

QUARTERLY REPORT

This is a quarterly report on consolidated results for the financial quarter ended 31 March 2019

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2019**

	INDIVIDUAL QUARTER		CUMULATIVE	
	Current Period Quarter Ended	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Year Corresponding Period
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM '000	RM '000	RM '000	RM '000
Revenue	24,552	22,035	52,535	47,259
Operating Expenses	(22,243)	(20,023)	(47,414)	(42,487)
	<u>2,309</u>	<u>2,012</u>	<u>5,121</u>	<u>4,772</u>
Other Operating Income	2,349	2,865	4,536	6,115
Administrative Expenses	(2,041)	(2,297)	(4,835)	(4,539)
Other Expenses	(1,347)	(483)	(2,164)	(2,128)
Finance Cost	(1,132)	(1,760)	(2,431)	(3,104)
Profit/ (Loss) before taxation	<u>138</u>	<u>337</u>	<u>227</u>	<u>1,116</u>
Taxation	314	(19)	607	729
Profit/ (Loss) for the period	<u>452</u>	<u>318</u>	<u>834</u>	<u>1,845</u>
Other comprehensive income:				
Currency translation differences	(792)	(3,085)	(834)	(4,154)
Total Comprehensive income for the period	<u>(340)</u>	<u>(2,767)</u>	<u>-</u>	<u>(2,309)</u>
Profit/ (Loss) attributable to: Equity holders of the parent	<u>452</u>	<u>318</u>	<u>834</u>	<u>1,845</u>
Total comprehensive income attributable to: Equity holders of the parent	<u>(340)</u>	<u>(2,767)</u>	<u>-</u>	<u>(2,309)</u>
Earnings per share attributable to equity holders of the parent (sen)				
Basic	0.01	0.01	0.02	0.08
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)

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This is a quarterly report on consolidated results for the financial quarter ended 31 March 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	UNAUDITED AS AT 31.03.2019	AUDITED AS AT 30.09.2018
	RM'000	RM'000
ASSETS		
Non Current Assets		
Property, Plant and Equipment	184,716	175,477
Intangible assets	15,207	15,207
Trade and Other receivables	32,943	34,642
Deferred tax assets	1,781	1,654
	<u>234,647</u>	<u>226,980</u>
Current Assets		
Inventories	6,976	7,285
Trade and Other receivables	24,596	21,523
Tax recoverable	861	888
Cash and cash equivalents	24,826	8,468
	<u>57,259</u>	<u>38,164</u>
TOTAL ASSETS	<u>291,906</u>	<u>265,144</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	219,347	164,958
Treasury shares	(4,192)	(4,192)
Reserves	(27,059)	(27,058)
Total equity	<u>188,096</u>	<u>133,708</u>
Non-current liabilities		
Long term borrowings	35,389	48,551
Trade & Other payables	-	310
Deferred tax liabilities	9,302	9,907
	<u>44,691</u>	<u>58,768</u>
Current Liabilities		
Short term borrowings	42,729	46,000
Trade & Other payables	16,306	26,583
Taxation	84	85
	<u>59,119</u>	<u>72,668</u>
Total liabilities	<u>103,810</u>	<u>131,436</u>
TOTAL EQUITY AND LIABILITIES	<u>291,906</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)

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This is a quarterly report on consolidated results for the financial quarter ended 31 March 2019

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019**

	6 MONTHS ENDED 31.03.2019 RM'000	6 MONTHS ENDED 31.03.2018 RM'000
Profit/ (Loss) before taxation	227	1,116
Adjustments for :-		
Non-operating items	7,698	5,943
Interest expenses	2,431	3,104
Interest income	(283)	(304)
Operating profit before working capital changes	<u>10,073</u>	<u>9,859</u>
Net change in current assets	(6,866)	3,180
Net change in current liabilities	(4,104)	(12,064)
Tax (paid)/ refunded	(97)	(462)
Interest paid	(2,431)	(3,104)
Net cash generated from/ (used in) operating activities	<u>(3,425)</u>	<u>(2,591)</u>
Investing activities		
Purchase of property, plant and equipment	(15,881)	(8,383)
Proceeds from sales of property, plant and equipment	48	2,961
Interest received	283	304
Net cash (used in)/generated from investing activities	<u>(15,550)</u>	<u>(5,118)</u>
Financing activities		
Repayment of bank borrowings	(16,416)	(23,577)
Proceeds from capital raising exercises	54,438	58,688
Expenses relating to capital raising	(1,628)	(1,504)
Net cash generated from/ (used in) financing activities	<u>36,394</u>	<u>33,607</u>
Net changes in cash and cash equivalents	17,419	25,898
Cash and cash equivalents at beginning of financial period	8,468	11,156
Effects of Exchange Rate Changes	(1,061)	(5,352)
Cash and cash equivalents at end of the financial period	<u>24,826</u>	<u>31,702</u>

