

**QUARTERLY REPORT**

This is a quarterly report on consolidated results for the period ended 30 June 2021

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2021**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-21 RM '000	PRECEDING YEAR QUARTER 30-Jun-20 RM '000	CURRENT YEAR TO DATE 30-Jun-21 RM '000	PRECEDING YEAR TO DATE 30-Jun-20 RM '000
Revenue	53,624	39,063	100,241	91,335
Voyage expenses	(6,050)	(12,737)	(10,956)	(26,769)
	47,574	26,326	89,285	64,566
Operating expenses	(23,770)	(32,655)	(46,876)	(67,726)
	23,804	(6,329)	42,409	(3,160)
Gain on disposal of property, plant and equipment	6,561	-	6,561	-
Derecognition of joint venture	6,869	-	6,869	-
Gain on liquidation of a subsidiary	-	-	-	51,263
	37,234	(6,329)	55,839	48,103
Other operating income, net	119	370	1,611	835
Administrative expenses	(2,423)	(1,981)	(4,302)	(3,800)
	34,930	(7,940)	53,148	45,138
Interest expense on bank borrowings	(1,960)	(3,321)	(4,073)	(6,790)
Interest expense on lease liabilities	(901)	(2,084)	(1,963)	(4,333)
Share of results of joint ventures	7	554	(4)	996
Profit/(loss) before tax	32,076	(12,791)	47,108	35,011
Income tax expense	(21)	87	(45)	(62)
Profit/(loss) for the period	<u>32,055</u>	<u>(12,704)</u>	<u>47,063</u>	<u>34,949</u>
Attributable to:				
Equity holders of the parent	<u>32,055</u>	<u>(12,704)</u>	<u>47,063</u>	<u>34,949</u>
Earnings per share (sen)				
- Basic	3.21	(1.27)	4.71	3.49

**QUARTERLY REPORT**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2021**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Jun-21 RM '000	PRECEDING YEAR QUARTER 30-Jun-20 RM '000	CURRENT YEAR TO DATE 30-Jun-21 RM '000	PRECEDING YEAR TO DATE 30-Jun-20 RM '000
Profit/(loss) for the period	32,055	(12,704)	47,063	34,949
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	1,661	973	7,055	16,589
Net change in cash flow hedge	564	(174)	1,308	(2,484)
Realisation of reserves on liquidation of a subsidiary	-	-	-	(51,263)
Realisation of reserves on derecognition of joint venture	(6,869)	-	(6,869)	-
Total comprehensive income/(loss) for the period	<u>27,411</u>	<u>(11,905)</u>	<u>48,557</u>	<u>(2,209)</u>
Total comprehensive income/(loss) attributable to: Equity holders of the parent	<u>27,411</u>	<u>(11,905)</u>	<u>48,557</u>	<u>(2,209)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Jun-21 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-20 RM '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	469,404	467,286
Right-of-use assets	35,983	49,805
Joint ventures	-	16,398
	<u>505,387</u>	<u>533,489</u>
<b>Current assets</b>		
Consumable stores	2,295	5,889
Receivables and other current assets	19,868	23,541
Contract assets	2,109	84
Short term deposits	11,300	20,329
Cash and bank balances	78,619	18,557
	<u>114,191</u>	<u>68,400</u>
Non-current assets classified as held for sale	-	50,257
	<u>114,191</u>	<u>118,657</u>
<b>TOTAL ASSETS</b>	<u>619,578</u>	<u>652,146</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	122,170	121,984
Cash flow hedge reserve	(1,271)	(2,579)
Accumulated losses	(136,880)	(183,943)
<b>Total equity</b>	<u>322,810</u>	<u>274,253</u>
<b>Non-current liabilities</b>		
Borrowings	122,068	150,027
Lease liabilities	42,019	52,607
Derivative financial liabilities	1,893	3,016
	<u>165,980</u>	<u>205,650</u>
<b>Current liabilities</b>		
Payables and other current liabilities	18,002	22,184
Contract liabilities	12,078	3,179
Borrowings	65,954	87,317
Lease liabilities	34,538	59,242
Derivative financial liabilities	212	319
Provision for taxation	4	2
	<u>130,788</u>	<u>172,243</u>
<b>Total liabilities</b>	<u>296,768</u>	<u>377,893</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>619,578</u>	<u>652,146</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 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 RM '000	
<b><u>6 MONTHS ENDED 30 JUNE 2020</u></b>					
At 1 January 2020	338,791	(1,921)	181,122	(163,162)	354,830
Total comprehensive (loss)/income for the period	-	(2,484)	(34,674)	34,949	(2,209)
At 30 June 2020	338,791	(4,405)	146,448	(128,213)	352,621
<b><u>6 MONTHS ENDED 30 JUNE 2021</u></b>					
At 1 January 2021	338,791	(2,579)	121,984	(183,943)	274,253
Total comprehensive income for the period	-	1,308	186	47,063	48,557
At 30 June 2021	338,791	(1,271)	122,170	(136,880)	322,810

