

QUARTERLY REPORT

This is a quarterly report on consolidated results for the financial quarter ended 31 December 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2017

	INDIVIDUAL QUARTER		CUMULATIVE	
	Current Year Quarter Ended 31.12.2017 RM '000	Preceding Year Quarter Ended 31.12.2016 RM '000	Current Year To Date 31.12.2017 RM '000	Preceding Year To Date 31.12.2016 RM '000
Revenue	25,225	24,396	25,225	24,396
Operating Expenses	(22,464)	(21,864)	(22,464)	(21,864)
	<u>2,761</u>	<u>2,532</u>	<u>2,761</u>	<u>2,532</u>
Other Operating Income	3,249	2,301	3,249	2,301
Administrative Expenses	(2,242)	(2,401)	(2,242)	(2,401)
Other Expenses	(1,646)	(8,370)	(1,646)	(8,370)
Finance Cost	(1,344)	(2,024)	(1,344)	(2,024)
Profit/ (Loss) before taxation	<u>778</u>	<u>(7,962)</u>	<u>778</u>	<u>(7,962)</u>
Taxation	749	26	749	26
Profit/ (Loss) for the period	<u>1,527</u>	<u>(7,936)</u>	<u>1,527</u>	<u>(7,936)</u>
Other comprehensive income:				
Currency translation differences	(1,069)	2,184	(1,069)	2,184
Total Comprehensive income for the period	<u>458</u>	<u>(5,752)</u>	<u>458</u>	<u>(5,752)</u>
Profit/ (Loss) attributable to: Equity holders of the parent	<u>1,527</u>	<u>(7,936)</u>	<u>1,527</u>	<u>(7,936)</u>
Total comprehensive income attributable to: Equity holders of the parent	<u>458</u>	<u>(5,752)</u>	<u>458</u>	<u>(5,752)</u>
Earnings per share attributable to equity holders of the parent (sen)				
Basic	0.08	-0.06	0.08	-0.06
Diluted	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017)

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This is a quarterly report on consolidated results for the financial quarter ended 31 December 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	AS AT END OF CURRENT QUARTER 31.12.2017	AS AT PRECEEDING FINANCIAL YEAR ENDED 30.09.2017
	RM'000	RM'000
ASSETS		
Non Current Assets		
Property, Plant and Equipment	166,380	164,131
Intangible assets	15,207	15,207
Trade and Other receivables	33,868	34,465
Deferred tax assets	1,747	1,703
	<u>217,202</u>	<u>215,506</u>
Current Assets		
Inventories	6,236	5,627
Assets held for sale	-	4,746
Trade and Other receivables	20,416	18,125
Tax recoverable	776	613
Cash and cash equivalents	24,088	11,156
	<u>51,516</u>	<u>40,267</u>
TOTAL ASSETS	<u>268,718</u>	<u>255,773</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	143,270	99,070
Treasury shares	(4,192)	(4,192)
Reserves	(21,279)	(20,523)
Total equity	<u>117,799</u>	<u>74,355</u>
Non-current liabilities		
Long term borrowings	61,602	67,239
Trade & Other payables	1,376	7,809
Deferred tax liabilities	10,460	11,629
	<u>73,438</u>	<u>86,677</u>
Current Liabilities		
Short term borrowings	46,913	58,893
Trade & Other payables	30,498	35,774
Taxation	70	74
	<u>77,481</u>	<u>94,741</u>
Total liabilities	<u>150,919</u>	<u>181,418</u>
TOTAL EQUITY AND LIABILITIES	<u>268,718</u>	<u>255,773</u>
Net assets per share (RM)	0.06	0.09

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the financial quarter ended 31 December 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED 31 DECEMBER 2017

