

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 March 2021

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2021

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-21 RM '000	PRECEDING YEAR QUARTER 31-Mar-20 RM '000	CURRENT YEAR TO DATE 31-Mar-21 RM '000	PRECEDING YEAR TO DATE 31-Mar-20 RM '000
Revenue	46,617	52,272	46,617	52,272
Voyage expenses	(4,906)	(14,032)	(4,906)	(14,032)
	41,711	38,240	41,711	38,240
Operating expenses	(23,106)	(35,071)	(23,106)	(35,071)
	18,605	3,169	18,605	3,169
Gain on liquidation of a subsidiary	-	51,263	-	51,263
	18,605	54,432	18,605	54,432
Other operating income, net	1,492	465	1,492	465
Administrative expenses	(1,879)	(1,819)	(1,879)	(1,819)
	18,218	53,078	18,218	53,078
Interest expense on bank borrowings	(2,113)	(3,469)	(2,113)	(3,469)
Interest expense on lease liabilities	(1,062)	(2,249)	(1,062)	(2,249)
Share of results of joint ventures	(11)	442	(11)	442
	15,032	47,802	15,032	47,802
Profit before tax	15,032	47,802	15,032	47,802
Income tax expense	(24)	(149)	(24)	(149)
	15,008	47,653	15,008	47,653
Profit for the period	15,008	47,653	15,008	47,653
Attributable to:				
Equity holders of the parent	15,008	47,653	15,008	47,653
Earnings per share (sen)				
- Basic	1.50	4.77	1.50	4.77

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2021**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-21 RM '000	PRECEDING YEAR QUARTER 31-Mar-20 RM '000	CURRENT YEAR TO DATE 31-Mar-21 RM '000	PRECEDING YEAR TO DATE 31-Mar-20 RM '000
Profit for the period	15,008	47,653	15,008	47,653
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	5,394	15,616	5,394	15,616
Net change in cash flow hedge	744	(2,310)	744	(2,310)
Realisation of reserves on liquidation of a subsidiary	-	(51,263)	-	(51,263)
Total comprehensive income for the period	<u>21,146</u>	<u>9,696</u>	<u>21,146</u>	<u>9,696</u>
Total comprehensive income attributable to: Equity holders of the parent	<u>21,146</u>	<u>9,696</u>	<u>21,146</u>	<u>9,696</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Mar-21 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-20 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	470,563	467,286
Right-of-use assets	42,248	49,805
Joint ventures	16,688	16,398
	<u>529,499</u>	<u>533,489</u>
Current assets		
Consumable stores	2,248	5,889
Receivables and other current assets	17,970	23,541
Contract assets	727	84
Short term deposits	9,500	20,329
Cash and bank balances	30,902	18,557
	<u>61,347</u>	<u>68,400</u>
Non-current assets classified as held for sale	51,183	50,257
	<u>112,530</u>	<u>118,657</u>
TOTAL ASSETS	<u><u>642,029</u></u>	<u><u>652,146</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	338,791	338,791
Foreign currency translation reserve	127,378	121,984
Cash flow hedge reserve	(1,835)	(2,579)
Accumulated losses	(168,935)	(183,943)
Total equity	<u>295,399</u>	<u>274,253</u>
Non-current liabilities		
Borrowings	124,287	150,027
Lease liabilities	47,741	52,607
Derivative financial liabilities	2,384	3,016
	<u>174,412</u>	<u>205,650</u>
Current liabilities		
Payables and other current liabilities	20,002	22,184
Contract liabilities	5,325	3,179
Borrowings	108,302	87,317
Lease liabilities	38,326	59,242
Derivative financial liabilities	259	319
Provision for taxation	4	2
	<u>172,218</u>	<u>172,243</u>
Total liabilities	<u>346,630</u>	<u>377,893</u>
TOTAL EQUITY AND LIABILITIES	<u><u>642,029</u></u>	<u><u>652,146</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2021

	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	Accumulated losses RM '000	
<u>3 MONTHS ENDED 31 MARCH 2020</u>					
At 1 January 2020	338,791	(1,921)	181,122	(163,162)	354,830
Total comprehensive (loss)/income for the period	-	(2,310)	(35,647)	47,653	9,696
At 31 March 2020	338,791	(4,231)	145,475	(115,509)	364,526
<u>3 MONTHS ENDED 31 MARCH 2021</u>					
At 1 January 2021	338,791	(2,579)	121,984	(183,943)	274,253
Total comprehensive income for the period	-	744	5,394	15,008	21,146
At 31 March 2021	338,791	(1,835)	127,378	(168,935)	295,399