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2021**

	CUMULATIVE	
	CURRENT	PRECEDING
	YEAR	YEAR
	30-Jun-21	30-Jun-20
	RM '000	RM '000
<b>Cash Flow From Operating Activities</b>		
Profit before tax	47,108	35,011
Adjustments for:		
Amortisation of intangible assets	190	67
Depreciation on owned assets	11,212	13,671
Depreciation on right-of-use assets	13,974	33,280
Unrealised foreign exchange loss/(gain)	237	(570)
Interest income	(98)	(544)
Interest expense on bank borrowings	4,073	6,790
Interest expense on lease liabilities	1,963	4,333
Lease modification	(1,179)	-
Share of results of joint ventures	4	(996)
Gain on disposal of property, plant and equipment	(6,561)	-
Derecognition of joint venture	(6,869)	-
Gain on bargain purchase	(112)	-
Gain on liquidation of a subsidiary	-	(51,263)
Operating profit before working capital changes	<u>63,942</u>	<u>39,779</u>
Working capital changes:		
Consumable stores	3,784	5,059
Receivables and other current assets	4,415	5,563
Contract assets	(2,091)	531
Payables and other liabilities	(6,218)	1,699
Contract liabilities	9,177	(3,467)
Cash generated from operating activities	<u>73,009</u>	<u>49,164</u>
Tax paid	(213)	(511)
Net cash generated from operating activities	<u>72,796</u>	<u>48,653</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of other assets and capitalisation of docking costs	(61)	(657)
Interest received	98	544
Proceeds from disposal of property, plant and equipment	56,819	83,209
Dividend from joint venture	16,716	-
Net cash (used in)/generated from investing activities	<u>73,572</u>	<u>83,096</u>
<b>Cash Flows From Financing Activities</b>		
Interest on bank borrowings	(4,083)	(7,976)
Interest on lease liabilities	(1,963)	(4,333)
Repayment of borrowings	(55,681)	(96,995)
Payment of principal portion of lease liabilities	(35,550)	(42,589)
Net cash used in financing activities	<u>(97,277)</u>	<u>(151,893)</u>
<b>Net change in cash and cash equivalents</b>	49,091	(20,144)
<b>Effects of foreign exchange rate changes</b>	1,942	3,344
<b>Cash and cash equivalents at the beginning of the period</b>	38,886	79,480
<b>Cash and cash equivalents at the end of the period</b>	<u>89,919</u>	<u>62,680</u>
Cash and cash equivalents comprise:		
Short term deposits	11,300	13,661
Cash and bank balances	78,619	49,019
	<u>89,919</u>	<u>62,680</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 30 June 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**

On 4 August 2021, two subsidiaries namely Madu Shipping Pte Ltd and Molek Shipping Pte Ltd signed Memorandum of Agreements for the disposal of the vessels M.V. Alam Madu and M.V. Alam Molek to third parties. The total net consideration from the sale was approximately RM208.0 million. The sales are expected to be completed by Q3 2021. Subsequent to the completion of the sales, the Group will own 3 vessels and operate another 2 long-term chartered-in vessels till their scheduled redelivery dates.

