

QUARTERLY REPORT

This is a quarterly report on consolidated results for the financial quarter ended 30 June 2018

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2018**

	INDIVIDUAL QUARTER		CUMULATIVE	
	Current Year Quarter Ended 30.06.2018 RM '000	Preceding Year Quarter Ended 30.06.2017 RM '000	Current Year To Date 30.06.2018 RM '000	Preceding Year To Date 30.06.2017 RM '000
Revenue	27,099	23,915	74,358	72,118
Operating Expenses	(23,432)	(21,716)	(65,930)	(65,438)
	<u>3,667</u>	<u>2,199</u>	<u>8,428</u>	<u>6,680</u>
Other Operating Income	1,339	879	6,474	710
Administrative Expenses	(2,852)	(2,262)	(6,401)	(6,685)
Other Expenses	(482)	(955)	(2,610)	(8,508)
Finance Cost	(1,495)	(2,321)	(4,598)	(6,338)
Profit/ (Loss) before taxation	<u>177</u>	<u>(2,460)</u>	<u>1,293</u>	<u>(14,141)</u>
Taxation	148	(8)	878	52
Profit/ (Loss) for the period	<u>325</u>	<u>(2,468)</u>	<u>2,171</u>	<u>(14,089)</u>
Other comprehensive income:				
Currency translation differences	1,589	(713)	(2,565)	1,103
Total Comprehensive income for the period	<u>1,914</u>	<u>(3,181)</u>	<u>(394)</u>	<u>(12,986)</u>
Profit/ (Loss) attributable to: Equity holders of the parent	<u>325</u>	<u>(2,468)</u>	<u>2,171</u>	<u>(14,089)</u>
Total comprehensive income attributable to: Equity holders of the parent	<u>1,914</u>	<u>(3,181)</u>	<u>(394)</u>	<u>(12,986)</u>
Earnings per share attributable to equity holders of the parent (sen)				
Basic	0.01	-0.30	0.10	-1.82
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)

HUBLINE BERHAD
(Company No:23568-H)

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This is a quarterly report on consolidated results for the financial quarter ended 30 June 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	AS AT END OF CURRENT QUARTER 30.06.2018	AS AT PRECEEDING FINANCIAL YEAR ENDED 30.09.2017
	RM'000	RM'000
ASSETS		
Non Current Assets		
Property, Plant and Equipment	173,782	164,131
Intangible assets	15,207	15,207
Trade and Other receivables	33,518	34,465
Deferred tax assets	1,878	1,703
	<u>224,385</u>	<u>215,506</u>
Current Assets		
Inventories	6,136	5,627
Assets held for sale	-	4,746
Trade and Other receivables	21,410	18,125
Tax recoverable	1,124	613
Cash and cash equivalents	16,346	11,156
	<u>45,016</u>	<u>40,267</u>
TOTAL ASSETS	<u>269,401</u>	<u>255,773</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	164,958	99,070
Treasury shares	(4,192)	(4,192)
Reserves	(22,131)	(20,523)
Total equity	<u>138,635</u>	<u>74,355</u>
Non-current liabilities		
Long term borrowings	53,149	67,239
Trade & Other payables	606	7,809
Deferred tax liabilities	10,306	11,629
	<u>64,061</u>	<u>86,677</u>
Current Liabilities		
Short term borrowings	45,938	58,893
Trade & Other payables	20,697	35,774
Taxation	70	74
	<u>66,705</u>	<u>94,741</u>
Total liabilities	<u>130,766</u>	<u>181,418</u>
TOTAL EQUITY AND LIABILITIES	<u>269,401</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 30 June 2018

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2018**

	CURRENT YEAR TO DATE ENDED 30.06.2018 RM'000	PRECEDING YEAR TO DATE ENDED 30.06.2017 RM'000
Profit/ (Loss) before taxation	1,293	(14,141)
Adjustments for :-		
Non-operating items	9,094	15,072
Interest expenses	4,598	6,338
Interest income	(437)	(44)
Operating profit before working capital changes	14,548	7,225
Net change in current assets	1,428	5,033
Net change in current liabilities	(16,410)	(9,751)
Tax (paid)/ refunded	(664)	(343)
Interest paid	(4,598)	(6,338)
Net cash generated from/ (used in) operating activities	(5,696)	(4,174)
Investing activities		
Purchase of property, plant and equipment	(20,507)	(10,775)
Proceeds from sales of investment, property, plant and equipment	4,270	343
Interest received	437	44
Net cash (used in)/generated from investing activities	(15,800)	(10,388)
Financing activities		
Repayment of bank borrowings	(27,315)	(17,745)
Proceeds from capital raising exercises	58,688	26,500
Expenses relating to capital raising	(1,721)	(3,945)
Net cash generated from/ (used in) financing activities	29,652	4,810
Net changes in cash and cash equivalents	8,156	(9,752)
Cash and cash equivalents at beginning of financial period	11,156	16,123
Effects of Exchange Rate Changes	(2,966)	2,667
Cash and cash equivalents at end of the financial period	16,346	9,038

