

QUARTERLY REPORT

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2021

| | INDIVIDUAL QUARTER | | CUMULATIVE | |
|---|--|--|--|--|
| | CURRENT YEAR QUARTER 30-Sep-21 RM '000 | PRECEDING YEAR QUARTER 30-Sep-20 RM '000 | CURRENT YEAR TO DATE 30-Sep-21 RM '000 | PRECEDING YEAR TO DATE 30-Sep-20 RM '000 |
| Revenue | 58,677 | 42,658 | 158,918 | 133,993 |
| Voyage expenses | (8,172) | (12,181) | (19,128) | (38,950) |
| | 50,505 | 30,477 | 139,790 | 95,043 |
| Operating expenses | (22,558) | (34,552) | (69,434) | (102,889) |
| | 27,947 | (4,075) | 70,356 | (7,846) |
| Gain on disposal of property, plant and equipment | 91,453 | - | 98,014 | - |
| Derecognition of joint venture | - | - | 6,869 | - |
| (Loss)/gain on liquidation of subsidiaries | (539) | - | (539) | 51,263 |
| | 118,861 | (4,075) | 174,700 | 43,417 |
| Other operating income, net | 63 | 1,143 | 1,674 | 2,589 |
| Administrative expenses | (2,524) | (1,987) | (6,826) | (5,787) |
| | 116,400 | (4,919) | 169,548 | 40,219 |
| Interest expense on bank borrowings | (1,942) | (2,480) | (6,015) | (9,270) |
| Interest expense on lease liabilities | (815) | (1,791) | (2,778) | (6,124) |
| Share of results of joint ventures | - | 211 | (4) | 1,207 |
| Gain on liquidation of a joint venture | - | 3,065 | - | 3,065 |
| Profit/(loss) before tax | 113,643 | (5,914) | 160,751 | 29,097 |
| Income tax expense | (68) | (36) | (113) | (98) |
| Profit/(loss) for the period | 113,575 | (5,950) | 160,638 | 28,999 |
| Attributable to: | | | | |
| Equity holders of the parent | 113,575 | (5,950) | 160,638 | 28,999 |
| Earnings/(loss) per share (sen) | | | | |
| - Basic | 11.36 | (0.60) | 16.06 | 2.90 |

QUARTERLY REPORT

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

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

| | INDIVIDUAL QUARTER | | CUMULATIVE | |
|--|--|--|--|--|
| | CURRENT YEAR QUARTER 30-Sep-21 RM '000 | PRECEDING YEAR QUARTER 30-Sep-20 RM '000 | CURRENT YEAR TO DATE 30-Sep-21 RM '000 | PRECEDING YEAR TO DATE 30-Sep-20 RM '000 |
| Profit/(loss) for the period | 113,575 | (5,950) | 160,638 | 28,999 |
| Other comprehensive income/(loss): | | | | |
| <u>Items that will be reclassified to profit or loss</u> | | | | |
| Currency translation differences | (4,049) | (10,984) | 3,006 | 5,605 |
| Net change in cash flow hedge | 861 | 1,116 | 2,169 | (1,368) |
| Realisation of reserves on liquidation of a subsidiary | - | - | - | (51,263) |
| Realisation of reserves on derecognition of joint venture | - | (3,065) | (6,869) | (3,065) |
| Total comprehensive income/(loss) for the period | <u>110,387</u> | <u>(18,883)</u> | <u>158,944</u> | <u>(21,092)</u> |
| Total comprehensive income/(loss) attributable to: Equity holders of the parent | <u>110,387</u> | <u>(18,883)</u> | <u>158,944</u> | <u>(21,092)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

