

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 December 2020

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2020

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Dec-20 RM '000	PRECEDING YEAR QUARTER 31-Dec-19 RM '000	CURRENT YEAR TO DATE 31-Dec-20 RM '000	PRECEDING YEAR TO DATE 31-Dec-19 RM '000
Revenue	41,993	58,011	175,986	257,993
Voyage expenses	(6,190)	(6,064)	(45,140)	(51,450)
	35,803	51,947	130,846	206,543
Operating expenses	(31,549)	(39,871)	(134,438)	(174,542)
	4,254	12,076	(3,592)	32,001
Loss on disposal of vessels	-	(5,527)	-	(17,799)
Impairment loss on vessels	(55,782)	(15,758)	(55,782)	(21,759)
Net change in onerous contracts provision	-	-	-	4,640
Gain on liquidation of a subsidiary	-	9,523	51,263	9,523
	(51,528)	314	(8,111)	6,606
Other operating income, net	7,030	2,418	9,619	4,720
Administrative expenses	(1,470)	(2,450)	(7,257)	(9,466)
	(45,968)	282	(5,749)	1,860
Interest expense on bank borrowings	(2,335)	(4,309)	(11,605)	(18,264)
Interest expense on lease liabilities	(1,458)	(3,512)	(7,582)	(11,107)
Share of results of joint ventures	(15)	299	1,192	2,131
Gain on liquidation of a joint venture	-	19,281	3,065	19,281
(Loss)/profit before tax	(49,776)	12,041	(20,679)	(6,099)
Income tax expense	(4)	(363)	(102)	(1,215)
(Loss)/profit for the period	(49,780)	11,678	(20,781)	(7,314)
Attributable to:				
Equity holders of the parent	(49,780)	11,678	(20,781)	(7,319)
Non-controlling interest	-	-	-	5
	(49,780)	11,678	(20,781)	(7,314)
(Loss)/earnings per share (sen)				
- Basic	(4.98)	1.17	(2.08)	(0.73)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the period ended 31 December 2020

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2020**

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Dec-20 RM '000	PRECEDING YEAR QUARTER 31-Dec-19 RM '000	CURRENT YEAR TO DATE 31-Dec-20 RM '000	PRECEDING YEAR TO DATE 31-Dec-19 RM '000
(Loss)/profit for the period	(49,780)	11,678	(20,781)	(7,314)
Other comprehensive income/(loss):				
<u>Items that will be reclassified to profit or loss</u>				
Currency translation differences	(10,415)	(9,296)	(4,810)	(2,784)
Net change in cash flow hedge	710	(762)	(658)	(5,398)
Realisation of reserves on liquidation of a subsidiary	-	(9,523)	(51,263)	(9,523)
Realisation of reserves on liquidation of a joint venture	-	(19,248)	(3,065)	(19,248)
Total comprehensive loss for the period	<u>(59,485)</u>	<u>(27,151)</u>	<u>(80,577)</u>	<u>(44,267)</u>
Total comprehensive loss attributable to:				
Equity holders of the parent	(59,485)	(27,151)	(80,577)	(44,266)
Non-controlling interest	-	-	-	(1)
	<u>(59,485)</u>	<u>(27,151)</u>	<u>(80,577)</u>	<u>(44,267)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	UNAUDITED	AUDITED
	AS AT END OF CURRENT QUARTER 31-Dec-20 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31-Dec-19 RM '000
ASSETS		
Non-current assets		
Property, plant and equipment	467,286	605,578
Right-of-use assets	49,805	115,929
Joint ventures	16,398	34,103
	<u>533,489</u>	<u>755,610</u>
Current assets		
Consumable stores	5,889	11,055
Receivables and other current assets	23,541	28,556
Contract assets	84	452
Short term deposits	20,329	56,131
Cash and bank balances	18,557	23,349
	<u>68,400</u>	<u>119,543</u>
Non-current assets classified as held for sale	50,257	82,115
	<u>118,657</u>	<u>201,658</u>
TOTAL ASSETS	<u><u>652,146</u></u>	<u><u>957,268</u></u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	338,791	338,791
Foreign currency translation reserve	121,984	181,122
Cash flow hedge reserve	(2,579)	(1,921)
Accumulated losses	(183,943)	(163,162)
Total equity	<u>274,253</u>	<u>354,830</u>
Non-current liabilities		
Borrowings	150,027	325,232
Lease liabilities	42,886	115,398
Derivative financial liabilities	3,016	2,538
	<u>195,929</u>	<u>443,168</u>
Current liabilities		
Payables and other current liabilities	22,184	33,141
Contract liabilities	3,179	4,415
Borrowings	87,317	31,607
Lease liabilities	68,963	89,543
Derivative financial liabilities	319	243
Provision for taxation	2	321
	<u>181,964</u>	<u>159,270</u>
Total liabilities	<u>377,893</u>	<u>602,438</u>
TOTAL EQUITY AND LIABILITIES	<u><u>652,146</u></u>	<u><u>957,268</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2020

