

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 December 2021

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2021

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Dec-21 RM '000	PRECEDING YEAR QUARTER 31-Dec-20 RM '000	CURRENT YEAR TO DATE 31-Dec-21 RM '000	PRECEDING YEAR TO DATE 31-Dec-20 RM '000
Revenue	48,126	41,993	207,044	175,986
Voyage expenses	(6,823)	(6,190)	(25,951)	(45,140)
	41,303	35,803	181,093	130,846
Operating expenses	(18,649)	(31,549)	(88,083)	(134,438)
	22,654	4,254	93,010	(3,592)
Gain on disposal of property, plant and equipment	-	-	98,014	-
Impairment loss on vessels	-	(55,782)	-	(55,782)
Reversal of impairment loss on vessels	14,833	-	14,833	-
(Loss)/gain on liquidation of subsidiaries	-	-	(539)	51,263
	37,487	(51,528)	205,318	(8,111)
Other operating (loss)/income, net	(1,950)	7,030	(276)	9,619
Administrative expenses	(1,824)	(1,470)	(8,650)	(7,257)
	33,713	(45,968)	196,392	(5,749)
Interest expense on bank borrowings	(1,107)	(2,335)	(7,122)	(11,605)
Interest expense on lease liabilities	(688)	(1,458)	(3,466)	(7,582)
Share of results of joint ventures	-	(15)	(4)	1,192
Gain on liquidation of a joint venture	-	-	-	3,065
Derecognition of joint venture	-	-	6,869	-
	31,918	(49,776)	192,669	(20,679)
Profit/(loss) before tax	(23)	(4)	(136)	(102)
Income tax expense				
Profit/(loss) for the period	31,895	(49,780)	192,533	(20,781)
Attributable to:				
Equity holders of the parent	31,895	(49,780)	192,533	(20,781)
Earnings/(loss) per share (sen)				
- Basic	3.19	(4.98)	19.25	(2.08)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 December 2021

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2021**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Dec-21 RM '000	PRECEDING YEAR QUARTER 31-Dec-20 RM '000	CURRENT YEAR TO DATE 31-Dec-21 RM '000	PRECEDING YEAR TO DATE 31-Dec-20 RM '000
Profit/(loss) for the period	31,895	(49,780)	192,533	(20,781)
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	760	(10,415)	3,766	(4,810)
Net change in cash flow hedge	458	710	2,627	(658)
Realisation of reserves on liquidation of a subsidiary	-	-	-	(51,263)
Realisation of reserves on derecognition of joint venture	-	-	(6,869)	(3,065)
Total comprehensive income/(loss) for the period	<u>33,113</u>	<u>(59,485)</u>	<u>192,057</u>	<u>(80,577)</u>
Total comprehensive income/(loss) attributable to: Equity holders of the parent	<u>33,113</u>	<u>(59,485)</u>	<u>192,057</u>	<u>(80,577)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Dec-21 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-20 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	339,260	467,286
Right-of-use assets	55,034	49,805
Joint ventures	-	16,398
	<u>394,294</u>	<u>533,489</u>
Current assets		
Consumable stores	6,999	5,889
Receivables and other current assets	8,743	23,541
Contract assets	756	84
Short term deposits	18,000	20,329
Cash and bank balances	189,174	18,557
	<u>223,672</u>	<u>68,400</u>
Non-current assets classified as held for sale	6,945	50,257
	<u>230,617</u>	<u>118,657</u>
TOTAL ASSETS	<u><u>624,911</u></u>	<u><u>652,146</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	338,791	338,791
Foreign currency translation reserve	118,881	121,984
Cash flow hedge reserve	48	(2,579)
Accumulated profit/(losses)	8,590	(183,943)
Total equity	<u>466,310</u>	<u>274,253</u>
Non-current liabilities		
Borrowings	59,102	150,027
Lease liabilities	30,508	52,607
Derivative financial liabilities	505	3,016
	<u>90,115</u>	<u>205,650</u>
Current liabilities		
Payables and other current liabilities	15,833	22,184
Contract liabilities	1,808	3,179
Borrowings	6,805	87,317
Lease liabilities	43,686	59,242
Derivative financial liabilities	332	319
Provision for taxation	22	2
	<u>68,486</u>	<u>172,243</u>
Total liabilities	<u>158,601</u>	<u>377,893</u>
TOTAL EQUITY AND LIABILITIES	<u><u>624,911</u></u>	<u><u>652,146</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2021

	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)/profit RM '000	
<u>12 MONTHS ENDED 30 DECEMBER 2020</u>					
At 1 January 2020	338,791	(1,921)	181,122	(163,162)	354,830
Total comprehensive (loss)/income for the period	-	(658)	(59,138)	(20,781)	(80,577)
At 31 December 2020	338,791	(2,579)	121,984	(183,943)	274,253
<u>12 MONTHS ENDED 31 DECEMBER 2021</u>					
At 1 January 2021	338,791	(2,579)	121,984	(183,943)	274,253
Total comprehensive income/(loss) for the period	-	2,627	(3,103)	192,533	192,057
At 30 December 2021	338,791	48	118,881	8,590	466,310