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

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

	< ----- 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
6 MONTHS ENDED 31 MAR 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
Private Placement	21,688						21,688
Total comprehensive income for the period				(4,154)		1,845	458
At 31 March 2018	<u>164,958</u>	<u>90,693</u>	<u>(4,192)</u>	<u>(18,687)</u>	<u>(58,625)</u>	<u>(37,427)</u>	<u>136,720</u>
6 MONTHS ENDED 31 MAR 2019							
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	1,950						1,950
Total comprehensive income for the period				(834)		834	-
At 31 March 2019	<u>219,347</u>	<u>90,693</u>	<u>(4,192)</u>	<u>(16,160)</u>	<u>(58,625)</u>	<u>(42,967)</u>	<u>188,096</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 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	52,535	-	52,535
Total revenue	52,535	-	52,535
Results			
Gross profit	5,121	-	5,121
Interest & other income	4,536	-	4,536
Administrative costs	(4,835)	-	(4,835)
Finance cost	(414)	(2,017)	(2,431)
Other expenses	(813)	(1,351)	(2,164)
Segment profit before taxation	3,595	(3,368)	227

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A9. Profit before tax

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	3 Months Ended 31.03.2019 RM '000	3 Months Ended 31.03.2018 RM '000	6 Months Ended 31.03.2019 RM '000	6 Months Ended 31.03.2018 RM '000
Interest income	198	158	283	304
Other income	1,971	1,866	4,061	3,052
Foreign exchange gains/(losses) (net)	170	842	165	2,759
Depreciation and amortisation	(3,111)	(2,792)	(6,098)	(6,268)
Capital raising expenses	(1,082)	(182)	(1,628)	(1,505)

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>11,461</u>

A14. Capital Commitment

	RM
Amount approved and committed	15.13 million
Amount approved and not committed	<u>NIL</u>
Total	<u>15.13 million</u>

A15. Related Party Transactions

	3 Months Ended 31 March 2019 RM'000	3 Months Ended 31 March 2018 RM'000	6 Months Ended 31 March 2019 RM'000	6 Months Ended 31 March 2018 RM'000
A Company in which a director is also the key management personnel				
Rental of premises	129	137	258	273

B EXPLANATORY NOTES OF BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of performance

	INDIVIDUAL QUARTER			CUMULATIVE		
	3 Months Ended 31.03.2019 RM '000	3 Months Ended 31.03.2018 RM '000	Changes Amount RM '000	6 Months Ended 31.03.2019 RM '000	6 Months Ended 31.03.2018 RM '000	Changes Amount RM '000
Revenue	24,552	22,035	2,517	52,535	47,259	5,276
Operating Profit	2,309	2,012	297	5,121	4,772	349
(Loss)/Profit before Interest, Tax, Depreciation, and Amortisation (EBITDA)	4,381	4,879	(498)	8,755	10,477	(1,722)
Profit/(Loss) Before Tax	138	337	(199)	227	1,116	(889)
Profit/(Loss) After Tax	452	318	134	834	1,845	(1,011)
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	452	318	134	834	1,845	(1,011)

- Group revenue for the quarter ended 31 March 2019 was RM 24.55 million which was higher when compared to the corresponding period of the previous year where revenue for that quarter was RM 22.04 million. The increase in revenue was increased in freights rates since last year on certain cargoes carried by 10-20%.
- The Group's EBITDA for the current quarter was RM 4.38 million compared to RM 4.88 million in the same quarter last year due to increase in cost of sales expenses such as crew contractor costs, bunker and port charges.
- During the quarter under review, the Group also incurred RM 1.0 million in corporate exercise expenses which we captured under Other expenses.

