



Hubline Berhad

Registration No. 197501001462 (23568-H)

(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED DURING THE FORTY-FIFTH ANNUAL GENERAL MEETING OF HUBLINE BERHAD (“HUBLINE” OR THE “COMPANY”) CONDUCTED FULLY VIRTUAL THROUGH LIVE STREAMING FROM THE BROADCAST VENUE, BEING THE MAIN MEETING VENUE, AT THE MEETING ROOM, 3RD FLOOR, WISMA HUBLINE, LEASE 3815 (LOT 10914) SECTION 64 KTLD JALAN DATUK ABANG ABDUL RAHIM, 93450 KUCHING, SARAWAK, MALAYSIA, ON THURSDAY, 11TH MARCH 2021 AT 11:00 A.M.

Attendance of Directors:

Present at the Broadcast Venue:

Dato Richard Wee Liang Huat @ Richard Wee Liang Chiat	Non-Independent Executive Chairman
Mr. Dennis Ling Li Kuang	Non-Independent Chief Executive Officer / Managing Director
Ms. Katrina Ling Shiek Ngee	Non-Independent Executive Director / Chief Financial Officer
Mr. Peter Chin Mui Khiong	Senior Independent Non-Executive Director
Mr. Lai Lian Yee	Independent Non-Executive Director

Present via Video-Conferencing:

Mr. Bobby Lim Chye Huat	Independent Non-Executive Director
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In Attendance:

Present at the Broadcast Venue:

Madam Yeo Puay Huang	Company Secretary
Mr. Hudson Chua Jain	Representative of Crowe Malaysia PLT
Ms. Beatrice Tang	Representative of Crowe Malaysia PLT
Ms. Liew Pei Ying	Representative of Crowe Malaysia PLT

1. Welcome Address by the Chairman

Dato Richard Wee Liang Huat @ Richard Wee Liang Chiat (“the Chairman”) chaired the 45th AGM of the Company and welcomed all present at the fully virtual AGM of the Company through live streaming. He introduced the members of the Board of Directors to the members.

2. Quorum for the Meeting

The Chairman, having confirmed that the requisite quorum being present, called the Meeting to order at approximately 11:00 a.m.

3. Voting By Way of Poll

The Chairman briefed the members that pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the notice and put to vote at general meeting would be decided by poll. He further informed that all the resolutions at the Meeting would be put to vote by poll using Remote Participation and Voting facilities being provided by V-Cube Malaysia Sdn. Bhd.

The Company has appointed SLCC Networks Sdn. Bhd. as the Scrutineer to verify and validate the poll results. The polling process for voting on the resolutions would be conducted upon completion of the deliberation of all items to be transacted at the Meeting.

4. Notice of Meeting

The Notice convening the Meeting having been circulated within the prescribed period and there was a quorum for the Meeting. Thus, with the permission of the Meeting, it was taken as read.

5. Audited Financial Statements and Reports

The Chairman informed that the Audited Financial Statements for the financial year ended 30 September 2020 together with the Report of the Directors and Auditors thereon, were tabled at the Meeting for discussion only and were not required to be put forward for voting.

The Audited Statements of Accounts together with the Reports have been circulated to all members within the prescribed period.

6. Questions and Answers Session

Prior to the Meeting, the Minority Shareholders Watch Group (“MSWG”) had on 2 March 2021 submitted their questions to the Company via e-mail raising some questions pertaining to operational and financial matters.

The questions and answers attached as Appendix 1 was presented at the Meeting.

The Chairman also responded to the questions being raised by a member, namely Mr. Looi Boon Ping. The questions and answers attached as Appendix 2 was presented at the Meeting.

There were no further questions being raised on the operational and financial matters of the Company.

7. Any Other Business

The Chairman briefed the Meeting on a letter dated 9 March 2021 from Bursa Malaysia Berhad which was addressed to all chairpersons of public listed companies regarding corporate social responsibility initiatives. The Chairman said that the Company will attempt its best efforts to adopt the principles being discussed in that letter.

The Meeting noted that the Company had not received any notice for transaction of any other business.

The Meeting then proceeded to voting using Remote Participation and Voting facilities being provided by V-Cube Malaysia Sdn. Bhd.

8. Polling Process

The Chairman briefed the Meeting on the procedures for the conduct of voting using Remote Participation and Voting facilities being provided by V-Cube Malaysia Sdn Bhd.

Thereafter, the members proceed to vote on the various resolutions.

9. Declaration of Poll Voting Results

After the Scrutineer had certified the polling results and passed the results to the Board of Directors, the Chairman called the Meeting to order the declaration of results.

