

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 September 2022

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2022

	Note	INDIVIDUAL QUARTER			CUMULATIVE		
		CURRENT	PRECEDING	Changes	CURRENT	PRECEDING	Changes
		YEAR	YEAR		YEAR	YEAR	
QUARTER	QUARTER		TO DATE	TO DATE			
		30-Sep-22	30-Sep-21		30-Sep-22	30-Sep-21	
		RM '000	RM '000	(%)	RM '000	RM '000	(%)
Revenue		38,209	58,677	-35%	116,857	158,918	-26%
Voyage expenses		(8,874)	(8,172)		(20,760)	(19,128)	
		29,335	50,505		96,097	139,790	
Operating expenses		(17,904)	(22,558)		(58,869)	(69,434)	
		11,431	27,947	-59%	37,228	70,356	-47%
Gain on disposal of property, plant and equipment		-	91,453		50,058	98,014	
Gain/(loss) on liquidation of subsidiaries		1,996	(539)		1,996	(539)	
		13,427	118,861		89,282	167,831	
Other operating income, net		1,321	63		1,356	1,674	
Administrative expenses		(1,864)	(2,524)		(5,531)	(6,826)	
		12,884	116,400		85,107	162,679	
Interest expense on bank borrowings		(40)	(1,942)		(1,375)	(6,015)	
Interest expense on lease liabilities		(557)	(815)		(1,900)	(2,778)	
Share of results of joint ventures		-	-		-	(4)	
Derecognition of joint venture		-	-		-	6,869	
Profit before tax	B5	12,287	113,643	-89%	81,832	160,751	-49%
Income tax expense	B6	(14)	(68)		(49)	(113)	
Profit for the period		<u>12,273</u>	<u>113,575</u>	-89%	<u>81,783</u>	<u>160,638</u>	-49%
Attributable to:							
Equity holders of the parent		<u>12,273</u>	<u>113,575</u>		<u>81,783</u>	<u>160,638</u>	
Earnings per share (sen)							
- Basic		1.23	11.36		8.18	16.06	

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 30 September 2022

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 30-Sep-22 RM '000	PRECEDING YEAR QUARTER 30-Sep-21 RM '000	CURRENT YEAR TO DATE 30-Sep-22 RM '000	PRECEDING YEAR TO DATE 30-Sep-21 RM '000
Profit for the period	12,273	113,575	81,783	160,638
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	14,100	(4,049)	39,707	3,006
Net change in cash flow hedge	-	861	(48)	2,169
Realisation of reserves on liquidation of subsidiaries	(1,996)	-	(1,996)	-
Realisation of reserves on derecognition of joint venture	-	-	-	(6,869)
Total comprehensive income for the period	<u>24,377</u>	<u>110,387</u>	<u>119,446</u>	<u>158,944</u>
Total comprehensive income attributable to: Equity holders of the parent	<u>24,377</u>	<u>110,387</u>	<u>119,446</u>	<u>158,944</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 30-Sep-22 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-21 RM '000
Note		
ASSETS		
Non-current assets		
Property, plant and equipment	238,802	339,260
Right-of-use assets	25,016	55,034
	<u>263,818</u>	<u>394,294</u>
Current assets		
Consumable stores	3,941	6,999
Receivables and other current assets	4,729	11,455
Contract assets	445	756
Short term deposits	154,879	18,000
Cash and bank balances	204,479	189,174
	<u>368,473</u>	<u>226,384</u>
Non-current assets classified as held for sale	7,501	6,945
	<u>375,974</u>	<u>233,329</u>
TOTAL ASSETS	<u>639,792</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	156,592	118,881
Cash flow hedge reserve	-	48
Retained earnings	93,084	11,302
Total equity	<u>588,467</u>	<u>469,022</u>
Non-current liabilities		
Borrowings	-	59,102
Lease liabilities	B8	30,508
Derivative financial liabilities	-	314
	<u>-</u>	<u>89,924</u>
Current liabilities		
Payables and other current liabilities	5,694	15,833
Contract liabilities	2,634	1,808
Borrowings	-	6,806
Lease liabilities	B8	43,686
Derivative financial liabilities	-	522
Provision for taxation	-	22
	<u>51,325</u>	<u>68,677</u>
Total liabilities	<u>51,325</u>	<u>158,601</u>
TOTAL EQUITY AND LIABILITIES	<u>639,792</u>	<u>627,623</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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>9 MONTHS ENDED 30 SEPTEMBER 2021</u>					
At 1 January 2021	338,791	(2,579)	121,984	(183,943)	274,253
Total comprehensive income/(loss) for the period	-	2,169	(3,863)	160,638	158,944
At 30 September 2021	338,791	(410)	118,121	(23,305)	433,197
<u>9 MONTHS ENDED 30 SEPTEMBER 2022</u>					
At 1 January 2022	338,791	48	118,881	11,302	469,022
Total comprehensive (loss)/income for the period	-	(48)	37,711	81,783	119,446
At 30 September 2022	338,791	-	156,592	93,085	588,468