B2. Comparison with preceding quarter's results

	Current Year Quarter 31.03.2019 RM '000	Immediate Preceding Quarter 31.12.2018 RM '000	Changes Amount RM '000
Revenue	24,552	27,982	(3,430)
Operating Profit	2,309	2,812	(503)
(Loss)/Profit before Interest, Tax, Depreciation, and Amortisation (EBITDA)	4,381	4,374	7
Profit/(Loss) Before Tax	138	89	49
Profit/(Loss) After Tax	452	383	69
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	452	383	69

- For the second quarter ended 31 March 2019, the dry bulk business contributed a total of RM 6.22 million in profits before taxes. However, after taking into account overheads from HQ and discontinued operations, the overall profit before tax was RM 138,000.
- The Group revenue in the current quarter was RM 24.55 million which was lower than the previous quarter of RM 27.98 million. Due to the lesser number days and poorer weather conditions experienced during the quarter, the Group undertook four shipments less in the current quarter as compared with the preceding quarter.
- EBITDA was only marginally different in the current quarter at RM 4.38 million as compared to RM 4.37 million in the immediate preceding 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 had on 15 May 2019 announced that it had finalized the acquisition of 51% in Layang Layang Aerospace Sdn Bhd (“LLA”). LLA plays an important role in Sabah and Sarawak in supporting government initiatives of providing medical care to the rural people in Sabah and Sarawak by providing the important air link in the Flying Doctor and Emergency Medical Air Evacuation services. With this and potential expansion in the general air charter, flying academy and oil and gas sectors, the Group is confident that LLA will have a positive contribution to the Group.

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

	3 Months Ended 31 March 2019 RM'000	3 Months Ended 31 March 2018 RM'000	6 Months Ended 31 March 2019 RM'000	6 Months Ended 31 March 2019 RM'000
Income tax charge				
- current period	(81)	(78)	(124)	(159)
Deferred taxation	395	59	731	888
	<u>314</u>	<u>(19)</u>	<u>607</u>	<u>729</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 May 2019, being the latest practical date, which is not earlier than 7 days from the date of issue of this report.

(i) 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 May 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	18,277	Within 12 months from receipt of funds	Note A	Note A
(ii) Capital expenditure (acquisition of barges)	20,000	8,470	Within 12 months from receipt of funds	Note A	Note A
(iii) Working capital	11,300	11,300	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	39,185			

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

(ii) 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. There were no RCNs issued during the quarter under review.

As at 15 May 2019, the status of the utilisation of the gross proceeds received 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	95,000	-	Within 5 years of drawdown	Note B	Note B

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(acquisition of tugs, barges and vessels)						
(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 issued 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 31 March 2019					
	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		9,962		-		9,962
Revolving Credit		10,000		-		10,000
Term Loan	13,950	8,700	8,285	27,000	22,235	35,700
Hire Purchase		117		54		171
RCN		-		50		50
Total	13,950	28,779	8,285	27,104	22,235	55,883
Grand Total		42,729		35,389		78,118

[^] Loan is denominated in USD. As at 31 March 2019, the total balance outstanding was USD 5.443 million. Exchange rate used to convert to RM was 4.0850.

	As at 31 March 2018					
	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		17,663				17,663
Revolving Credit		500				500
Term Loan	12,908	16,000	21,027	34,447	33,935	50,447
Hire Purchase		100		71		171
Total	12,908	34,263	21,027	34,518	33,935	68,781
Grand Total		47,171		55,545		102,716

[^] Loan is denominated in USD. As at 31 March 2018, the total balance outstanding was USD 8.875 million. Exchange rate used to convert to RM was 3.8630.

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Borrowings reduced by RM 24.6 million from RM 102.7 million on 31 March 2018 compared to RM 78.1 million this quarter. Borrowings were reduced mainly from funds raised via the rights issue which was completed in December 2018. The approximate net annual interest savings as a result of the repayment of loans is RM 1.5 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 31.03.2019	Quarter Ended 31.03.2018	Year to Date ended 31.03.2019	Year to Date ended 31.03.2018
Net profit / (loss) attributable to equity holders of the parent (RM'000)	452	318	834	1,845

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Weighted average no. of ordinary shares ('000)	3,809,250	2,285,743	3,503,411	2,240,546
Basic earnings per share attributable to equity holders of the parent (sen)	0.01	0.01	0.02	0.08

(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 23 May 2019.