| | UNAUDITED | AUDITED |
|--|---|---|
| | AS AT END OF CURRENT QUARTER 30-Sep-21 RM '000 | AS AT PRECEDING FINANCIAL YEAR END 31-Dec-20 RM '000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 343,012 | 467,286 |
| Right-of-use assets | 29,500 | 49,805 |
| Joint ventures | - | 16,398 |
| | <u>372,512</u> | <u>533,489</u> |
| Current assets | | |
| Consumable stores | 5,160 | 5,889 |
| Receivables and other current assets | 15,391 | 23,541 |
| Contract assets | - | 84 |
| Short term deposits | 14,100 | 20,329 |
| Cash and bank balances | 185,312 | 18,557 |
| | <u>219,963</u> | <u>68,400</u> |
| Non-current assets classified as held for sale | - | 50,257 |
| | <u>219,963</u> | <u>118,657</u> |
| TOTAL ASSETS | <u><u>592,475</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 | 118,121 | 121,984 |
| Cash flow hedge reserve | (410) | (2,579) |
| Accumulated losses | (23,305) | (183,943) |
| Total equity | <u>433,197</u> | <u>274,253</u> |
| Non-current liabilities | | |
| Borrowings | 60,780 | 150,027 |
| Lease liabilities | 36,092 | 52,607 |
| Derivative financial liabilities | 1,251 | 3,016 |
| | <u>98,123</u> | <u>205,650</u> |
| Current liabilities | | |
| Payables and other current liabilities | 18,986 | 22,184 |
| Contract liabilities | 4,689 | 3,179 |
| Borrowings | 6,706 | 87,317 |
| Lease liabilities | 30,481 | 59,242 |
| Derivative financial liabilities | 286 | 319 |
| Provision for taxation | 7 | 2 |
| | <u>61,155</u> | <u>172,243</u> |
| Total liabilities | <u>159,278</u> | <u>377,893</u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>592,475</u></u> | <u><u>652,146</u></u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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 | |
| <u>9 MONTHS ENDED 30 SEPTEMBER 2020</u> | | | | | |
| At 1 January 2020 | 338,791 | (1,921) | 181,122 | (163,162) | 354,830 |
| Total comprehensive (loss)/income for the period | - | (1,368) | (48,723) | 28,999 | (21,092) |
| At 30 September 2020 | 338,791 | (3,289) | 132,399 | (134,163) | 333,738 |
| <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 |

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

| | CUMULATIVE | |
|---|---|---|
| | CURRENT YEAR 30-Sep-21 RM '000 | PRECEDING YEAR 30-Sep-20 RM '000 |
| Cash Flow From Operating Activities | | |
| Profit before tax | 160,751 | 29,097 |
| Adjustments for: | | |
| Amortisation of intangible assets | 287 | 101 |
| Depreciation on owned assets | 15,462 | 20,768 |
| Depreciation on right-of-use assets | 20,674 | 49,233 |
| Unrealised foreign exchange loss/(gain) | 360 | (875) |
| Interest income | (179) | (648) |
| Interest expense on bank borrowings | 6,015 | 9,270 |
| Interest expense on lease liabilities | 2,778 | 6,124 |
| Lease modification | (1,179) | (166) |
| Share of results of joint ventures | 4 | (1,207) |
| 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) |
| Realisation of cash flow hedge reserve | 267 | - |
| Operating profit before working capital changes | 100,784 | 57,369 |
| Working capital changes: | | |
| Consumable stores | 886 | 6,271 |
| Receivables and other current assets | 8,001 | 11,543 |
| Contract assets | 521 | (519) |
| Payables and other liabilities | (2,390) | 9,744 |
| Contract liabilities | 524 | (1,546) |
| Cash generated from operating activities | 108,326 | 82,862 |
| Tax paid, net of tax refund | (280) | (733) |
| Net cash generated from operating activities | 108,046 | 82,129 |
| Cash Flows From Investing Activities | | |
| Purchase of other assets and capitalisation of docking costs | (72) | (930) |
| Interest received | 179 | 648 |
| Proceeds from disposal of property, plant and equipment | 269,943 | 83,209 |
| Capital distribution from joint venture | - | 136 |
| Dividend from joint venture | 16,716 | - |
| Acquisition of a subsidiary, net of cash acquired | 318 | - |
| Net cash generated from investing activities | 287,084 | 83,063 |
| Cash Flows From Financing Activities | | |
| Interest on bank borrowings | (5,824) | (11,014) |
| Interest on lease liabilities | (2,778) | (6,124) |
| Drawdown of borrowings | - | 21,381 |
| Repayment of borrowings | (179,588) | (123,156) |
| Payment of principal portion of lease liabilities | (46,124) | (72,940) |
| Loan repayment from joint venture | - | 18,862 |
| Net cash used in financing activities | (234,314) | (172,991) |
| Net change in cash and cash equivalents | 160,816 | (7,799) |
| Effects of foreign exchange rate changes | (290) | 1,210 |
| Cash and cash equivalents at the beginning of the period | 38,886 | 79,480 |
| Cash and cash equivalents at the end of the period | 199,412 | 72,891 |
| Cash and cash equivalents comprise: | | |
| Short term deposits | 14,100 | 17,591 |
| Cash and bank balances | 185,312 | 55,300 |
| | 199,412 | 72,891 |

