

QUARTERLY REPORT

This is a quarterly report on consolidated results for the financial quarter ended 31 December 2018

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2018**

	INDIVIDUAL QUARTER		CUMULATIVE	
	Current Year Quarter Ended 31.12.2018 RM '000	Preceding Year Quarter Ended 31.12.2017 RM '000	Current Year To Date 31.12.2018 RM '000	Preceding Year To Date 31.12.2017 RM '000
Revenue	27,982	25,225	27,982	25,225
Operating Expenses	(25,170)	(22,464)	(25,170)	(22,464)
	<u>2,812</u>	<u>2,761</u>	<u>2,812</u>	<u>2,761</u>
Other Operating Income	2,193	3,249	2,193	3,249
Administrative Expenses	(2,800)	(2,242)	(2,800)	(2,242)
Other Expenses	(817)	(1,646)	(817)	(1,646)
Finance Cost	(1,299)	(1,344)	(1,299)	(1,344)
Profit/ (Loss) before taxation	<u>89</u>	<u>778</u>	<u>89</u>	<u>778</u>
Taxation	294	749	294	749
Profit/ (Loss) for the period	<u><u>383</u></u>	<u><u>1,527</u></u>	<u><u>383</u></u>	<u><u>1,527</u></u>
Other comprehensive income:				
Currency translation differences	(42)	(1,069)	(42)	(1,069)
Total Comprehensive income for the period	<u><u>341</u></u>	<u><u>458</u></u>	<u><u>341</u></u>	<u><u>458</u></u>
Profit/ (Loss) attributable to: Equity holders of the parent	<u>383</u>	<u>1,527</u>	<u>383</u>	<u>1,527</u>
Total comprehensive income attributable to: Equity holders of the parent	<u><u>341</u></u>	<u><u>458</u></u>	<u><u>341</u></u>	<u><u>458</u></u>
Earnings per share attributable to equity holders of the parent (sen)				
Basic	0.01	0.08	0.01	0.07
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 2018)

HUBLINE BERHAD
(Company No:23568-H)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the financial quarter ended 31 December 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	AS AT END OF CURRENT QUARTER 31.12.2018	AS AT PRECEEDING FINANCIAL YEAR ENDED 30.09.2018
	RM'000	RM'000
ASSETS		
Non Current Assets		
Property, Plant and Equipment	184,073	175,477
Intangible assets	15,207	15,207
Trade and Other receivables	33,743	34,642
Deferred tax assets	1,715	1,654
	<u>234,738</u>	<u>226,980</u>
Current Assets		
Inventories	6,745	7,285
Trade and Other receivables	20,310	21,523
Tax recoverable	1,057	888
Cash and cash equivalents	47,011	8,468
	<u>75,123</u>	<u>38,164</u>
TOTAL ASSETS	<u>309,861</u>	<u>265,144</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	217,397	164,958
Treasury shares	(4,192)	(4,192)
Reserves	(26,718)	(27,058)
Total equity	<u>186,487</u>	<u>133,708</u>
Non-current liabilities		
Long term borrowings	50,815	48,551
Trade & Other payables	-	310
Deferred tax liabilities	9,631	9,907
	<u>60,446</u>	<u>58,768</u>
Current Liabilities		
Short term borrowings	34,971	46,000
Trade & Other payables	27,872	26,583
Taxation	85	85
	<u>62,928</u>	<u>72,668</u>
Total liabilities	<u>123,374</u>	<u>131,436</u>
TOTAL EQUITY AND LIABILITIES	<u>309,861</u>	<u>265,144</u>
Net assets per share (RM)	0.05	0.06

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 30 September 2018)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the financial quarter ended 31 December 2018

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2018**

	CURRENT YEAR TO DATE ENDED 31.12.2018 RM'000	PRECEDING YEAR TO DATE ENDED 31.12.2017 RM'000
Profit/ (Loss) before taxation	89	778
Adjustments for :-		
Non-operating items	3,514	2,289
Interest expenses	1,299	1,344
Interest income	(85)	(146)
Operating profit before working capital changes	4,817	4,265
Net change in current assets	2,652	2,554
Net change in current liabilities	948	(5,921)
Tax (paid)/ refunded	(211)	(742)
Interest paid	(1,299)	(1,344)
Net cash generated from/ (used in) operating activities	6,907	(1,188)
Investing activities		
Purchase of property, plant and equipment	(11,588)	(6,068)
Proceeds from sales of property, plant and equipment	28	1,908
Interest received	85	146
Net cash (used in)/generated from investing activities	(11,475)	(4,014)
Financing activities		
Repayment of bank borrowings	(8,736)	(16,096)
Proceeds from capital raising exercises	52,438	37,000
Expenses relating to capital raising	(545)	(1,323)
Net cash generated from/ (used in) financing activities	43,157	19,581
Net changes in cash and cash equivalents	38,589	14,379
Cash and cash equivalents at beginning of financial period	8,468	11,156
Effects of Exchange Rate Changes	(46)	(1,447)
Cash and cash equivalents at end of the financial period	47,011	24,088

