


Quarterly rpt on consolidated results for the financial period ended 30 Jun 2020

MALAYSIAN BULK CARRIERS BERHAD

Financial Year End	31 Dec 2020
Quarter	2 Qtr
Quarterly report for the financial period ended	30 Jun 2020
The figures	have not been audited

Attachments

 [MBC 300620 Q2FY20.pdf](#)
257.8 kB

Default Currency	Other Currency
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Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION
30 Jun 2020

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
		\$\$'000	\$\$'000	\$\$'000	\$\$'000
1	Revenue	39,063	68,747	91,335	132,833
2	Profit/(loss) before tax	-12,791	-6,583	35,011	-17,174
3	Profit/(loss) for the period	-12,704	-6,941	34,949	-17,698
4	Profit/(loss) attributable to ordinary equity holders of the parent	-12,704	-6,941	34,949	-17,703
5	Basic earnings/(loss) per share (Subunit)	-1.27	-0.69	3.49	-1.77
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 (\$\$)	0.3526		0.3548	

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

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 Announcement Info	
Company Name	MALAYSIAN BULK CARRIERS BERHAD
Stock Name	MAYBULK
Date Announced	25 Aug 2020
Category	Financial Results
Reference Number	FRA-19082020-00016

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 June 2020

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2020

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-20 RM '000	PRECEDING YEAR QUARTER 30-Jun-19 RM '000	CURRENT YEAR TO DATE 30-Jun-20 RM '000	PRECEDING YEAR TO DATE 30-Jun-19 RM '000
Revenue	39,063	68,747	91,335	132,833
Voyage expenses	<u>(12,737)</u>	<u>(17,589)</u>	<u>(26,769)</u>	<u>(32,120)</u>
	26,326	51,158	64,566	100,713
Operating expenses	<u>(32,655)</u>	<u>(46,909)</u>	<u>(67,726)</u>	<u>(89,815)</u>
	(6,329)	4,249	(3,160)	10,898
Loss on disposal of vessels	-	(12,272)	-	(12,272)
Impairment loss on vessels	-	12,250	-	-
Net change in onerous contracts provision	-	578	-	1,667
Gain on liquidation of a subsidiary	<u>-</u>	<u>-</u>	<u>51,263</u>	<u>-</u>
	(6,329)	4,805	48,103	293
Other operating income/(loss), net	370	(1,190)	835	1,040
Administrative expenses	<u>(1,981)</u>	<u>(2,814)</u>	<u>(3,800)</u>	<u>(5,000)</u>
	(7,940)	801	45,138	(3,667)
Interest expense on bank borrowings	(3,321)	(5,052)	(6,790)	(9,566)
Interest expense on lease liabilities	(2,084)	(2,897)	(4,333)	(5,285)
Share of results of joint ventures	<u>554</u>	<u>565</u>	<u>996</u>	<u>1,344</u>
	(12,791)	(6,583)	35,011	(17,174)
Profit/(loss) before tax	87	(358)	(62)	(524)
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(loss) for the period	<u>(12,704)</u>	<u>(6,941)</u>	<u>34,949</u>	<u>(17,698)</u>
Attributable to:				
Equity holders of the parent	(12,704)	(6,941)	34,949	(17,703)
Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>
	<u>(12,704)</u>	<u>(6,941)</u>	<u>34,949</u>	<u>(17,698)</u>
Earnings/(loss) per share (sen)				
- Basic	(1.27)	(0.69)	3.49	(1.77)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 June 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-20 RM '000	PRECEDING YEAR QUARTER 30-Jun-19 RM '000	CURRENT YEAR TO DATE 30-Jun-20 RM '000	PRECEDING YEAR TO DATE 30-Jun-19 RM '000
Profit/(loss) for the period	(12,704)	(6,941)	34,949	(17,698)
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	973	8,646	16,589	2,107
Net change in cash flow hedge	(174)	197	(2,484)	(771)
Realisation of reserves on liquidation of a subsidiary	-	-	(51,263)	-
Total comprehensive income/(loss) for the period	<u>(11,905)</u>	<u>1,902</u>	<u>(2,209)</u>	<u>(16,362)</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	(11,905)	1,902	(2,209)	(16,361)
Non-controlling interest	-	-	-	(1)
	<u>(11,905)</u>	<u>1,902</u>	<u>(2,209)</u>	<u>(16,362)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Jun-20 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-19 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	621,232	605,578
Right-of-use assets	87,617	115,929
Joint ventures	36,734	34,103
	<u>745,583</u>	<u>755,610</u>
Current assets		
Consumable stores	6,242	11,055
Receivables and other current assets	24,089	28,556
Contract assets	-	452
Short term deposits	13,661	56,131
Cash and bank balances	49,019	23,349
	<u>93,011</u>	<u>119,543</u>
Non-current assets classified as held for sale	-	82,115
	<u>93,011</u>	<u>201,658</u>
TOTAL ASSETS	<u><u>838,594</u></u>	<u><u>957,268</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	338,791	338,791
Foreign currency translation reserve	146,448	181,122
Cash flow hedge reserve	(4,405)	(1,921)
Accumulated losses	(128,213)	(163,162)
Total equity	<u>352,621</u>	<u>354,830</u>
Non-current liabilities		
Borrowings	227,298	325,232
Lease liabilities	76,738	115,398
Derivative financial liabilities	4,936	2,538
	<u>308,972</u>	<u>443,168</u>
Current liabilities		
Payables and other current liabilities	32,006	33,141
Contract liabilities	2,901	4,415
Borrowings	46,834	31,607
Lease liabilities	94,734	89,543
Derivative financial liabilities	495	243
Provision for taxation	31	321
	<u>177,001</u>	<u>159,270</u>
Total liabilities	<u>485,973</u>	<u>602,438</u>
TOTAL EQUITY AND LIABILITIES	<u><u>838,594</u></u>	<u><u>957,268</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020

