

Quarterly rpt on consolidated results for the financial period ended 31 Mar 2019

MALAYSIAN BULK CARRIERS BERHAD

Financial Year End 31 Dec 2019
 Quarter 1 Qtr
 Quarterly report for the financial period ended 31 Mar 2019
 The figures have not been audited

Attachments

[MBC 310319 Q1FY19 30.05.19.pdf](#)
 368.4 kB

Default Currency

Other Currency

Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION 31 Mar 2019

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	64,086	54,263	64,086	54,263
2 Profit/(loss) before tax	-10,591	-14,039	-10,591	-14,039
3 Profit/(loss) for the period	-10,757	-14,208	-10,757	-14,208
4 Profit/(loss) attributable to ordinary equity holders of the parent	-10,762	-14,343	-10,762	-14,343
5 Basic earnings/(loss) per share (Subunit)	-1.08	-1.43	-1.08	-1.43
6 Proposed/Declared dividend per share (Subunit)	0.00	0.00	0.00	0.00
	AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	

7 Net assets per share attributable to ordinary equity holders of the parent (\$\$)	0.3806	0.3931
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Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit. Example for the subunit as follows:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

Announcement Info

Company Name	MALAYSIAN BULK CARRIERS BERHAD
Stock Name	MAYBULK
Date Announced	30 May 2019
Category	Financial Results
Reference Number	FRA-23052019-00016

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 March 2019

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2019

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-19 RM '000	PRECEDING YEAR QUARTER 31-Mar-18 RM '000	CURRENT YEAR TO DATE 31-Mar-19 RM '000	PRECEDING YEAR TO DATE 31-Mar-18 RM '000
Revenue	64,086	54,263	64,086	54,263
Voyage expenses	(14,531)	(9,289)	(14,531)	(9,289)
	49,555	44,974	49,555	44,974
Operating expenses	(42,906)	(47,796)	(42,906)	(47,796)
	6,649	(2,822)	6,649	(2,822)
Net change in onerous contracts provision	1,089	-	1,089	-
Impairment loss on vessels	(12,250)	-	(12,250)	-
	(4,512)	(2,822)	(4,512)	(2,822)
Other operating income, net	2,230	482	2,230	482
Administrative expenses	(2,186)	(3,113)	(2,186)	(3,113)
	(4,468)	(5,453)	(4,468)	(5,453)
Interest expense on bank borrowings	(4,514)	(4,053)	(4,514)	(4,053)
Interest expense on lease liabilities	(2,388)	-	(2,388)	-
Share of results of an associate	-	(6,073)	-	(6,073)
Share of results of joint ventures	779	1,540	779	1,540
Loss before tax	(10,591)	(14,039)	(10,591)	(14,039)
Income tax expense	(166)	(169)	(166)	(169)
Loss for the period	(10,757)	(14,208)	(10,757)	(14,208)
Attributable to:				
Equity holders of the parent	(10,762)	(14,343)	(10,762)	(14,343)
Non-controlling interest	5	135	5	135
	(10,757)	(14,208)	(10,757)	(14,208)
Loss per share (sen)				
- Basic	(1.08)	(1.43)	(1.08)	(1.43)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 March 2019

