

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 June 2019

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2019

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-19 RM '000	PRECEDING YEAR QUARTER 30-Jun-18 RM '000	CURRENT YEAR TO DATE 30-Jun-19 RM '000	PRECEDING YEAR TO DATE 30-Jun-18 RM '000
Revenue	68,747	57,488	132,833	111,751
Voyage expenses	(17,589)	(7,112)	(32,120)	(16,401)
Operating expenses	51,158 (46,909)	50,376 (46,049)	100,713 (89,815)	95,350 (93,845)
Net change in onerous contracts provision	4,249	4,327	10,898	1,505
Impairment loss on vessels	578 12,250	- -	1,667 -	- -
Other operating income/(loss), net	17,077	4,327	12,565	1,505
Administrative expenses	(13,462) (2,814)	1,434 (2,737)	(11,232) (5,000)	1,916 (5,850)
Interest expense on bank borrowings	801 (5,052)	3,024 (4,274)	(3,667) (9,566)	(2,429) (8,327)
Interest expense on lease liabilities	(2,897)	-	(5,285)	-
Share of results of an associate	-	(2,329)	-	(8,402)
Impairment loss on associate	-	(147,663)	-	(147,663)
Share of results of joint ventures	565	118	1,344	1,658
Loss before tax	(6,583)	(151,124)	(17,174)	(165,163)
Income tax expense	(358)	(189)	(524)	(358)
Loss for the period	<u>(6,941)</u>	<u>(151,313)</u>	<u>(17,698)</u>	<u>(165,521)</u>
Attributable to:				
Equity holders of the parent	(6,941)	(151,272)	(17,703)	(165,615)
Non-controlling interest	-	(41)	5	94
	<u>(6,941)</u>	<u>(151,313)</u>	<u>(17,698)</u>	<u>(165,521)</u>
Loss per share (sen)				
- Basic	(0.69)	(15.13)	(1.77)	(16.56)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 June 2019

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2019**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-19 RM '000	PRECEDING YEAR QUARTER 30-Jun-18 RM '000	CURRENT YEAR TO DATE 30-Jun-19 RM '000	PRECEDING YEAR TO DATE 30-Jun-18 RM '000
Loss for the period	(6,941)	(151,313)	(17,698)	(165,521)
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	8,646	10,733	2,107	(8,292)
Net change in cash flow hedge	197	(5,241)	(771)	(330)
Share of associate's other comprehensive income	-	2,132	-	6,821
Total comprehensive income/(loss) for the period	<u>1,902</u>	<u>(143,689)</u>	<u>(16,362)</u>	<u>(167,322)</u>
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent	1,902	(143,671)	(16,361)	(166,620)
Non-controlling interest	-	(18)	(1)	(702)
	<u>1,902</u>	<u>(143,689)</u>	<u>(16,362)</u>	<u>(167,322)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Jun-19 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-18 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	830,344	503,239
Joint ventures	36,189	36,680
	<u>866,533</u>	<u>539,919</u>
Current assets		
Consumable stores	7,931	10,108
Receivables and other current assets	36,488	34,212
Contract assets	531	966
Short term deposits	110,110	261,138
Cash and bank balances	31,828	27,986
	<u>186,888</u>	<u>334,410</u>
Non-current assets classified as held for sale	99,004	148,411
	<u>285,892</u>	<u>482,821</u>
TOTAL ASSETS	<u><u>1,152,425</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	217,490	216,148
Accumulated losses	<u>(173,772)</u>	<u>(161,847)</u>
	382,509	393,092
Non-controlling interest	131	1,085
Total equity	<u>382,640</u>	<u>394,177</u>
Non-current liabilities		
Payables and other non-current liabilities	-	46,086
Borrowings	266,802	197,685
Lease liabilities	171,701	-
Derivative financial liabilities	3,096	816
Provision for onerous contracts	-	44,526
	<u>441,599</u>	<u>289,113</u>
Current liabilities		
Payables and other current liabilities	45,872	44,230
Contract liabilities	6,348	5,072
Borrowings	150,233	211,472
Lease liabilities	83,369	-
Derivative financial liabilities	38,923	59,309
Provision for taxation	467	309
Provision for onerous contracts	2,974	19,058
	<u>328,186</u>	<u>339,450</u>
Total liabilities	<u>769,785</u>	<u>628,563</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,152,425</u></u>	<u><u>1,022,740</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 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	Reserves of non-current assets classified as held for sale RM '000	Accumulated losses RM '000	Total RM '000	Non- controlling interest RM '000	
6 MONTHS ENDED 30 JUNE 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	-	6,491	(7,496)	-	(165,615)	(166,620)	(702)	(167,322)
Dividend paid to non-controlling interest	-	-	-	-	-	-	(21,678)	(21,678)
Reserves attributable to non-current assets classified as held for sale	-	(13,282)	(391,133)	404,415	-	-	-	-
At 30 June 2018	338,791	(144)	207,397	404,415	(591,300)	359,159	1,024	360,183
6 MONTHS ENDED 30 JUNE 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	-	-	-	-	5,778	5,778	-	5,778
Total comprehensive 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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2019

