

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 31 March 2020

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2020**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-20 RM '000	PRECEDING YEAR QUARTER 31-Mar-19 RM '000	CURRENT YEAR TO DATE 31-Mar-20 RM '000	PRECEDING YEAR TO DATE 31-Mar-19 RM '000
Revenue	52,272	64,086	52,272	64,086
Voyage expenses	(14,032)	(14,531)	(14,032)	(14,531)
	38,240	49,555	38,240	49,555
Operating expenses	(35,071)	(42,906)	(35,071)	(42,906)
	3,169	6,649	3,169	6,649
Impairment loss on vessels	-	(12,250)	-	(12,250)
Net change in onerous contracts provision	-	1,089	-	1,089
Gain on liquidation of a subsidiary	51,263	-	51,263	-
	54,432	(4,512)	54,432	(4,512)
Other operating income, net	465	2,230	465	2,230
Administrative expenses	(1,819)	(2,186)	(1,819)	(2,186)
	53,078	(4,468)	53,078	(4,468)
Interest expense on bank borrowings	(3,469)	(4,514)	(3,469)	(4,514)
Interest expense on lease liabilities	(2,249)	(2,388)	(2,249)	(2,388)
Share of results of joint ventures	442	779	442	779
Profit/(loss) before tax	47,802	(10,591)	47,802	(10,591)
Income tax expense	(149)	(166)	(149)	(166)
Profit/(loss) for the period	<u>47,653</u>	<u>(10,757)</u>	<u>47,653</u>	<u>(10,757)</u>
Attributable to:				
Equity holders of the parent	47,653	(10,762)	47,653	(10,762)
Non-controlling interest	-	5	-	5
	<u>47,653</u>	<u>(10,757)</u>	<u>47,653</u>	<u>(10,757)</u>
Earnings/(loss) per share (sen)				
- Basic	4.77	(1.08)	4.77	(1.08)

**QUARTERLY REPORT**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2020**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-20 RM '000	PRECEDING YEAR QUARTER 31-Mar-19 RM '000	CURRENT YEAR TO DATE 31-Mar-20 RM '000	PRECEDING YEAR TO DATE 31-Mar-19 RM '000
Profit/(loss) for the period	47,653	(10,757)	47,653	(10,757)
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	15,616	(6,539)	15,616	(6,539)
Net change in cash flow hedge	(2,310)	(968)	(2,310)	(968)
Realisation of reserves on liquidation of a subsidiary	(51,263)	-	(51,263)	-
Total comprehensive income/(loss) for the period	<u>9,696</u>	<u>(18,264)</u>	<u>9,696</u>	<u>(18,264)</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	9,696	(18,263)	9,696	(18,263)
Non-controlling interest	-	(1)	-	(1)
	<u>9,696</u>	<u>(18,264)</u>	<u>9,696</u>	<u>(18,264)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020**

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Mar-20 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-19 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	626,498	605,578
Right-of-use assets	104,256	115,929
Joint ventures	36,084	34,103
	<u>766,838</u>	<u>755,610</u>
<b>Current assets</b>		
Consumable stores	4,415	11,055
Receivables and other current assets	28,670	28,556
Contract assets	1,544	452
Short term deposits	36,379	56,131
Cash and bank balances	36,840	23,349
	<u>107,848</u>	<u>119,543</u>
Non-current assets classified as held for sale	-	82,115
	<u>107,848</u>	<u>201,658</u>
<b>TOTAL ASSETS</b>	<u><u>874,686</u></u>	<u><u>957,268</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	145,475	181,122
Cash flow hedge reserve	(4,231)	(1,921)
Accumulated losses	(115,509)	(163,162)
<b>Total equity</b>	<u>364,526</u>	<u>354,830</u>
<b>Non-current liabilities</b>		
Borrowings	242,660	325,232
Lease liabilities	87,242	115,398
Derivative financial liabilities	4,778	2,538
	<u>334,680</u>	<u>443,168</u>
<b>Current liabilities</b>		
Payables and other current liabilities	28,595	33,141
Contract liabilities	2,876	4,415
Borrowings	37,766	31,607
Lease liabilities	105,593	89,543
Derivative financial liabilities	468	243
Provision for taxation	182	321
	<u>175,480</u>	<u>159,270</u>
<b>Total liabilities</b>	<u>510,160</u>	<u>602,438</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>874,686</u></u>	<u><u>957,268</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2020

