

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 December 2019

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2019

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Dec-19 RM '000	PRECEDING YEAR QUARTER 31-Dec-18 RM '000	CURRENT YEAR TO DATE 31-Dec-19 RM '000	PRECEDING YEAR TO DATE 31-Dec-18 RM '000
Revenue	58,011	69,044	257,993	238,974
Voyage expenses	(6,064)	(13,616)	(51,450)	(40,709)
	51,947	55,428	206,543	198,265
Operating expenses	(39,871)	(49,799)	(174,542)	(193,881)
	12,076	5,629	32,001	4,384
Loss on disposal of vessels	(5,527)	-	(17,799)	-
Impairment loss on vessels	(15,758)	(6,351)	(21,759)	(6,351)
Net change in onerous contracts provision	-	8,494	4,640	32,232
Gain on liquidation of a subsidiary	9,523	-	9,523	-
	314	7,772	6,606	30,265
Other operating income/(loss), net	2,418	(686)	4,720	1,916
Administrative expenses	(2,450)	(2,439)	(9,466)	(9,604)
	282	4,647	1,860	22,577
Interest expense on bank borrowings	(4,309)	(4,487)	(18,264)	(17,211)
Interest expense on lease liabilities	(3,512)	-	(11,107)	-
Share of results of an associate	-	-	-	(8,402)
Impairment loss on associate	-	140,325	-	-
Gain on disposal of associate	-	265,929	-	265,929
Share of results of joint ventures	299	499	2,131	1,907
Gain on liquidation of a joint venture	19,281	-	19,281	-
Profit/(loss) before tax	12,041	406,913	(6,099)	264,800
Income tax expense	(363)	(485)	(1,215)	(848)
Profit/(loss) for the period	<u>11,678</u>	<u>406,428</u>	<u>(7,314)</u>	<u>263,952</u>
Attributable to:				
Equity holders of the parent	11,678	406,436	(7,319)	263,838
Non-controlling interest	-	(8)	5	114
	<u>11,678</u>	<u>406,428</u>	<u>(7,314)</u>	<u>263,952</u>
Earnings/(loss) per share (sen)				
- Basic	1.17	40.64	(0.73)	26.38

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 December 2019

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Dec-19 RM '000	PRECEDING YEAR QUARTER 31-Dec-18 RM '000	CURRENT YEAR TO DATE 31-Dec-19 RM '000	PRECEDING YEAR TO DATE 31-Dec-18 RM '000
Profit/(loss) for the period	11,678	406,428	(7,314)	263,952
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	(9,296)	622	(2,784)	(2,977)
Net change in cash flow hedge	(762)	957	(5,398)	3,291
Share of associate's other comprehensive income	-	-	-	6,821
Realisation of reserves on liquidation of a subsidiary	(9,523)	-	(9,523)	-
Realisation of reserves on liquidation of a joint venture	(19,248)	-	(19,248)	-
Reclassification of reserves relating to an associate from equity to profit or loss upon the disposal of associate	-	(404,415)	-	(404,415)
Total comprehensive (loss)/income for the period	<u>(27,151)</u>	<u>3,592</u>	<u>(44,267)</u>	<u>(133,328)</u>
Total comprehensive (loss)/income attributable to:				
Equity holders of the parent	(27,151)	3,596	(44,266)	(132,687)
Non-controlling interest	-	(4)	(1)	(641)
	<u>(27,151)</u>	<u>3,592</u>	<u>(44,267)</u>	<u>(133,328)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Dec-19 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-18 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	605,578	503,239
Right-of-use assets	115,929	-
Joint ventures	34,103	36,680
	<u>755,610</u>	<u>539,919</u>
Current assets		
Consumable stores	11,055	10,108
Receivables and other current assets	28,556	34,212
Contract assets	452	966
Short term deposits	56,131	261,138
Cash and bank balances	23,349	27,986
	<u>119,543</u>	<u>334,410</u>
Non-current assets classified as held for sale	82,115	148,411
	<u>201,658</u>	<u>482,821</u>
TOTAL ASSETS	<u>957,268</u>	<u>1,022,740</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	338,791	338,791
Foreign currency translation reserve	181,122	212,671
Cash flow hedge reserve	(1,921)	3,477
Accumulated losses	(163,162)	(161,847)
	<u>354,830</u>	<u>393,092</u>
Non-controlling interest	-	1,085
Total equity	<u>354,830</u>	<u>394,177</u>
Non-current liabilities		
Payables and other non-current liabilities	-	46,086
Borrowings	325,232	197,685
Lease liabilities	115,398	-
Derivative financial liabilities	2,538	816
Provision for onerous contracts	-	44,526
	<u>443,168</u>	<u>289,113</u>
Current liabilities		
Payables and other current liabilities	33,141	44,230
Contract liabilities	4,415	5,072
Borrowings	31,607	211,472
Lease liabilities	89,543	-
Derivative financial liabilities	243	59,309
Provision for taxation	321	309
Provision for onerous contracts	-	19,058
	<u>159,270</u>	<u>339,450</u>
Total liabilities	<u>602,438</u>	<u>628,563</u>
TOTAL EQUITY AND LIABILITIES	<u>957,268</u>	<u>1,022,740</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

