

QUARTERLY REPORT

This is a quarterly report on consolidated results for the financial quarter ended 31 March 2020

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 MARCH 2020**

	INDIVIDUAL QUARTER		CUMULATIVE	
	Current Year Quarter Ended 31.03.2020 RM '000	Preceding Year Quarter Ended 31.03.2019 RM '000	Current Year To Date 31.03.2020 RM '000	Preceding Year To Date 31.03.2019 RM '000
Revenue	36,461	24,552	72,329	52,535
Operating Expenses	(32,962)	(22,243)	(63,607)	(47,414)
	<u>3,499</u>	<u>2,309</u>	<u>8,722</u>	<u>5,121</u>
Other Operating Income	1,360	2,349	1,593	4,536
Administrative Expenses	(5,836)	(2,041)	(9,312)	(4,835)
Other Expenses	-	(1,347)	(150)	(2,164)
Finance Cost	(1,015)	(1,132)	(2,123)	(2,431)
Profit/ (Loss) before taxation	<u>(1,992)</u>	<u>138</u>	<u>(1,270)</u>	<u>227</u>
Taxation	(913)	314	(1,496)	607
Profit/ (Loss) for the period	<u>(2,905)</u>	<u>452</u>	<u>(2,766)</u>	<u>834</u>
Other comprehensive income:				
Currency translation differences	3,640	(792)	2,260	(834)
Total Comprehensive income for the period	<u>735</u>	<u>(340)</u>	<u>(506)</u>	<u>-</u>
Profit/ (Loss) attributable to:				
Shareholders of the parent	(2,605)	452	(2,503)	834
Non-controlling interests	(300)	-	(263)	-
Profit/ (Loss) for the period	<u>(2,905)</u>	<u>452</u>	<u>(2,766)</u>	<u>834</u>
Total comprehensive income attributable to:				
Shareholders of the parent	1,035	(340)	(243)	-
Non-controlling interests	(300)	-	(263)	-
Total Comprehensive income for the period	<u>735</u>	<u>(340)</u>	<u>(506)</u>	<u>-</u>
Earnings per share attributable to equity holders of the parent (sen)				
Basic	-0.08	0.01	-0.07	0.02
Diluted	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited consolidated results of the Group for the financial year ended 30 September 2019)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the financial quarter ended 31 March 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	AS AT END OF CURRENT QUARTER 31.03.2020	AS AT PRECEEDING FINANCIAL YEAR ENDED 30.09.2019
	RM'000	RM'000
ASSETS		
Non Current Assets		
Property, Plant and Equipment	216,692	202,140
Right-of-use assets	1,920	-
Intangible assets	25,856	25,856
Trade and Other receivables	24,043	24,982
Deferred tax assets	6,673	7,800
	<u>275,184</u>	<u>260,778</u>
Current Assets		
Inventories	9,069	11,312
Trade and Other receivables	35,535	36,111
Tax recoverable	854	667
Cash and cash equivalents	16,955	23,063
	<u>62,413</u>	<u>71,153</u>
TOTAL ASSETS	<u>337,597</u>	<u>331,931</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	218,538	218,538
Treasury shares	(4,192)	(4,192)
Reserves	(27,257)	(26,600)
Total equity attributable to shareholders of the parent	<u>187,089</u>	<u>187,746</u>
Non-controlling interests	5,041	5,304
Total equity	<u>192,130</u>	<u>193,050</u>
Non-current liabilities		
Long term borrowings	27,737	32,583
Other payables	933	-
Deferred tax liabilities	12,002	13,013
	<u>40,672</u>	<u>45,596</u>
Current Liabilities		
Short term borrowings	45,419	41,034
Trade & Other payables	55,101	47,271
Taxation	4,275	4,980
	<u>104,795</u>	<u>93,285</u>
Total liabilities	<u>145,467</u>	<u>138,881</u>
TOTAL EQUITY AND LIABILITIES	<u>337,597</u>	<u>331,931</u>
Net assets per share (RM)	0.05	0.05

(The Condensed Consolidated Balance Sheet should be read in conjunction with the audited consolidated results of the Group for the financial year ended 30 September 2019)

QUARTERLY REPORT

This is a quarterly report on consolidated results for the financial quarter ended 31 March 2020

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 MARCH 2020**

	CURRENT YEAR TO DATE ENDED 31.03.2020 RM'000	PRECEDING YEAR TO DATE ENDED 31.03.2019 RM'000
Profit/ (Loss) before taxation	(1,270)	227
Adjustments for :-		
Non-operating items	6,458	7,698
Interest expenses	2,123	2,431
Interest income	(20)	(283)
Operating profit before working capital changes	7,291	10,073
Net change in current assets	5,015	(6,866)
Net change in current liabilities	8,762	(4,104)
Tax (paid)/ refunded	(655)	(97)
Interest paid	(2,123)	(2,431)
Net cash generated from/ (used in) operating activities	18,290	(3,425)
Investing activities		
Purchase of property, plant and equipment	(24,927)	(15,881)
Proceeds from sales of property, plant and equipment	-	48
Interest received	20	283
Net cash (used in)/generated from investing activities	(24,907)	(15,550)
Financing activities		
Repayment of bank borrowings	(4,219)	(16,416)
Proceeds from capital raising exercises	2,000	54,438
Expenses relating to capital raising	(60)	(1,628)
Net cash generated from/ (used in) financing activities	(2,279)	36,394
Net changes in cash and cash equivalents	(8,896)	17,419
Cash and cash equivalents at beginning of financial period	23,063	8,468
Effects of Exchange Rate Changes	2,788	(1,061)
Cash and cash equivalents at end of the financial period	16,955	24,826

