (637) | (136,920) |
| Dividend paid to non-controlling interest | - | - | - | - | - | - | (21,678) | (21,678) |
| Reserves attributable to non-current assets classified as held for sale | - | (13,282) | (391,133) | 404,415 | - | - | - | - |
| At 30 September 2018 | 338,791 | 2,520 | 212,053 | 404,415 | (568,283) | 389,496 | 1,089 | 390,585 |
| 9 MONTHS ENDED 30 SEPTEMBER 2019 | | | | | | | | |
| At 1 January 2019 | 338,791 | 3,477 | 212,671 | - | (161,847) | 393,092 | 1,085 | 394,177 |
| Effect of the adoption of MFRS 16 | - | - | - | - | 5,711 | 5,711 | - | 5,711 |
| Total comprehensive loss for the period | - | (4,636) | 6,518 | - | (18,997) | (17,115) | (1) | (17,116) |
| At 30 September 2019 | 338,791 | (1,159) | 219,189 | - | (175,133) | 381,688 | 131 | 381,819 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

| | CUMULATIVE | |
|-----------------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| | CURRENT YEAR 30-Sep-19 RM '000 | PRECEDING YEAR 30-Sep-18 RM '000 |
| Cash Flow From Operating Activities | | |
| Loss before tax | (18,140) | (142,113) |
| Adjustments for: | | |
| Amortisation of intangible assets | 88 | - |
| Depreciation on owned assets | 19,665 | 18,038 |
| Depreciation on right-of-use assets | 49,389 | - |
| Provision for expected credit losses on trade receivables | - | 836 |
| Loss on disposal of vessels | 12,272 | - |
| Unrealised foreign exchange loss/(gain) | 24 | 86 |
| Interest income | (3,042) | (1,325) |
| Interest expense on bank borrowings | 13,955 | 12,724 |
| Interest expense on lease liabilities | 7,595 | - |
| Net change in provision for onerous contracts | (4,640) | (23,738) |
| Impairment loss on vessels | 6,001 | - |
| Share of results of an associate | - | 8,402 |
| Impairment loss on associate | - | 140,325 |
| Share of results of joint ventures | (1,832) | (1,408) |
| Operating profit before working capital changes | <u>81,335</u> | <u>11,827</u> |
| Working capital changes: | | |
| Consumable stores | 6,090 | (1,543) |
| Receivables and other current assets | (3,907) | 8,068 |
| Contract assets | 296 | - |
| Payables and other current liabilities | (20,252) | 27,135 |
| Contract liabilities | 4,378 | - |
| Derivatives | (57,787) | (18,541) |
| Cash generated from operating activities | <u>10,153</u> | <u>26,946</u> |
| Tax paid | (649) | (788) |
| Net cash generated from operating activities | <u>9,504</u> | <u>26,158</u> |
| Cash Flows From Investing Activities | | |
| Construction cost of vessels | (175,674) | (49,361) |
| Purchase of other assets and capitalisation of docking costs | (8,906) | (5,193) |
| Dividends from joint ventures | 2,041 | 33,902 |
| Interest received | 3,042 | 1,325 |
| Proceeds from disposal of vessels | 36,970 | 83,997 |
| Net cash (used in)/generated from investing activities | <u>(142,527)</u> | <u>64,670</u> |
| Cash Flows From Financing Activities | | |
| Interest on bank borrowings | (13,542) | (10,120) |
| Interest on lease liabilities | (7,595) | - |
| Drawdown of borrowings | 166,480 | 18,998 |
| Repayment of borrowings | (209,254) | (84,639) |
| Repayment of lease liabilities | (51,637) | - |
| Dividend paid to non-controlling interest | (953) | (21,678) |
| Net cash used in financing activities | <u>(116,501)</u> | <u>(97,439)</u> |
| Net change in cash and cash equivalents | (249,524) | (6,611) |
| Effects of foreign exchange rate changes | 608 | (6,286) |
| Cash and cash equivalents at the beginning of the period | <u>289,124</u> | <u>72,233</u> |
| Cash and cash equivalents at the end of the period | <u>40,208</u> | <u>59,336</u> |
| Cash and cash equivalents comprise: | | |
| Short term deposits | 15,313 | 33,930 |
| Cash and bank balances | 24,895 | 25,406 |
| | <u>40,208</u> | <u>59,336</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 2018.

