

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 June 2022

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2022**

	INDIVIDUAL QUARTER			CUMULATIVE		
	CURRENT	PRECEDING	Changes	CURRENT	PRECEDING	Changes
	YEAR	YEAR		YEAR	YEAR	
	QUARTER	QUARTER		TO DATE	TO DATE	
30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21			
	RM '000	RM '000	(%)	RM '000	RM '000	(%)
Revenue	39,568	53,624	-26%	78,648	100,241	-22%
Voyage expenses	(5,839)	(6,050)		(11,886)	(10,956)	
	33,729	47,574		66,762	89,285	
Operating expenses	(19,265)	(23,770)		(40,965)	(46,876)	
	14,464	23,804	-39%	25,797	42,409	-39%
Gain on disposal of property, plant and equipment	50,058	6,561		50,058	6,561	
	64,522	30,365		75,855	48,970	
Other operating (expenses)/income, net	(760)	119		35	1,611	
Administrative expenses	(1,754)	(2,423)		(3,667)	(4,302)	
	62,008	28,061		72,223	46,279	
Interest expense on bank borrowings	(298)	(1,960)		(1,335)	(4,073)	
Interest expense on lease liabilities	(632)	(901)		(1,343)	(1,963)	
Share of results of joint ventures	-	7		-	(4)	
Derecognition of joint venture	-	6,869		-	6,869	
Profit before tax	61,078	32,076	90%	69,545	47,108	48%
Income tax expense	(10)	(21)		(35)	(45)	
Profit for the period	61,068	32,055	91%	69,510	47,063	48%
Attributable to:						
Equity holders of the parent	61,068	32,055		69,510	47,063	
Earnings per share (sen)						
- Basic	6.11	3.21		6.95	4.71	

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 June 2022

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2022**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-22 RM '000	PRECEDING YEAR QUARTER 30-Jun-21 RM '000	CURRENT YEAR TO DATE 30-Jun-22 RM '000	PRECEDING YEAR TO DATE 30-Jun-21 RM '000
Profit for the period	61,068	32,055	69,510	47,063
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	23,077	1,661	25,607	7,055
Net change in cash flow hedge	-	564	(48)	1,308
Realisation of reserves on derecognition of joint venture	-	(6,869)	-	(6,869)
Total comprehensive income for the period	<u>84,145</u>	<u>27,411</u>	<u>95,069</u>	<u>48,557</u>
Total comprehensive income attributable to: Equity holders of the parent	<u>84,145</u>	<u>27,411</u>	<u>95,069</u>	<u>48,557</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Jun-22 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-21 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	235,591	339,260
Right-of-use assets	35,613	55,034
	<u>271,204</u>	<u>394,294</u>
<b>Current assets</b>		
Consumable stores	5,678	6,999
Receivables and other current assets	17,625	11,455
Contract assets	-	756
Short term deposits	108,006	18,000
Cash and bank balances	224,065	189,174
	<u>355,374</u>	<u>226,384</u>
Non-current assets classified as held for sale	7,312	6,945
	<u>362,686</u>	<u>233,329</u>
<b>TOTAL ASSETS</b>	<u>633,890</u>	<u>627,623</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	144,488	118,881
Cash flow hedge reserve	-	48
Retained earnings	80,812	11,302
<b>Total equity</b>	<u>564,091</u>	<u>469,022</u>
<b>Non-current liabilities</b>		
Borrowings	-	59,102
Lease liabilities	-	30,508
Derivative financial liabilities	-	314
	<u>-</u>	<u>89,924</u>
<b>Current liabilities</b>		
Payables and other current liabilities	10,362	15,833
Contract liabilities	1,741	1,808
Borrowings	-	6,806
Lease liabilities	57,684	43,686
Derivative financial liabilities	-	522
Provision for taxation	12	22
	<u>69,799</u>	<u>68,677</u>
<b>Total liabilities</b>	<u>69,799</u>	<u>158,601</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>633,890</u>	<u>627,623</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2022

	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)/ Retained earnings RM '000	
<b><u>6 MONTHS ENDED 30 JUNE 2021</u></b>					
At 1 January 2021	338,791	(2,579)	121,984	(183,943)	274,253
Total comprehensive income for the period	-	1,308	186	47,063	48,557
<b>At 30 June 2021</b>	<b>338,791</b>	<b>(1,271)</b>	<b>122,170</b>	<b>(136,880)</b>	<b>322,810</b>
<b><u>6 MONTHS ENDED 30 JUNE 2022</u></b>					
At 1 January 2022	338,791	48	118,881	11,302	469,022
Total comprehensive (loss)/income for the period	-	(48)	25,607	69,510	95,069
<b>At 30 June 2022</b>	<b>338,791</b>	<b>-</b>	<b>144,488</b>	<b>80,812</b>	<b>564,091</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2022**