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 September 2018)

HUBLINE BERHAD
(Company No:23568-H)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the financial quarter ended 31 December 2018

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE 3 MONTHS ENDED 31 DECEMBER 2018

	< ----- Attributable to Equity Holders of the Parent ----- >						Total Equity
	< ----- Non-distributable ----- >			Distributable			
	Share capital	Warrant reserve	Treasury shares	Translation reserves	Capital reserves	Retained Profit	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 MONTHS ENDED 31 DEC 2017							
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	143,270	90,693	(4,192)	(15,602)	(58,625)	(37,745)	117,799
3 MONTHS ENDED 31 DEC 2018							
At 1 October 2018	164,958	90,693	(4,192)	(15,326)	(58,625)	(43,801)	133,707
Rights Issue	52,439						52,439
Conversion of RCN	-						-
Total comprehensive income for the period				(42)		383	341
At 31 December 2018	217,397	90,693	(4,192)	(15,368)	(58,625)	(43,418)	186,487

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2018)

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 2018.

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 2018.

A2. Auditors' report on preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the year ended 30 September 2018 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	27,982	-	27,982
Total revenue	27,982	-	27,982
Results			
Gross profit	2,812	-	2,812
Interest & other income	2,193	-	2,193
Administrative costs	(2,800)	-	(2,800)
Finance cost	(221)	(1,078)	(1,299)
Other expenses	(545)	(272)	(817)
Segment profit before taxation	1,439	(1,350)	89

A9. Profit before tax

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	Current Year Quarter Ended 31.12.2018 RM '000	Preceding Year Quarter Ended 31.12.2017 RM '000	Current Year To Date 31.12.2018 RM '000	Preceding Year To Date 31.12.2017 RM '000
Interest income	85	146	85	146
Other income	2,193	1,186	2,193	1,186
Foreign exchange gains/(losses) (net)	(5)	1,917	(5)	1,917
Depreciation and amortisation	(2,987)	(3,416)	(2,987)	(3,416)
Capital raising expenses	(545)	(1,323)	(545)	(1,323)

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. However, subsequent to the quarter, on 7 January 2019, the Company incorporated a subsidiary, Hub Carrier Sdn Bhd, with a paid up capital of RM 1.

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>13,058</u>

A14. Capital Commitment

	RM
Amount approved and committed	15.22 million
Amount approved and not committed	<u>NIL</u>
Total	<u>15.22 million</u>

B EXPLANATORY NOTES OF BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of performance

	INDIVIDUAL QUARTER			CUMULATIVE		
	Current Year Quarter 31.12.2018 RM '000	Preceding Year Quarter 31.12.2017 RM '000	Changes Amount RM '000	Current Year To Date 31.12.2018 RM '000	Preceding Year To Date 31.12.2017 RM '000	Changes Amount RM '000
Revenue	27,982	25,225	2,757	27,982	25,225	2,757
Operating Profit	2,812	2,761	51	2,812	2,761	51
(Loss)/Profit before Interest, Tax, Depreciation, and Amortisation (EBITDA)	4,374	5,598	(1,224)	4,374	5,598	(1,224)
Profit/(Loss) Before Tax	89	778	(689)	89	778	(689)
Profit/(Loss) After Tax	383	1,527	(1,144)	383	1,527	(1,144)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	383	1,527	(1,144)	383	1,527	(1,144)

- Group revenue for the quarter ended 31 December 2018 was RM 27.98 million which was higher when compared to the corresponding period of the previous year where revenue for that quarter was RM 25.23 million. The increase in revenue was due to additional shipments undertaken using voyage chartered vessels.
- The Group's EBITDA for the current quarter was RM 4.37 million compared to RM 5.60 million in the same quarter last year due to higher port charges, commissions and repair costs incurred in the current quarter.
- During the quarter under review, we had also incurred RM 0.55 million in corporate exercise expenses which we capture under Administration expenses.

B2. Comparison with preceding quarter's results

	Current Year Quarter 31.12.2018 RM '000	Immediate Preceding Quarter 30.09.2018 RM '000	Changes Amount RM '000
Revenue	27,982	28,189	(207)
Operating Profit	2,812	2,639	173
(Loss)/Profit before Interest, Tax, Depreciation, and Amortisation (EBITDA)	4,374	1,345	3,029
Profit/(Loss) Before Tax	89	(6,406)	6,495
Profit/(Loss) After Tax	383	(6,370)	6,753
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	383	(6,370)	6,753

HUBLINE BERHAD
(Company No:23568-H)

- For the first quarter ended 31 December 2018, the dry bulk business contributed a total of RM 3.24 million in profits before taxes. However, after taking into account overheads from HQ and discontinued operations, the overall profit before tax was RM 89,000.
- The Group revenue in the current quarter was RM 27.98 million which was marginally lower than the previous quarter of RM 28.19 million. Shipments were relatively similar during the two quarters.
- The marginal increase in operating profit in the current quarter as compared to the preceding quarter was mainly due to reduced third party charter hire costs and vessel technical fees.
- EBITDA in the current quarter was RM 4.37 million as compared to RM 1.35 million in the immediate preceding quarter. EBITDA in the current quarter was higher mainly due to foreign exchange losses of RM 0.93 million incurred in the previous quarter.