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 2018 except in the current financial year, the Group has adopted all applicable new and amended MFRSs and Annual Improvements to MFRSs that are effective for annual period beginning on 1 January 2019. Except for MFRS 16 Leases, the adoption of other standards did not have a material effect on the financial performance or position of the Group.

MFRS 16 Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Group adopted MFRS 16 using the modified retrospective method with the cumulative effect of initially applying this Standard as an adjustment to the opening balance of accumulated losses at the date of initial application. In accordance with the transition requirements under the Appendix C, paragraph 5(b) of MFRS 16, comparatives are not restated.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group will apply the practical expedient available in MFRS 16, Appendix C, paragraph 10(b) that allows any entity to rely on its assessment of whether leases are onerous as an alternative to performing an impairment review. The lessee shall adjust the right-of-use assets by the amount of any provision for onerous contracts recognised immediately before the date of initial application.

A1. BASIS OF PREPARATION (CONT'D)**MFRS 16 Leases (cont'd)**

The following table shows the impact of changes to the consolidated statement of financial position of the Group resulting from the adoption of MFRS 16 Leases as at 1 January 2019:

| | | As at 31-Dec-18 RM '000 | Effect of MFRS 16 RM '000 | As at 01-Jan-19 RM '000 |
|--------------------------------------------|---------|-------------------------------|---------------------------------|-------------------------------|
| Assets | | | | |
| Non-current assets | | | | |
| Right-of-use assets | (a),(d) | - | 185,137 | 185,137 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Accumulated losses | (b) | (161,847) | 5,711 | (156,136) |
| Non-current liabilities | | | | |
| Lease liabilities | (c),(e) | - | 209,433 | 209,433 |
| Provision for onerous contracts | (d) | 44,526 | (44,526) | - |
| Payables and other non-current liabilities | (b),(e) | 46,086 | (46,086) | - |
| | | <u>90,612</u> | | <u>209,433</u> |
| Current liabilities | | | | |
| Lease liabilities | (c),(e) | - | 75,052 | 75,052 |
| Provision for onerous contracts | (d) | 19,058 | (14,447) | 4,611 |
| | | <u>19,058</u> | | <u>79,663</u> |

- (a) The right-of-use assets comprise 5 vessels leased from owners and are measured at the amount equal to the lease liabilities, and adjusted by the amount of provision for onerous contracts immediately before the date of initial application.
- (b) Implicit interest on accrued lease payments is adjusted to accumulated losses as at 1 January 2019.
- (c) The lease liabilities arising from 5 leased vessels are recognised and discounted using the Group's incremental borrowing rate of 4.48%, and adjusted by any accrued lease payments immediately before the date of initial application.
- (d) The Group applied the practical expedient available in MFRS 16, Appendix C, paragraph 10(b) that allows any entity to rely on its assessment of whether leases are onerous as an alternative to performing an impairment review. The lessee shall adjust the right-of-use assets by the amount of any provision for onerous contracts recognised immediately before the date of initial application.
- (e) Accrued lease payments previously classified as payables and other liabilities are now recognised as part of lease liabilities.

The operating lease commitments disclosed under MFRS 117 as at 31 December 2018 are reconciled as follows to the lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019, is as follows:

| | |
|-------------------------------------------------|-----------------|
| Operating lease commitments at 31 December 2018 | RM '000 |
| Accrued lease payments | 281,832 |
| Relief option for short term leases | 46,086 |
| | <u>(12,559)</u> |
| | 315,359 |
| Discounting | <u>(30,874)</u> |
| Total lease liabilities as of 1 January 2019 | <u>284,485</u> |

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 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 dividend have been paid for the current quarter ended 30 September 2019.