	CUMULATIVE	
	CURRENT YEAR 30-Jun-22 RM '000	PRECEDING YEAR 30-Jun-21 RM '000
<b>Cash Flow From Operating Activities</b>		
Profit before tax	69,545	47,108
Adjustments for:		
Amortisation of intangible assets	143	190
Depreciation on owned assets	6,683	11,212
Depreciation on right-of-use assets	21,163	13,974
Provision for expected credit losses on trade receivables	228	-
Unrealised foreign exchange loss	940	237
Interest income	(467)	(98)
Interest expense on bank borrowings	1,335	4,073
Interest expense on lease liabilities	1,343	1,963
Lease modification	(18)	(1,179)
Share of results of joint ventures	-	4
Gain on disposal of property, plant and equipment	(50,058)	(6,561)
Derecognition of joint venture	-	(6,869)
Gain on remeasurement of existing equity interest	-	(112)
Discontinuation of hedge instrument	(603)	-
Operating profit before working capital changes	50,234	63,942
Working capital changes:		
Consumable stores	1,480	3,784
Receivables and other current assets	(1,003)	4,415
Contract assets	2,108	(2,091)
Payables and other liabilities	(6,067)	(6,218)
Contract liabilities	(68)	9,177
Cash generated from operating activities	46,684	73,009
Tax paid, net of tax refund	(118)	(213)
Net cash generated from operating activities	46,566	72,796
<b>Cash Flows From Investing Activities</b>		
Purchase of other assets and capitalisation of docking costs	(1,748)	(61)
Interest received	467	98
Proceeds from disposal of property, plant and equipment	160,554	56,819
Dividend from joint venture	-	16,716
Net cash used in investing activities	159,273	73,572
<b>Cash Flows From Financing Activities</b>		
Interest on bank borrowings	(780)	(4,083)
Interest on lease liabilities	(1,343)	(1,963)
Repayment of borrowings	(66,470)	(55,681)
Payment of principal portion of lease liabilities	(19,319)	(35,550)
Payments for derivatives	(285)	-
Net cash used in financing activities	(88,197)	(97,277)
<b>Net change in cash and cash equivalents</b>	117,642	49,091
<b>Effects of foreign exchange rate changes</b>	7,255	1,942
<b>Cash and cash equivalents at the beginning of the period</b>	207,174	38,886
<b>Cash and cash equivalents at the end of the period</b>	332,071	89,919
Cash and cash equivalents comprise:		
Short term deposits	108,006	11,300
Cash and bank balances	224,065	78,619
	332,071	89,919

**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 2021.

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 2021 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 2022. 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 2021 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 June 2022.

**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**

Save as disclosed in Note B7 on the status of corporate proposals announced, there were no other material events subsequent to the end of the current quarter and financial year under review that have not been reflected in the interim financial report.

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

On 1 June 2022, a wholly owned subsidiary, Brilliant Star Shipping Pte Ltd commenced members' voluntary winding-up.

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 2021 to the date of this report.

**A13. CAPITAL COMMITMENTS**

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

**A14. RELATED PARTY TRANSACTIONS**

Companies in which certain directors are deemed to have substantial financial interests:

	Current financial year-to-date RM'000
<u>Income earned:</u>	
Charter hire income	478
Commercial fee	314
Income from shared services	130
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<u>Expenditure incurred:</u>	
Commercial fee	2,204
Dry docking cost	1,090
Shared services cost	1,109
Management fee	502
Share registration fee	6
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All related party transactions and balances within the Group had been entered into in the normal course of business and were carried out on commercial terms. There were no significant transactions with related parties during the current quarter and year to date ended 30 June 2022.

**B1. REVIEW OF PERFORMANCE**

The Group reported lower net revenue of RM66.762 million (1H FY2021: RM89.285 million) and operating profit of RM25.797 million (1H FY2021: RM42.409 million). The decrease in results were mainly due to reduced hire days from a smaller fleet size despite 26% increase in charter rates compared to corresponding last year.

The table below summarises the average time charter equivalent (TCE) and hire days for MBC Fleet.

	Average TCE/day		Hire Days	
	Jan-June 2022	Jan-June 2021	Jan-June 2022	Jan-June 2021
	(USD)	(USD)	(Days)	(Days)
Dry Bulk Fleet	18,897	14,946	806	1,405

The Group completed the disposal of a Kamsarmax sized vessel (M.V. Alam Kukuh) with net proceeds of RM160.554 million which resulted a total gain on disposal of RM50.058 million in 1H FY2022.

Interest expense decreased by 56% to RM2.678 million (1H FY2021: RM6.036 million) mainly due to lower borrowing cost from the repayment of loans and reduced lease liabilities with the redelivery of 2 chartered-in vessels in FY2021.

Excluding exceptional items, the Group reported a profit before tax of RM19.112 million in 1H FY2022, a decrease of RM14.566 million compared to the profit before tax of RM33.678 million in 1H FY2021.

The Group reported a profit for the period of RM69.510 million, an increase of RM22.447 million compared to RM47.063 million in 1H FY2021.