Based on the polling results which have been verified and validated by the Scrutineer, the Chairman declared all the resolutions tabled at the Meeting, carried as follows:

Resolution 1:

To re-elect Mr. Peter Chin Mui Khiong who is retiring in accordance with Clause 18.2 of the Company's Constitution and is offering himself for re-election.

Results on voting by poll, as verified by the Scrutineer:

VOTE IN FAVOUR		VOTE AGAINST	
No. of Shares	%	No. of Shares	%
2,427,243,447	99.9958	102,500	0.0042

Based on the poll result, the Chairman declared the motion as carried.

Resolution 2:

To re-elect Ms. Katrina Ling Shiek Ngee who is retiring in accordance with Clause 18.2 of the Company's Constitution and is offering herself for re-election.

Results on voting by poll, as verified by the Scrutineer:

VOTE IN FAVOUR		VOTE AGAINST	
No. of Shares	%	No. of Shares	%
2,427,243,285	99.9958	102,662	0.0042

Based on the poll result, the Chairman declared the motion as carried.

Resolution 3:

To approve the payment of gratuity amounting RM480,000.00 to Dato Haji Ibrahim Bin Haji Baki.

Results on voting by poll, as verified by the Scrutineer:

VOTE IN FAVOUR		VOTE AGAINST	
No. of Shares	%	No. of Shares	%
2,427,135,607	99.9913	210,340	0.0087

Based on the poll result, the Chairman declared the motion as carried.

Resolution 4:

To approve the payment of Directors' fees of the Company amounting to RM450,000.00 for the financial year ending 30 September 2021.

Results on voting by poll, as verified by the Scrutineer:

VOTE IN FAVOUR		VOTE AGAINST	
No. of Shares	%	No. of Shares	%
2,427,136,947	99.9914	209,000	0.0086

Based on the poll result, the Chairman declared the motion as carried.

Resolution 5:

To re-appoint Messrs Crowe Malaysia PLT as Auditors of the Company and to authorize the Directors to determine their remuneration.

Results on voting by poll, as verified by the Scrutineer:

VOTE IN FAVOUR		VOTE AGAINST	
No. of Shares	%	No. of Shares	%
2,427,201,947	99.9941	144,000	0.0059

Based on the poll result, the Chairman declared the motion as carried.

Resolution 6:

Authority to allot and issue shares pursuant to Section 75 and Section 76 of the Companies Act 2016

That pursuant to Section 75 and 76 of the Companies Act 2016, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten (10) percent of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, subject always to the Companies Act 2016, the Constitution of the Company and approval of all relevant regulatory bodies being obtained for such allotment and issue.

Results on voting by poll, as verified by the Scrutineer:

VOTE IN FAVOUR		VOTE AGAINST	
No. of Shares	%	No. of Shares	%
2,427,241,107	99.9957	104,840	0.0043

Based on the poll result, the Chairman declared the motion as carried.

10. Meeting Closure

There being no other business to be transacted, the Meeting concluded at approximately 12:30 p.m. and the Chairman thanked all present for their attendance.

Appendix 1:

Operational & Financial Matters

1. The Company will continue to seek for opportunities to expand beyond its existing markets in Sabah and Sarawak as it seeks to establish a greater presence in West Malaysia (page 6 of AR 2020).

Layang Layang Aerospace's aviation operations currently covers Kuching, Miri and Sibu in Sarawak, Kota Kinabalu, Ipoh in Perak and Subang in Selangor, which other airports in West Malaysia does the Company intend to expand its coverage to?

Response:

We are working on extending our operations to Johor (Senai Airport) and further our services in Selangor (Subang Airport).

Introduction to questions 2, 4 and 5

Questions 2, 4 and 5 raised relate to the same subsidiary within the Hubline Group and as such, we shall be responding to these queries collectively. We shall respond to question 3 after our conclusion on our response to question 5.

The subsidiary that holds the provision for income tax as well as the bulk of the accumulated impairment loss on receivables was sold subsequent to financial year end (December 2020) (Note 41, page 154 AR2020). This disposal resulted in a gain of approximately RM 14.5 million.

2. The Group's loss after tax for the year under review has increased significantly due to the provision for income tax of RM 10.3 million on an income tax liability arising from prior year operations. This amount relating to prior year is disputed and the Group is seeking professional advice to resolve the issue (Page 7 of AR2020).

What is the latest update on this issue?