	CURRENT YEAR TO DATE ENDED 31.12.2017 RM'000	PRECEDING YEAR TO DATE ENDED 31.12.2016 RM'000
Profit/ (Loss) before taxation	778	(7,962)
Adjustments for :-		
Non-operating items	2,289	8,200
Interest expenses	1,344	2,024
Interest income	(146)	(30)
Operating profit before working capital changes	4,265	2,232
Net change in current assets	2,554	5,448
Net change in current liabilities	(5,921)	(6,751)
Tax (paid)/ refunded	(742)	(65)
Interest paid	(1,344)	(2,024)
Net cash generated from/ (used in) operating activities	(1,188)	(1,160)
Investing activities		
Purchase of property, plant and equipment	(6,068)	(3,801)
Proceeds from sales of investment, property, plant and equipment	1,908	85
Interest received	146	30
Net cash (used in)/generated from investing activities	(4,014)	(3,686)
Financing activities		
Repayment of bank borrowings	(16,096)	(4,542)
Proceeds from capital raising exercises	37,000	-
Expenses relating to capital raising	(1,323)	(73)
Net cash generated from/ (used in) financing activities	19,581	(4,615)
Net changes in cash and cash equivalents	14,379	(9,461)
Cash and cash equivalents at beginning of financial period	11,156	16,123
Effects of Exchange Rate Changes	(1,447)	1,063
Cash and cash equivalents at end of the financial period	24,088	7,725

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017)

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This is a quarterly report on consolidated results for the financial quarter ended 31 December 2017

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE QUARTER ENDED 31 DECEMBER 2017

	< ----- Attributable to Equity Holders of the Parent ----- >							
	< ----- Non-distributable ----- >					> Distributable		
	Share capital RM'000	Warrant reserve RM'000	Treasury shares RM'000	Share premium RM'000	Translation reserves RM'000	Capital reserves RM'000	Retained Profit RM'000	Total Equity RM'000
YEAR ENDED 30 SEP 2017								
At 1 October 2016	126,540	90,693	(4,192)	529	(14,920)	(58,625)	(82,911)	57,114
Capital raising expenses				(73)				(73)
Total comprehensive income for the period					2,184		(7,936)	(5,752)
At 31 December 2016	<u>126,540</u>	<u>90,693</u>	<u>(4,192)</u>	<u>456</u>	<u>(12,736)</u>	<u>(58,625)</u>	<u>(90,847)</u>	<u>51,289</u>
YEAR ENDED 30 SEP 2018								
At 1 October 2017	99,070	90,693	(4,192)	-	(14,533)	(57,410)	(39,272)	74,356
Conversion of RCN	44,200					(1,215)		42,985
Total comprehensive income for the period					(1,069)		1,527	458
At 31 December 2017	<u>143,270</u>	<u>90,693</u>	<u>(4,192)</u>	<u>-</u>	<u>(15,602)</u>	<u>(58,625)</u>	<u>(37,745)</u>	<u>117,799</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017)

NOTES TO THE INTERIM FINANCIAL REPORT – FRS 134

A1. Basis of preparation

The Interim Financial Report of the Group are unaudited and have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board, and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. These condensed consolidated interim financial statements should be read in conjunction with the annual audited financial statements of Hubline Berhad and its subsidiaries for the financial year ended 30 September 2017.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the financial statements for the year ended 30 September 2017.

A2. Auditors' report on preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the year ended 30 September 2017 was not qualified.

A3. Seasonality or cyclical factors

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

A4. Material and unusual items

There were no exceptional items in the quarterly financial statement under review.

A5. Changes in estimates

There were no changes in the estimates of amounts, which give a material effect in the current interim period.

A6. Debts and equity securities

There were no issuances, cancellations, repurchases, resale of debts and equity securities during the financial period under review.

A7. Dividend

No dividends have been declared or paid for the current financial period to date.

A8. Segmental Information

	Shipping & Related Activities RM'000	Elimination RM'000	Group RM'000
Revenue			
External sales	25,225	-	25,225
Inter-segment sales			
Total revenue	<u>25,225</u>	<u>-</u>	<u>25,225</u>
Results			
Interest income	146		146
Finance cost	(1,344)		(1,344)
Segment profit before taxation	<u>778</u>		<u>778</u>

A9. Profit before tax

The following items have been included in arriving at profit/loss before tax:

	INDIVIDUAL QUARTER		CUMULATIVE	
	Current Year Quarter Ended 31.12.2017 RM '000	Preceding Year Quarter Ended 31.12.2016 RM '000	Current Year To Date 31.12.2017 RM '000	Preceding Year To Date 31.12.2016 RM '000
Interest income	146	30	146	30
Other income	1,186	35	1,186	35
Foreign exchange gains/(losses) (net)	1,917	1,915	1,917	1,915
Depreciation and amortisation	(3,416)	(2,643)	(3,416)	(2,643)
Container division exit provisions & expenses	-	(8,370)	-	(8,370)

A10. Valuations of property, plant and equipment

The valuations of property, plant and equipment have been brought forward, without amendment from the most recent annual audited financial statements.