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2021

	CUMULATIVE	
	CURRENT YEAR 31-Mar-21 RM '000	PRECEDING YEAR 31-Mar-20 RM '000
Cash Flow From Operating Activities		
Profit before tax	15,032	47,802
Adjustments for:		
Amortisation of intangible assets	34	21
Depreciation on owned assets	5,629	6,724
Depreciation on right-of-use assets	7,398	16,293
Unrealised foreign exchange loss/(gain)	74	(272)
Interest income	(44)	(341)
Interest expense on bank borrowings	2,113	3,469
Interest expense on lease liabilities	1,062	2,249
Lease modification	(1,179)	-
Share of results of joint ventures	11	(442)
Gain on liquidation of a subsidiary	-	(51,263)
Operating profit before working capital changes	<u>30,130</u>	<u>24,240</u>
Working capital changes:		
Consumable stores	3,841	6,832
Receivables and other current assets	4,696	(469)
Contract assets	809	567
Payables and other liabilities	(3,202)	(5,671)
Contract liabilities	2,448	(854)
Cash generated from operating activities	<u>38,722</u>	<u>24,645</u>
Tax paid	(81)	(291)
Net cash generated from operating activities	<u>38,641</u>	<u>24,354</u>
Cash Flows From Investing Activities		
Purchase of other assets and capitalisation of docking costs	(60)	(657)
Interest received	44	341
Proceeds from disposal of vessels	-	83,209
Net cash (used in)/generated from investing activities	<u>(16)</u>	<u>82,893</u>
Cash Flows From Financing Activities		
Interest on bank borrowings	(2,058)	(3,746)
Interest on lease liabilities	(1,062)	(2,249)
Repayment of borrowings	(9,094)	(89,759)
Payment of principal portion of lease liabilities	(25,346)	(20,741)
Net cash used in financing activities	<u>(37,560)</u>	<u>(116,495)</u>
Net change in cash and cash equivalents	1,065	(9,248)
Effects of foreign exchange rate changes	451	2,987
Cash and cash equivalents at the beginning of the period	<u>38,886</u>	<u>79,480</u>
Cash and cash equivalents at the end of the period	<u>40,402</u>	<u>73,219</u>
Cash and cash equivalents comprise:		
Short term deposits	9,500	36,379
Cash and bank balances	30,902	36,840
	<u>40,402</u>	<u>73,219</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 2020.

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 2020 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 2021. The adoption of these standards did not have a material effect on the financial performance or position of the Group.

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2020 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 has been paid for the current quarter ended 31 March 2021.

A8. SEGMENT REPORT

Segmental reporting is not presented as the Group is principally engaged in the dry bulk shipping services internationally. As the Group's shipping activities cover the world's shipping lanes, the Directors do not consider it meaningful to allocate revenue, results, assets and liabilities to specific geographical segments. This is consistent with internal reporting currently in practice.

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 EVENTS

On 3 March 2021, a subsidiary signed a Memorandum of Agreement to dispose its vessel to a third party for a net consideration of approximately RM56.0 million.

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 2020 to the date of this report.

A13. CAPITAL COMMITMENTS

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

B1. REVIEW OF PERFORMANCE

MBC Group reported a profit before tax of RM15.032 million in Q1 FY2021, a decrease of RM32.770 million compared to a profit of RM47.802 million in Q1 FY2020 due mainly to the non-recurring gain on liquidation of a subsidiary of RM51.263 million recorded in Q1 FY2020.

Operationally, the Group recorded higher revenue of RM41.711 million (Q1 FY2020: RM38.240 million) and operating profit of RM18.605 million (Q1 FY2020: RM3.169 million). The table below summarises the average time charter equivalent (TCE) and hire days for MBC Fleet (excluding jointly owned vessels).

	Average TCE/day		Hire Days	
	Jan-Mar 2021	Jan-Mar 2020	Jan-Mar 2021	Jan-Mar 2020
	(USD)	(USD)	(Days)	(Days)
Dry Bulk Fleet	12,860	9,108	748	1,050

The improvement in operating performance was mainly due to a 41% increase in charter rates, lower vessel operating expenses, and redelivery of 2 loss-making chartered-in vessels.

The Group reported a profit before tax of RM15.032 million in Q1 FY2021, an improvement of RM18.493 million compared to the loss before tax of RM3.461 million, excluding exceptional items in Q1 FY2020.