	Attributable to Equity Holders of the Parent						Total equity RM '000
	Non-distributable			Accumulated losses RM '000	Total RM '000	Non- controlling interest RM '000	
	Share capital RM '000	Cash flow hedge reserve RM '000	Foreign currency translation reserve RM '000				
<b>3 MONTHS ENDED 31 MARCH 2019</b>							
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	-	-	-	5,780	5,780	-	5,780
<b>Adjusted balance as at 1 January 2019</b>	<b>338,791</b>	<b>3,477</b>	<b>212,671</b>	<b>(156,067)</b>	<b>398,872</b>	<b>1,085</b>	<b>399,957</b>
Total comprehensive loss for the period	-	(968)	(6,533)	(10,762)	(18,263)	(1)	(18,264)
Dividend paid to non-controlling interest	-	-	-	-	-	(953)	(953)
<b>At 31 March 2019</b>	<b>338,791</b>	<b>2,509</b>	<b>206,138</b>	<b>(166,829)</b>	<b>380,609</b>	<b>131</b>	<b>380,740</b>
<b>3 MONTHS ENDED 31 MARCH 2020</b>							
At 1 January 2020	338,791	(1,921)	181,122	(163,162)	354,830	-	354,830
Total comprehensive income/(loss) for the period	-	(2,310)	(35,647)	47,653	9,696	-	9,696
<b>At 31 March 2020</b>	<b>338,791</b>	<b>(4,231)</b>	<b>145,475</b>	<b>(115,509)</b>	<b>364,526</b>	<b>-</b>	<b>364,526</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020**

	CUMULATIVE	
	CURRENT	PRECEDING
	YEAR	YEAR
	31-Mar-20	31-Mar-19
	RM '000	RM '000
<b>Cash Flow From Operating Activities</b>		
Profit/(loss) before tax	47,802	(10,591)
Adjustments for:		
Amortisation of intangible assets	21	27
Depreciation on owned assets	6,724	5,452
Depreciation on right-of-use assets	16,293	16,718
Unrealised foreign exchange (gain)/loss	(272)	93
Interest income	(341)	(1,442)
Interest expense on bank borrowings	3,469	4,514
Interest expense on lease liabilities	2,249	2,388
Fair value changes in derivatives	-	463
Net change in provision for onerous contracts	-	(1,089)
Impairment loss on vessels	-	12,250
Share of results of joint ventures	(442)	(779)
Gain on liquidation of a subsidiary	(51,263)	-
Operating profit before working capital changes	<u>24,240</u>	<u>28,004</u>
Working capital changes:		
Consumable stores	6,832	(1,549)
Receivables and other current assets	(469)	(4,767)
Contract assets	567	811
Payables and other liabilities	(5,671)	245
Contract liabilities	(854)	(321)
Cash generated from operating activities	<u>24,645</u>	<u>22,423</u>
Tax paid	(291)	(196)
Net cash generated from operating activities	<u>24,354</u>	<u>22,227</u>
<b>Cash Flows From Investing Activities</b>		
Construction cost of vessels	-	(95,265)
Purchase of other assets and capitalisation of docking costs	(657)	(34)
Interest received	341	1,442
Proceeds from disposal of vessels	83,209	-
Dividends from joint ventures	-	2,041
Net cash generated from/(used in) investing activities	<u>82,893</u>	<u>(91,816)</u>
<b>Cash Flows From Financing Activities</b>		
Interest on bank borrowings	(3,746)	(5,003)
Interest on lease liabilities	(2,249)	(2,388)
Drawdown of borrowings	-	81,875
Repayment of borrowings	(89,759)	(72,149)
Payment of principal portion of lease liabilities	(20,741)	(15,225)
Payment for derivatives	-	(20,870)
Dividend paid to non-controlling interest	-	(953)
Net cash used in financing activities	<u>(116,495)</u>	<u>(34,713)</u>
<b>Net change in cash and cash equivalents</b>	(9,248)	(104,302)
<b>Effects of foreign exchange rate changes</b>	2,987	(842)
<b>Cash and cash equivalents at the beginning of the period</b>	<u>79,480</u>	<u>289,124</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>73,219</u>	<u>183,980</u>
Cash and cash equivalents comprise:		
Short term deposits	36,379	169,658
Cash and bank balances	<u>36,840</u>	<u>14,322</u>
	<u>73,219</u>	<u>183,980</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 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 31 March 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 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 31 March 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**

The Group recorded lower net revenue of RM38.240 million (Q1 FY2019: RM49.555 million) and operating profit of RM3.169 million (Q1 FY2019: RM6.649 million) in Q1 FY2020 mainly due to reduced hire days (Q1 FY2020: 1,050 days vs Q1 FY2019: 1,277 days ) because of a smaller fleet size and a 7% drop in charter rates (Q1 FY2020: USD9,108/day, Q1 FY2019: USD9,842/day).