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2019**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-19 RM '000	PRECEDING YEAR QUARTER 31-Mar-18 RM '000	CURRENT YEAR TO DATE 31-Mar-19 RM '000	PRECEDING YEAR TO DATE 31-Mar-18 RM '000
Loss for the period	(10,757)	(14,208)	(10,757)	(14,208)
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	(6,539)	(19,025)	(6,539)	(19,025)
Net change in cash flow hedge	(968)	4,911	(968)	4,911
Share of associate's other comprehensive income	-	4,689	-	4,689
Total comprehensive income/(loss) for the period	<u>(18,264)</u>	<u>(23,633)</u>	<u>(18,264)</u>	<u>(23,633)</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	(18,263)	(22,949)	(18,263)	(22,949)
Non-controlling interest	(1)	(684)	(1)	(684)
	<u>(18,264)</u>	<u>(23,633)</u>	<u>(18,264)</u>	<u>(23,633)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Mar-19 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-18 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	752,385	503,239
Joint ventures	34,818	36,680
	<u>787,203</u>	<u>539,919</u>
Current assets		
Consumable stores	11,509	10,108
Receivables and other current assets	36,629	34,212
Contract assets	2,110	966
Short term deposits	169,658	261,138
Cash and bank balances	14,322	27,986
	<u>234,228</u>	<u>334,410</u>
Non-current assets classified as held for sale	133,784	148,411
	<u>368,012</u>	<u>482,821</u>
TOTAL ASSETS	<u><u>1,155,215</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	208,647	216,148
Accumulated losses	(166,829)	(161,847)
	<u>380,609</u>	<u>393,092</u>
Non-controlling interest	131	1,085
Total equity	<u><u>380,740</u></u>	<u><u>394,177</u></u>
Non-current liabilities		
Payables and other non-current liabilities	-	46,086
Borrowings	267,580	197,685
Lease liabilities	188,510	-
Derivative financial liabilities	1,224	816
Provision for onerous contracts	-	44,526
	<u>457,314</u>	<u>289,113</u>
Current liabilities		
Payables and other current liabilities	45,579	44,230
Contract liabilities	3,655	5,072
Borrowings	147,130	211,472
Lease liabilities	80,601	-
Derivative financial liabilities	36,462	59,309
Provision for taxation	286	309
Provision for onerous contracts	3,448	19,058
	<u>317,161</u>	<u>339,450</u>
Total liabilities	<u><u>774,475</u></u>	<u><u>628,563</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,155,215</u></u>	<u><u>1,022,740</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 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	Accumulated losses RM '000	Total RM '000	Non- controlling interest RM '000	
3 MONTHS ENDED 31 MARCH 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	-	9,600	(18,206)	(14,343)	(22,949)	(684)	(23,633)
Dividend paid to non-controlling interest	-	-	-	-	-	(21,678)	(21,678)
At 31 March 2018	338,791	16,247	587,820	(440,028)	502,830	1,042	503,872
3 MONTHS ENDED 31 MARCH 2019							
At 1 January 2019	338,791	3,477	212,671	(161,847)	393,092	1,085	394,177
Effect on the adoption of MFRS 16	-	-	-	5,780	5,780	-	5,780
Total comprehensive loss for the period	-	(968)	(6,533)	(10,762)	(18,263)	(1)	(18,264)
Dividend paid to non-controlling interest	-	-	-	-	-	(953)	(953)
At 31 March 2019	338,791	2,509	206,138	(166,829)	380,609	131	380,740