	CUMULATIVE	
	CURRENT YEAR 30-Jun-19 RM '000	PRECEDING YEAR 30-Jun-18 RM '000
Cash Flow From Operating Activities		
Loss before tax	(17,174)	(165,163)
Adjustments for:		
Amortisation of intangible assets	55	6
Depreciation on owned assets	12,382	11,720
Depreciation on right-of-use assets	33,492	-
Provision for expected credit losses on trade receivables	-	836
Loss on disposal of property, plant and equipment	12,272	-
Unrealised foreign exchange loss/(gain)	24	(5)
Interest income	(2,442)	(829)
Interest expense on bank borrowings	9,566	8,327
Interest expense on lease liabilities	5,285	-
Net change in provision for onerous contracts	(1,667)	-
Share of results of an associate	-	8,402
Impairment loss on associate	-	147,663
Share of results of joint ventures	(1,344)	(1,658)
Operating profit before working capital changes	50,449	9,299
Working capital changes:		
Consumable stores	2,309	4,352
Receivables and other current assets	(1,498)	7,482
Contract assets	(96)	-
Payables and other current liabilities	3,179	(2,654)
Contract liabilities	(613)	-
Derivatives	(19,621)	(7,152)
Cash generated from operating activities	34,109	11,327
Tax paid	(232)	(526)
Net cash generated from operating activities	33,877	10,801
Cash Flows From Investing Activities		
Construction cost of vessels	(175,353)	(11,569)
Purchase of other assets and capitalisation of docking costs	(3,285)	(1,663)
Dividends from joint ventures	2,041	-
Interest received	2,442	829
Proceeds from disposal of property, plant and equipment	36,970	83,998
Net cash (used in)/generated from investing activities	(137,185)	71,595
Cash Flows From Financing Activities		
Interest on bank borrowings	(9,281)	(5,571)
Interest on lease liabilities	(5,285)	-
Drawdown of borrowings	81,875	-
Repayment of borrowings	(76,522)	(40,987)
Repayment of lease liabilities	(34,619)	-
Dividend paid to non-controlling interest	(953)	(21,678)
Net cash used in financing activities	(44,785)	(68,236)
Net change in cash and cash equivalents	(148,093)	14,160
Effects of foreign exchange rate changes	907	(3,832)
Cash and cash equivalents at the beginning of the period	289,124	72,233
Cash and cash equivalents at the end of the period	141,938	82,561
Cash and cash equivalents comprise:		
Short term deposits	110,110	30,199
Cash and bank balances	31,828	52,362
	141,938	82,561

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 statement 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)	-	188,950	188,950
Equity and liabilities				
Equity				
Accumulated losses	(b)	(161,847)	5,778	(156,069)
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)	-	78,798	78,798
Provision for onerous contracts	(d)	19,058	(14,447)	4,611
Total liabilities		109,670	183,172	292,842
Total equity and liabilities		(52,177)	188,950	136,773

- (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:

Operating lease commitments at 31 December 2018	RM '000
Accrued lease payments	281,832
Relief option for short term leases	46,086
	<u>(12,559)</u>
	315,359
Discounting	<u>(27,128)</u>
Total lease liabilities as of 1 January 2019	<u>288,231</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 30 June 2019.