B3. Commentary on Prospects

The Board is confident that we are able to maintain market share in the dry bulk business and are optimistic about our performance going forward.

The Board is also looking forward to the finalization of the acquisition of 51% in Layang Layang Aerospace Sdn Bhd which is expected to contribute positively to the Group in the near future.

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 2018 RM'000	Year to date 31 December 2018 RM'000
Income tax charge		
- current period	(43)	(43)
Deferred taxation	337	337
	<u>294</u>	<u>294</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 15 February 2019, 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 15 February 2019, all proceeds from the Private Placement 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) Partial repayment of borrowings	11,000	11,000	Within 12 months from receipt of funds	-	N/A
(ii) Capital expenditure	5,900	5,900	Within 12 months from receipt of funds	-	N/A
(iii) Partial payment of secured container shipping business creditors	3,900	3,900	Within 12 months from receipt of funds	-	N/A
(iv) Working capital	688	692	Within 12 months from receipt of funds	0.02	N/A
(v) Estimated expenses in relation to Private Placement	200	196	Within 1 month from receipt of funds	-0.02	N/A
TOTAL	21,688	21,688			

(ii) Rights Issue

At the Extraordinary General Meeting ("EGM") held on 23 October 2018, 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.

The Rights Issue was successfully completed on 21 December 2018 with full subscription, raising a total RM 52.438 million for the Group.

As at 15 February 2019, utilisation of proceeds from the Rights Issue is 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) Repayment of borrowings	20,000	11,963	Within 12 months from receipt of funds	Note A	Note A

HUBLINE BERHAD
(Company No:23568-H)

(ii)	Capital expenditure (acquisition of barges)	20,000	8,381	Within 12 months from receipt of funds	Note A	Note A
(iii)	Working capital	11,300	2,232	Within 12 months from receipt of funds	Note A	Note A
(iv)	Estimated expenses in relation to Rights Issue	1,138	1,138	Within 1 month from receipt of funds		N/A
TOTAL		52,438	23,714			

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

(iii) Redeemable Convertible Notes program ("RCN")

The RCN Program which was approved at the EGM held on 23 October 2018 had all conditions precedent to the Subscription Agreement satisfied by 14 January 2019 and the drawdown for sub-tranche 1 of Tranche 1 amounting to RM 2.0 million was received on 18 January 2019.

As at 15 February 2019, the status of the utilisation 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 %	Explanations (if deviation is 5% or more)
(i)	Repayment of borrowings	70,000	708	Within 3 years of drawdown	Note B	Note B
(ii)	Capital expenditure (acquisition of tugs, barges and vessels)	95,000	-	Within 5 years of drawdown	Note B	Note B
(iii)	Working capital	25,000	624	Within 5 years of drawdown	Note B	Note B
(iv)	Estimated expenses in relation to RCN	10,000	668	Within 1 month of drawdown	Note B	Note B
TOTAL		200,000	2,000			

Note B: The RCN program is a 5 year programme that covers up to the period ended 18 February 2024. 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 RM 2.0 million and 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 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		10,457		-		10,457
Revolving Credit		125		-		125
Term Loan	14,046	10,200	11,950	38,800	25,996	49,000
Hire Purchase		143		65		208
Total	14,046	20,925	11,950	38,865	25,996	59,790
Grand Total		34,971		50,815		85,786

[^] Loan is denominated in USD. As at 31 December 2018, the total balance outstanding was USD 6.285 million. Exchange rate used to convert to RM was 4.1360.

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.

Borrowings reduced by RM 22.73 million from RM 108.52 million on 31 December 2017 compared to RM 85.79 million this quarter. Borrowings were reduced mainly from funds raised via the 10% private placement. The approximate net annual interest savings as a result of the repayment of loans is RM 1.37 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 31.12.2018	Quarter Ended 31.12.2017	Year to Date ended 31.12.2018	Year to Date ended 31.12.2017
Net profit / (loss) attributable to equity holders of the parent (RM'000)	383	1,527	383	1,527
Weighted average no. of ordinary shares ('000)	2,577,763	1,954,558	3,476,485	2,098,762
Basic earnings per share attributable to equity holders of the parent (sen)	0.01	0.08	0.01	0.07

(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 21 February 2019.