

QUARTERLY REPORT

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

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	Current Year Quarter Ended 30.09.2018 RM '000	Preceding Year Quarter Ended 30.09.2017 RM '000	Current Year To Date 30.09.2018 RM '000	Preceding Year To Date 30.09.2017 RM '000
Revenue	28,189	22,116	102,547	94,083
Operating Expenses	(25,550)	(20,805)	(91,479)	(87,310)
	<u>2,639</u>	<u>1,311</u>	<u>11,068</u>	<u>6,773</u>
Other Operating Income	562	376	4,984	2,853
Administrative Expenses	(3,026)	(2,752)	(8,493)	(13,776)
Other Expenses	(5,168)	(992)	(6,660)	(6,809)
Finance Cost	(1,414)	(1,949)	(6,012)	(8,306)
Profit/ (Loss) before taxation	<u>(6,407)</u>	<u>(4,006)</u>	<u>(5,113)</u>	<u>(19,265)</u>
Taxation	37	82	915	(366)
Profit/ (Loss) for the period	<u>(6,370)</u>	<u>(3,924)</u>	<u>(4,198)</u>	<u>(19,631)</u>
Other comprehensive income:				
Currency translation differences	1,593	(438)	(971)	386
Total Comprehensive income for the period	<u>(4,777)</u>	<u>(4,362)</u>	<u>(5,169)</u>	<u>(19,245)</u>
Profit/ (Loss) attributable to: Equity holders of the parent	<u>(6,370)</u>	<u>(3,924)</u>	<u>(4,198)</u>	<u>(19,631)</u>
Total comprehensive income attributable to: Equity holders of the parent	<u>(4,777)</u>	<u>(4,362)</u>	<u>(5,169)</u>	<u>(19,245)</u>
Earnings per share attributable to equity holders of the parent (sen)				
Basic	-0.27	-0.35	-0.19	-2.44
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 September 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	AS AT END OF CURRENT QUARTER 30.09.2018	AS AT PRECEEDING FINANCIAL YEAR ENDED 30.09.2017
	RM'000	RM'000
ASSETS		
Non Current Assets		
Property, Plant and Equipment	175,520	164,131
Intangible assets	15,207	15,207
Trade and Other receivables	33,943	34,465
Deferred tax assets	1,615	1,703
	<u>226,285</u>	<u>215,506</u>
Current Assets		
Inventories	7,219	5,627
Assets held for sale	-	4,746
Trade and Other receivables	19,016	18,125
Tax recoverable	940	613
Cash and cash equivalents	7,803	11,156
	<u>34,978</u>	<u>40,267</u>
TOTAL ASSETS	<u><u>261,263</u></u>	<u><u>255,773</u></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	(26,906)	(20,523)
Total equity	<u>133,860</u>	<u>74,355</u>
Non-current liabilities		
Long term borrowings	48,554	67,239
Trade & Other payables	620	7,809
Deferred tax liabilities	9,908	11,629
	<u>59,082</u>	<u>86,677</u>
Current Liabilities		
Short term borrowings	46,084	58,893
Trade & Other payables	22,106	35,774
Taxation	131	74
	<u>68,321</u>	<u>94,741</u>
Total liabilities	<u>127,403</u>	<u>181,418</u>
TOTAL EQUITY AND LIABILITIES	<u><u>261,263</u></u>	<u><u>255,773</u></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)

HUBLINE BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

	CURRENT YEAR TO DATE ENDED 30.09.2018 RM'000	PRECEDING YEAR TO DATE ENDED 30.09.2017 RM'000
Profit/ (Loss) before taxation	(5,113)	(19,265)
Adjustments for :-		
Non-operating items	15,379	14,225
Interest expenses	6,012	8,306
Interest income	(491)	(59)
Operating profit before working capital changes	15,787	3,207
Net change in current assets	(1,012)	3,890
Net change in current liabilities	(15,023)	(14,642)
Tax (paid)/ refunded	(516)	(190)
Interest paid	(6,012)	(8,306)
Net cash generated from/ (used in) operating activities	(6,776)	(16,041)
Investing activities		
Purchase of property, plant and equipment	(26,026)	(2,509)
Proceeds from sales of property, plant and equipment	5,136	5,781
Interest received	491	59
Net cash (used in)/generated from investing activities	(20,399)	3,331
Financing activities		
Repayment of bank borrowings	(30,880)	(17,884)
Proceeds from capital raising exercises	58,688	32,763
Expenses relating to capital raising	(2,175)	(529)
Net cash generated from/ (used in) financing activities	25,633	14,350
Net changes in cash and cash equivalents	(1,542)	1,640
Cash and cash equivalents at beginning of financial period	10,309	9,258
Effects of Exchange Rate Changes	(964)	(589)
Cash and cash equivalents at end of the financial period	7,803	10,309