	Attributable to Equity Holders of the Parent						
	Non-distributable			Accumulated losses	Total	Non-controlling interest	Total equity
	Share capital	Cash flow hedge reserve	Foreign currency translation reserve				
RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	
12 MONTHS ENDED 31 DECEMBER 2018							
At 1 January 2018	338,791	6,647	606,026	(425,685)	525,779	23,404	549,183
Total comprehensive income/(loss) for the period	-	(3,170)	(393,355)	263,838	(132,687)	(641)	(133,328)
Dividend paid to non-controlling interest	-	-	-	-	-	(21,678)	(21,678)
At 31 December 2018	338,791	3,477	212,671	(161,847)	393,092	1,085	394,177
12 MONTHS ENDED 31 DECEMBER 2019							
At 31 December 2018, as previously stated	338,791	3,477	212,671	(161,847)	393,092	1,085	394,177
Effect of adopting MFRS 16	-	-	-	6,004	6,004	-	6,004
Adjusted balance as at 1 January 2019	338,791	3,477	212,671	(155,843)	399,096	1,085	400,181
Total comprehensive loss for the period	-	(5,398)	(31,549)	(7,319)	(44,266)	(1)	(44,267)
Capital distribution to non-controlling interest	-	-	-	-	-	(131)	(131)
Dividend paid to non-controlling interest	-	-	-	-	-	(953)	(953)
At 31 December 2019	338,791	(1,921)	181,122	(163,162)	354,830	-	354,830

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019

	CUMULATIVE	
	CURRENT	PRECEDING
	YEAR	YEAR
	31-Dec-19	31-Dec-18
	RM '000	RM '000
Cash Flow From Operating Activities		
(Loss)/profit before tax	(6,099)	264,800
Adjustments for:		
Amortisation of intangible assets	122	26
Depreciation on owned assets	27,371	25,491
Depreciation on right-of-use assets	65,605	-
Provision for expected credit losses on trade receivables	-	836
Loss on disposal of vessels	17,799	-
Unrealised foreign exchange loss	100	107
Bad debts	131	-
Interest income	(3,476)	(2,850)
Interest expense on bank borrowings	18,264	17,211
Interest expense on lease liabilities	11,107	-
Fair value changes in derivatives	-	870
Net change in provision for onerous contracts	(4,640)	(32,232)
Impairment loss on vessels	21,759	6,351
Share of results of an associate	-	8,402
Gain on disposal of associate	-	(265,929)
Share of results of joint ventures	(2,131)	(1,907)
Gain on liquidation of a subsidiary	(9,523)	-
Gain on liquidation of a joint venture	(19,281)	-
Operating profit before working capital changes	<u>117,108</u>	<u>21,176</u>
Working capital changes:		
Consumable stores	(1,043)	(2,808)
Receivables and other current assets	4,798	9,800
Contract assets	511	(966)
Payables and other liabilities	(9,597)	16,484
Contract liabilities	(659)	5,072
Cash generated from operating activities	<u>111,118</u>	<u>48,758</u>
Tax paid	<u>(1,015)</u>	<u>(981)</u>
Net cash generated from operating activities	<u>110,103</u>	<u>47,777</u>
Cash Flows From Investing Activities		
Construction cost of vessels	(175,674)	(135,724)
Purchase of other assets and capitalisation of docking costs	(16,815)	(5,229)
Interest received	3,476	2,850
Proceeds from disposal of vessels	80,437	84,019
Proceeds from disposal of associate	-	249,228
Capital distribution to non-controlling interest	(131)	-
Dividends from joint ventures	2,041	33,902
Loan repayment from joint venture	-	8,471
Capital distribution from joint venture	2,243	-
Net cash (used in)/generated from investing activities	<u>(104,423)</u>	<u>237,517</u>
Cash Flows From Financing Activities		
Interest on bank borrowings	(18,468)	(16,365)
Interest on lease liabilities	(11,107)	-
Drawdown of borrowings	166,480	82,992
Repayment of borrowings	(215,355)	(87,280)
Payment of principal portion of lease liabilities	(75,754)	-
Payment for derivatives	(59,098)	(18,541)
Dividend paid to non-controlling interest	(953)	(21,678)
Net cash used in financing activities	<u>(214,255)</u>	<u>(60,872)</u>
Net change in cash and cash equivalents	(208,575)	224,422
Effects of foreign exchange rate changes	(1,069)	(7,531)
Cash and cash equivalents at the beginning of the period	<u>289,124</u>	<u>72,233</u>
Cash and cash equivalents at the end of the period	<u>79,480</u>	<u>289,124</u>
Cash and cash equivalents comprise:		
Short term deposits	56,131	261,138
Cash and bank balances	<u>23,349</u>	<u>27,986</u>
	<u>79,480</u>	<u>289,124</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 2018.

