

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 September 2021

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Sep-21 RM '000	PRECEDING YEAR QUARTER 30-Sep-20 RM '000	CURRENT YEAR TO DATE 30-Sep-21 RM '000	PRECEDING YEAR TO DATE 30-Sep-20 RM '000
Revenue	58,677	42,658	158,918	133,993
Voyage expenses	<u>(8,172)</u>	<u>(12,181)</u>	<u>(19,128)</u>	<u>(38,950)</u>
Operating expenses	<u>50,505</u> <u>(22,558)</u>	<u>30,477</u> <u>(34,552)</u>	<u>139,790</u> <u>(69,434)</u>	<u>95,043</u> <u>(102,889)</u>
Gain on disposal of property, plant and equipment	27,947	(4,075)	70,356	(7,846)
Derecognition of joint venture	91,453	-	98,014	-
(Loss)/gain on liquidation of subsidiaries	-	-	6,869	-
	<u>(539)</u>	<u>-</u>	<u>(539)</u>	<u>51,263</u>
Other operating income, net	118,861	(4,075)	174,700	43,417
Administrative expenses	63	1,143	1,674	2,589
	<u>(2,524)</u>	<u>(1,987)</u>	<u>(6,826)</u>	<u>(5,787)</u>
Interest expense on bank borrowings	116,400	(4,919)	169,548	40,219
Interest expense on lease liabilities	(1,942)	(2,480)	(6,015)	(9,270)
Share of results of joint ventures	(815)	(1,791)	(2,778)	(6,124)
Gain on liquidation of a joint venture	-	211	(4)	1,207
	<u>-</u>	<u>3,065</u>	<u>-</u>	<u>3,065</u>
Profit/(loss) before tax	113,643	(5,914)	160,751	29,097
Income tax expense	<u>(68)</u>	<u>(36)</u>	<u>(113)</u>	<u>(98)</u>
Profit/(loss) for the period	<u>113,575</u>	<u>(5,950)</u>	<u>160,638</u>	<u>28,999</u>
Attributable to:				
Equity holders of the parent	<u>113,575</u>	<u>(5,950)</u>	<u>160,638</u>	<u>28,999</u>
Earnings/(loss) per share (sen)				
- Basic	11.36	(0.60)	16.06	2.90

**QUARTERLY REPORT**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Sep-21 RM '000	PRECEDING YEAR QUARTER 30-Sep-20 RM '000	CURRENT YEAR TO DATE 30-Sep-21 RM '000	PRECEDING YEAR TO DATE 30-Sep-20 RM '000
Profit/(loss) for the period	113,575	(5,950)	160,638	28,999
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	(4,049)	(10,984)	3,006	5,605
Net change in cash flow hedge	861	1,116	2,169	(1,368)
Realisation of reserves on liquidation of a subsidiary	-	-	-	(51,263)
Realisation of reserves on derecognition of joint venture	-	(3,065)	(6,869)	(3,065)
	<u>110,387</u>	<u>(18,883)</u>	<u>158,944</u>	<u>(21,092)</u>
Total comprehensive income/(loss) for the period	<u>110,387</u>	<u>(18,883)</u>	<u>158,944</u>	<u>(21,092)</u>
Total comprehensive income/(loss) attributable to: Equity holders of the parent	<u>110,387</u>	<u>(18,883)</u>	<u>158,944</u>	<u>(21,092)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Sep-21 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-20 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	343,012	467,286
Right-of-use assets	29,500	49,805
Joint ventures	-	16,398
	<u>372,512</u>	<u>533,489</u>
<b>Current assets</b>		
Consumable stores	5,160	5,889
Receivables and other current assets	15,391	23,541
Contract assets	-	84
Short term deposits	14,100	20,329
Cash and bank balances	185,312	18,557
	<u>219,963</u>	<u>68,400</u>
Non-current assets classified as held for sale	-	50,257
	<u>219,963</u>	<u>118,657</u>
<b>TOTAL ASSETS</b>	<u><u>592,475</u></u>	<u><u>652,146</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	338,791	338,791
Foreign currency translation reserve	118,121	121,984
Cash flow hedge reserve	(410)	(2,579)
Accumulated losses	(23,305)	(183,943)
<b>Total equity</b>	<u>433,197</u>	<u>274,253</u>
<b>Non-current liabilities</b>		
Borrowings	60,780	150,027
Lease liabilities	36,092	52,607
Derivative financial liabilities	1,251	3,016
	<u>98,123</u>	<u>205,650</u>
<b>Current liabilities</b>		
Payables and other current liabilities	18,986	22,184
Contract liabilities	4,689	3,179
Borrowings	6,706	87,317
Lease liabilities	30,481	59,242
Derivative financial liabilities	286	319
Provision for taxation	7	2
	<u>61,155</u>	<u>172,243</u>
<b>Total liabilities</b>	<u>159,278</u>	<u>377,893</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>592,475</u></u>	<u><u>652,146</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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	
<b><u>9 MONTHS ENDED 30 SEPTEMBER 2020</u></b>					
At 1 January 2020	338,791	(1,921)	181,122	(163,162)	354,830
Total comprehensive (loss)/income for the period	-	(1,368)	(48,723)	28,999	(21,092)
<b>At 30 September 2020</b>	<b>338,791</b>	<b>(3,289)</b>	<b>132,399</b>	<b>(134,163)</b>	<b>333,738</b>
<b><u>9 MONTHS ENDED 30 SEPTEMBER 2021</u></b>					
At 1 January 2021	338,791	(2,579)	121,984	(183,943)	274,253
Total comprehensive income/(loss) for the period	-	2,169	(3,863)	160,638	158,944
<b>At 30 September 2021</b>	<b>338,791</b>	<b>(410)</b>	<b>118,121</b>	<b>(23,305)</b>	<b>433,197</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