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

	Individual Quarter		Variance RM '000	Variance %
	Q2 FY2022 RM '000	Q1 FY2022 RM '000		
Revenue	39,568	39,080	488	1%
Voyage expenses	(5,839)	(6,047)	208	
Net revenue	33,729	33,033	696	
Operating expenses	(19,265)	(21,700)	2,435	
<b>Operating profit</b>	<b>14,464</b>	<b>11,333</b>	<b>3,131</b>	<b>28%</b>
Gain on disposal of property, plant and equipment	50,058	0	50,058	
	64,522	11,333	53,189	
Other operating (expenses)/income, net	(760)	795	(1,555)	
Administrative expenses	(1,754)	(1,913)	159	
	62,008	10,215	51,793	
Interest expense on bank borrowings	(298)	(1,037)	739	
Interest expense on lease liabilities	(632)	(711)	79	
Profit before taxation	61,078	8,467	52,611	621%
Income tax expense	(10)	(25)	15	
Profit for the period	61,068	8,442	52,626	623%
<u>Attributable to:</u>				
Equity holders of the parent	61,068	8,442	52,626	

Net revenue and operating profit for the Group in Q2 FY2022 was RM33.729 million and RM14.464 million, an increase compared to Q1 FY2022's revenue and operating profit of RM33.033 million and RM11.333 million respectively. Operationally, the better operating results was mainly due to slight increase in charter rates (Q2 FY2022: USD19,318/day vs Q1 FY2022: USD18,395/day) and lower vessel operating expenses.

In Q2 FY2022, the Group recognised a gain of RM50.058 million from the disposal of M.V. Alam Kukuh for a total consideration of RM160.554 million.

Other operating expenses increased by RM1.555 million mainly due to higher foreign exchange loss resulted from depreciation of Ringgit against USD and a provision for expected credit losses on trade receivables of RM0.228 million was recognised in the current quarter.

Excluding exceptional items, the Group reported a profit before tax of RM11.248 million in Q2 FY2022, compared to the profit before tax of RM7.864 million reported in Q1 FY2022.

In summary, the Group recorded an attributable profit of RM61.068 million in Q2 FY2022, compared to attributable profit reported of RM8.442 million in Q1 FY2022.

**B3. PROSPECTS**

The drybulk shipping markets remained relatively firm in Quarter 2 2022 due to the shift in trading patterns as a result of the Ukraine-Russia conflict. There had been a substantial revival in demand for coal imports to Europe due to the reduction in gas supply from Russia for the first 6 months of 2022. Going forward, replacement supply after the Russian coal ban by the EU in August 2022 could be coming from the US, Colombia, South Africa and Australia which could increase tonne mile.

However, increasing volatility in the drybulk shipping market is expected with negative impacts from high global inflation and the underwhelming Chinese economy cushioned by some positive developments including a temporary deal of 120 days between Russia and Ukraine allowing the resumption of grain exports.

Drybulk vessel prices and Sales and Purchase activity have been on a slightly downward trend since May 2022. In the meantime, the Group continues to deploy short to medium term charters to mitigate against volatile market conditions.

**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	10	35
	<u>10</u>	<u>35</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. NOTES TO CONDENSED CONSOLIDATED INCOME STATEMENT**

	Current quarter RM'000	Current financial year-to-date RM'000
Interest income	323	467
Amortisation of intangible assets	(71)	(143)
Depreciation on owned assets	(3,059)	(6,683)
Depreciation on right-of-use assets	(10,695)	(21,163)
Provision for expected credit losses on trade receivables	(228)	(228)
Unrealised exchange loss	(780)	(940)
Discontinuation of hedge instrument	-	603
	<u>-</u>	<u>603</u>

**B7. STATUS OF CORPORATE PROPOSALS**

On 15 August 2022,

- i. the Company entered into a conditional collaboration agreement with Tunas Manja Sdn Bhd to undertake grocery retail business and other grocery retail related businesses (Proposed Collaboration)
- ii. the Company proposed to diversify its existing business to include grocery business (Proposed Diversification)
- iii. the Company proposed to enter into new recurrent related party transaction of a revenue or trading in nature with certain related parties following the Proposed Collaboration and Proposed Diversification.

The above proposals are subject to approval by shareholders and other relevant authorities.

**B8. LEASE LIABILITIES**

The Group's lease liabilities are as follows:

Currency	Unsecured	As at 30-Jun-22 RM '000	As at 31-Dec-21 RM '000
USD	Non-current	-	30,254
	Current	57,634	43,610
		<u>57,634</u>	<u>73,864</u>
RM	Non-current	-	254
	Current	50	76
		<u>50</u>	<u>330</u>
		<u>57,684</u>	<u>74,194</u>

Lease liabilities mainly represent future obligations to make lease payments for the right to use 2 chartered in vessels and office rental.

**B9. MATERIAL LITIGATION**

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

**B10. DIVIDENDS**

The Directors do not recommend any dividend for the current quarter ended 30 June 2022.

**B11. 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 30-Jun-22	PRECEDING YEAR QUARTER 30-Jun-21	CURRENT YEAR TO DATE 30-Jun-22	PRECEDING YEAR TO DATE 30-Jun-21
Profit attributable to equity holders of the parent (RM'000)	61,068	32,055	69,510	47,063
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)	6.11	3.21	6.95	4.71