	Attributable to Equity Holders of the Parent						Total equity RM '000
	Non-distributable					Non-controlling interest RM '000	
	Share capital RM '000	Cash flow hedge reserve RM '000	Foreign currency translation reserve RM '000	Accumulated losses RM '000	Total RM '000		
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
12 MONTHS ENDED 31 DECEMBER 2020							
At 1 January 2020	338,791	(1,921)	181,122	(163,162)	354,830	-	354,830
Total comprehensive loss for the period	-	(658)	(59,138)	(20,781)	(80,577)	-	(80,577)
At 31 December 2020	338,791	(2,579)	121,984	(183,943)	274,253	-	274,253

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2020

	CUMULATIVE	
	CURRENT YEAR 31-Dec-20 RM '000	PRECEDING YEAR 31-Dec-19 RM '000
Cash Flow From Operating Activities		
Loss before tax	(20,679)	(6,099)
Adjustments for:		
Amortisation of intangible assets	295	122
Depreciation on owned assets	27,716	27,371
Depreciation on right-of-use assets	62,521	65,605
Loss on disposal of vessels	-	17,799
Unrealised foreign exchange (gain)/loss	(1,283)	100
Bad debts written off	-	131
Interest income	(725)	(3,476)
Interest expense on bank borrowings	11,605	18,264
Interest expense on lease liabilities	7,582	11,107
Lease modification	(166)	-
Net change in provision for onerous contracts	-	(4,640)
Impairment loss on vessels	55,782	21,759
Share of results of joint ventures	(1,192)	(2,131)
Gain on liquidation of a subsidiary	(51,263)	(9,523)
Gain on liquidation of a joint venture	(3,065)	(19,281)
Operating profit before working capital changes	<u>87,128</u>	<u>117,108</u>
Working capital changes:		
Consumable stores	5,219	(1,043)
Receivables and other current assets	5,711	4,798
Contract assets	368	511
Payables and other liabilities	(8,504)	(9,597)
Contract liabilities	(1,255)	(659)
Cash generated from operating activities	<u>88,667</u>	<u>111,118</u>
Tax paid	(883)	(1,015)
Net cash generated from operating activities	<u>87,784</u>	<u>110,103</u>
Cash Flows From Investing Activities		
Construction cost of vessels	-	(175,674)
Purchase of other assets and capitalisation of docking costs	(1,278)	(16,815)
Interest received	725	3,476
Proceeds from disposal of vessels	83,209	80,437
Capital distribution to non-controlling interest	-	(131)
Dividends from joint ventures	-	2,041
Loan repayment from joint venture	18,862	-
Capital distribution from joint venture	136	2,243
Net cash generated from/(used in) investing activities	<u>101,654</u>	<u>(104,423)</u>
Cash Flows From Financing Activities		
Interest on bank borrowings	(12,646)	(18,468)
Interest on lease liabilities	(7,582)	(11,107)
Drawdown of borrowings	21,382	166,480
Repayment of borrowings	(138,612)	(215,355)
Payment of principal portion of lease liabilities	(92,801)	(75,754)
Payment for derivatives	-	(59,098)
Dividend paid to non-controlling interest	-	(953)
Net cash used in financing activities	<u>(230,259)</u>	<u>(214,255)</u>
Net change in cash and cash equivalents	(40,821)	(208,575)
Effects of foreign exchange rate changes	227	(1,069)
Cash and cash equivalents at the beginning of the period	<u>79,480</u>	<u>289,124</u>
Cash and cash equivalents at the end of the period	<u>38,886</u>	<u>79,480</u>
Cash and cash equivalents comprise:		
Short term deposits	20,329	56,131
Cash and bank balances	18,557	23,349
	<u>38,886</u>	<u>79,480</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 2019.