	CUMULATIVE	
	CURRENT YEAR 30-Sep-21 RM '000	PRECEDING YEAR 30-Sep-20 RM '000
<b>Cash Flow From Operating Activities</b>		
Profit before tax	160,751	29,097
Adjustments for:		
Amortisation of intangible assets	287	101
Depreciation on owned assets	15,462	20,768
Depreciation on right-of-use assets	20,674	49,233
Unrealised foreign exchange loss/(gain)	360	(875)
Interest income	(179)	(648)
Interest expense on bank borrowings	6,015	9,270
Interest expense on lease liabilities	2,778	6,124
Lease modification	(1,179)	(166)
Share of results of joint ventures	4	(1,207)
Gain on disposal of property, plant and equipment	(98,014)	-
Derecognition of joint venture	(6,869)	-
Gain on bargain purchase	(112)	-
Loss/(gain) on liquidation of subsidiaries	539	(51,263)
Gain on liquidation of a joint venture	-	(3,065)
Realisation of cash flow hedge reserve	267	-
Operating profit before working capital changes	100,784	57,369
Working capital changes:		
Consumable stores	886	6,271
Receivables and other current assets	8,001	11,543
Contract assets	521	(519)
Payables and other liabilities	(2,390)	9,744
Contract liabilities	524	(1,546)
Cash generated from operating activities	108,326	82,862
Tax paid, net of tax refund	(280)	(733)
Net cash generated from operating activities	108,046	82,129
<b>Cash Flows From Investing Activities</b>		
Purchase of other assets and capitalisation of docking costs	(72)	(930)
Interest received	179	648
Proceeds from disposal of property, plant and equipment	269,943	83,209
Capital distribution from joint venture	-	136
Dividend from joint venture	16,716	-
Acquisition of a subsidiary, net of cash acquired	318	-
Net cash generated from investing activities	287,084	83,063
<b>Cash Flows From Financing Activities</b>		
Interest on bank borrowings	(5,824)	(11,014)
Interest on lease liabilities	(2,778)	(6,124)
Drawdown of borrowings	-	21,381
Repayment of borrowings	(179,588)	(123,156)
Payment of principal portion of lease liabilities	(46,124)	(72,940)
Loan repayment from joint venture	-	18,862
Net cash used in financing activities	(234,314)	(172,991)
<b>Net change in cash and cash equivalents</b>	160,816	(7,799)
<b>Effects of foreign exchange rate changes</b>	(290)	1,210
<b>Cash and cash equivalents at the beginning of the period</b>	38,886	79,480
<b>Cash and cash equivalents at the end of the period</b>	199,412	72,891
Cash and cash equivalents comprise:		
Short term deposits	14,100	17,591
Cash and bank balances	185,312	55,300
	199,412	72,891

**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 30 September 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**

There were no material events subsequent to the current quarter ended 30 September 2021 up to the date of this report.

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

There were no other 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 RM160.751 million in 9M FY2021, an improvement of RM131.654 million compared to a profit of RM29.097 million in 9M FY2020. This was mainly due to non-recurring items of gain on disposal of property, plant and equipment of RM98.014 million and gain on derecognition of a joint venture of RM6.869 million, offset against loss on liquidation of subsidiaries of RM0.539 million.

Operationally, a higher net revenue of RM139.790 million and operating profit of RM70.356 million was recorded (9M FY2020: RM95.043 million and operating loss of RM7.846 million). Better operating performance was mainly due to increase in charter rates, lower operating expenses from a smaller fleet size and redelivery of 2 loss-making chartered-in vessels.

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-Sep 2021	Jan-Sep 2020	Jan-Sep 2021	Jan-Sep 2020
	(USD)	(USD)	(Days)	(Days)
Dry Bulk Fleet	17,225	8,067	1,928	2,990

Charter rates increased by 114% compared to corresponding last year while hire days reduced by 36% due to smaller fleet size.

The Group completed the disposal of a Handy sized vessel (M.V. Alam Sejahtera) and 2 Supramax sized vessels (M.V. Alam Molek and M.V. Alam Madu) with total net proceeds of RM269.938 million which resulted a total gain on disposal of RM98.009 million in 9M FY2021.