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 2018 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 2019. Except for MFRS 16 Leases, the adoption of other standards did not have a material effect on the financial performance or position of the Group.

MFRS 16 Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Group adopted MFRS 16 using the modified retrospective method with the cumulative effect of initially applying this Standard as an adjustment to the opening balance of accumulated losses at the date of initial application. In accordance with the transition requirements under the Appendix C, paragraph 5(b) of MFRS 16, comparatives are not restated.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group will apply the practical expedient available in MFRS 16, Appendix C, paragraph 10(b) that allows any entity to rely on its assessment of whether leases are onerous as an alternative to performing an impairment review. The lessee shall adjust the right-of-use assets by the amount of any provision for onerous contracts recognised immediately before the date of initial application.

A1. BASIS OF PREPARATION (CONT'D)**MFRS 16 Leases (cont'd)**

The effect of adopting MFRS 16 as at 1 January 2019 is as follows:

	Note	Increase/ (decrease) RM'000
Assets		
Right-of-use assets	(a),(d)	182,941
		<u>182,941</u>
Equity and liabilities		
Accumulated losses	(b)	6,004
Payables and other liabilities	(b),(e)	(47,249)
Lease liabilities	(c),(e)	283,159
Provision for onerous contracts	(d)	(58,973)
		<u>182,941</u>

- (a) The right-of-use assets comprise 5 vessels leased from owners and are measured at the amount equal to the lease liabilities, and adjusted by the amount of provision for onerous contracts immediately before the date of initial application.
- (b) Implicit interest on accrued lease payments is adjusted to accumulated losses as at 1 January 2019.
- (c) The lease liabilities arising from 5 leased vessels are recognised and discounted using the Group's incremental borrowing rate of 4.48%, and adjusted by any accrued lease payments immediately before the date of initial application.
- (d) The Group applied the practical expedient available in MFRS 16, Appendix C, paragraph 10(b) that allows any entity to rely on its assessment of whether leases are onerous as an alternative to performing an impairment review. The lessee shall adjust the right-of-use assets by the amount of any provision for onerous contracts recognised immediately before the date of initial application.
- (e) Accrued lease payments previously classified as payables and other liabilities are now recognised as part of lease liabilities.

The operating lease commitments disclosed under MFRS 117 as at 31 December 2018 are reconciled as follows to the lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019, is as follows:

Operating lease commitments at 31 December 2018	RM '000
Accrued lease payments	281,832
Relief option for short term leases	47,249
	<u>(12,559)</u>
	316,522
Effect of discounting	<u>(33,363)</u>
Total lease liabilities as of 1 January 2019	<u>283,159</u>

A2. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 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 have been paid for the current quarter ended 31 December 2019.