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 2019 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 2020. 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 2019 were not qualified.

A3. SEASONAL OR CYCLICAL FACTORS

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

A4. NATURE AND AMOUNT OF UNUSUAL ITEMS

There were no items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence for the current quarter.

A5. CHANGES IN ESTIMATES

There were no changes to the estimates of amounts reported in prior financial years that may have a material effect in the current quarter.

A6. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation or shares held as treasury shares and resale of treasury shares for the current quarter.

A7. DIVIDENDS PAID

No dividend has been paid for the current quarter ended 31 December 2020.

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 31 December 2020 up to the date of this report.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter under review.

A12. CONTINGENT LIABILITIES

There were no contingent liabilities since 31 December 2019 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

In this reporting period FY2020, net revenue for the Group was RM130.846 million (FY2019: RM206.543 million) and operating loss was RM3.592 million (FY2019: operating profit of RM32.001 million). The decrease in results were mainly due to reduced hire days (FY2020: 3,848 days vs FY2019: 5,010 days), a smaller fleet and a 14% drop in charter rates (FY2020: USD8,566/day vs FY2019: USD9,921/day).

The Group completed the disposal of 2 vessels with net proceeds of RM83.209 million in Q1 FY2020. As the carrying amounts of these vessels have been adjusted to net proceeds in FY2019, there were no gains or losses on disposals recognised in this period. In addition, a jointly-owned vessel was sold in September 2020.

The Group recognised an impairment loss of RM55.782 million (FY2019: RM21.759 million) on its vessels in FY2020.

The Group recorded a gain on liquidation of a subsidiary of RM51.263 million as well as a gain on liquidation of a joint venture of RM3.065 million in FY2020. These gains arose from the reclassification of the cumulative exchange differences relating to the entities from equity to profit or loss upon liquidation of the entities.

Excluding exceptional items, the Group reported a loss before tax of RM19.225 million in FY2020, a further loss of RM19.240 million compared to a profit before tax of RM0.015 million in FY2019.

In summary, MBC Group reported an attributable loss of RM20.781 million in FY2020, compared to a loss of RM7.314 million in FY2019.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

	Individual Quarter		
	Q4 FY2020 RM '000	Q3 FY2020 RM '000	Variance RM '000
Revenue	41,993	42,658	(665)
Voyage expenses	(6,190)	(12,181)	5,991
Net revenue	35,803	30,477	5,326
Operating expenses	(31,549)	(34,552)	3,003
Operating profit/(loss)	4,254	(4,075)	8,329
Impairment loss on vessels	(55,782)	-	(55,782)
	(51,528)	(4,075)	(47,453)
Other operating income, net	7,030	1,143	5,887
Administrative expenses	(1,470)	(1,987)	517
	(45,968)	(4,919)	(41,049)
Interest expense on bank borrowings	(2,335)	(2,480)	145
Interest expense on lease liabilities	(1,458)	(1,791)	333
Share of results of joint ventures	(15)	211	(226)
Gain on liquidation of a joint venture	-	3,065	(3,065)
Loss before taxation	(49,776)	(5,914)	(43,862)
Income tax expense	(4)	(36)	32
Loss for the period	(49,780)	(5,950)	(43,830)
<u>Attributable to:</u>			
Equity holders of the parent	(49,780)	(5,950)	(43,830)
Non-controlling interest	-	-	-
	(49,780)	(5,950)	(43,830)