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited consolidated results of the Group for the financial year ended 30 September 2019)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL QUARTER ENDED 31 MARCH 2020

< ----- Attributable to Shareholders of the Parent ----- >

	Share capital	Warrant reserve	Treasury shares	Translation reserves	Capital reserves	RCN reserves	Retained Profit	Non-Controlling interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	219,347	90,693	(4,192)	(16,160)	(58,625)	-	(42,967)	-	188,096
6 MONTHS ENDED 31 MAR 2020									
At 1 October 2019	218,538	118,094	(4,192)	(14,583)	(86,027)	358	(44,442)	5,304	193,050
Initial application of MFRS 16							(56)		(56)
Balance as at 1 October 2019 (restated)	218,538	118,094	(4,192)	(14,583)	(86,027)	358	(44,498)	5,304	192,994
Conversion of RCN	-					(358)		-	(358)
Expiry of Warrants A		(75,298)			75,298				-
Total comprehensive income for the period				2,260			(2,503)	(263)	(506)
At 31 March 2020	218,538	42,796	(4,192)	(12,323)	(10,729)	-	(47,001)	5,041	192,130

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited consolidated results of the Group for the financial year ended 30 September 2019)

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 unaudited 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 2019.

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 2019.

A2. Auditors' report on preceding Annual Financial Statements

The auditors' report on the Group's financial statements for the year ended 30 September 2019 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	Aviation & Related Activities RM'000	HQ & Related Overheads RM'000	Discontinued Operations RM'000	Group RM'000
Revenue					
External sales	46,986	25,343	-	-	72,329
Total revenue	46,986	25,343	-	-	72,329
Results					
Gross profit	3,213	5,509	-	-	8,722
Interest & other income	1,587	-	6	-	1,593
Administrative costs	(2,651)	(4,091)	(2,333)	(237)	(9,312)
Finance cost	(459)	(266)	-	(1,398)	(2,123)
Other expenses	-	-	(90)	(60)	(150)
Segment profit before taxation	1,690	1,152	(2,417)	(1,695)	(1,270)

A9. Profit before tax

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

	INDIVIDUAL QUARTER		CUMULATIVE	
	Current Year Quarter Ended 31.03.2020 RM '000	Preceding Year Quarter Ended 31.03.2019 RM '000	Current Year To Date 31.03.2020 RM '000	Preceding Year To Date 31.03.2019 RM '000
Interest income	4	198	20	283
Other income	1,356	1,971	1,572	4,061
Foreign exchange gains/(losses) (net)	(971)	170	(708)	165
Depreciation and amortisation	(4,695)	(3,111)	(9,330)	(6,098)
Capital raising expenses	-	(1,082)	-	(1,628)

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
	16,670

A14. Capital Commitment

RM

Amount approved and committed	2.70 million
Amount approved and not committed	<u>NIL</u>
Total	<u>2.70 million</u>

A15. Related Party Transactions

	3 Months Ended 31.03.2020 RM'000	3 Months Ended 31.03.2019 RM'000	6 Months Ended 31.03.2020 RM'000	6 Months Ended 31.03.2019 RM'000
A Company in which a director is also the key management personnel				
Rental of premises	129	129	258	258

B EXPLANATORY NOTES OF BURSA MALAYSIA LISTING REQUIREMENTS

B1. Review of performance

	INDIVIDUAL QUARTER			CUMULATIVE		
	Current Year Quarter 31.03.2020 RM '000	Preceding Year Quarter 31.03.2019 RM '000	Changes RM '000	Current Year To Date 31.03.2020 RM '000	Preceding Year To Date 31.03.2019 RM '000	Changes RM '000
Revenue	36,461	24,552	11,909	72,239	52,535	19,704
Operating Profit	3,960	2,309	1,651	9,182	5,121	4,061
(Loss)/Profit before Interest, Tax, Depreciation, and Amortisation (EBITDA)	3,718	4,381	(663)	10,183	8,755	1,428
Profit/(Loss) Before Tax	(1,992)	138	(2,130)	(1,270)	227	(1,497)
Profit/(Loss) After Tax	(2,905)	452	(3,357)	(2,766)	834	(3,600)

- Group revenue for the quarter ended 31 March 2020 was RM 36.46 million which was higher when compared to the corresponding period of the previous year. This is due to the inclusion of the aviation segment which was only acquired in May 2019. When compared with the drybulk segment, revenue had increased marginally by RM 0.08 million.
- Despite the similar revenue received in the drybulk segment, the operating profit for that segment had decreased from RM 2.31 million in the corresponding period of the previous year to RM 1.24 million in the current quarter. This was mainly caused by higher depreciation costs as well as repairs and maintenance expenses on vessels.
- The Group's EBITDA for the current quarter was RM 3.72 million compared to RM 4.38 million in the same quarter. The reduced EBITDA was due to RM 0.99 million in foreign exchange losses incurred during the quarter.