A8. SEGMENT REPORT

	Shipping Bulkers RM '000	Investment holding RM '000	Ship brokerage & management RM '000	Elimination RM '000	Group RM '000
<u>12 months ended 31 December 2019</u>					
Revenue					
Group	254,564	-	4,379	(950)	257,993
Inter-segment	-	-	(950)	950	-
External revenue	<u>254,564</u>	<u>-</u>	<u>3,429</u>	<u>-</u>	<u>257,993</u>
Operating profit/(loss)	30,563	(197)	1,635	-	32,001
Loss on disposal of vessels	(17,799)	-	-	-	(17,799)
Impairment loss on vessels	(21,759)	-	-	-	(21,759)
Net change in onerous contracts provision	4,640	-	-	-	4,640
Gain on liquidation of a subsidiary	-	9,523	-	-	9,523
	(4,355)	9,326	1,635	-	6,606
Other operating income/(loss), net	(13)	4,556	177	-	4,720
Administrative expenses	<u>(3,598)</u>	<u>(4,378)</u>	<u>(1,490)</u>	<u>-</u>	<u>(9,466)</u>
	(7,966)	9,504	322	-	1,860
Interest expense on bank borrowings	(15,156)	(3,101)	(7)	-	(18,264)
Interest expense on lease liabilities	(11,107)	-	-	-	(11,107)
Share of results of joint ventures	2,131	-	-	-	2,131
Gain on liquidation of a joint venture	<u>19,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,281</u>
(Loss)/profit before tax	<u>(12,817)</u>	<u>6,403</u>	<u>315</u>	<u>-</u>	<u>(6,099)</u>
<u>12 months ended 31 December 2018</u>					
Revenue					
Group	235,583	-	4,203	(812)	238,974
Inter-segment	-	-	(812)	812	-
External revenue	<u>235,583</u>	<u>-</u>	<u>3,391</u>	<u>-</u>	<u>238,974</u>
Operating profit/(loss)	3,048	(295)	1,631	-	4,384
Impairment loss on vessels	(6,351)	-	-	-	(6,351)
Net change in onerous contracts provision	<u>32,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,232</u>
	28,929	(295)	1,631	-	30,265
Other operating income/(loss), net	(546)	2,432	30	-	1,916
Administrative expenses	<u>(2,776)</u>	<u>(5,591)</u>	<u>(1,237)</u>	<u>-</u>	<u>(9,604)</u>
	25,607	(3,454)	424	-	22,577
Interest expense on bank borrowings	(10,426)	(6,779)	(6)	-	(17,211)
Share of results of an associate	-	(8,402)	-	-	(8,402)
Gain on disposal of associate	-	265,929	-	-	265,929
Share of results of joint ventures	<u>1,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,907</u>
Profit before tax	<u>17,088</u>	<u>247,294</u>	<u>418</u>	<u>-</u>	<u>264,800</u>

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 signed two Memorandums of Agreement (in December 2019 and January 2020) to dispose of two vessels to third parties for a total net consideration of approximately RM83 million.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

On 15 November 2019, a wholly owned subsidiary, Velorum Shipping Pte Ltd was incorporated .

On 4 November 2019, a wholly owned subsidiary, Bistari Shipping Sdn Bhd commenced members' voluntary winding-up.

A12. CONTINGENT LIABILITIES

There were no contingent liabilities since 31 December 2018 to the date of this report.

A13. CAPITAL COMMITMENTS

There is no capital commitment as at end of the current quarter.

B1. REVIEW OF PERFORMANCE

MBC Group reported a loss of RM6.099 million in FY2019, a decrease of RM270.899 million compared to a profit of RM264.800 million in FY2018 mainly due to the non-recurrence of gain on disposal of associate of RM265.929 million recorded in FY2018.

The performance of the key segments in FY2019 as compared to FY2018 are as follows:

(1) Dry bulk segment

The table below summarizes the average time charter equivalent (TCE) and hire days for MBC fleet (including jointly owned).

	Average TCE/day		Hire days	
	Jan-Dec 2019	Jan-Dec 2018	Jan-Dec 2019	Jan-Dec 2018
	USD	USD	Days	Days
Dry bulk	10,010	10,180	5,375	5,150

At operating level, dry bulk segment reported a profit of RM30.563 million in FY2019, an improvement of RM27.515 million from a profit of RM3.048 million in FY2018. The improvement was mainly due to positive contribution from 3 new vessels, redelivery of one loss-making chartered-in vessel and lower operating costs for some chartered-in vessels.

On 1 January 2019, the Group adopted MFRS 16 Leases and accordingly reclassified the leases of 5 chartered-in vessels from operating lease to finance lease. The combined depreciation on right-of-use assets and interest expense on lease liabilities for these vessels in FY2019 was RM9.510 million lower than the charter hire expense previously recognized in FY2018.