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2021

	CUMULATIVE	
	CURRENT YEAR 31-Dec-21 RM '000	PRECEDING YEAR 31-Dec-20 RM '000
Cash Flow From Operating Activities		
Profit/(loss) before tax	192,669	(20,679)
Adjustments for:		
Amortisation of intangible assets	374	295
Depreciation on owned assets	19,064	27,716
Depreciation on right-of-use assets	27,404	62,521
Unrealised foreign exchange loss/(gain)	287	(1,283)
Provision for ECL on trade receivables	2,712	-
Interest income	(367)	(725)
Interest expense on bank borrowings	7,122	11,605
Interest expense on lease liabilities	3,466	7,582
Lease modification	(1,179)	(166)
Reversal of impairment loss on vessels	(14,833)	-
Impairment loss on vessels	-	55,782
Share of results of joint ventures	4	(1,192)
Gain on disposal of property, plant and equipment	(98,014)	-
Derecognition of joint venture	(6,869)	-
Gain on bargain purchase	(112)	-
Loss/(gain) on liquidation of subsidiaries	539	(51,263)
Gain on liquidation of a joint venture	-	(3,065)
Fair value changes in derivative	22	-
Operating profit before working capital changes	<u>132,289</u>	<u>87,128</u>
Working capital changes:		
Consumable stores	(840)	5,219
Receivables and other current assets	12,435	5,711
Contract assets	(672)	368
Payables and other liabilities	(6,686)	(8,504)
Contract liabilities	(1,371)	(1,255)
Cash generated from operating activities	<u>135,155</u>	<u>88,667</u>
Tax paid, net of tax refund	<u>(280)</u>	<u>(883)</u>
Net cash generated from operating activities	<u>134,875</u>	<u>87,784</u>
Cash Flows From Investing Activities		
Purchase of other assets and capitalisation of docking costs	(3,173)	(1,278)
Interest received	367	725
Proceeds from disposal of property, plant and equipment	269,943	83,209
Capital distribution from joint venture	-	136
Loan repayment from joint venture	-	18,862
Dividend from joint venture	16,716	-
Acquisition of a subsidiary, net of cash acquired	318	-
Net cash generated from investing activities	<u>284,171</u>	<u>101,654</u>
Cash Flows From Financing Activities		
Interest on bank borrowings	(6,863)	(12,646)
Interest on lease liabilities	(3,466)	(7,582)
Drawdown of borrowings	-	21,382
Repayment of borrowings	(181,312)	(138,612)
Payment of principal portion of lease liabilities	(59,180)	(92,801)
Net cash used in financing activities	<u>(250,821)</u>	<u>(230,259)</u>
Net change in cash and cash equivalents	168,225	(40,821)
Effects of foreign exchange rate changes	63	227
Cash and cash equivalents at the beginning of the period	38,886	79,480
Cash and cash equivalents at the end of the period	<u>207,174</u>	<u>38,886</u>
Cash and cash equivalents comprise:		
Short term deposits	18,000	20,329
Cash and bank balances	189,174	18,557
	<u>207,174</u>	<u>38,886</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 2020.

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 2020 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 2021. 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 2020 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 December 2021.

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

The Group on 22 December 2021 exercised an option to extend the charter of a long term chartered-in vessel, M.V. Alam Suria, for another year.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no other changes in the composition of the Group during the current quarter under review.

A12. CONTINGENT LIABILITIES

There were no contingent liabilities since 31 December 2020 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 a profit before tax of RM192.669 million in FY2021, an increase of RM213.348 million compared to the loss of RM20.679 million reported in FY2020. The positive results for FY2021 was mainly due to the increase in operating profit, as well as non-recurring items of gain on disposal of property, plant and equipment, reversal of vessel impairments, and the gain on derecognition of a joint venture.

At operating level, net revenue for the Group was RM181.093 million (FY2020: RM130.846 million) and operating profit was RM93.010 million (FY2020: operating loss of RM3.592 million). The improvement in operating performance was mainly due to a 111% increase in charter rates (FY2021: USD18,092/day vs FY2020: USD8,566/day) despite lower hire days (FY2021: 2,372 days vs FY2020: 3,848 days) from a smaller fleet size. Operating expenses were lower in FY2021 with the smaller fleet size from the disposal of 3 vessels and the redelivery of 2 chartered-in vessels during the year.

The Group completed the disposal of a Handysize vessel (M.V. Alam Sejahtera) and 2 Supramax vessels (M.V. Alam Molek and M.V. Alam Madu) with total net proceeds of RM269.938 million which resulted in a total gain on disposal of RM98.009 million in FY2021.

The Group also reversed an impairment loss of RM14.833 million (FY2020: impairment loss of RM55.782 million) on its vessels and right-of-use assets in FY2021.

The Group recorded a gain on derecognition of a joint venture of RM6.869 million and loss on liquidation of subsidiaries of RM0.539 million in FY2021.