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

	CUMULATIVE	
	CURRENT YEAR 30-Sep-22 RM '000	PRECEDING YEAR 30-Sep-21 RM '000
Cash Flow From Operating Activities		
Profit before tax	81,832	160,751
Adjustments for:		
Amortisation of intangible assets	209	287
Depreciation on owned assets	9,369	15,462
Depreciation on right-of-use assets	32,162	20,674
Provision for expected credit losses on trade receivables	228	-
Unrealised foreign exchange loss	1,745	360
Interest income	(2,090)	(179)
Interest expense on bank borrowings	1,375	6,015
Interest expense on lease liabilities	1,900	2,778
Lease modification	(18)	(1,179)
Share of results of joint ventures	-	4
Gain on disposal of property, plant and equipment	(50,058)	(98,014)
Derecognition of joint venture	-	(6,869)
Gain on remeasurement of existing equity interest	-	(112)
(Gain)/loss on liquidation of subsidiaries	(1,996)	539
Discontinuation of hedge instrument	(603)	267
Operating profit before working capital changes	74,055	100,784
Working capital changes:		
Consumable stores	3,094	886
Receivables and other current assets	12,999	8,001
Contract assets	(445)	521
Payables and other liabilities	(9,975)	(2,390)
Contract liabilities	826	524
Cash generated from operating activities	80,554	108,326
Tax paid, net of tax refund	(179)	(280)
Net cash generated from operating activities	80,375	108,046
Cash Flows From Investing Activities		
Purchase of other assets and capitalisation of docking costs	(1,787)	(72)
Interest received	2,090	179
Proceeds from disposal of property, plant and equipment	160,585	269,943
Dividend from joint venture	-	16,716
Acquisition of a subsidiary, net of cash acquired	-	318
Net cash used in investing activities	160,888	287,084
Cash Flows From Financing Activities		
Interest on bank borrowings	(820)	(5,824)
Interest on lease liabilities	(1,900)	(2,778)
Repayment of borrowings	(66,470)	(179,588)
Payment of principal portion of lease liabilities	(35,183)	(46,124)
Payments for derivatives	(285)	-
Net cash used in financing activities	(104,658)	(234,314)
Net change in cash and cash equivalents	136,605	160,816
Effects of foreign exchange rate changes	15,580	(290)
Cash and cash equivalents at the beginning of the period	207,174	38,886
Cash and cash equivalents at the end of the period	359,359	199,412
Cash and cash equivalents comprise:		
Short term deposits	154,879	14,100
Cash and bank balances	204,479	185,312
	359,358	199,412

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 30 September 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

Save as disclosed in Note B7(b) on the status of corporate proposals announced, there were no other material events subsequent to the end of the current quarter and financial year under review that have not been reflected in the interim financial report.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

On 19 September 2022, a wholly owned subsidiary, MBC Retail Sdn Bhd was incorporated.

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.

A14. RELATED PARTY TRANSACTIONS

Companies in which certain directors are deemed to have substantial financial interests:

	Current financial year-to-date RM'000
<u>Income earned:</u>	
Charter hire income	478
Commercial fee	314
Income from shared services	130
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<u>Expenditure incurred:</u>	
Commercial fee	2,204
Dry docking cost	1,090
Shared services cost	1,109
Management fee	502
Share registration fee	6
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All related party transactions and balances within the Group had been entered into in the normal course of business and were carried out on commercial terms. There were no significant transactions with related parties during the current quarter and year to date ended 30 September 2022.

B1. REVIEW OF PERFORMANCE

The Group reported lower net revenue of RM116.857 million (9M FY2021: RM158.918 million) and operating profit of RM96.097 million (9M FY2021: RM139.790 million). Operationally, hire days was lower from a smaller fleet size despite 10% increase in charter rates compared to corresponding last year.