The Group disposed of two vessels at a total loss of RM17.799 million (FY2018: nil) and recognised an impairment loss of RM21.759 million (FY2018: RM6.351 million) on its vessels in FY2019.

Net change in onerous contracts provision was a positive of RM4.640 million in FY2019, a decrease of RM27.592 million compared to RM32.232 million in FY2018 mainly due to the reclassification of onerous contracts provision for the 5 chartered-in vessels as impairment provision for right-of-use assets upon the adoption of MFRS 16 on 1 January 2019.

The gain on liquidation of a joint venture of RM19.281 million in FY2019 was resulted from the reclassification of the cumulative exchange differences relating to the joint venture from equity to profit or loss upon the liquidation of the joint venture.

Including impairment loss, loss on disposal of vessels, net change in onerous contracts provision and gain on liquidation of a joint venture, the dry bulk segment results was a loss of RM12.817 million in FY2019, compared to a profit of RM17.088 million in FY2018.

B1. REVIEW OF PERFORMANCE (CONT'D)(2) Investment holding

Investment holding segment reported a gain on liquidation of a subsidiary of RM9.523 million which was resulted from the reclassification of the cumulative exchange differences relating to the subsidiary from equity to profit or loss upon the liquidation of the subsidiary.

Net other operating income for investment holding segment increased by RM2.124 million to RM4.556 million in FY2019 (FY2018: RM2.432 million) mainly due to lower foreign exchange loss.

Interest expense on bank borrowings decreased by RM3.678 million to RM3.101 million in FY2019 (FY2018: RM6.779 million) mainly due to repayment of bank borrowings.

Investment holding segment reported a profit before tax of RM6.403 million in FY2019, a decrease of RM240.891 million from RM247.294 million profit in FY2018 mainly due to the non-recurrence of gain on disposal of associate of RM265.929 million reported in FY2018.

In summary, the Group reported an attributable loss of RM7.319 million in FY2019, compared to a profit of RM263.838 million in FY2018.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		Variance RM'000
	Q4 FY2019 RM'000	Q3 FY2019 RM'000	
Revenue	58,011	67,149	(9,138)
Voyage expenses	<u>(6,064)</u>	<u>(13,266)</u>	<u>7,202</u>
Net revenue	51,947	53,883	(1,936)
Operating expenses	<u>(39,871)</u>	<u>(44,856)</u>	<u>4,985</u>
Operating profit	12,076	9,027	3,049
Loss on disposal of vessels	(5,527)	0	(5,527)
Impairment loss on vessels	(15,758)	(6,001)	(9,757)
Net change in onerous contracts provision	0	2,973	(2,973)
Gain on liquidation of a subsidiary	<u>9,523</u>	<u>0</u>	<u>9,523</u>
	314	5,999	(5,685)
Other operating income/(loss), net	2,418	1,262	1,156
Administrative expenses	<u>(2,450)</u>	<u>(2,016)</u>	<u>(434)</u>
	282	5,245	(4,963)
Interest expense on bank borrowings	(4,309)	(4,389)	80
Interest expense on lease liabilities	(3,512)	(2,310)	(1,202)
Share of results of joint ventures	299	488	(189)
Gain on liquidation of a joint venture	<u>19,281</u>	<u>0</u>	<u>19,281</u>
Profit/(loss) before taxation	12,041	(966)	13,007
Income tax expense	<u>(363)</u>	<u>(328)</u>	<u>(35)</u>
Profit/(loss) for the period	<u>11,678</u>	<u>(1,294)</u>	<u>12,972</u>
<u>Attributable to:</u>			
Equity holders of the parent	11,678	(1,294)	12,972
Non-controlling interest	<u>0</u>	<u>0</u>	<u>0</u>
	<u>11,678</u>	<u>(1,294)</u>	<u>12,972</u>

Operating profit increased by RM3.049 million to RM12.076 million in Q4 FY2019 (Q3 FY2019: RM9.027 million) mainly due to lower docking cost (RM2.339 million) and redelivery of one loss-making chartered-in vessel to the owner.

The Group disposed of a vessel and reported a loss of RM5.527 million in Q4 FY2019.

The Group performed an impairment assessment on its vessels and right-of-use assets and recognised an impairment loss of RM15.758 million on its vessels in Q4 FY2019 (Q3 FY2019: RM6.001 million).