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

	CUMULATIVE	
	CURRENT YEAR 31-Mar-19 RM '000	PRECEDING YEAR 31-Mar-18 RM '000
Cash Flow From Operating Activities		
Loss before tax	(10,591)	(14,039)
Adjustments for:		
Amortisation of intangible assets	27	6
Depreciation for owned assets	5,452	5,855
Depreciation for right-of-use assets	16,718	-
Provision for expected credit losses on trade receivables	-	836
Unrealised foreign exchange loss/(gain)	93	(4)
Interest income	(1,442)	(344)
Interest expense on bank borrowings	4,514	4,053
Interest expense on lease liabilities	2,388	-
Net change in provision for onerous contracts	(1,089)	-
Impairment loss on vessels	12,250	-
Share of results of an associate	-	6,073
Share of results of joint ventures	(779)	(1,540)
Operating profit before working capital changes	<u>27,541</u>	<u>896</u>
Working capital changes:		
Consumable stores	(1,549)	(681)
Receivables and other current assets	(4,767)	6,906
Contract assets	811	-
Payables and other current liabilities	245	(3,231)
Contract liabilities	(321)	-
Derivatives	(20,407)	(7,152)
Cash generated from/(used in) operating activities	<u>1,553</u>	<u>(3,262)</u>
Tax paid	(196)	(292)
Net cash generated from/(used in) operating activities	<u>1,357</u>	<u>(3,554)</u>
Cash Flows From Investing Activities		
Construction cost of vessels	(95,265)	-
Purchase of other assets and capitalisation of docking costs	(34)	(1,659)
Dividends from joint ventures	2,041	-
Interest received	1,442	344
Proceeds from disposal of property, plant and equipment	-	83,998
Net cash (used in)/generated from investing activities	<u>(91,816)</u>	<u>82,683</u>
Cash Flows From Financing Activities		
Interest on bank borrowings	(5,003)	(1,729)
Interest on lease liabilities	(2,388)	-
Drawdown of borrowings	81,875	-
Repayment of borrowings	(72,149)	(38,991)
Repayment of lease liabilities	(15,225)	-
Dividend paid to non-controlling interest	(953)	(21,678)
Net cash used in financing activities	<u>(13,843)</u>	<u>(62,398)</u>
Net change in cash and cash equivalents	(104,302)	16,731
Effects of foreign exchange rate changes	(842)	(5,467)
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>183,980</u>	<u>83,497</u>
Cash and cash equivalents comprise:		
Short term deposits	169,658	17,142
Cash and bank balances	14,322	66,355
	<u>183,980</u>	<u>83,497</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 statements 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)	-	189,297	189,297
Equity and liabilities				
Equity				
Accumulated losses	(b)	(161,847)	5,780	(156,067)
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)	-
Current liabilities				
Lease liabilities	(c),(e)	-	79,143	79,143
Provision for onerous contracts	(d)	19,058	(14,447)	4,611
Total liabilities		<u>109,670</u>	<u>183,517</u>	<u>293,187</u>
Total equity and liabilities		<u>(52,177)</u>	<u>189,297</u>	<u>137,120</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:

	RM '000
Operating lease commitments at 31 December 2018	281,832
Accrued lease payments	46,086
Relief option for short term leases	<u>(12,559)</u>
	315,359
Discounting	<u>(26,783)</u>
Total lease liabilities as of 1 January 2019	<u>288,576</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 dividends have been paid for the current quarter ended 31 March 2019.

A8. SEGMENT REPORT

	Shipping Bulkers RM '000	Ship brokerage & management RM '000	Investment holding & others RM '000	Elimination RM '000	Group RM '000
<u>3 months ended 31 March 2019</u>					
Revenue					
Group	63,191	1,103	-	(208)	64,086
Inter-segment	-	(208)	-	208	-
External revenue	<u>63,191</u>	<u>895</u>	<u>-</u>	<u>-</u>	<u>64,086</u>
TCE earnings	<u>48,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,660</u>
Segment results	27,420	218	(190)	-	27,448
Amortisation of intangible assets	-	-	(27)	-	(27)
Depreciation for owned assets	(5,396)	(4)	(52)	-	(5,452)
Depreciation for right-of-use assets	(16,718)	-	-	-	(16,718)
Interest income	42	35	1,365	-	1,442
Interest expense on bank borrowings	(3,360)	(3)	(1,151)	-	(4,514)
Interest expense on lease liabilities	(2,388)	-	-	-	(2,388)
Net change in onerous contracts provision	1,089	-	-	-	1,089
Impairment loss on vessels	(12,250)	-	-	-	(12,250)
Share of results of joint ventures	779	-	-	-	779
(Loss)/profit before tax	<u>(10,782)</u>	<u>246</u>	<u>(55)</u>	<u>-</u>	<u>(10,591)</u>
<u>3 months ended 31 March 2018</u>					
Revenue					
Group	53,501	963	-	(201)	54,263
Inter-segment	-	(201)	-	201	-
External revenue	<u>53,501</u>	<u>762</u>	<u>-</u>	<u>-</u>	<u>54,263</u>
TCE earnings	<u>44,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,212</u>
Segment results	2,305	88	(1,493)	-	900
Amortisation of intangible assets	-	(2)	(4)	-	(6)
Depreciation for owned assets	(5,780)	(8)	(67)	-	(5,855)
Provision for expected credit losses on trade receivables	(836)	-	-	-	(836)
Interest income	130	34	180	-	344
Interest expense on bank borrowings	(2,416)	(3)	(1,634)	-	(4,053)
Share of results of an associate	-	-	(6,073)	-	(6,073)
Share of results of joint ventures	1,540	-	-	-	1,540
(Loss)/profit before tax	<u>(5,057)</u>	<u>109</u>	<u>(9,091)</u>	<u>-</u>	<u>(14,039)</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 EVENTS

