

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 March 2022

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2022

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-22 RM '000	PRECEDING YEAR QUARTER 31-Mar-21 RM '000	CURRENT YEAR TO DATE 31-Mar-22 RM '000	PRECEDING YEAR TO DATE 31-Mar-21 RM '000
Revenue	39,080	46,617	39,080	46,617
Voyage expenses	(6,047)	(4,906)	(6,047)	(4,906)
	<u>33,033</u>	<u>41,711</u>	<u>33,033</u>	<u>41,711</u>
Operating expenses	(21,700)	(23,106)	(21,700)	(23,106)
	<u>11,333</u>	<u>18,605</u>	<u>11,333</u>	<u>18,605</u>
Other operating income, net	795	1,492	795	1,492
Administrative expenses	(1,913)	(1,879)	(1,913)	(1,879)
	<u>10,215</u>	<u>18,218</u>	<u>10,215</u>	<u>18,218</u>
Interest expense on bank borrowings	(1,037)	(2,113)	(1,037)	(2,113)
Interest expense on lease liabilities	(711)	(1,062)	(711)	(1,062)
Share of results of joint ventures	-	(11)	-	(11)
	<u>8,467</u>	<u>15,032</u>	<u>8,467</u>	<u>15,032</u>
Profit before tax	8,467	15,032	8,467	15,032
Income tax expense	(25)	(24)	(25)	(24)
	<u>8,442</u>	<u>15,008</u>	<u>8,442</u>	<u>15,008</u>
Profit for the period	<u>8,442</u>	<u>15,008</u>	<u>8,442</u>	<u>15,008</u>
Attributable to:				
Equity holders of the parent	<u>8,442</u>	<u>15,008</u>	<u>8,442</u>	<u>15,008</u>
Earnings per share (sen)				
- Basic	0.84	1.50	0.84	1.50

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2022**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Mar-22 RM '000	PRECEDING YEAR QUARTER 31-Mar-21 RM '000	CURRENT YEAR TO DATE 31-Mar-22 RM '000	PRECEDING YEAR TO DATE 31-Mar-21 RM '000
Profit for the period	8,442	15,008	8,442	15,008
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	2,530	5,394	2,530	5,394
Net change in cash flow hedge	(48)	744	(48)	744
Total comprehensive income for the period	<u>10,924</u>	<u>21,146</u>	<u>10,924</u>	<u>21,146</u>
Total comprehensive income attributable to: Equity holders of the parent	<u>10,924</u>	<u>21,146</u>	<u>10,924</u>	<u>21,146</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Mar-22 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-21 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	339,410	339,260
Right-of-use assets	44,840	55,034
	<u>384,250</u>	<u>394,294</u>
Current assets		
Consumable stores	4,350	6,999
Receivables and other current assets	9,449	11,455
Contract assets	1,059	756
Short term deposits	109,405	18,000
Cash and bank balances	47,088	189,174
	<u>171,351</u>	<u>226,384</u>
Non-current assets classified as held for sale	6,982	6,945
	<u>178,333</u>	<u>233,329</u>
TOTAL ASSETS	<u>562,583</u>	<u>627,623</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	338,791	338,791
Foreign currency translation reserve	121,411	118,881
Cash flow hedge reserve	-	48
Retained earnings	19,744	11,302
Total equity	<u>479,946</u>	<u>469,022</u>
Non-current liabilities		
Borrowings	-	59,102
Lease liabilities	22,283	30,508
Derivative financial liabilities	-	314
	<u>22,283</u>	<u>89,924</u>
Current liabilities		
Payables and other current liabilities	14,672	15,833
Contract liabilities	1,695	1,808
Borrowings	-	6,806
Lease liabilities	43,963	43,686
Derivative financial liabilities	-	522
Provision for taxation	24	22
	<u>60,354</u>	<u>68,677</u>
Total liabilities	<u>82,637</u>	<u>158,601</u>
TOTAL EQUITY AND LIABILITIES	<u>562,583</u>	<u>627,623</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2022

	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)/ Retained earnings RM '000	
<u>3 MONTHS ENDED 31 MARCH 2021</u>					
At 1 January 2021	338,791	(2,579)	121,984	(183,943)	274,253
Total comprehensive income for the period	-	744	5,394	15,008	21,146
At 31 March 2021	338,791	(1,835)	127,378	(168,935)	295,399
<u>3 MONTHS ENDED 31 MARCH 2022</u>					
At 1 January 2022	338,791	48	118,881	11,302	469,022
Total comprehensive (loss)/income for the period	-	(48)	2,530	8,442	10,924
At 31 March 2022	338,791	-	121,411	19,744	479,946