A8. SEGMENT REPORT

| | Shipping Bulkers RM '000 | Investment holding & others RM '000 | Elimination RM '000 | Group RM '000 |
|-----------------------------------------------------------|--------------------------------|----------------------------------------------|------------------------|------------------|
| <u>9 months ended 30 September 2019</u> | | | | |
| Revenue | | | | |
| Group | 197,388 | 3,322 | (728) | 199,982 |
| Inter-segment | - | (728) | 728 | - |
| External revenue | <u>197,388</u> | <u>2,594</u> | <u>-</u> | <u>199,982</u> |
| Segment results | 84,841 | (3,530) | - | 81,311 |
| Amortisation of intangible assets | - | (88) | - | (88) |
| Depreciation on owned assets | (19,511) | (154) | - | (19,665) |
| Depreciation on right-of-use assets | (49,389) | - | - | (49,389) |
| Interest income | 100 | 2,942 | - | 3,042 |
| Interest expense on bank borrowings | (11,065) | (2,890) | - | (13,955) |
| Interest expense on lease liabilities | (7,595) | - | - | (7,595) |
| Share of results of joint ventures | 1,832 | - | - | 1,832 |
| Loss at operating level | (787) | (3,720) | - | (4,507) |
| Loss on disposal of vessels | (12,272) | - | - | (12,272) |
| Net change in onerous contracts provision | 4,640 | - | - | 4,640 |
| Impairment loss on vessels | (6,001) | - | - | (6,001) |
| Loss before tax | <u>(14,420)</u> | <u>(3,720)</u> | <u>-</u> | <u>(18,140)</u> |
| <u>9 months ended 30 September 2018</u> | | | | |
| Revenue | | | | |
| Group | 167,583 | 2,950 | (603) | 169,930 |
| Inter-segment | - | (603) | 603 | - |
| External revenue | <u>167,583</u> | <u>2,347</u> | <u>-</u> | <u>169,930</u> |
| Segment results | 14,431 | (2,690) | - | 11,741 |
| Depreciation on owned assets | (17,812) | (226) | - | (18,038) |
| Provision for expected credit losses on trade receivables | (836) | - | - | (836) |
| Interest income | 189 | 1,136 | - | 1,325 |
| Interest expense on bank borrowings | (7,677) | (5,047) | - | (12,724) |
| Share of results of joint ventures | 1,408 | - | - | 1,408 |
| Loss at operating level | (10,297) | (6,827) | - | (17,124) |
| Net change in onerous contracts provision | 23,738 | - | - | 23,738 |
| Share of results of an associate | - | (8,402) | - | (8,402) |
| Impairment loss on associate | - | (140,325) | - | (140,325) |
| Profit/(loss) before tax | <u>13,441</u> | <u>(155,554)</u> | <u>-</u> | <u>(142,113)</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 AND SUBSEQUENT

There were no material events subsequent to the current quarter ended 30 September 2019 up to the date of this report.

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 31 December 2018 to the date of this report.

A13. CAPITAL COMMITMENTS

There is no capital commitment as at end of the current quarter.

B1. REVIEW OF PERFORMANCE

MBC Group reported a lower loss of RM18.140 million in 9M FY2019, an improvement of RM123.973 million compared with a loss RM142.113 million in 9M FY2018. This was mainly due to the non-recurrence of loss from associate (RM8.402 million) and impairment loss on associate (RM140.325 million) recorded in 9M FY2018 as the associate was disposed in October 2018.

The performance of the key segments in 9M FY2019 as compared to 9M FY2018 are as follows:

(1) Dry bulk segment

The table below summarizes the average time charter equivalent (TCE) and hire days for MBC fleet (including jointly owned).

| | Average TCE/day | | Hire days | |
|----------|-----------------|--------------|--------------|--------------|
| | Jan-Sep 2019 | Jan-Sep 2018 | Jan-Sep 2019 | Jan-Sep 2018 |
| | USD | USD | Days | Days |
| Dry bulk | 9,796 | 10,009 | 4,115 | 3,840 |

At operating level, dry bulk segment's loss decreased by RM9.510 million to RM0.787 million in 9M FY2019, from a loss of RM10.297 million in 9M FY2018 mainly due to redelivery of one loss-making chartered-in vessel and lower operating costs for some chartered-in vessels.

On 1 January 2019, the Group adopted MFRS 16 Leases and accordingly reclassified the leases of 5 chartered-in vessels from operating lease to finance lease. The combined depreciation on right-of-use assets and interest expense on lease liabilities for these vessels in 9M FY2019 was RM8.448 million lower than the charter hire expense previously recognized in 9M FY2018.

The Group disposed of one vessel at a loss of RM12.272 million and recognized an impairment loss of RM6.001 million on assets held for sale in 9M FY2019.

Including impairment loss, loss on disposal of vessels and net change in onerous contracts provision, the dry bulk segment's loss increased to RM14.420 million in 9M FY2019, compared to a profit of RM13.441 million in 9M FY2018.