Excluding exceptional items, the Group performed better with profit before tax of RM56.407 million in 9M FY2021 which improved by RM81.638 million compared to the loss before tax of RM25.231 million in 9M FY2020.

The Group reported a profit for the period of RM160.638 million, an increase of RM131.639 million compared to RM28.999 million in 9M FY2020.

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

	Individual Quarter		Variance RM '000
	Q3 FY2021 RM '000	Q2 FY2021 RM '000	
Revenue	58,677	53,624	5,053
Voyage expenses	(8,172)	(6,050)	(2,122)
Net revenue	50,505	47,574	2,931
Operating expenses	(22,558)	(23,770)	1,212
<b>Operating profit</b>	<b>27,947</b>	<b>23,804</b>	<b>4,143</b>
Gain on disposal of property, plant and equipment	91,453	6,561	84,892
Derecognition of joint venture	0	6,869	(6,869)
Loss on liquidation of subsidiaries	(539)	0	(539)
	118,861	37,234	81,627
Other operating income, net	63	119	(56)
Administrative expenses	(2,524)	(2,423)	(101)
	116,400	34,930	81,470
Interest expense on bank borrowings	(1,942)	(1,960)	18
Interest expense on lease liabilities	(815)	(901)	86
Share of results of joint ventures	0	7	(7)
Profit before taxation	113,643	32,076	81,567
Income tax expense	(68)	(21)	(47)
Profit for the period	113,575	32,055	81,520
<u>Attributable to:</u>			
Equity holders of the parent	113,575	32,055	81,520

Net revenue and operating profit for the Group in Q3 FY2021 was RM50.505 million and RM27.947 million, an increase compared to Q2 FY2021's revenue and operating profit of RM47.574 million and RM23.804 million respectively. Q3 FY2021 saw lower hire days with the disposal of a handy-sized vessel in Q2 FY2021 and 2 supramax vessels in Q3 FY2021.

The better operating results were mainly due to an increase in charter rates and lower operating expenses from a smaller fleet size, offset against higher crew related cost and additional COVID-19 related expenses.

In Q3 FY2021, the Group recognised a gain of RM91.453 million from the disposal of M.V. Alam Molek and M.V. Alam Madu for a total consideration of RM213.124 million. Loss on liquidation of subsidiaries of RM0.539 million was recorded from the reclassification of the cumulative foreign exchange differences relating to the entities from equity to profit or loss upon liquidation.

Excluding exceptional items, the Group recorded a profit before tax of RM22.729 million in Q3 FY2021, an increase of 22% compared to a profit before tax of RM18.646 million in Q2 FY2021.

The Group's attributable profit was RM113.575 million in Q3 FY2021, compared to a RM32.055 million profit in Q2 FY2021.

**B3. PROSPECTS**

The global economy has experienced a firm rebound in 2021 and seaborne dry bulk trade is expected to grow at 1.7% in 2022. This rebound in the dry bulk market has seen freight rates hit a decade high and this has been exacerbated through stringent COVID-19 protocols enforced at various ports, particularly in China, creating supply chain bottlenecks. Changes to trade patterns, such as Chinese coal sourcing have been accretive in tonne mile terms. All these factors are set against a backdrop of historically low fleet growth due to the poor dry bulk market in the last decade.

However dry bulk charter rates have softened notably since late October, with China restricting steel output as well as imposing cap on coal prices for domestic suppliers. The ship sale and purchase (S&P) activities have also slowed down with potential buyers holding back in anticipation of a correction in asset prices. Whilst port congestion and logistics inefficiencies are still present, we expect freight rates to remain volatile going into 2022 with global growth likely to slow down from 2021 levels.



**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	68	113
	<u>68</u>	<u>113</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 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 30 September 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	83,552	(1,537)
	<u>83,552</u>	<u>(1,537)</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	81	179
Amortisation of intangible assets	(97)	(287)
Depreciation on owned assets	(4,250)	(15,462)
Depreciation on right-of-use assets	(6,700)	(20,674)
Realisation of cash flow hedge reserve	(267)	(267)
Gain on bargain purchase	-	112
Unrealised exchange loss	(123)	(360)

**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 30 September 2021 are as follows:

	Currency	Current RM '000	Non-current RM '000
Secured	USD	6,706	60,780

**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 30 September 2021.

**B12. EARNINGS/(LOSS) PER SHARE**

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

	CURRENT YEAR QUARTER 30-Sep-21	PRECEDING YEAR QUARTER 30-Sep-20	CURRENT YEAR TO DATE 30-Sep-21	PRECEDING YEAR TO DATE 30-Sep-20
Profit/(loss) attributable to equity holders of the parent (RM'000)	113,575	(5,950)	160,638	28,999
Number of ordinary shares in issue('000)	1,000,000	1,000,000	1,000,000	1,000,000
Earnings/(loss) per share attributable to equity holders of the parent (sen)	11.36	(0.60)	16.06	2.90