(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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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE 9 MONTHS ENDED 30 JUNE 2018

	< ----- Attributable to Equity Holders of the Parent ----- >							> Distributable
	< ----- Non-distributable ----- >							
	Share capital	Warrant reserve	Treasury shares	Share premium	Translation reserves	Capital reserves	Retained Profit	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 MONTHS ENDED 30 SEP 2017								
At 1 October 2016	126,540	90,693	(4,192)	529	(14,920)	(58,625)	(82,911)	57,114
Capital reduction & share conversions	(41,320)						63,270	21,950
Capital raising expenses				(529)				(529)
Total comprehensive income for the period					1,103		(14,089)	(12,986)
At 30 June 2017	85,220	90,693	(4,192)	-	(13,817)	(58,625)	(33,730)	65,549
9 MONTHS 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
10% Private Placement	21,688							21,688
Total comprehensive income for the period					(2,565)		2,171	(394)
At 30 June 2018	164,958	90,693	(4,192)	-	(17,098)	(58,625)	(37,101)	138,635

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	74,358	-	74,358
Inter-segment sales			
Total revenue	74,358	-	74,358
Results			
Interest income	437		437
Finance cost	(4,598)		(4,598)
Segment profit before taxation	1,293		1,293

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A9. Profit before tax

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	Current Year Quarter Ended 30.06.2018 RM '000	Preceding Year Quarter Ended 30.06.2017 RM '000	Current Year To Date 30.06.2018 RM '000	Preceding Year To Date 30.06.2017 RM '000
Interest income	133	12	437	44
Other income	1,206	69	4,258	665
Foreign exchange gains/(losses) (net)	(979)	798	1,779	(1,897)
Depreciation and amortisation	(2,878)	(2,770)	(9,146)	(8,859)
Container division exit provisions & expenses	-	-	-	(8,370)
Capital raising expenses	(216)	(955)	(1,721)	(3,416)

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

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:

	RM'000
Corporate Guarantees given to financial institutions and third parties for credit facilities provided to subsidiaries	<u>14,523</u>

A14. Capital Commitment

	RM
Amount approved and committed	19.48 million
Amount approved and not committed	<u>NIL</u>
Total	<u>19.48 million</u>

B EXPLANATORY NOTES OF BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of performance

	INDIVIDUAL QUARTER			CUMULATIVE		
	Current Year Quarter 30.06.2018 RM '000	Preceding Year Quarter 30.06.2017 RM '000	Changes Amount RM '000	Current Year To Date 30.06.2018 RM '000	Preceding Year To Date 30.06.2017 RM '000	Changes Amount RM '000
Revenue	27,099	23,915	3,184	74,358	72,118	2,240
Operating Profit	3,667	2,199	1,468	8,428	6,680	1,748
(Loss)/Profit before Interest, Tax, Depreciation, and Amortisation (EBITDA)	4,549	2,632	1,917	15,037	1,883	13,154
Profit/(Loss) Before Tax	177	(2,460)	2,637	1,293	(14,141)	15,434
Profit/(Loss) After Tax	325	(2,468)	2,793	2,171	(14,089)	16,260
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	325	(2,468)	2,793	2,171	(14,089)	16,260

- Group revenue for the quarter ended 30 June 2018 was RM 27.10 million which was higher when compared to the corresponding period of the previous year where revenue for that quarter was RM 23.92 million. The increase in revenue was due to additional shipments during the quarter via voyage charters, as well as the increase in freight rates since the same time last year by approximately 12-15%.
- The Group's EBITDA for the current quarter was RM 4.55 million compared to RM 2.63 million in the same quarter last year. This amount included capital raising expenses of RM 0.22 million. In the preceding year quarter, the EBITDA was RM 2.63 million and included RCN expenses of RM 0.95 million.
- The Group's EBITDA would have been higher if not for the RM 1.34 unrealised foreign exchange loss which was recognised under administrative expenses in the current quarter.
- Interest expenses in the current quarter were RM 1.50 million compared to RM 2.32 million in the preceding year quarter. The interest savings were due to repayment of loans, especially those relating to the container business.

B2. Comparison with preceding quarter's results

	Current Year Quarter 30.06.2018 RM '000	Immediate Preceding Quarter 31.03.2018 RM '000	Changes Amount RM '000
Revenue	27,099	22,035	5,064
Operating Profit	3,667	2,012	1,655
(Loss)/Profit before Interest, Tax, Depreciation, and Amortisation (EBITDA)	4,549	4,879	(330)
Profit/(Loss) Before Tax	177	337	(160)

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Profit/(Loss) After Tax	325	318	7
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	325	318	7

- The Group revenue in the current quarter was RM 27.10 million which was higher than the previous quarter of RM 22.04 million. The additional voyage charters which we undertook during the quarter, together with approximately 10% increase in freight rates were the main reasons for the higher revenue during the quarter.
- Compared to the previous quarter, bunker price had increased by 4%. Additionally, in the last quarter, we incurred higher repairs and maintenance as a result of the urgent repairs caused by the damage from bad weather.
- EBITDA in the current quarter was RM 4.55 million as compared to RM 4.88 million in the immediate preceding quarter. EBITDA in the previous quarter was higher due to unrealised foreign exchange gain of RM 0.51 million compared to RM 1.34 million unrealised foreign exchange loss in the current quarter.