(2) Investment holding and others

Investment holding and others segment reported a loss of RM3.720 million in 9M FY2019, compared to a loss of RM155.554 million in 9M FY2018 mainly due to the non-recurrence of 9M FY2018's loss from associate (RM8.402 million) and impairment loss on associate (RM140.325 million) as the associate was disposed in October 2018.

In summary, the Group reported an attributable loss of RM18.997 million in 9M FY2019, a decrease of RM123.601 million compared to RM142.598 million loss in 9M FY2018.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

| | Individual Quarter | | Variance RM '000 |
|-------------------------------------------|-----------------------|-----------------------|---------------------|
| | Q3 FY2019 RM '000 | Q2 FY2019 RM '000 | |
| Revenue | 67,149 | 68,747 | (1,598) |
| Voyage expenses | <u>(13,266)</u> | <u>(17,589)</u> | <u>4,323</u> |
| Net revenue | 53,883 | 51,158 | 2,725 |
| Operating expenses | <u>(44,856)</u> | <u>(46,909)</u> | <u>2,053</u> |
| Operating profit/(loss) | 9,027 | 4,249 | 4,778 |
| Net change in onerous contracts provision | 2,973 | 578 | 2,395 |
| Impairment loss on vessels | <u>(6,001)</u> | <u>12,250</u> | <u>(18,251)</u> |
| | 5,999 | 17,077 | (11,078) |
| Other operating income/(loss), net | 1,262 | (13,462) | 14,724 |
| Administrative expenses | <u>(2,016)</u> | <u>(2,814)</u> | <u>798</u> |
| | 5,245 | 801 | 4,444 |
| Interest expense on bank borrowings | (4,389) | (5,052) | 663 |
| Interest expense on lease liabilities | <u>(2,310)</u> | <u>(2,897)</u> | <u>587</u> |
| | (1,454) | (7,148) | 5,694 |
| Share of results of joint ventures | <u>488</u> | <u>565</u> | <u>(77)</u> |
| Profit/(loss) before taxation | (966) | (6,583) | 5,617 |
| Income tax expense | <u>(328)</u> | <u>(358)</u> | <u>30</u> |
| Profit/(loss) for the period | <u><u>(1,294)</u></u> | <u><u>(6,941)</u></u> | <u><u>5,647</u></u> |
| <u>Attributable to:</u> | | | |
| Equity holders of the parent | (1,294) | (6,941) | 5,647 |
| Non-controlling interest | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>(1,294)</u> | <u>(6,941)</u> | <u>5,647</u> |

Operating profit increased by RM4.778 million to RM9.027 million in Q3 FY2019, from RM4.249 million in Q2 FY2018 mainly due to improved charter rates (Q3 FY2019: USD10,390/day versus Q2 FY2019: USD8,884/day) and redelivery of one loss-making chartered-in vessel.

The Group recognized an impairment loss of RM6.001 million on assets held for sale in Q3 FY2019.

Net other operating income/(loss) increased by RM14.724 million mainly due to the non-recurrence of loss on disposal of vessel (RM12.272 million) recorded in Q2 FY2019.

Administrative expenses decreased by RM0.798 million mainly due to lower shared services cost and reduced professional fees.

Interest expense on bank borrowings decreased by RM0.663 million mainly due to repayment of loan. Interest expense on lease liabilities decreased by RM0.587 million mainly due to reducing lease liabilities.

The Group recorded a net loss attributable to shareholders of RM1.294 million in Q3 FY2019, compared to RM6.941 million loss in Q2 FY2019.

B3. PROSPECTS

We have seen freight rates improved in Q3 2019 as compared to first half of 2019. The world operating fleet is expected to reduce in Q4 2019 as more vessels are taken off for scrubber retrofitting in preparation for new emission regulations which will come into force from 1st January 2020. We expect the improvement to continue for the remaining period of 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 | 328 | 852 |
| | <u>328</u> | <u>852</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 income tax expense for the Group is attributable to tax in respect of non-tax exempt activities of the Group.

B6. FINANCIAL INSTRUMENT

a) Derivatives

The Group uses cross currency swaps and interest rate swaps to manage the variability of future cash flows attributable to exchange rate and interest rate fluctuation on its borrowings. The hedged cash flows are expected to occur and affect profit or loss in the next 1 year. Gains and losses arising from the effective portion of the hedges are deferred in equity until the variability on the cash flow affects profit or loss, at which time the gains or losses are transferred to profit or loss.