On 11 April 2019, a subsidiary signed a Memorandum of Agreement to dispose of a vessel to a third party for a net consideration of approximately RM84.0 million.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

A 70% owned subsidiary, Ambi Shipping Pte Ltd commenced members' voluntary winding-up on 10 May 2019.

A12. CONTINGENT LIABILITIES

There were no contingent liabilities since 31 December 2018 to the date of this report.

A13. CAPITAL COMMITMENTS

Capital commitments as at end of the current quarter are as follows:

	RM '000
Contracted but not provided for	<u>80,088</u>

B1. REVIEW OF PERFORMANCE

MBC Group reported a lower loss of RM10.591 million in Q1 FY2019, an improvement of RM3.448 million compared with a loss RM14.039 million in Q1 FY2018. This is mainly due to the non-recurrence of loss from associate of RM6.073 million recorded in Q1 FY2018 which was disposed in October 2018.

The performance of the key segments in Q1 FY2019 as compared to Q1 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-Mar 2019	Jan-Mar 2018	Jan-Mar 2019	Jan-Mar 2018
	USD	USD	Days	Days
Dry bulk	9,966	9,556	1,367	1,353

At operating level, dry bulk segment reported a profit of RM0.379 million in Q1 FY2019, compared to a loss of RM5.766 million in Q1 FY2018 mainly due to lower docking cost (RM2.044 million) and lower operating costs for 5 chartered-in vessels (RM2.587 million).

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 Q1 FY2019 was lower than the charter hire expense previously recognized in Q1 FY2018.

Including impairments (relating to the Group and JVs) and onerous contracts, the dry bulk segment's loss increased to RM10.782 million in Q1 FY2019, compared to RM5.057 million loss in Q1 FY2018 mainly due to an impairment loss of RM12.250 million on assets held for sale in Q1 FY2019.

(2) Investment holding and others

Investment holding and others segment reported a loss of RM0.055 million in Q1 FY2019, compared to a loss of RM9.091 million in Q1 FY2018 mainly due to the non-recurrence of Q1 FY2018's loss from associate (RM6.073 million) and higher interest income (RM1.185 million).

In summary, the Group reported an attributable loss of RM10.762 million in Q1 FY2019, a decrease of RM3.581 million compared to RM14.343 million loss in Q1 FY2018.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		Variance RM'000
	Q1 FY2019 RM'000	Q4 FY2018 RM'000	
Revenue	64,086	69,044	(4,958)
Voyage expenses	(14,531)	(13,616)	(915)
	49,555	55,428	(5,873)
Operating expenses	(42,906)	(49,799)	6,893
Operating profit/(loss)	6,649	5,629	1,020
Net change in onerous contracts provision	1,089	8,494	(7,405)
Impairment loss on vessels	(12,250)	(6,351)	(5,899)
	(4,512)	7,772	(12,284)
Other operating income/(loss), net	2,230	(686)	2,916
Administrative expenses	(2,186)	(2,439)	253
	(4,468)	4,647	(9,115)
Interest expense on bank borrowings	(4,514)	(4,487)	(27)
Interest expense on lease liabilities	(2,388)	0	(2,388)
	(11,370)	160	(11,530)
Reversal of impairment loss on associate	0	140,325	(140,325)
Gain on disposal of associate	0	265,929	(265,929)
Share of results of joint ventures	779	499	280
Profit before taxation	(10,591)	406,913	(417,504)
Income tax expense	(166)	(485)	319
Profit for the period	<u>(10,757)</u>	<u>406,428</u>	<u>(417,185)</u>
<u>Attributable to:</u>			
Equity holders of the parent	(10,762)	406,436	(417,198)
Non-controlling interest	5	(8)	13
	<u>(10,757)</u>	<u>406,428</u>	<u>(417,185)</u>

The Group reported an operating profit of RM6.649 million in Q1 FY2019, an increase of RM1.020 million compared to RM5.629 million in Q4 FY2018 mainly due to lower operating costs for 5 chartered in vessels as discussed in Note B1 above.