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 September 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

There were no material events subsequent to the current quarter ended 30 September 2021 up to the date of this report.

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 RM160.751 million in 9M FY2021, an improvement of RM131.654 million compared to a profit of RM29.097 million in 9M FY2020. This was mainly due to non-recurring items of gain on disposal of property, plant and equipment of RM98.014 million and gain on derecognition of a joint venture of RM6.869 million, offset against loss on liquidation of subsidiaries of RM0.539 million.

Operationally, a higher net revenue of RM139.790 million and operating profit of RM70.356 million was recorded (9M FY2020: RM95.043 million and operating loss of RM7.846 million). Better operating performance was mainly due to increase in charter rates, lower operating expenses from a smaller fleet size and redelivery of 2 loss-making chartered-in vessels.

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-Sep 2021 | Jan-Sep 2020 | Jan-Sep 2021 | Jan-Sep 2020 |
| | (USD) | (USD) | (Days) | (Days) |
| Dry Bulk Fleet | 17,225 | 8,067 | 1,928 | 2,990 |

Charter rates increased by 114% compared to corresponding last year while hire days reduced by 36% due to smaller fleet size.

The Group completed the disposal of a Handy sized vessel (M.V. Alam Sejahtera) and 2 Supramax sized vessels (M.V. Alam Molek and M.V. Alam Madu) with total net proceeds of RM269.938 million which resulted a total gain on disposal of RM98.009 million in 9M FY2021.

Excluding exceptional items, the Group performed better with profit before tax of RM56.407 million in 9M FY2021 which improved by RM81.638 million compared to the loss before tax of RM25.231 million in 9M FY2020.

The Group reported a profit for the period of RM160.638 million, an increase of RM131.639 million compared to RM28.999 million in 9M FY2020.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

| | Individual Quarter | | Variance RM '000 |
|--|----------------------|----------------------|---------------------|
| | Q3 FY2021 RM '000 | Q2 FY2021 RM '000 | |
| Revenue | 58,677 | 53,624 | 5,053 |
| Voyage expenses | (8,172) | (6,050) | (2,122) |
| Net revenue | 50,505 | 47,574 | 2,931 |
| Operating expenses | (22,558) | (23,770) | 1,212 |
| Operating profit | 27,947 | 23,804 | 4,143 |
| Gain on disposal of property, plant and equipment | 91,453 | 6,561 | 84,892 |
| Derecognition of joint venture | 0 | 6,869 | (6,869) |
| Loss on liquidation of subsidiaries | (539) | 0 | (539) |
| | 118,861 | 37,234 | 81,627 |
| Other operating income, net | 63 | 119 | (56) |
| Administrative expenses | (2,524) | (2,423) | (101) |
| | 116,400 | 34,930 | 81,470 |
| Interest expense on bank borrowings | (1,942) | (1,960) | 18 |
| Interest expense on lease liabilities | (815) | (901) | 86 |
| Share of results of joint ventures | 0 | 7 | (7) |
| Profit before taxation | 113,643 | 32,076 | 81,567 |
| Income tax expense | (68) | (21) | (47) |
| Profit for the period | 113,575 | 32,055 | 81,520 |
| <u>Attributable to:</u> | | | |
| Equity holders of the parent | 113,575 | 32,055 | 81,520 |