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the financial year ended 31 December 2018.

As at 30 September 2019, the notional amount, fair value and maturity tenor of the derivatives are as follows:

| | Notional amount RM'000 | Fair value assets /(liabilities) RM'000 |
|----------------------|------------------------------|--------------------------------------------------|
| Cross currency swaps | | |
| - less than 1 year | - | - |
| Interest rate swaps | | |
| - 1 year to 3 years | 103,839 | (2,301) |
| - More than 3 years | 20,509 | (1,040) |
| | <u>124,348</u> | <u>(3,341)</u> |

b) Fair value changes of financial liabilities

The Group does not have any financial liabilities which are measured at fair value through profit or loss except for derivative financial instruments.

B7. NOTES TO CONDENSED CONSOLIDATED INCOME STATEMENT

| | Current quarter RM'000 | Current financial year-to-date RM'000 |
|-------------------------------------------|------------------------------|------------------------------------------------|
| Interest income | 600 | 3,042 |
| Amortisation of intangible assets | (33) | (88) |
| Depreciation on owned assets | (7,283) | (19,665) |
| Depreciation on right-of-use assets | (15,897) | (49,389) |
| Impairment loss on vessels | (6,001) | (6,001) |
| Net change in onerous contracts provision | 2,973 | 4,640 |
| Fair value changes in derivatives | (62) | (1,311) |
| Unrealised exchange loss | - | (24) |

B8. STATUS OF CORPORATE PROPOSALS

There were no other corporate proposals announced but not completed at the date of this report.

B9. UTILISATION OF PROCEEDS RAISED FROM THE RESTRICTED OFFER FOR SALE

The restricted offer for sale of the Company's entire deemed interest in associate to all shareholders of the Company was completed on 25 October 2018 and the status of utilisation of proceeds raised from the exercise as at 30 September 2019 is as follows:

| <u>Purpose</u> | <u>Proposed Utilisation RM'm</u> | <u>Actual Utilisation RM'm</u> | <u>Balance RM'm</u> | <u>Intended Timeframe for Utilisation ⁽²⁾</u> | <u>Deviation RM'm</u> | <u>%</u> |
|----------------------------------------------------------|------------------------------------------|----------------------------------------|-------------------------|----------------------------------------------------------------------|---------------------------|----------|
| (i) Working capital | 116.0 ⁽¹⁾ | (116.0) | - | Within 15 months | - | 0% |
| (ii) Repayment of borrowings | 68.3 | (68.3) | - | Within 12 months | - | 0% |
| (iii) Part finance the construction costs of new vessels | 64.0 | (64.0) | - | Within 12 months | - | 0% |
| (iv) Estimated expenses | 2.9 | (2.9) | - | Within 6 months | - | 0% |
| Total | <u>251.2</u> | <u>(251.2)</u> | <u>-</u> | | <u>-</u> | |

Note:

⁽¹⁾ Includes excess funds for estimated expenses of RM8.2 million which has been re-allocated to working capital.

⁽²⁾ The intended timeframe for utilisation is from the date of completion of the restricted offer for sale.

B10. BORROWINGS

The Group's borrowings as at 30 September 2019 are as follows:

| | <u>Currency</u> | <u>Current RM '000</u> | <u>Non-current RM '000</u> |
|-----------|-----------------|----------------------------|--------------------------------|
| Secured | USD | 22,777 | 262,899 |
| Unsecured | USD | 85,857 | - |
| | | <u>108,634</u> | <u>262,899</u> |

B11. MATERIAL LITIGATION

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

B12. DIVIDENDS

The Directors do not recommend any dividend for the current quarter ended 30 September 2019.

B13. (LOSS)/PROFIT PER SHARE

The basic (loss)/profit 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 30-Sep-19 | PRECEDING YEAR QUARTER 30-Sep-18 | CURRENT YEAR TO DATE 30-Sep-19 | PRECEDING YEAR TO DATE 30-Sep-18 |
|-------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------|-----------------------------------------|-------------------------------------------|
| (Loss)/profit attributable to equity holders of the parent (RM'000) | (1,294) | 23,017 | (18,997) | (142,598) |
| Number of ordinary shares in issue('000) | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| (Loss)/profit per share attributable to equity holders of the parent (sen) | <u>(0.13)</u> | <u>2.30</u> | <u>(1.90)</u> | <u>(14.26)</u> |