**A11. CHANGES IN THE COMPOSITION OF THE GROUP**

A wholly-owned subsidiary of the Company, has on 21 June 2021 entered into a share purchase agreement to acquire the remaining 50% equity interest in Novel Bright Assets Limited (NBAL), for a total consideration of approximately RM400. Following the acquisition, NBAL is deemed as a wholly-owned subsidiary.

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 RM47.108 million in 1H FY2021, an improvement of RM12.097 million compared to a profit of RM35.011 million in 1H FY2020. This was mainly due to a gain on disposal of a vessel of RM6.556 million and a non-recurring gain on derecognition of a joint venture of RM6.869 million.

Operationally, the Group recorded higher revenue of RM89.285 million (1H FY2020: RM64.566 million) and operating profit of RM42.409 million (1H FY2020: Operating loss of RM3.160 million). The table below summarises the average time charter equivalent (TCE) and hire days for MBC Fleet (excluding jointly owned vessels).

	Average TCE/day		Hire Days	
	Jan-June 2021	Jan-June 2020	Jan-June 2021	Jan-June 2020
	(USD)	(USD)	(Days)	(Days)
Dry Bulk Fleet	14,946	8,103	1,405	2,028

The improvement in operating performance was mainly due to a 84% increase in charter rates, lower operating expenses from a smaller fleet size and redelivery of 2 loss-making chartered-in vessels.

The Group completed the disposal of a handy sized vessel (M.V. Alam Sejahtera) with net proceeds of RM56.814 million in 1H FY2021, and a total gain on disposal of RM6.556 million.

In addition, the Group entered into a share purchase agreement on 21 June 2021 to acquire the remaining 50% share in the joint venture company, Novel Bright Assets Ltd. This acquisition resulted in a gain of RM6.869 million from the reclassification of the foreign exchange differences from equity to profit of loss upon the derecognition of the joint venture.

Excluding exceptional items, the Group reported a profit before tax of RM33.678 million in 1H FY2021, an improvement of RM49.930 million compared to the loss before tax of RM16.252 million in 1H FY2020.

In summary, the Group reported a profit for the period of RM47.063 million, an increase of RM12.114 million compared to RM34.949 million in 1H FY2020.

**B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

	Individual Quarter		
	Q2 FY2021 RM'000	Q1 FY2021 RM'000	Variance RM'000
Revenue	53,624	46,617	7,007
Voyage expenses	<u>(6,050)</u>	<u>(4,906)</u>	<u>(1,144)</u>
Net revenue	47,574	41,711	5,863
Operating expenses	<u>(23,770)</u>	<u>(23,106)</u>	<u>(664)</u>
<b>Operating profit</b>	<b>23,804</b>	<b>18,605</b>	<b>5,199</b>
Gain on disposal of property, plant and equipment	6,561	0	6,561
Derecognition of joint venture	<u>6,869</u>	<u>0</u>	<u>6,869</u>
	37,234	18,605	18,629
Other operating income, net	119	1,492	(1,373)
Administrative expenses	<u>(2,423)</u>	<u>(1,879)</u>	<u>(544)</u>
	34,930	18,218	16,712
Interest expense on bank borrowings	(1,960)	(2,113)	153
Interest expense on lease liabilities	(901)	(1,062)	161
Share of results of joint ventures	7	(11)	18
Profit before taxation	<u>32,076</u>	<u>15,032</u>	<u>17,044</u>
Income tax expense	<u>(21)</u>	<u>(24)</u>	<u>3</u>
Profit for the period	<u><u>32,055</u></u>	<u><u>15,008</u></u>	<u><u>17,047</u></u>
<u>Attributable to:</u>			
Equity holders of the parent	<u><u>32,055</u></u>	<u><u>15,008</u></u>	<u><u>17,047</u></u>