Net revenue and operating profit for the Group in Q3 FY2021 was RM50.505 million and RM27.947 million, an increase compared to Q2 FY2021's revenue and operating profit of RM47.574 million and RM23.804 million respectively. Q3 FY2021 saw lower hire days with the disposal of a handy-sized vessel in Q2 FY2021 and 2 supramax vessels in Q3 FY2021.

The better operating results were mainly due to an increase in charter rates and lower operating expenses from a smaller fleet size, offset against higher crew related cost and additional COVID-19 related expenses.

In Q3 FY2021, the Group recognised a gain of RM91.453 million from the disposal of M.V. Alam Molek and M.V. Alam Madu for a total consideration of RM213.124 million. Loss on liquidation of subsidiaries of RM0.539 million was recorded from the reclassification of the cumulative foreign exchange differences relating to the entities from equity to profit or loss upon liquidation.

Excluding exceptional items, the Group recorded a profit before tax of RM22.729 million in Q3 FY2021, an increase of 22% compared to a profit before tax of RM18.646 million in Q2 FY2021.

The Group's attributable profit was RM113.575 million in Q3 FY2021, compared to a RM32.055 million profit in Q2 FY2021.

B3. PROSPECTS

The global economy has experienced a firm rebound in 2021 and seaborne dry bulk trade is expected to grow at 1.7% in 2022. This rebound in the dry bulk market has seen freight rates hit a decade high and this has been exacerbated through stringent COVID-19 protocols enforced at various ports, particularly in China, creating supply chain bottlenecks. Changes to trade patterns, such as Chinese coal sourcing have been accretive in tonne mile terms. All these factors are set against a backdrop of historically low fleet growth due to the poor dry bulk market in the last decade.

However dry bulk charter rates have softened notably since late October, with China restricting steel output as well as imposing cap on coal prices for domestic suppliers. The ship sale and purchase (S&P) activities have also slowed down with potential buyers holding back in anticipation of a correction in asset prices. Whilst port congestion and logistics inefficiencies are still present, we expect freight rates to remain volatile going into 2022 with global growth likely to slow down from 2021 levels.

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 | 68 | 113 |
| | 68 | 113 |

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 September 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 | 83,552 | (1,537) |
| | 83,552 | (1,537) |

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 | 81 | 179 |
| Amortisation of intangible assets | (97) | (287) |
| Depreciation on owned assets | (4,250) | (15,462) |
| Depreciation on right-of-use assets | (6,700) | (20,674) |
| Realisation of cash flow hedge reserve | (267) | (267) |
| Gain on bargain purchase | - | 112 |
| Unrealised exchange loss | (123) | (360) |

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 September 2021 are as follows:

| | Currency | Current RM '000 | Non-current RM '000 |
|---------|----------|--------------------|------------------------|
| Secured | USD | 6,706 | 60,780 |

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 September 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 30-Sep-21 | PRECEDING YEAR QUARTER 30-Sep-20 | CURRENT YEAR TO DATE 30-Sep-21 | PRECEDING YEAR TO DATE 30-Sep-20 |
|---|---|---|---|---|
| Profit/(loss) attributable to equity holders of the parent (RM'000) | 113,575 | (5,950) | 160,638 | 28,999 |
| 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) | 11.36 | (0.60) | 16.06 | 2.90 |