B2. Comparison with preceding quarter's results

	Current Year Quarter 31.03.2020 RM '000	Immediate Preceding Quarter 31.12.2019 RM '000	Changes Amount RM '000
Revenue	36,461	35,867	594
Operating Profit	3,960	5,221	(1,261)
(Loss)/Profit before Interest, Tax, Depreciation, and Amortisation (EBITDA)	3,718	6,465	(2,747)
Profit/(Loss) Before Tax	(1,992)	722	(2,714)
Profit/(Loss) After Tax	(2,905)	139	(3,044)

HUBLINE BERHAD
Registration No. 197501001462 (23568-H)

- For the quarter ended 31 March 2020, the dry bulk business contributed a total of RM 24.63 million in revenue while the aviation segment contributed RM 11.83 million. This is compared with the immediate preceding quarter which earned RM 22.35 million revenue in the dry bulk business and RM 13.51 million revenue in the aviation segment.
- The decrease in operating profit in the current quarter as compared to the preceding quarter was mainly due to higher port charges and repair costs in the drybulk segment incurred in the current quarter amounting to RM 0.4 million and RM 1.5 million respectively.
- EBITDA in the current quarter was RM 3.72 million as compared to RM 6.47 million in the immediate preceding quarter. EBITDA in the current quarter was lower mainly due to RM 0.99 million in foreign exchange losses incurred during the quarter, higher operating expenses as mentioned above, as well as higher administrative expenses.

B3. Commentary on Prospects

The lockdown imposed by many countries including Malaysia due to COVID-19 has spread economic uncertainty. In varying degrees, our business has encountered reduced shipments in our drybulk segment. This is expected to affect the Group's business during the COVID-19 pandemic. To maintain market position, the Group will always monitor the situation and proactively maintain our competitiveness in the industry.

Within the aviation segment, our usual quarterly intake of students has been deferred due to COVID-19 and will not be reinstated until further notice by the Government. For the general aviation business, travel for leisure has come to a stand-still due to the current situation, however, medivac services and flying doctor services which are considered as essential services, to rural areas have continued.

As at the date of this report, the Group is unable to reasonably quantify the financial impact of COVID-19 to the Group's cash flows, financial results and financial position.

B4. Profit Forecast / 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 31.03.2020 RM'000	3 Months Ended 31.03.2019 RM'000	6 Months Ended 31.03.2020 RM'000	6 Months Ended 31.03.2019 RM'000
Income tax charge				
- current period	(684)	(81)	(1,267)	(124)
Deferred taxation	(229)	395	(229)	731
	<u>(913)</u>	<u>314</u>	<u>(1,496)</u>	<u>607</u>

Domestic current income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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 19 June 2020, 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”)

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.

As at 19 June 2020, 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	4,449	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	927	Within 1 month of drawdown	Note B	Note B
	TOTAL	200,000	6,000			

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 6.0 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 2nd quarter ended 31 March 2020					
	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)
Overdraft		4,513				4,513
Invoice Financing		16,545				16,545
Revolving Credit		10,000				10,000
Term Loan	8,747	5,090		23,279	8,747	28,369
Hire Purchase		524		408		932
RCN				4,050		4,050
Total	8,747	36,672		27,737	8,747	64,409
Grand Total		45,419		27,737		73,156

^ Loan is denominated in USD. As at 31 March 2020, the total balance outstanding was USD 2.28 million. Exchange rate used to convert to RM was 4.3130.

	As at 2 nd quarter ended 31 March 2019					
	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		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.

Borrowings reduced by RM 4.96 million from RM 78.12 million on 31 March 2019 compared to RM 73.16 million this quarter. Borrowings were reduced mainly from funds raised via RCN. The approximate net annual interest savings as a result of the repayment of loans is RM 0.30 million.

The average weighted interest rate of borrowings for the Group is 6.0% 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 31.03.2020	Quarter Ended 31.03.2019	Year to Date ended 31.03.2020	Year to Date ended 31.03.2019
Net profit / (loss) attributable to equity holders of the parent (RM'000)	(2,905)	452	(2,766)	834
Weighted average no. of ordinary shares ('000)	3,818,350	3,809,250	3,818,350	3,503,411
Basic earnings per share attributable to equity holders of the parent (sen)	(0.08)	0.01	(0.07)	0.02

(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 26 June 2020.