The Group completed the disposals of 2 vessels with net proceeds of RM83.209 million in Q1 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 Q1 FY2020.

The Group recorded a gain on liquidation of a subsidiary of RM51.263 million in Q1 FY2020. The gain arose from the reclassification of the cumulative 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 RM3.461 million in Q1 FY2020, a decrease of RM4.031 million compared to a profit of RM0.570 million in Q1 FY2019.

All in, the Group reported an attributable profit of RM47.653 million in Q1 FY2020, compared to a loss of RM10.762 million in Q1 FY2019.

## B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		Variance RM '000
	Q1 FY2020 RM '000	Q4 FY2019 RM '000	
Revenue	52,272	58,011	(5,739)
Voyage expenses	(14,032)	(6,064)	(7,968)
Net revenue	38,240	51,947	(13,707)
Operating expenses	(35,071)	(39,871)	4,800
<b>Operating profit</b>	<b>3,169</b>	<b>12,076</b>	<b>(8,907)</b>
Loss on disposal of vessels	0	(5,527)	5,527
Impairment loss on vessels	0	(15,758)	15,758
Gain on liquidation of a subsidiary	51,263	9,523	41,740
	54,432	314	54,118
Other operating income/(loss), net	465	2,418	(1,953)
Administrative expenses	(1,819)	(2,450)	631
	53,078	282	52,796
Interest expense on bank borrowings	(3,469)	(4,309)	840
Interest expense on lease liabilities	(2,249)	(3,512)	1,263
Share of results of joint ventures	442	299	143
Gain on liquidation of a joint venture	0	19,281	(19,281)
Profit before taxation	47,802	12,041	35,761
Income tax expense	(149)	(363)	214
Profit for the period	47,653	11,678	35,975
<u>Attributable to:</u>			
Equity holders of the parent	47,653	11,678	35,975
Non-controlling interest	0	0	0
	47,653	11,678	35,975

The Coronavirus outbreak, coupled with extended lunar new year holidays, has weighed on Chinese demand for commodities and negatively affected freight rates in Q1 FY2020. Operating profit for Q1 FY2020 decreased by RM8.907 million to RM3.169 million (Q4 FY2019: RM12.076 million) mainly due to a 15% drop in charter rates (Q1 FY2020: USD9,108/day, Q4 FY2019: USD10,719/day).

The Group recorded a gain of RM51.263 million on the liquidation of a subsidiary in Q1 FY2020. The gain arose from the reclassification of the cumulative exchange differences relating to the subsidiary from equity to profit or loss upon liquidation of the subsidiary.

Excluding exceptional items, the Group's loss before tax was RM3.461 million in Q1 FY2020, compared to a profit before tax of RM4.522 million in Q4 FY2019.

In summary, the Group recorded an attributable profit of RM47.653 million in Q1 FY2020, compared to RM11.678 million in Q4 FY2019.



**B3. PROSPECTS**

The outlook for dry bulk trade deteriorated rapidly in early part of this year and the Covid-19 pandemic effect has adversely affected world economies and global industrial activities. While it is uncertain how long the situation will last, global commodity consumption has reduced and will continue to have negative impact on seaborne dry bulk trade in the near term. Both major and minor bulk demands dropped significantly in Q1 and this is expected to continue into Q2. Consequently, freight rates are under pressure across all segments of the dry bulk markets.

However, there are some encouraging signs particularly from China which is showing some resumption of industrial production activities. Newbuilding activity could also see order cancellations or deferrals which may further reduce pressure on the supply side. There is still a potential for an improved 2H 2020 globally and stimulus measures in China and elsewhere can possibly support freight rates.

**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	149	149
	<u>149</u>	<u>149</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 31 March 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	99,418	(3,636)
- More than 3 years	19,619	(1,609)
	<u>119,037</u>	<u>(5,245)</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	341	341
Amortisation of intangible assets	(21)	(21)
Depreciation on owned assets	(6,724)	(6,724)
Depreciation on right-of-use assets	(16,293)	(16,293)
Unrealised exchange loss	272	272
Gain on liquidation of a subsidiary	51,263	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 31 March 2020 are as follows:

	Currency	Current RM '000	Non-current RM '000
Secured	USD	37,766	242,660

**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 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 31-Mar-20	PRECEDING YEAR QUARTER 31-Mar-19	CURRENT YEAR TO DATE 31-Mar-20	PRECEDING YEAR TO DATE 31-Mar-19
Profit/(loss) attributable to equity holders of the parent (RM'000)	47,653	(10,762)	47,653	(10,762)
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)	4.77	(1.08)	4.77	(1.08)