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

	Average TCE/day		Hire Days	
	Jan-Sep 2022	Jan-Sep 2021	Jan-Sep 2022	Jan-Sep 2021
	(USD)	(USD)	(Days)	(Days)
Dry Bulk Fleet	19,013	17,225	1,171	1,928

The Group completed the disposal of a Kamsarmax sized vessel (M.V. Alam Kukuh) with net proceeds of RM160.554 million which resulted a total gain on disposal of RM50.058 million in 9M FY2022.

Gain on liquidation of subsidiaries of RM1.996 million was recorded from the reclassification of the cumulative foreign exchange differences relating to the entities from equity to profit or loss upon liquidation.

Interest expense decreased by 77% to RM1.375 million (9M FY2021: RM6.015 million) 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.

As a result, excluding exceptional items, the Group reported a profit before tax of RM29.777 million in 9M FY2022, a decrease of RM26.630 million compared to the profit before tax of RM56.407 million in 9M FY2021.

The Group reported a profit for the period of RM81.782 million, an reduction of RM78.856 million compared to RM160.638 million in 9M FY2021.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		Variance RM '000	Variance %
	Q3 FY2022 RM '000	Q2 FY2022 RM '000		
Revenue	38,209	39,568	(1,359)	-3%
Voyage expenses	<u>(8,874)</u>	<u>(5,839)</u>	<u>(3,035)</u>	
Net revenue	29,335	33,729	(4,394)	
Operating expenses	<u>(17,904)</u>	<u>(19,265)</u>	<u>1,361</u>	
Operating profit	11,431	14,464	(3,033)	-21%
Gain on disposal of property, plant and equipment	0	50,058	(50,058)	
Gain on liquidation of subsidiaries	<u>1,996</u>	<u>0</u>	<u>1,996</u>	
	13,427	64,522	(51,095)	
Other operating income/(expenses), net	1,321	(760)	2,081	
Administrative expenses	<u>(1,864)</u>	<u>(1,754)</u>	<u>(110)</u>	
	12,884	62,008	(49,124)	
Interest expense on bank borrowings	(40)	(298)	258	
Interest expense on lease liabilities	<u>(557)</u>	<u>(632)</u>	<u>75</u>	
Profit before taxation	12,287	61,078	(48,791)	-80%
Income tax expense	<u>(14)</u>	<u>(10)</u>	<u>(4)</u>	
Profit for the period	<u>12,273</u>	<u>61,068</u>	<u>(48,795)</u>	-80%
<u>Attributable to:</u>				
Equity holders of the parent	<u>12,273</u>	<u>61,068</u>	<u>(48,795)</u>	

Net revenue and operating profit for the Group in Q3 FY2022 was RM29.335 million and RM11.431 million, a decrease compared to Q2 FY2022's revenue and operating profit of RM33.729 million and RM14.464 million respectively. The operating results decreased mainly due to slight reduction in charter rates (Q3 FY2022: USD19,269/day vs Q2 FY2022: USD19,318/day), offset against lower vessel operating expenses.

In Q3 FY2022, the Group recorded gain on liquidation of subsidiaries of RM1.996 million from the reclassification of the cumulative foreign exchange differences relating to the entities from equity to profit or loss upon liquidation.

Other operating income increased to RM1.321 million (Q2 FY2022: other operating expenses of RM0.760 million) mainly due to higher interest income earned in Q3 FY2022.

As a result, excluding exceptional items, the Group reported a profit before tax of RM10.291 million in Q3 FY2022, compared to the profit before tax of RM11.248 million reported in Q2 FY2022.

In summary, the Group recorded an attributable profit of RM12.273 million in Q3 FY2022, compared to attributable profit reported of RM61.068 million in Q2 FY2022.

B3. PROSPECTS

The Drybulk market softened since the beginning of Q3, although there was some recovery as Ukrainian exports continued to pick up momentum and sentiment increased along with the anticipation of a stronger US Gulf market. However, the improvements in rates halted toward the end of Q3 with an ill-timed drought in the US Gulf during the current grain season with easing congestion in China which almost back to pre-Covid levels.

We expect to see Drybulk freight levels for 2023 to be at levels lower than 2022. The Group do not foresee a reversal of this trend in the immediate term and the Group will continue to deploy short to medium term charters to mitigate against volatile market conditions.