A11. Subsequent material events

Save for the events of the private placement detailed at item B8(ii), there were no material events subsequent to the end of the current quarter up to the date of this report.

A12. Changes in composition of the Company

There was no change in the composition of the Group during the current quarter under review.

A13. Changes in contingent liabilities or contingent assets

The contingent liabilities of the Company are as follows:

Corporate Guarantees given to financial institutions and third parties for credit facilities provided to subsidiaries	RM'000
	<u>14,622</u>

A14. Capital Commitment

	RM
Amount approved and committed	6.70 million
Amount approved and not committed	<u>NIL</u>
Total	<u>6.70 million</u>

B EXPLANATORY NOTES OF BURSA MALAYSIA LISTING REQUIREMENTS**B1. Review of performance**

	INDIVIDUAL QUARTER			CUMULATIVE		
	Current Year Quarter 31.12.2017	Preceding Year Quarter 31.12.2016	Changes Amount RM '000	Current Year To Date 31.12.2017	Preceding Year To Date 31.12.2016	Changes Amount RM '000
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue	25,225	24,396	829	25,225	24,396	829
Operating Profit	2,761	2,532	229	2,761	2,532	229
(Loss)/Profit before Interest, Tax, Depreciation, and Amortisation (EBITDA)	5,598	(2,469)	8,067	5,598	(2,469)	8,067
Profit/(Loss) Before Tax	778	(7,962)	8,740	778	(7,962)	8,740
Profit/(Loss) After Tax	1,527	(7,936)	9,463	1,527	(7,936)	9,463
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,527	(7,936)	9,463	1,527	(7,936)	9,463

- Group revenue for the quarter ended 31 December 2017 was RM 25.23 million which was marginally higher when compared to the corresponding period of the previous year where revenue for that quarter was RM 24.40 million.
- The operating profit was also higher compared to the same period last year however, the increase was in line with the increase in revenue.
- The Group's EBITDA for the current quarter was RM 5.60 million. This amount included RCN expenses of RM 1.32 million as compared to nil in the previous corresponding period. In the preceding year quarter, the EBITDA was negative mainly due to foreign exchange losses and container division exit expenses totaling RM 8.37 million.
- Interest expenses in the current quarter were RM 1.34 million compared to RM 2.02 million in the preceding year quarter. The interest savings were due to reduction in borrowings, especially those relating to the container business.
- As this is the first quarter of the financial year, the cumulative year to date amounts are the same as the quarterly results.

B2. Comparison with preceding quarter's results

	Current Year Quarter 31.12.2017 RM '000	Immediate Preceding Quarter 30.09.2017 RM '000	Changes Amount RM '000
Revenue	25,225	22,116	3,109
Operating Profit	2,761	1,311	1,450
(Loss)/Profit before Interest, Tax, Depreciation, and Amortisation (EBITDA)	5,598	1,524	4,074

Profit/(Loss) Before Tax	778	(4,006)	4,784
Profit/(Loss) After Tax	1,527	(3,924)	5,451
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,527	(3,924)	5,451

- The Group revenue in the current quarter was RM 25.23 million which was higher than the previous quarter of RM 22.12 million. Spot rates for the current quarter were higher compared to last quarter and this helped to boost top line revenue.
- The variance in operating profit was not due to any singular cost item. There were cost savings in a few areas, mainly in the usage of spare parts and repair costs.
- EBITDA in the current quarter was RM 5.60 million as compared to RM 1.52 million in the immediate preceding quarter. EBITDA in the current quarter was higher due to higher revenue earned in the current quarter.

B3. Commentary on Prospects

The Group's dry bulk business was affected by the recent bad weather which has resulted in four (4) of our vessel sets being stranded. We have managed to have two of the affected vessel sets back into operation, however, there will be downtime on the other two of our barges due to the damage that they had sustained. While the vessels are covered by insurance, we expect sales to be temporarily affected due to the downtime required for the repair works.