The gains on liquidation of a subsidiary (RM9.523 million) and a joint venture (RM19.281 million) in Q4 FY2019 were resulted from the reclassification of the cumulative exchange differences relating to the subsidiary and joint venture from equity to profit or loss upon the liquidation of these entities.

Net other operating income increased by RM1.156 million to RM2.418 million in Q4 FY2019 (Q3 FY2019: RM1.262 million) mainly due to positive fair value changes in derivatives.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS (CONT'D)

Administrative expenses increased by RM0.434 million mainly due to increased professional fees and under-accrued of expenses in previous quarters.

The Group recorded an attributable profit of RM11.678 million in Q4 FY2019, compared to an attributable loss of RM1.294 million in Q3 FY2019.

B3. PROSPECTS

The dry bulk freight market started the year on a weak note due to the early Chinese lunar new year and weaker demand for iron ore and coal shipments. The weak market is further worsened by the novel coronavirus (Covid-19) outbreak in China. Strong measures undertaken by the Chinese government to contain the outbreak, including an extended lunar new year shutdown, has led to lower demand across the board, resulting in a very weak freight market. There remains significant uncertainty with regards to timing of recovery, depending on when the virus outbreak ends and the effect of the measures taken by the Chinese government to stimulate demand post recovery. In light of this, the depressed freight rates are likely to weigh negatively on the bulk business.

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	363	1,215
	<u>363</u>	<u>1,215</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 4 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 2018.

As at 31 December 2019, 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	97,252	(1,911)
- More than 3 years	19,197	(870)
	<u>116,449</u>	<u>(2,781)</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	434	3,476
Amortisation of intangible assets	(34)	(122)
Depreciation on owned assets	(7,706)	(27,371)
Depreciation on right-of-use assets	(16,216)	(65,605)
Impairment loss on vessels	(15,758)	(21,759)
Net change in onerous contracts provision	-	4,640
Bad debts	(131)	(131)
Unrealised exchange loss	(76)	(100)
Gain on liquidation of a subsidiary	9,523	9,523
Gain on liquidation of a joint venture	19,281	19,281

B8. STATUS OF CORPORATE PROPOSALS

There were no other corporate proposals announced but not completed at the date of this report.

B9. UTILISATION OF PROCEEDS RAISED FROM THE RESTRICTED OFFER FOR SALE

The restricted offer for sale of the Company's entire deemed interest in associate to all shareholders of the Company was completed on 25 October 2018 and the status of utilisation of proceeds raised from the exercise as at 31 December 2019 is as follows:

<u>Purpose</u>	<u>Proposed Utilisation RM'm</u>	<u>Actual Utilisation RM'm</u>	<u>Balance RM'm</u>	<u>Intended Timeframe for Utilisation ⁽²⁾</u>	<u>Deviation RM'm</u>	<u>%</u>
(i) Working capital	116.0 ⁽¹⁾	(116.0)	-	Within 15 months	-	0%
(ii) Repayment of borrowings	68.3	(68.3)	-	Within 12 months	-	0%
(iii) Part finance the construction costs of new vessels	64.0	(64.0)	-	Within 12 months	-	0%
(iv) Estimated expenses	2.9	(2.9)	-	Within 6 months	-	0%
Total	<u>251.2</u>	<u>(251.2)</u>	<u>-</u>		<u>-</u>	

Note:

⁽¹⁾ Includes excess funds for estimated expenses of RM8.2 million which has been re-allocated to working capital.

⁽²⁾ The intended timeframe for utilisation is from the date of completion of the restricted offer for sale.

B10. BORROWINGS

The Group's borrowings as at 31 December 2019 are as follows:

	Currency	Current RM '000	Non-current RM '000
Secured	USD	<u>31,607</u>	<u>325,232</u>

B11. MATERIAL LITIGATION

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

B12. DIVIDENDS

The Directors do not recommend any dividend for the current quarter ended 31 December 2019.

B13. EARNINGS/(LOSS) PER SHARE

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

	CURRENT YEAR QUARTER 31-Dec-19	PRECEDING YEAR QUARTER 31-Dec-18	CURRENT YEAR TO DATE 31-Dec-19	PRECEDING YEAR TO DATE 31-Dec-18
Profit/(loss) attributable to equity holders of the parent (RM'000)	11,678	406,436	(7,319)	263,838
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)	<u>1.17</u>	<u>40.64</u>	<u>(0.73)</u>	<u>26.38</u>