A8. SEGMENT REPORT

	Shipping Bulkers RM '000	Ship brokerage & management RM '000	Investment holding & others RM '000	Elimination RM '000	Group RM '000
6 months ended 30 June 2019					
Revenue					
Group	131,041	2,258	-	(466)	132,833
Inter-segment	-	(466)	-	466	-
External revenue	<u>131,041</u>	<u>1,792</u>	<u>-</u>	<u>-</u>	<u>132,833</u>
Segment results	53,633	254	(3,462)	-	50,425
Amortisation of intangible assets	-	-	(55)	-	(55)
Depreciation on owned assets	(12,277)	(8)	(97)	-	(12,382)
Depreciation on right-of-use assets	(33,492)	-	-	-	(33,492)
Interest income	58	65	2,319	-	2,442
Interest expense on bank borrowings	(7,495)	(3)	(2,068)	-	(9,566)
Interest expense on lease liabilities	(5,285)	-	-	-	(5,285)
Share of results of joint ventures	1,344	-	-	-	1,344
(Loss)/profit at operating level	(3,514)	308	(3,363)	-	(6,569)
Loss on disposal of property, plant and equipment	(12,272)	-	-	-	(12,272)
Net change in onerous contracts provision	1,667	-	-	-	1,667
(Loss)/profit before tax	<u>(14,119)</u>	<u>308</u>	<u>(3,363)</u>	<u>-</u>	<u>(17,174)</u>
6 months ended 30 June 2018					
Revenue					
Group	110,195	1,954	-	(398)	111,751
Inter-segment	-	(398)	-	398	-
External revenue	<u>110,195</u>	<u>1,556</u>	<u>-</u>	<u>-</u>	<u>111,751</u>
Segment results	11,526	56	(2,278)	-	9,304
Amortisation of intangible assets	-	-	(6)	-	(6)
Depreciation on owned assets	(11,572)	(17)	(131)	-	(11,720)
Provision for expected credit losses on trade receivables	(836)	-	-	-	(836)
Interest income	172	72	585	-	829
Interest expense on bank borrowings	(4,999)	(3)	(3,325)	-	(8,327)
Share of results of joint ventures	948	-	-	-	948
(Loss)/profit at operating level	(4,761)	108	(5,155)	-	(9,808)
Share of JV's reversal of impairment loss	710	-	-	-	710
Share of results of an associate	-	-	(8,402)	-	(8,402)
Impairment loss on associate	-	-	(147,663)	-	(147,663)
(Loss)/profit before tax	<u>(4,051)</u>	<u>108</u>	<u>(161,220)</u>	<u>-</u>	<u>(165,163)</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

There were no material events subsequent to the current quarter ended 30 June 2019 up to the date of this report.

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

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

B1. REVIEW OF PERFORMANCE

MBC Group reported a lower loss of RM17.174 million in 1H FY2019, an improvement of RM147.989 million compared with a loss RM165.163 million in 1H FY2018. This was mainly due to the non-recurrence of loss from associate (RM8.402 million) and impairment loss on associate (RM147.663 million) recorded in 1H FY2018 as the associate was disposed in October 2018.

The performance of the key segments in 1H FY2019 as compared to 1H 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-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
	USD	USD	Days	Days
Dry bulk	9,502	9,946	2,808	2,640

At operating level, dry bulk segment reported a loss of RM3.514 million in 1H FY2019, compared to a loss of RM4.761 million in 1H FY2018 mainly due to lower operating costs for 5 chartered-in vessels (RM4.940 million) (as discussed in the following paragraph), offset by lower charter rates (1H FY2019: USD9,502/day vs 1H FY2018: USD9,946/day).

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 1H FY2019 was RM4.940 million lower than the charter hire expense previously recognized in 1H FY2018.

Including impairments (relating to the Group and JVs), loss on disposal of vessel and onerous contracts, the dry bulk segment's loss increased to RM14.119 million in 1H FY2019, compared to RM4.051 million loss in 1H FY2018 mainly due to loss on disposal of vessel of RM12.272 million.

(2) Investment holding and others

Investment holding and others segment reported a loss of RM3.363 million in 1H FY2019, compared to a loss of RM161.220 million in 1H FY2018 mainly due to the non-recurrence of 1H FY2018's loss from associate (RM8.402 million) and impairment loss on associate (RM147.663 million) as the associate was disposed in October 2018.

In summary, the Group reported an attributable loss of RM17.703 million in 1H FY2019, a decrease of RM147.912 million compared to RM165.615 million loss in 1H FY2018.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		Variance RM'000
	Q2 FY2019 RM'000	Q1 FY2019 RM'000	
Revenue	68,747	64,086	4,661
Voyage expenses	<u>(17,589)</u>	<u>(14,531)</u>	<u>(3,058)</u>
Net revenue	51,158	49,555	1,603
Operating expenses	<u>(46,909)</u>	<u>(42,906)</u>	<u>(4,003)</u>
Operating profit/(loss)	4,249	6,649	(2,400)
Net change in onerous contracts provision	578	1,089	(511)
Impairment loss on vessels	<u>12,250</u>	<u>(12,250)</u>	<u>24,500</u>
	17,077	(4,512)	21,589
Other operating income/(loss), net	<u>(13,462)</u>	<u>2,230</u>	<u>(15,692)</u>
Administrative expenses	<u>(2,814)</u>	<u>(2,186)</u>	<u>(628)</u>
	801	(4,468)	5,269
Interest expense on bank borrowings	<u>(5,052)</u>	<u>(4,514)</u>	<u>(538)</u>
Interest expense on lease liabilities	<u>(2,897)</u>	<u>(2,388)</u>	<u>(509)</u>
	(7,148)	(11,370)	4,222
Share of results of joint ventures	<u>565</u>	<u>779</u>	<u>(214)</u>
Profit/(loss) before taxation	<u>(6,583)</u>	<u>(10,591)</u>	<u>4,008</u>
Income tax expense	<u>(358)</u>	<u>(166)</u>	<u>(192)</u>
Profit/(loss) for the period	<u><u>(6,941)</u></u>	<u><u>(10,757)</u></u>	<u><u>3,816</u></u>
<u>Attributable to:</u>			
Equity holders of the parent	(6,941)	(10,762)	3,821
Non-controlling interest	<u>0</u>	<u>5</u>	<u>(5)</u>
	<u><u>(6,941)</u></u>	<u><u>(10,757)</u></u>	<u><u>3,816</u></u>