	Attributable to Equity Holders of the Parent						
	Non-distributable						
	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	Total equity RM '000
6 MONTHS ENDED 30 JUNE 2019							
At 31 December 2018, as previously stated	338,791	3,477	212,671	(161,847)	393,092	1,085	394,177
Effect of adopting MFRS 16	-	-	-	5,778	5,778	-	5,778
Adjusted balance as at 1 January 2019	338,791	3,477	212,671	(156,069)	398,870	1,085	399,955
Total comprehensive income/(loss) for the period	-	(771)	2,113	(17,703)	(16,361)	(1)	(16,362)
Dividend paid to non-controlling interest	-	-	-	-	-	(953)	(953)
At 30 June 2019	338,791	2,706	214,784	(173,772)	382,509	131	382,640
6 MONTHS ENDED 30 JUNE 2020							
At 1 January 2020	338,791	(1,921)	181,122	(163,162)	354,830	-	354,830
Total comprehensive income/(loss) for the period	-	(2,484)	(34,674)	34,949	(2,209)	-	(2,209)
At 30 June 2020	338,791	(4,405)	146,448	(128,213)	352,621	-	352,621

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020

	CUMULATIVE CURRENT YEAR 30-Jun-20 RM '000	PRECEDING YEAR 30-Jun-19 RM '000
Cash Flow From Operating Activities		
Profit/(loss) before tax	35,011	(17,174)
Adjustments for:		
Amortisation of intangible assets	67	55
Depreciation on owned assets	13,671	12,382
Depreciation on right-of-use assets	33,280	33,492
Loss on disposal of vessels	-	12,272
Unrealised foreign exchange (gain)/loss	(570)	24
Interest income	(544)	(2,442)
Interest expense on bank borrowings	6,790	9,566
Interest expense on lease liabilities	4,333	5,285
Net change in provision for onerous contracts	-	(1,667)
Share of results of joint ventures	(996)	(1,344)
Gain on liquidation of a subsidiary	(51,263)	-
Operating profit before working capital changes	39,779	50,449
Working capital changes:		
Consumable stores	5,059	2,309
Receivables and other current assets	5,563	(1,498)
Contract assets	531	(96)
Payables and other liabilities	1,699	3,179
Contract liabilities	(3,467)	(613)
Cash generated from operating activities	49,164	53,730
Tax paid	(511)	(232)
Net cash generated from operating activities	48,653	53,498
Cash Flows From Investing Activities		
Construction cost of vessels	-	(175,353)
Purchase of other assets and capitalisation of docking costs	(657)	(3,285)
Interest received	544	2,442
Proceeds from disposal of vessels	83,209	36,970
Dividends from joint ventures	-	2,041
Net cash generated from/(used in) investing activities	83,096	(137,185)
Cash Flows From Financing Activities		
Interest on bank borrowings	(7,976)	(9,281)
Interest on lease liabilities	(4,333)	(5,285)
Drawdown of borrowings	-	81,875
Repayment of borrowings	(96,995)	(76,522)
Payment of principal portion of lease liabilities	(42,589)	(34,619)
Payment for derivatives	-	(19,621)
Dividend paid to non-controlling interest	-	(953)
Net cash used in financing activities	(151,893)	(64,406)
Net change in cash and cash equivalents	(20,144)	(148,093)
Effects of foreign exchange rate changes	3,344	907
Cash and cash equivalents at the beginning of the period	79,480	289,124
Cash and cash equivalents at the end of the period	62,680	141,938
Cash and cash equivalents comprise:		
Short term deposits	13,661	110,110
Cash and bank balances	49,019	31,828
	62,680	141,938

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 2019.

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 2019 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 2020. 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 2019 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 2020.

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 June 2020 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 2019 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 lower net revenue of RM64.566 million (1H FY2019: RM100.713 million) and operating loss of RM3.160 million (1H FY2019: operating profit of RM10.898 million), as a result of reduced hire days (1H FY2020: 2,028 days vs 1H FY2019: 2,627 days) from a smaller fleet size and a 13% drop in charter rates (1H FY2020: USD8,103/day vs 1H FY2019: USD9,350/day).