Net revenue increased by RM5.326 million to RM35.803 million in Q4 FY2020 (Q3 FY2020: RM30.477 million), and operating results increased by RM8.329 million to an operating profit of RM4.254 million in Q4 FY2020 (Q3 FY2020: operating loss of RM4.075 million). The increase in results were mainly due to a 29% increase in charter rates (Q4 FY2020: USD10,306/day vs Q3 FY2020: USD7,990/day).

Other operating income increased by RM5.887 million in Q4 FY2020 to RM7.03 million (Q3 FY2020: RM1.143 million) mainly due to the reduction of charter hire expenses from drydocking of long-term chartered vessels, and the write back of expenses from liquidated companies.

Lower interest expense on lease liabilities by RM0.333 million in Q4 FY2020 to RM1.458 million (Q3 FY2020 RM1.791 million) due to redelivery of chartered-in vessel.

The group performed an impairment assessment on its vessels and right-of-use assets and recognised an impairment loss of RM55.782 million on its vessels in Q4 FY2020.

Excluding the exceptional items, the Group recorded a profit before tax of RM6.006 million in Q4 FY2020 compared to a loss before tax of RM8.979 million in Q3 FY2020.

In summary, the Group recorded an attributable loss of RM49.780 million in Q4 FY2020, compared to a loss of RM5.950 million in Q3 FY2020.

B3. PROSPECTS

Global manufacturing activities continued to recover over the fourth quarter and into 2021, suggesting that countries could keep economies open while combatting the virus spread. A rise in COVID-19 cases in European, US and some Asian economies has further enhanced social distancing measures, but there has been a strong and atypical start for all major dry bulk commodities in 2021 (iron ore, coal, grain), outperforming shipments volumes for the past five years.

China's iron ore imports reached record levels in 2020, with a year-on-year growth of 9% as the country beefed up spending on infrastructure to help spur the world's second-biggest economy amid the coronavirus pandemic. Correspondingly, China's crude steel output increased by 5.2% to a record 1.05Bt in 2020. Indonesian and Australian thermal coal exports rose sharply as North Asian countries experienced a colder-than-usual winter. Chinese corn demand has also surged in early 2021 amidst high domestic prices in China and weaker inventories.

Consequently, spot freight rates for bulk cargoes are firm, carrying on from the positive momentum in 4Q2020. Improved spot conditions have also resulted in active sale and purchase market. Whilst the freight market is showing encouraging signs in the immediate term, there are still ongoing challenges. The Group will continue to focus on consolidating and improving its financial position to weather the uncertainties in market conditions.

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	4	102
	<u>4</u>	<u>102</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 2019.

As at 31 December 2020, 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	104,447	(3,335)

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	77	725
Amortisation of intangible assets	(194)	(295)
Depreciation on owned assets	(6,948)	(27,716)
Depreciation on right-of-use assets	(13,288)	(62,521)
Unrealised exchange gain	408	1,283
Gain on liquidation of a subsidiary	-	51,263
Gain on liquidation of a joint venture	-	3,065

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 31 December 2020 are as follows:

	Currency	Current RM '000	Non-current RM '000
Secured	USD	87,317	150,027

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 31 December 2020.

B12. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings 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-20	PRECEDING YEAR QUARTER 31-Dec-19	CURRENT YEAR TO DATE 31-Dec-20	PRECEDING YEAR TO DATE 31-Dec-19
(Loss)/profit attributable to equity holders of the parent (RM'000)	(49,780)	11,678	(20,781)	(7,319)
Number of ordinary shares in issue('000)	1,000,000	1,000,000	1,000,000	1,000,000
(Loss)/earnings per share attributable to equity holders of the parent (sen)	(4.98)	1.17	(2.08)	(0.73)