Net revenue increased by RM1.603 million to RM51.158 million in Q2 FY2019 (Q1 FY2019: RM49.555 million) mainly due to increased hire days (Q2 FY2019: 1,441 days, Q1 FY2019: 1,367 days).

Operating expenses increased by RM4.003 million to RM46.909 million in Q2 FY2019 (Q1 FY2019: RM42.906 million) mainly due to increased docking cost (RM1.217 million) and higher vessel operating expenses.

Impairment loss of RM12.250 million recognized in Q1 FY2019 for assets held for sale at end March 2019 was reclassified as loss on disposal of vessel in Q2 FY2019 and included as part of the "other operating income/(loss), net".

Net other operating income/(loss) decreased by RM15.692 million mainly due to loss on disposal of vessel (RM12.272 million) and increase in foreign exchange loss (RM1.698 million).

Administrative expenses increased by RM0.628 million mainly due to legal fees on new financings and higher shared services cost.

Interest expense on bank borrowings increased by RM0.538 million mainly due to new borrowings. Interest expense on lease liabilities was RM2.897 million in Q2 FY2019 (Q1 FY2019: RM2.388 million).

Share of joint ventures' results decreased by RM0.214 million to a profit of RM0.565 million in Q2 FY2019 (Q1 FY2019: RM0.779 million) mainly due to higher vessel operating cost for the JV vessel.

The Group recorded an attributable loss of RM6.941 million in Q2 FY2019, compared to RM10.762 million loss in Q1 FY2019.

B3. PROSPECTS

Having weathered a weak Q1 in 2019, the Baltic Dry Index (BDI) regained some momentum and the freight market witnessed improvements across all segments in Q2.

The increase in seasonal soya bean shipments from Brazil to China which started since March 2019 and the resumption of Vale's iron ore shipments in June 2019 helped to drive freight rates higher particularly for Capesize and Panamax vessels. The world operating fleet is expected to reduce in 2H of 2019 as more vessels are taken off for scrubber retrofitting in preparation for new emission regulations which will come into force from 1st January 2020. The added tonne miles from soya bean and iron ore shipments together with the reduced world operating fleet should help improve freight rates 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	358	524
	<u>358</u>	<u>524</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 30 June 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	(38,748)
Interest rate swap		
- 1 year to 3 years	103,376	(2,311)
- More than 3 years	20,417	(960)
	<u>123,793</u>	<u>(3,271)</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	1,000	2,442
Amortisation of intangible assets	(28)	(55)
Depreciation on owned assets	(6,930)	(12,382)
Depreciation on right-of-use assets	(16,774)	(33,492)
Fair value changes in derivatives	(785)	(1,249)
Unrealised exchange loss	69	(24)
	<u>69</u>	<u>(24)</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 30 June 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</u> ⁽²⁾	<u>Deviation RM'm</u>	<u>%</u>
(i) Working capital	116.0 ⁽¹⁾	(79.0)	37.0	Within 15 months	-	0%
(ii) Repayment of borrowings	68.3	(67.5)	0.8	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>(213.4)</u>	<u>37.8</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 30 June 2019 are as follows:

	<u>Currency</u>	<u>Current RM '000</u>	<u>Non-current RM '000</u>
Secured	USD	22,267	266,802
Unsecured	RM	127,966	-
		<u>150,233</u>	<u>266,802</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 30 June 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 30-Jun-19	PRECEDING YEAR QUARTER 30-Jun-18	CURRENT YEAR TO DATE 30-Jun-19	PRECEDING YEAR TO DATE 30-Jun-18
Loss attributable to equity holders of the parent (RM'000)	(6,941)	(151,272)	(17,703)	(165,615)
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>(0.69)</u>	<u>(15.13)</u>	<u>(1.77)</u>	<u>(16.56)</u>