The rest of the Group's operating tugs and barges continue to be highly utilised and the industry is showing improvement with the rates increasing in recent months. This, together with the various marketing and promotional strategies which the Group is undertaking to expand our existing client base, we expect to maintain our existing clientele within the niche sector in which we operate, as well as explore opportunities to work with new clients to expand the Group's current route network.

B4. Variance of actual profit from forecast profit and shortfall in profit guarantee

Not applicable as the Group did not issue any profit forecast and /or profit guarantee for the quarter.

B5. Taxation

	Quarter ended 31 December 2017 RM'000	Year to date 31 December 2017 RM'000
Income tax charge		
- current period	(80)	(80)
Deferred taxation	829	829
	<u>749</u>	<u>749</u>

Domestic current income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Certain subsidiaries of the Group enjoy tax exemptions from the relevant authorities on their business income for current and future periods. The computation of deferred tax as at the current period has reflected the effects of such exemptions.

B6. Sales of unquoted investment and/or properties

There are no sales of unquoted investment and/or properties during the current quarter and financial year to date.

B7. Purchase or disposal of quoted securities

There was no purchase or disposal of quoted securities during the current quarter.

B8. Status of corporate proposals

Save for the following, there were no other corporate proposals announced by the Company by not completed as at 19 February 2018, being the latest practical date, which is not earlier than 7 days from the date of issue of this report.

(i) Redeemable Convertible Notes program (“RCN”)

All RCNs were converted into ordinary shares by November 2017.

As at 23 February 2018, the status of the utilization of the gross proceeds from the RCN is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation Amount (RM'000)	%	Explanations (if deviation is 5% or more)
(i) Working capital [#]	7,000	5,807	Within 60 months of drawdown	Note A		Note A
(ii) Part payment of borrowings	55,000	45,072	Within 12 months of drawdown	Note A		Note A
(iii) Partial payments for new vessels constructed	18,000	15,916	Within 12 months of drawdown	Note A		Note A
TOTAL	80,000	66,795				

includes expenses in connection to the issuance of notes

Note A: The RCN programme is a 5 year programme that covers up to the period ended 24 February 2022. While not all proceeds have been dispersed, the Group expects it to be utilised within the timeframe provided. Actual Utilisation disclosed above is within the proposed utilisation range for the full RCN issue of RM80 million and the Group does not expect any material deviation as at the date of this quarterly report.

(ii) Private Placement

On 15 December 2017, the Company announced a proposed private placement of up to 230,199,183 new Hubline shares representing approximately 10% of the Company's total number of issued shares.

This proposed private placement is expected to raise approx. RM 21.4 million under the minimum scenario or RM 23.0 million under the maximum scenario.

Submission of the listing application was made to Bursa Malaysia on 15 December 2017 and approval was received from Bursa Malaysia on 23 January 2018.

Subsequent to quarter end, as at 23 February 2018, the Company had issued 214,735,813 placement shares at an average placement price of RM 0.101. The amount received for the private placement was RM 21.688 million.

As at 23 February 2018, the status of the utilization of the gross proceeds from the private placement is as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation Amount % (RM'000)	Explanations (if deviation is 5% or more)
(i) Partial repayment of borrowings	11,000	-	Within 12 months from receipt of funds	Note B	Note B
(ii) Capital expenditure	5,900	3,146	Within 12 months from receipt of funds	Note B	Note B
(iii) Partial payment of secured container shipping business creditors	3,900	751	Within 12 months from receipt of funds	Note B	Note B
(iv) Working capital	688	-	Within 12 months from receipt of funds	Note B	Note B
(v) Estimated expenses in relation to Private Placement	200	170	Within 1 month from receipt of funds	Note B	Note B
TOTAL	21,688	4,067			

Note B: The Group expects to utilise the funds raised within 12 months from receipt within the proposed utilisation range. The Group does not expect any material deviation as at the date of this quarterly report

B9. Group borrowings and debt securities

	As at 1 st quarter ended 31 December 2017					
	Short term		Long term		Total borrowings	
Secured	Foreign denomination (RM '000)^	RM denomination (RM '000)	Foreign denomination (RM '000)^	RM denomination (RM '000)	Foreign denomination (RM '000)^	RM denomination (RM '000)
Invoice Financing		16,705				16,705
Revolving Credit		500		125		625
Term Loan	13,453	16,152	25,440	35,942	38,893	52,094
Hire Purchase		103		95		198
Total	13,453	33,460	25,440	36,162	38,893	69,622
Grand Total		46,913		61,602		108,515

^ Loan is denominated in USD. As at 31 December 2017, the total balance outstanding was USD 9.609 million. Exchange rate used to convert to RM was 4.0475.