The Group completed the disposal of 2 vessels with net proceeds of RM83.209 million in 1H FY2020. As the carrying amounts of these vessels have been adjusted to net proceeds in FY2019, there were no gains or losses on disposals recognised in 1H FY2020.

The Group recorded a gain on liquidation of a subsidiary of RM51.263 million in 1H FY 2020. This gain arose from the reclassification of the foreign exchange differences relating to the subsidiary from equity to profit or loss upon liquidation of the subsidiary.

Excluding exceptional items, the Group reported a loss before tax of RM16.252 million in 1H 2020, a further loss of RM9.683 million compared to a loss before tax of RM6.569 million in 1H 2019.

In summary, MBC Group reported an attributable profit of RM34.949 million in 1H FY2020, compared to a loss of RM17.703 million in 1H FY2019.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		Variance
	Q2 FY2020	Q1 FY2020	
	RM '000	RM '000	RM '000
Revenue	39,063	52,272	(13,209)
Voyage expenses	(12,737)	(14,032)	1,295
Net revenue	26,326	38,240	(11,914)
Operating expenses	(32,655)	(35,071)	2,416
Operating profit/(loss)	(6,329)	3,169	(9,498)
Gain on liquidation of a subsidiary	0	51,263	(51,263)
	(6,329)	54,432	(60,761)
Other operating income/(loss), net	370	465	(95)
Administrative expenses	(1,981)	(1,819)	(162)
	(7,940)	53,078	(61,018)
Interest expense on bank borrowings	(3,321)	(3,469)	148
Interest expense on lease liabilities	(2,084)	(2,249)	165
Share of results of joint ventures	554	442	112
Profit/(loss) before taxation	(12,791)	47,802	(60,593)
Income tax expense	87	(149)	236
Profit/(loss) for the period	(12,704)	47,653	(60,357)
<u>Attributable to:</u>			
Equity holders of the parent	(12,704)	47,653	(60,357)
Non-controlling interest	0	0	0
	(12,704)	47,653	(60,357)

Net revenue decreased by RM11.914 million to RM26.326 million in Q2 FY2020 (Q1 FY2020: RM38.240 million), and operating results decreased by RM9.498 million to an operating loss of RM6.329 million in Q2 FY2020 (Q1 FY2020: operating profit of RM3.169 million). The decrease in results were mainly due to a 23% drop in charter rates (Q2 FY2020: USD7,025/day vs Q1 FY2020: USD9,108/day).

There was a gain on liquidation of a subsidiary of RM51.263 million recognised in Q1 FY2020 that arose from the reclassification of the foreign exchange differences relating to the subsidiary from equity to profit or loss upon liquidation of the subsidiary.

Excluding the exceptional item on the gain on liquidation of a subsidiary, the Group's loss before tax was RM12.791 million in Q2 FY2020, compared to a loss before tax of RM3.461 million in Q1 FY2020.

In summary, the Group recorded an attributable loss RM12.704 million in Q2 FY2020, compared to a profit of RM47.653 million in Q1 FY2020.

B3. PROSPECTS

After a challenging second quarter as a result of the impact of Covid-19 and ensuing global economic demand slow down, the dry bulk market has shown signs of recovery from June on the back of the lifting of lockdown restrictions in China and rising tonne mile demand growth. The freight markets have tightened into the 3rd Quarter, driven by a resumption of iron ore trades impacting larger vessels and strong South American grain harvests in the smaller size sectors. Grain trade is expected to grow by an annualised 3-4%. However, seaborne coal trade has been adversely impacted as a result of weaker energy demand and projected trade volumes down 8% on the year. Minor bulks are also expected to be weaker by around 7%.

Overall, the second half of the year is expected to improve with modest fleet growth and general resumption of economic activity. The pace and sustainability of the recovery remain uncertain and are very much subject to how the global economies emerge out of the COVID-19 crisis.

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	(87)	62
	<u>(87)</u>	<u>62</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 4 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 2019.

As at 30 June 2020, 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	97,213	(3,808)
- More than 3 years	19,178	(1,623)
	<u>116,391</u>	<u>(5,431)</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	203	544
Amortisation of intangible assets	(46)	(67)
Depreciation on owned assets	(6,947)	(13,671)
Depreciation on right-of-use assets	(16,987)	(33,280)
Unrealised exchange gain	298	570
Gain on liquidation of a subsidiary	-	51,263

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 June 2020 are as follows:

	Currency	Current RM '000	Non-current RM '000
Secured	USD	46,834	227,298

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 June 2020.

B12. EARNINGS/(LOSS) PER SHARE

The basic earnings/(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 30-Jun-20	PRECEDING YEAR QUARTER 30-Jun-19	CURRENT YEAR TO DATE 30-Jun-20	PRECEDING YEAR TO DATE 30-Jun-19
Profit/(loss) attributable to equity holders of the parent (RM'000)	(12,704)	(6,941)	34,949	(17,703)
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)	(1.27)	(0.69)	3.49	(1.77)