(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 SEPTEMBER 2018

	< ----- Attributable to Equity Holders of the Parent ----- >							Total Equity RM'000
	< ----- 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	
YEAR ENDED 30 SEP 2017								
At 1 October 2016	126,540	90,693	(4,192)	529	(14,919)	(58,625)	(82,911)	57,115
Capital reduction & share conversions	(27,470)					1,215	63,270	37,015
Capital raising expenses				(529)				(529)
Total comprehensive income for the period					386		(19,631)	(19,245)
At 30 September 2017	<u>99,070</u>	<u>90,693</u>	<u>(4,192)</u>	<u>-</u>	<u>(14,533)</u>	<u>(57,410)</u>	<u>(39,272)</u>	<u>74,356</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
10% Private Placement	21,688							21,688
Total comprehensive income for the period					(971)		(4,198)	(5,169)
At 30 September 2018	<u>164,958</u>	<u>90,693</u>	<u>(4,192)</u>	<u>-</u>	<u>(15,504)</u>	<u>(58,625)</u>	<u>(43,470)</u>	<u>133,860</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	Discontinued Operations RM'000	Group RM'000
Revenue			
External sales	102,547	-	102,547
Total revenue	102,547	-	102,547
Results			
Gross profit	11,068	-	11,068
Interest & other income	4,984	-	4,984
Administrative costs	(8,344)	(149)	(8,493)
Finance cost	(739)	(5,273)	(6,012)
Other expenses	-	(6,660)	(6,660)
Segment profit before taxation	6,969	(12,082)	(5,113)

A9. Profit before tax

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	Current Year Quarter Ended 30.09.2018 RM '000	Preceding Year Quarter Ended 30.09.2017 RM '000	Current Year To Date 30.09.2018 RM '000	Preceding Year To Date 30.09.2017 RM '000
Interest income	54	15	491	59
Other income	561	12	4,137	677
Foreign exchange gains/(losses) (net)	(933)	349	846	(1,548)
Depreciation and amortisation	(3,013)	(3,581)	(12,159)	(12,440)
Impairment of discontinued container division provisions & expenses	(3,325)	(216)	(3,325)	(3,195)
Capital raising expenses	(455)	(992)	(2,176)	(4,408)

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:

Corporate Guarantees given to financial institutions and third parties for credit facilities provided to subsidiaries	RM'000
	<u>13,063</u>

A14. Capital Commitment

	RM
Amount approved and committed	18.97 million
Amount approved and not committed	<u>NIL</u>
Total	<u>18.97 million</u>

B EXPLANATORY NOTES OF BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of performance

	INDIVIDUAL QUARTER			CUMULATIVE		
	Current Year Quarter 30.09.2018 RM '000	Preceding Year Quarter 30.09.2017 RM '000	Changes Amount RM '000	Current Year To Date 30.09.2018 RM '000	Preceding Year To Date 30.09.2017 RM '000	Changes Amount RM '000
Revenue	28,189	22,116	6,073	102,547	94,083	8,464
Operating Profit	2,639	1,311	1,328	11,068	6,773	4,295
(Loss)/Profit before Interest, Tax, Depreciation, and Amortisation (EBITDA)	1,345	1,524	(179)	16,382	2,486	13,896
Profit/(Loss) Before Tax	(6,406)	(4,006)	(2,400)	(3,073)	(19,265)	(673)
Profit/(Loss) After Tax	(6,370)	(3,924)	(2,446)	(2,158)	(19,631)	(288)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(6,370)	(3,924)	(2,446)	(2,158)	(19,631)	(288)