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2022

	CUMULATIVE	
	CURRENT YEAR 31-Mar-22 RM '000	PRECEDING YEAR 31-Mar-21 RM '000
Cash Flow From Operating Activities		
Profit before tax	8,467	15,032
Adjustments for:		
Amortisation of intangible assets	72	34
Depreciation on owned assets	3,624	5,629
Depreciation on right-of-use assets	10,468	7,398
Unrealised foreign exchange loss	160	74
Interest income	(144)	(44)
Interest expense on bank borrowings	1,037	2,113
Interest expense on lease liabilities	711	1,062
Lease modification	-	(1,179)
Share of results of joint ventures	-	11
Discontinuation of hedge instrument	(603)	-
Operating profit before working capital changes	23,792	30,130
Working capital changes:		
Consumable stores	2,652	3,841
Receivables and other current assets	1,910	4,696
Contract assets	(333)	809
Payables and other liabilities	3,617	(3,202)
Contract liabilities	(3,629)	2,448
Cash generated from operating activities	28,009	38,722
Tax paid, net of tax refund	(2)	(81)
Net cash generated from operating activities	28,007	38,641
Cash Flows From Investing Activities		
Purchase of other assets and capitalisation of docking costs	(1,943)	(60)
Interest received	144	44
Net cash used in investing activities	(1,799)	(16)
Cash Flows From Financing Activities		
Interest on bank borrowings	(1,067)	(2,058)
Interest on lease liabilities	(711)	(1,062)
Repayment of borrowings	(66,470)	(9,094)
Payment of principal portion of lease liabilities	(8,348)	(25,346)
Payments for derivatives	(285)	-
Net cash used in financing activities	(76,881)	(37,560)
Net change in cash and cash equivalents	(50,673)	1,065
Effects of foreign exchange rate changes	(8)	451
Cash and cash equivalents at the beginning of the period	207,174	38,886
Cash and cash equivalents at the end of the period	156,493	40,402
Cash and cash equivalents comprise:		
Short term deposits	109,405	9,500
Cash and bank balances	47,088	30,902
	156,493	40,402

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 2021.

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 2021 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 2022. 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 2021 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 2022.

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

On 18 March 2022, a subsidiary signed a Memorandum of Agreement to dispose of its vessel to a third party for a net consideration of approximately RM158 million. The disposal was completed on 4 May 2022.

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 2021 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 net revenue in Q1 FY2022 of RM33.033 million (Q1 FY2021: RM41.711 million) and operating profit of RM11.333 million (Q1 FY2021: RM18.605 million). The lower revenue and operating profit are mainly due to lower hire days from a smaller fleet size.

The table below summarises the average time charter equivalent (TCE) and hire days for MBC Fleet.

	Average TCE/day		Hire Days	
	Jan-Mar 2022	Jan-Mar 2021	Jan-Mar 2022	Jan-Mar 2021
	(USD)	(USD)	(Days)	(Days)
Dry Bulk Fleet	18,395	12,860	422	748

Operating expenses dropped in Q1 FY2022 due to lower depreciation and vessel operating expenses from a smaller fleet size, offset by the increase in depreciation of right-of-use assets and drydocking cost.

During the period, the Group recognised a gain of RM0.603 million that arise from the unwinding of a hedge instrument from the full repayment of a loan. This gain was reflected in other operating income.

Interest expense for this period decreased by 45% from RM3.175 million in Q1 FY2021 to RM1.748 million in Q1 FY2022. This decrease was mainly due to lower borrowing cost from the repayment of loans and reduced lease liabilities with the redelivery of 2 chartered-in vessels in FY2021.

The Group reported a profit before tax of RM8.467 million, a decrease of RM6.565 million compared to Q1 FY2021 profit before tax of RM15.032 million.