Net revenue and operating profit for the Group in Q2 FY2021 was RM47.574 million and RM23.804 million, an increase compared to Q1 FY2021's revenue and operating profit of RM41.711 million and RM18.605 million respectively. The better operating results was mainly due to a 34% increase in charter rates (Q2 FY2021: USD17,241/day vs Q1 FY2021: USD12,860/day) and the redelivery of 2 loss-making chartered-in vessels.

Other operating income decreased by RM1.373 million in Q2 FY2021 to RM0.119 million (Q1 FY2021: RM1.492 million) due to the reduction in charter hire expenses with the modification of leases from the early redelivery of 2 chartered-in vessels in Q1 2021.

In Q2 FY2021, the Group recognised a gain of RM6.556 million from the disposal of M.V Alam Sejahtera for a total consideration of RM56.814 million and a gain of RM6.869 million from the reclassification of the foreign exchange differences from equity to profit of loss upon the derecognition of the joint venture.

Excluding exceptional items, the Group recorded a profit before tax of RM18.646 million in Q2 FY2021, an increase of 24% compared to a profit before tax of RM15.032 million.

In summary, the Group recorded an attributable profit of RM32.055 million in Q2 FY2021, compared to a profit of RM15.008 million in Q1 FY2021.

**B3. PROSPECTS**

The dry bulk market is expected to remain strong through the 3rd quarter supported by the increase in infrastructure demand in key regions following the pandemic-related stimulus spending and a rebound in economic and industrial activity globally. COVID-related disruptions have led to congestion in ports particularly in China, and this has further tightened the supply of tonnage in the near term and supported freight rates. Record high freight rates for containerised cargoes and a severe lack of ship capacity are forcing some shippers to turn to the dry bulk sectors. However, de-containerised volumes appeared to be slowing down with the supply chains able to adjust to accommodate longer lead times.

China's economic risks are nevertheless growing with a combination of both slowing growth and inflationary pressures building. Chinese iron ore imports are likely to come under pressure towards year end if steel output restrictions are imposed, and risks around China's energy transition remain.

**B3. PROSPECTS (CONT'D)**

The impact of the COVID Delta variant is likely to weaken global demand particularly in China, and this sets a more cautious backdrop to the final quarter of 2021 and into 2022, with freight rates expected to remain volatile.

The current strong dry bulk freight market has resulted in second-hand prices for dry bulk vessels to be close to historical highs. As compared to the end of last year, the price of a 10-year old Supramax dry bulk vessel has increased by more than 75%. The current high prices present a good opportunity to monetise such dry bulk assets. As such, the Group seized this opportunity to sell M.V. Alam Madu and M.V. Alam Molek, with the expected completion of the sales in Q3 2021 as disclosed under A10 of this Announcement.

**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	21	45
	<u>21</u>	<u>45</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 30 June 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	84,989	(2,105)
	<u>84,989</u>	<u>(2,105)</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	54	98
Amortisation of intangible assets	(156)	(190)
Depreciation on owned assets	(5,583)	(11,212)
Depreciation on right-of-use assets	(6,576)	(13,974)
Gain on bargain purchase	112	112
Unrealised exchange gain	(163)	(237)

**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 2021 are as follows:

	Currency	Current RM '000	Non-current RM '000
Secured	USD	65,954	122,068

**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 2021.

**B12. EARNINGS/(LOSS) 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 30-Jun-21	PRECEDING YEAR QUARTER 30-Jun-20	CURRENT YEAR TO DATE 30-Jun-21	PRECEDING YEAR TO DATE 30-Jun-20
Profit/(loss) attributable to equity holders of the parent (RM'000)	32,055	(12,704)	47,063	34,949
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)	3.21	(1.27)	4.71	3.49