- Group revenue for the quarter ended 30 September 2018 was RM 28.19 million which was higher when compared to the corresponding period of the previous year where revenue for that quarter was RM 22.12 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.
- The Group's EBITDA for the current quarter was RM 1.35 million compared to RM 1.52 million in the same quarter last year due to RM 0.93 million foreign exchange losses included in the administrative expenses in the current quarter compared to RM 0.35 million foreign exchange gain in the same quarter last year.
- EBITDA for the current year would have been higher if not for bunker costs which increased from RM 44.9 million in the prior year to RM 51.8 million in the current year, an increase of approximately 15%. Additionally, we incurred time spent on salvaging works to retrieve our stranded vessels. Insurance claims on this have not been reflected in the accounts as these have not been finalized.
- Interest expenses in the current quarter were RM 1.41 million compared to RM 1.95 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 30.09.2018 RM '000	Immediate Preceding Quarter 31.06.2018 RM '000	Changes Amount RM '000
Revenue	28,189	27,099	1,090
Operating Profit	2,639	3,667	(1,028)
(Loss)/Profit before Interest, Tax, Depreciation, and Amortisation (EBITDA)	1,345	4,549	(3,204)

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Profit/(Loss) Before Tax	(6,406)	177	(6,583)
Profit/(Loss) After Tax	(6,370)	325	(6,695)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(6,370)	325	(6,695)

- The Group revenue in the current quarter was RM 28.19 million which was higher than the previous quarter of RM 27.10 million. While there were lesser shipments undertaken during the quarter, we were able to undertake higher value shipments which resulted in higher revenue during the quarter.
- Compared to the previous quarter, bunker expenses increased by 17% mainly due to increased price as well as additional bunker purchases.
- EBITDA in the current quarter was RM 1.35 million as compared to RM 4.55 million in the immediate preceding quarter. EBITDA in the previous quarter was higher due to higher costs of operations incurred in the current quarter.

B3. Commentary on Prospects

For the financial year ended 30 September 2018, the dry bulk business contributed a total of RM 11.2 million in profits before taxes. However, after taking into account overheads from HQ, the overall profit before tax was RM 6.97 million.

The discontinued operations incurred RM 12.08 million worth of expenses which included finance charges of RM 5.27 million and impairment of container debtors of RM 3.23 million.

The Board is confident that we are able to maintain market share in the dry bulk business. With bunker prices dropping recently, we are optimistic about our performance going forward.

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 September 2018 RM'000	Year to date 30 September 2018 RM'000
Income tax charge		
- current period	(94)	(330)
Deferred taxation	131	1,245
	<u>37</u>	<u>915</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 but not completed as at 22 November 2018, being the latest practical date, which is not earlier than 7 days from the date of issue of this report.

(i) 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 22 November 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	9,583	Within 12 months from receipt of funds	Note A	Note A
(ii)	Capital expenditure	5,900	3,835	Within 12 months from receipt of funds	Note A	Note A
(iii)	Partial payment of secured container shipping business creditors	3,900	3,685	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	17,991			

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

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(ii) 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. On 3 October 2018, the Company received the letter of approval from Bursa Malaysia for this capital raising exercise. The Extraordinary General Meeting was subsequently held on 23 October 2018 where shareholders passed the resolution for the proposed rights issue with warrants and the proposed issuance of redeemable convertible notes with an aggregate principal of up to RM 200.0 million.

B9. Group borrowings and debt securities

As at 4 th quarter ended 30 September 2018						
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		15,714		-		15,714
Revolving Credit		250		-		250
Term Loan	13,971	16,000	15,492	32,967	29,463	48,967
Hire Purchase		149		95		244
Total	13,971	32,113	15,492	33,062	29,463	65,175
Grand Total		46,084		48,554		94,638

[^] Loan is denominated in USD. As at 30 September 2018, the total balance outstanding was USD 7.123 million. Exchange rate used to convert to RM was 4.1365.

As at 4 th quarter ended 30 September 2017						
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		26,630				26,630
Revolving Credit		500		250		750
Term Loan	13,960	17,791	30,072	36,917	44,032	54,708
Hire Purchase		12				12
Total	13,960	44,933	30,072	37,167	44,032	82,100
Grand Total		58,893		67,239		126,132

[^] Loan is denominated in USD. As at 30 September 2017, the total balance outstanding was USD 10.429 million. Exchange rate used to convert to RM was 4.2220.

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Borrowings reduced by RM 31.49 million from RM 126.13 million on 30 September 2017 compared to RM 94.64 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 1.90 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 30.09.2018	Quarter Ended 30.09.2017	Year to Date ended 30.09.2018	Year to Date ended 30.09.2017
Net profit / (loss) attributable to equity holders of the parent (RM'000)	(6,370)	(3,924)	(4,198)	(19,631)

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Weighted average no. of ordinary shares ('000)	2,362,094	1,119,911	2,240,546	804,653
Basic earnings per share attributable to equity holders of the parent (sen)	-0.27	-0.35	-0.19	-2.44

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 29 November 2018.