B4. VARIANCE OF PROFIT FORECAST AND PROFIT GUARANTEE

There were no profit forecast or profit guarantee for the period under review.

B5. NOTES TO CONDENSED CONSOLIDATED INCOME STATEMENT

	Current quarter RM'000	Preceding quarter RM'000	Current financial year-to-date RM'000	Preceding financial year-to-date RM'000
Interest income	1,623	81	2,090	179
Amortisation of intangible assets	(66)	(97)	(209)	(287)
Depreciation on owned assets	(2,686)	(4,250)	(9,369)	(15,462)
Depreciation on right-of-use assets	(10,999)	(6,700)	(32,162)	(20,674)
Provision for expected credit losses on trade receivables	-	-	(228)	-
Unrealised exchange loss	(805)	(123)	(1,745)	(360)
Discontinuation of hedge instrument	-	(267)	603	(267)

B6. TAXATION

	Current quarter RM'000	Preceding quarter RM'000	Current financial year-to-date RM'000	Preceding financial year-to-date RM'000
Income tax charge				
-current period	14	68	49	113
	<u>14</u>	<u>68</u>	<u>49</u>	<u>113</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.

B7. STATUS OF CORPORATE PROPOSALS

(a) On 15 August 2022:

- i. the Company entered into a conditional collaboration agreement with Tunas Manja Sdn Bhd ("TMSB") to undertake grocery retail business and other grocery retail related businesses (Proposed Collaboration)
- ii. the Company proposed to diversify its existing business to include grocery business (Proposed Diversification)
- iii. the Company proposed to enter into new recurrent related party transaction of a revenue or trading in nature with certain related parties following the Proposed Collaboration and Proposed Diversification. (Proposed RRPT)

(b) On 26 August 2022:

The Company entered into a heads of agreement ("HOA") with Dato' Chin Yoke Kan, Dato' Chin Yoke Choon, Chin Polling, Chin Poh Yung and Chin Poh Yun (collectively referred to as the "Vendors") for the acquisition of the entire Grocery Business carried out by the Vendors via the acquisition of the entire issued share capital of Tunas Manja Sdn Bhd ("TMSB") and its subsidiaries, for a purchase consideration to be determined later.

(c) On 15 November 2022, as the conditions precedent of the Collaboration Agreement have not been fulfilled by the Cut-Off Date, being 14 November 2022, and no further extension of the Cut-Off Date has been agreed to by TMSB, the Company has exercised its right to terminate the Collaboration Agreement by issuing a notice of termination to TMSB in accordance with the terms and conditions of the Collaboration Agreement.

Following the termination of the Collaboration Agreement and in view that the Proposed Collaboration, Proposed Diversification and Proposed RRPT Mandate are inter-conditional, the Company is unable to proceed with the Proposals and accordingly, will not be seeking approval from its shareholders in relation to the Proposals.

In light of the termination of the Collaboration Agreement, MBC and the Vendors will discuss and determine in due course the effect of such termination on the HOA for the acquisition of the entire Grocery Business from the Vendors and the transactions contemplated under the HOA. Any material development in relation to the HOA will be announced accordingly.

B8. LEASE LIABILITIES

The Group's lease liabilities are as follows:

Currency	Unsecured	As at 30-Sep-22 RM '000	As at 31-Dec-21 RM '000
USD	Non-current	-	30,254
	Current	42,968	43,610
		<u>42,968</u>	<u>73,864</u>
RM	Non-current	-	254
	Current	29	76
		<u>29</u>	<u>330</u>
		<u>42,997</u>	<u>74,194</u>

Lease liabilities mainly represent future obligations to make lease payments for the right to use 2 chartered in vessels and office rental.

B9. MATERIAL LITIGATION

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

B10. DIVIDENDS

The Directors have recommended the payment of an Interim Single-tier Special Dividend of 6.5 Sen per ordinary share, amounting to RM65 million. The date of entitlement and payment will be determined later.

B11. 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 30-Sep-22	PRECEDING YEAR QUARTER 30-Sep-21	CURRENT YEAR TO DATE 30-Sep-22	PRECEDING YEAR TO DATE 30-Sep-21
Profit attributable to equity holders of the parent (RM'000)	12,273	113,575	81,783	160,638
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>1.23</u>	<u>11.36</u>	<u>8.18</u>	<u>16.06</u>