B3. Commentary on Prospects

The Group expects its market share of the barge logistics sector within the South East Asia region to remain relatively robust. The decision made by the Group to exit from the container shipping business has proven to be beneficial for the Group. Up to the nine months ended 30 June 2018, the dry bulk business on its own contributed RM 10.6 million in profits before taxes, however due to the overhang from the termination of the container business, the impairments of the finance charges to the loans taken by the container business, and foreign exchange losses, the final results for the quarter and year to date does not reflect the improved performance in the dry bulk business. We are reaping the benefits of the various strategies we have implemented and we are cautiously optimistic on our outlook in the coming quarter.

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 30 June 2018 RM'000	Year to date 30 June 2018 RM'000
Income tax charge		
- current period	(78)	(236)
Deferred taxation	226	1,114
	<u>148</u>	<u>878</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.

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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 but not completed as at 17 August 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 17 August 2018, all proceeds from the RCN have been fully utilised as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Intended Timeframe for Utilisation	Deviation Amount %	Explanations (if deviation is 5% or more)
(i) Working capital [#]	7,000	5,812	Within 60 months of drawdown	-1.48	N/A
(ii) Part payment of borrowings	55,000	56,188	Within 12 months of drawdown	1.48	N/A
(iii) Partial payments for new vessels constructed	18,000	18,000	Within 12 months of drawdown	-	N/A
TOTAL	80,000	80,000			

includes expenses in connection to the issuance of notes

(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.

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.

For this exercise, 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 17 August 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	2,079	Within 12 months from receipt of funds	Note A	Note A

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(ii)	Capital expenditure	5,900	3,161	Within 12 months from receipt of funds	Note A	Note A
(iii)	Partial payment of secured container shipping business creditors	3,900	2,475	Within 12 months from receipt of funds	Note A	Note A
(iv)	Working capital	688	692	Within 12 months from receipt of funds	Note A	Note A
(v)	Estimated expenses in relation to Private Placement	200	196	Within 1 month from receipt of funds	Note A	Note A
TOTAL		21,688	8,603			

Note A: 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

(i) Rights Issue and Redeemable Convertible Notes program (“RCN”)

On 27 July 2018, the Company announced a proposed capital raising exercise which comprises:

- The proposed renounceable rights issue of up to 1,417,256,368 new ordinary shares (“Rights Share(s)”) on the basis of three (3) Rights Shares for every five (5) ordinary shares held in the Company, together with up to 944,837,576 free detachable new warrants (“Warrant(s) C”) on the basis of two (2) Warrants C for every three (3) Rights Shares subscribed, on an entitlement date to be determined and announced later (“Entitlement Date”)(“Proposed Rights Issue”); and
- The Proposed issuance of redeemable convertible notes with an aggregate principal amount of up to RM200.0 million.

On 21 August 2018, the Company, has submitted the Circular to Bursa Malaysia for approval.

B9. Group borrowings and debt securities

	As at 3 rd quarter ended 30 June 2018					
	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		15,852		-		15,852
Revolving Credit		375		-		375
Term Loan	13,563	16,000	18,559	34,457	32,122	50,457
Hire Purchase		148		133		281
Total	13,563	32,375	18,559	34,590	32,122	66,965
Grand Total		45,938		53,149		99,087

[^] Loan is denominated in USD. As at 30 June 2018, the total balance outstanding was USD 7.956 million. Exchange rate used to convert to RM was 4.0375.

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	As at 3 rd quarter ended 30 June 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		30,389				30,389
Revolving Credit		536		375		911
Term Loan	14,125	4,526	34,162	50,435	48,287	54,961
Hire Purchase		19				19
Medium Term Notes				4,550		4,550
Total	14,125	35,470	34,162	55,360	48,287	90,830
Grand Total		49,595		89,522		139,117

[^] Loan is denominated in USD. As at 30 June 2017, the total balance outstanding was USD 11.245 million. Exchange rate used to convert to RM was 4.2940.

Borrowings reduced by RM 40.03 million from RM 139.12 million on 30 June 2017 compared to RM 99.09 million this quarter. Borrowings were reduced mainly from funds raised via the RCN program and 10% private placement. The approximate net annual interest savings as a result of the repayment of loans is RM 2.41 million.

The average weighted interest rate of borrowings for the Group is 6.03% per annum.

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 material 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 30.06.2018	Quarter Ended 30.06.2017	Year to Date ended 30.06.2018	Year to Date ended 30.06.2017
Net profit / (loss) attributable to equity holders of the parent (RM'000)	325	(2,468)	2,171	(14,089)
Weighted average no. of ordinary shares ('000)	2,362,094	826,322	2,240,546	772,963
Basic earnings per share attributable to equity holders of the parent (sen)	0.01	-0.30	0.10	-1.82

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. 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 28 August 2018.