As at 1 st quarter ended 31 December 2016						
Secured	Short term		Long term		Total borrowings	
	Foreign denomination (RM '000)^	RM denomination (RM '000)	Foreign denomination (RM '000)^	RM denomination (RM '000)	Foreign denomination (RM '000)^	RM denomination (RM '000)
Invoice Financing		10,126		19,373		29,499
Revolving Credit		500		625		1,125
Term Loan	14,608	12,936	43,106	48,894	57,714	61,830
Hire Purchase		6		31		37
Total	14,608	23,568	43,106	68,923	57,714	92,491
Grand Total		38,176		112,029		150,205

[^] Loan is denominated in USD. As at 31 December 2016, the total balance outstanding was USD 12.865 million. Exchange rate used to convert to RM was 4.4860.

Borrowings reduced by RM 41.69 million from RM 150.20 million on 31 December 2016 compared to RM 108.51 million this quarter. Borrowings were reduced mainly from funds raised via the RCN program. The approximate net annual interest savings as a result of the reduction in borrowings is RM 2.96 million.

The average weighted interest rate of borrowings for the Group is 7.01% per.

The Group's foreign currency debt is denominated in USD and is not hedged to RM. Our view is that while we are exposed to some foreign currency volatility in the short term, the impact is not significant in the long term, especially where our Group does earn revenue in the same currency. Furthermore, hedging is costly and can introduce unwanted leverage to the Group.

The exchange rate used to convert USD borrowings is based on the 5pm USD exchange rate on the last business day of the quarter as announced by Bank Negara Malaysia and the current quarter's exchange rate has been quoted above.

B10. Off balance sheet financial instruments

There are no financial instruments with off balance sheet risk at the date of this quarterly report.

B11. Derivatives

There were no derivatives entered into by the Group as at the end of the quarter under review.

B12. Gains/losses arising from fair value changes of financial liabilities

There were no gains/losses arising from the fair value changes of financial liabilities.

B13. Material litigation

As at the date of this report, Hubline and its subsidiaries, are not engaged in any litigation, claims or arbitration, either as plaintiff or defendant and do not know of any proceedings pending or threatened or of any fact which may materially affect their income from, title to or possession of any of their assets and /or businesses.

B14. Dividend declared

The Directors do not recommend any dividend for the quarter under review.

B15. Earnings per share**(a) Basic**

Basic earnings per share are calculated by dividing the net profit for the quarter/year by the weighted average number of ordinary shares in issue.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 31.12.2017	Quarter Ended 31.12.2016	Year to Date ended 31.12.2017	Year to Date ended 31.12.2016
Net profit / (loss) attributable to equity holders of the parent (RM'000)	1,527	(7,936)	1,527	(7,936)
Weighted average no. of ordinary shares ('000)	1,954,558	12,640,423	2,098,762	12,640,423
Basic earnings per share attributable to equity holders of the parent (sen)	0.08	-0.06	0.08	-0.06

Note: The weighted average number of ordinary shares was reduced on 15 February 2017 following the share consolidation of 20:1.

(b) Diluted

The diluted earnings per share are not shown as the effect of the warrants on the basic earnings per share is anti-dilutive.

B16. Realised and unrealised profits/losses

	Current Quarter 31.12.2017 RM'000	Preceding Quarter 30.09.2017 RM'000
Total retained profits/(losses) of the Company and its subsidiaries		
- Realised	(306,233)	(309,100)
- Unrealised	(6,894)	(10,697)
	<u>(313,127)</u>	<u>(319,797)</u>
Adjust for: Consolidation adjustments	275,382	282,143
Retained profits as per financial statements	<u>(37,745)</u>	<u>(37,654)</u>

B17. Authority for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 February 2018.