Excluding exceptional items, the Group performed better with a profit before tax of RM73.492 million in FY2021, an improvement of RM92.717 million compared to the loss before tax of RM19.225 million in FY2020.

The Group reported a profit for the year of RM192.533 million, an increase of RM213.314 million compared to a loss of RM20.781 million in FY2020.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		Variance RM '000
	Q4 FY2021 RM '000	Q3 FY2021 RM '000	
Revenue	48,126	58,677	(10,551)
Voyage expenses	(6,823)	(8,172)	1,349
Net revenue	41,303	50,505	(9,202)
Operating expenses	(18,649)	(22,558)	3,909
Operating profit	22,654	27,947	(5,293)
Gain on disposal of property, plant and equipment	0	91,453	(91,453)
Reversal of impairment loss on vessels	14,833	0	14,833
Loss on liquidation of subsidiaries	0	(539)	539
	37,487	118,861	(81,374)
Other operating (expenses)/income, net	(1,950)	63	(2,013)
Administrative expenses	(1,824)	(2,524)	700
	33,713	116,400	(82,687)
Interest expense on bank borrowings	(1,107)	(1,942)	835
Interest expense on lease liabilities	(688)	(815)	127
Profit before taxation	31,918	113,643	(81,725)
Income tax expense	(23)	(68)	45
Profit for the period	<u>31,895</u>	<u>113,575</u>	<u>(81,680)</u>
<u>Attributable to:</u>			
Equity holders of the parent	<u>31,895</u>	<u>113,575</u>	<u>(81,680)</u>

Net revenue and operating profit for the Group in Q4 FY2021 was RM41.303 million and RM22.654 million respectively, a decrease compared to Q3 FY2021's net revenue and operating profit of RM50.505 million and RM27.947 million. Operationally, the decrease was mainly due to the decrease in charter rates of 6% (Q4 FY2021: USD21,857/day vs Q3 FY2021: USD23,350/day) and lower hire days (Q4 FY2021: 444 days vs Q3 FY2021: 523 days) from the smaller fleet size.

The Group reviewed the carrying values of its vessels and right-of-use assets and reversed the impairment loss of RM14.833 million in Q4 FY2021.

In Q4 FY2021, a provision for expected credit losses was made on trade receivables of RM2.712 million, and this provision is reflected in other operating expenses.

Lower interest expense on bank borrowings by RM0.835 million to RM1.107 million in Q4 FY2021 (Q3 FY2021: RM1.942 million) was mainly due to full settlement of loans in Q3 FY2021.

Excluding the exceptional items, the Group recorded a profit before tax of RM17.085 million in Q4 FY2021, a decrease of 25% compared to a profit before tax of RM22.729 million in Q3 FY2021.

In summary, the Group recorded an attributable profit of RM31.895 million in Q4 FY2021, compared to RM113.575 million in Q3 FY2021.

B3. PROSPECTS

In Quarter 4 2021, the dry bulk shipping market came off from its peak in October. China's energy crunch started to ease by the increasing domestic coal production and the slowing down of industrial activities also reduced iron ore and coking coal imports. As such, the freight market experienced a significant drop in Quarter 4.

Despite the correction and the seasonal softness in Quarter 1 2022 thus far, the overall outlook for the freight and second-hand ship market remains generally positive. With a limited fleet supply growth and near-term factors like port congestion, fleet capacity is expected to stay relatively tight. The overall supply demand balance in the bulk carrier sector remains supportive with tonne mile demand projected to grow by 2.2% in 2022 vs fleet growth of 2.0%. However, there are other factors such as geopolitical instability, regional conflicts, trade wars and civil unrest that may impact the shipping market this year.

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	23	136
	<u>23</u>	<u>136</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 3 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 2020.

As at 31 December 2021, 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	49,274	(837)
	<u>49,274</u>	<u>(837)</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	188	367
Amortisation of intangible assets	(87)	(374)
Depreciation on owned assets	(3,602)	(19,064)
Depreciation on right-of-use assets	(6,730)	(27,404)
Provision for ECL on trade receivables	(2,712)	(2,712)
Realisation of cash flow hedge reserve	245	(22)
Gain on bargain purchase	-	112
Unrealised exchange gain/(loss)	73	(287)
Fair value changes in derivative	(22)	(22)

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 December 2021 are as follows:

	Currency	Current RM '000	Non-current RM '000
Secured	USD	6,805	59,102

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 December 2021.

B12. EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share of the Group is calculated by dividing the profit/(loss) attributable to equity holders of the parent by the number of ordinary shares in issue.

	CURRENT YEAR QUARTER 31-Dec-21	PRECEDING YEAR QUARTER 31-Dec-20	CURRENT YEAR TO DATE 31-Dec-21	PRECEDING YEAR TO DATE 31-Dec-20
Profit/(loss) attributable to equity holders of the parent (RM'000)	31,895	(49,780)	192,533	(20,781)
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)	3.19	(4.98)	19.25	(2.08)