The utilization of onerous contracts provision in Q1 FY2019 was in respect of a lease with remaining period of less than 12 months and hence remains to be recognized as operating lease, whereas the utilization in Q4 FY2018 was in respect of the leases for all 6 chartered in vessels (including 5 leases which had been reclassified as finance lease on 1 January 2019). The onerous contracts provision for these 5 vessels is now reclassified as impairment provision.

In Q1FY2019, the Group recognized an impairment loss of RM12.250 million on assets held for sale.

Other operating income increased by RM2.916 million mainly due to higher interest income and foreign exchange gain, and non-recurrence of provision for expected credit losses on trade receivables in Q1 FY2018.

Administrative expenses decreased by RM0.253 million mainly due to lower personnel cost.

Interest expense on bank borrowings increased marginally by RM0.027 million due to higher interest rates. Interest expense on lease liabilities was RM2.388 million in Q1 FY2019 (Q1 FY2018: nil).

Share of joint ventures' results increased by RM0.280 million to a profit of RM0.779 million in Q1 FY2019 (Q4 FY2018: RM0.499 million) mainly due to lower vessel operating cost for the JV vessel.

The Group recorded a net attributable loss of RM10.762 million in Q1 FY2019, compared to an attributable profit of RM406.436 million in Q4 FY2018 mainly due to the non-recurrence of reversal of impairment loss on associate (RM140.325 million) and gain on disposal of associate (RM265.929 million) recorded in Q4 FY2018.

B3. PROSPECTS

The freight market started on a weak note in 2019 due to the impact of the Vale dam incident and swine flu in China. The ongoing US-China trade war and the disruption to trade flows have further negative effect on freight rates across all dry bulk segments. However, new building deliveries have remained low and vessel scrapping is expected to pick up. The world operating fleet is expected to reduce as some vessels are taken off for retrofitting of scrubbers and ballast water treatment systems. Freight rates are expected to improve in 2H 2019.

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	166	166
	<u>166</u>	<u>166</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 swap and interest rate swap 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 31 March 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 swap		
- less than 1 year	128,000	(36,352)
Interest rate swap		
- 1 year to 3 years	40,763	(732)
- More than 3 years	20,382	(602)
	<u>61,145</u>	<u>(1,334)</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	1,442	1,442
Amortisation of intangible assets	(27)	(27)
Depreciation for owned assets	(5,452)	(5,452)
Depreciation for right-of-use assets	(16,718)	(16,718)
Fair value changes in derivatives	(464)	(464)
Unrealised exchange loss	(93)	(93)
	<u>(93)</u>	<u>(93)</u>

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 31 March 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⁾	(55.4)	60.6	Within 15 months	-	0%
(ii) Repayment of borrowings	68.3	(65.7)	2.6	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>(188.0)</u>	<u>63.2</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 31 March 2019 are as follows:

	<u>Currency</u>	<u>Current RM '000</u>	<u>Non-current RM '000</u>
Secured	USD	19,254	267,580
Unsecured	RM	127,876	-
		<u>147,130</u>	<u>267,580</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 31 March 2019.

B13. LOSS PER SHARE

The basic loss 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-19	PRECEDING YEAR QUARTER 31-Mar-18	CURRENT YEAR TO DATE 31-Mar-19	PRECEDING YEAR TO DATE 31-Mar-18
Loss attributable to equity holders of the parent (RM'000)	(10,762)	(14,343)	(10,762)	(14,343)
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>(1.08)</u>	<u>(1.43)</u>	<u>(1.08)</u>	<u>(1.43)</u>