As at 31 March 2022, the Group owns and operates a total 5 vessels, of which 1 vessel was subsequently disposed of on 4 May 2022.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		Variance RM'000
	Q1 FY2022 RM'000	Q4 FY2021 RM'000	
Revenue	39,080	48,126	(9,046)
Voyage expenses	(6,047)	(6,823)	776
Net revenue	33,033	41,303	(8,270)
Operating expenses	(21,700)	(18,649)	(3,051)
Operating profit	11,333	22,654	(11,321)
Reversal of impairment loss on vessels	0	14,833	(14,833)
	11,333	37,487	(26,154)
Other operating income, net	795	762	33
Administrative expenses	(1,913)	(1,824)	(89)
	10,215	36,425	(26,210)
Interest expense on bank borrowings	(1,037)	(1,107)	70
Interest expense on lease liabilities	(711)	(688)	(23)
Profit before taxation	8,467	34,630	(26,163)
Income tax expense	(25)	(23)	(2)
Profit for the period	<u>8,442</u>	<u>34,607</u>	<u>(26,165)</u>
<u>Attributable to:</u>			
Equity holders of the parent	<u>8,442</u>	<u>34,607</u>	<u>(26,165)</u>

Net revenue and operating profit for the Group in Q1 FY2022 was RM33.033 million and RM11.333 million respectively, a decrease compared to Q4 FY2021's net revenue and operating profit of RM41.303 million and RM22.654 million. Operationally, the decrease was mainly due to the decrease in charter rates of 16% (Q1 FY2022: USD18,395/day vs Q4 FY2021: USD21,857/day) and lower hire days (Q1 FY2022: 422 days vs Q4 FY2021: 444 days).

Operating expenses for this quarter was RM21.700 million, RM3.051 million higher than RM18.649 million in Q4 FY2021. This is attributed to higher depreciation of right-of-use assets and drydocking costs incurred in this quarter.

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

In this current quarter, the Group recognised a gain of RM0.603 million arising from the unwinding of a hedge instrument from the full repayment of a loan. This gain was reflected in other operating income.

Excluding exceptional items, the Group reported a profit before tax of RM7.864 million in Q1 FY2022, compared to the profit before tax of RM19.797 million reported in Q4 FY2021.

In summary, the Group recorded an attributable profit of RM8.442 million in Q1 FY2022, compared to attributable profit reported of RM34.607 million in Q4 FY2021.

B3. PROSPECTS

The drybulk shipping market started the year on a more cautious note coming off from a decade high in 2021. The market in Quarter 1 2022 experienced considerable volatilities compounded by the Ukraine/Russian war, economic sanctions, and lockdowns in China due to Covid resurgence. These have caused significant disruption to the commodity trade flows particularly grain, coal and iron ore.

On the supply side, delivery of new ships remains tight with a relatively low yard orderbook with fleet capability growth projected to be around 2% this year. Port congestion and operational inefficiencies remain high especially in China, but this is projected to taper off towards the later part of the year. Drybulk vessel prices, whilst having come off from its peak, are still at relatively firm levels.

The outlook for the drybulk shipping market in the next quarter remains positive overall. However geopolitical risks and mounting inflation could have negative implications on the world economy which may impact the shipping market.

The Group is mindful of the volatile market conditions and have deployed a combination of short term as well as medium term charters to secure earnings.

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	25	25
	<u>25</u>	<u>25</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. NOTES TO CONDENSED CONSOLIDATED INCOME STATEMENT

	Current quarter RM'000	Current financial year-to-date RM'000
Interest income	144	144
Amortisation of intangible assets	(72)	(72)
Depreciation on owned assets	(3,624)	(3,624)
Depreciation on right-of-use assets	(10,468)	(10,468)
Unrealised exchange loss	(160)	(160)
Discontinuation of hedge instrument	603	603

B7. STATUS OF CORPORATE PROPOSALS

There was no corporate proposal announced but not completed at the date of this report.

B8. MATERIAL LITIGATION

The Group does not have any material litigation which would materially and adversely affect the financial position of the Group.

B9. DIVIDENDS

The Directors do not recommend any dividend for the current quarter ended 31 March 2022.

B10. EARNINGS PER SHARE

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

	CURRENT YEAR QUARTER 31-Mar-22	PRECEDING YEAR QUARTER 31-Mar-21	CURRENT YEAR TO DATE 31-Mar-22	PRECEDING YEAR TO DATE 31-Mar-21
Profit attributable to equity holders of the parent (RM'000)	8,442	15,008	8,442	15,008
Number of ordinary shares in issue('000)	1,000,000	1,000,000	1,000,000	1,000,000
Earnings per share attributable to equity holders of the parent (sen)	<u>0.84</u>	<u>1.50</u>	<u>0.84</u>	<u>1.50</u>