As at 31 March 2021, the Group owns and operates a total 8 vessels, with 1 vessel committed to be sold to a third party for a consideration of approximately RM56 million.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		Variance RM'000
	Q1 FY2021 RM'000	Q4 FY2020 RM'000	
Revenue	46,617	41,993	4,624
Voyage expenses	(4,906)	(6,190)	1,284
Net revenue	41,711	35,803	5,908
Operating expenses	(23,106)	(31,549)	8,443
Operating profit	18,605	4,254	14,351
Impairment loss on vessels	0	(55,782)	55,782
	18,605	(51,528)	70,133
Other operating income, net	1,492	7,030	(5,538)
Administrative expenses	(1,879)	(1,470)	(409)
	18,218	(45,968)	64,186
Interest expense on bank borrowings	(2,113)	(2,335)	222
Interest expense on lease liabilities	(1,062)	(1,458)	396
Share of results of joint ventures	(11)	(15)	4
Profit/(loss) before taxation	15,032	(49,776)	64,808
Income tax expense	(24)	(4)	(20)
Profit/(loss) for the period	15,008	(49,780)	64,788
<u>Attributable to:</u>			
Equity holders of the parent	15,008	(49,780)	64,788

Net revenue and operating profit for the Group in Q1 FY2021 was RM41.711 million and RM18.605 million, an increase compared to Q4 FY2020's revenue and operating profit of RM35.803 million and RM4.254 million respectively. The better operating results was mainly due to a 25% increase in charter rates (Q1 FY2021: USD12,860/day vs Q4 FY2020: USD10,306/day), lower vessel operating expenses and the redelivery of 2 loss-making chartered-in vessels.

Other operating income decreased by RM5.538 million in Q1 FY2021 to RM1.492 million (Q4 FY2020: RM7.030 million) mainly due to the reduction in charter hire expenses from drydocking of long-term chartered vessels and the write back of expenses from liquidated companies in Q4 FY2020.

In Q4 FY2020, the Group performed an impairment assessment on its vessels and right-of-use assets and recognised an impairment loss of RM55.782 million.

The Group recorded a profit before tax of RM15.032 million in Q1 FY2021, compared to a profit before tax of RM6.006 million excluding the exceptional items in Q4 FY2020.

In summary, the Group recorded an attributable profit of RM15.008 million in Q1 FY2021, compared to a loss of RM49.780 million in Q4 FY2020.

B3. PROSPECTS

Near term performance of the dry bulk sector is expected to remain positive as dry bulk volumes recovered and markets rebounded from the 2020 COVID-19 shock. These conditions are expected to sustain into the second quarter of 2021, supported by a combination of strong demand and temporary disruptive elements such as port congestions.

While we expect Chinese steel output to remain high in Q2 2021, it is likely to come under pressure from Chinese regulators later in the year seeking to rein in excess capacity and curb environmental pollution, which may impact iron ore and coal imports.

The resurgence of COVID-19 infections in the Indian subcontinent and other parts of Asia also present downside earnings risk, increase vessel trading complexities and quarantine risks. Consequently, the shipping industry will continue to stay in a volatile trading environment and the path to economic recovery is likely to be uneven in the coming quarters.

B3. PROSPECTS (CONT'D)

The Group will continue to focus on consolidating its financial position, optimising its assets and earnings to reduce the current borrowings and lease liabilities. Excluding the vessel classified under held-for-sale in Q1 2021, the Group owns 5 vessels and operates 2 vessels under long term charter, which are scheduled for redelivery in early-2022 and mid-2023.

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	24	24
	24	24

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 INSTRUMENTS

a) Derivatives

The Group uses interest rate swaps to manage the variability of future cash flows attributable to interest rate fluctuation on its borrowings. The hedged cash flows are expected to occur and affect profit or loss in the next 3 years. 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 2020.

As at 31 March 2021, the notional amount, fair value and maturity tenor of the derivatives are as follows:

	Notional amount RM'000	Fair value assets /(liabilities) RM'000
Interest rate swaps		
- 1 year to 3 years	86,321	(2,643)
	86,321	(2,643)

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	44	44
Amortisation of intangible assets	(34)	(34)
Depreciation on owned assets	(5,629)	(5,629)
Depreciation on right-of-use assets	(7,398)	(7,398)
Unrealised exchange gain	(74)	(74)

B8. STATUS OF CORPORATE PROPOSALS

There was no corporate proposal announced but not completed at the date of this report.

B9. BORROWINGS

The Group's borrowings as at 31 March 2021 are as follows:

	Currency	Current RM '000	Non-current RM '000
Secured	USD	108,302	124,287

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 2021.

B12. EARNINGS PER SHARE

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

	CURRENT YEAR QUARTER 31-Mar-21	PRECEDING YEAR QUARTER 31-Mar-20	CURRENT YEAR TO DATE 31-Mar-21	PRECEDING YEAR TO DATE 31-Mar-20
Profit attributable to equity holders of the parent (RM'000)	15,008	47,653	15,008	47,653
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)	1.50	4.77	1.50	4.77