Response:

This tax liability arose from our container shipping business where amounts had been loaned or advanced to a subsidiary by Hubline Berhad ("Hubline"). Subsequently when the Group suffered losses and decided to exit from the container shipping business, these amounts owing by this subsidiary to Hubline were impaired. The Inland Revenue Board ("IRB") deemed this amount as taxable to the subsidiary of which we dispute.

As the amended assessment had been raised, we had to take up the provision for income tax accordingly. However, as mentioned in our introduction above, in December 2020, the Group disposed of this subsidiary.

4. Accumulated impairment loss on trade receivables have increased significantly to RM 40.2 million (2019: RM 15.1 million) (Note 10, page 103 of AR2020).
- a. What is the ageing of these impaired trade receivables in the following categories: within 1 year, 1 to 5 years?

Response:

This receivable of RM 40.2 million has been owing for more than 5 years.

- b. What actions have been taken to recover the said amount?

Response:

These receivables were the last of the container shipping segment trade receivables. All the while, we have been in constant communication including via correspondence, meetings and discussions between the two parties to recover these amounts. However, since the pandemic struck we faced difficulties in collection and have not been able to recover much from them since.

- c. What is the probability of recovering the impaired amount?

Response:

In spite of the various efforts to recover these receivables, we find it difficult to recover this amount. Even with the generous settlement period, further delays of recoverability had lead us to expect a lower probability of recovery.

Combined with the liabilities of the container shipping segment, management decided to dispose of this subsidiary. As a result of the disposal of this subsidiary in December 2020, the probability of recovery of this impaired amount is no longer applicable.

5. Accumulated impairment loss on other receivables have also increased significantly to RM 4.0 million (2019: 931,692) (Note 11, page 104 of AR2020).
- a. What was the nature of these receivables that have been impaired?

Response:

The Group had decided to exit from the container shipping business in 2015. These receivables were amounts owing from the sale of container shipping business assets that were located outside Malaysia.

- b. What actions have been taken to recover the said amount?

Response:

We had tried to arrange for a settlement agreement to recover this amount. Initially we were able to recover in accordance with the agreed schedule. However, since the pandemic and lockdowns from early 2020 which resulted in the severe downturn in the global economic environment, we were not successful in our collection attempts for amounts scheduled that year.

- c. What is the probability of recovering the impaired amount?

Response:

Given the amount of time that has passed since we closed our container business and the recent poor economic climate, we were not optimistic in recovering this impaired amount. The Group has since disposed this subsidiary in December 2020.

With the disposal of this subsidiary and with all the steps taken, going forward we do not have any more exposure to the container shipping business liabilities other than the loan obligations.

The Board intends to fully focus on our existing operating segments and will continue to look for new businesses which are synergistic to our Group's activities.

3. The Independent Auditor has highlighted a material uncertainty related to going concern in their report (Page 52 of AR2020).

The Group incurred a net loss of RM 60.8 million during the FY2020 and, as of that date, the Group's current liabilities exceeded its current assets by RM 62.2 million. These events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

When is the Group expected to be in a position that does not warrant a statement from the independent auditor that there is "a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern?"

Response:

The Group is progressing steadily and slowly recovering from the past losses which were made worse by the pandemic in 2020. The Group has reasonable expectations that we will have adequate resources to continue as a going concern in the foreseeable future. The Group continues to generate positive operating cash flows (before working capital changes) as well as being able to generate positive EBITDA. We have been able to meet all our debt obligations as and when it falls due.

Additionally as announced, the Board had on 22 February 2021 proposed to undertake a private placement of approximately 10% of the Company's total number of issued shares. Further, the Group has unutilized Redeemable Convertible Notes ("RCN") of RM 194 million.

From the first quarter 2021 results, we have seen an improvement in the dry bulk logistics segment in both freight rates and number of shipments and the outlook for the shipping industry looks promising. The aviation business recently secured a four year contract with Jabatan Kesihatan Negeri Sarawak which commenced on 1 January 2021. We are therefore optimistic that this will improve the results for our general aviation business.

With all the above, the Group is cautiously optimistic that by next financial year, the Group will not be in a position to warrant such a statement.

6. Write-down of intangibles – goodwill of RM 6.0 million in FY2020 (Note 30, page 118 of AR2020). What is the rationale to write-down the goodwill?

Response:

Due to the impact of COVID-19 and the lockdown of several countries in South East Asia, the number of shipments completed by our dry bulk logistics segment suffered a steep drop during the year. This resulted in the dry bulk segment making a loss for FY2020. Resultantly, the goodwill associated with this segment was impaired during the year.

Appendix 2:

Queries from Mr. Looi Boon Ping

AR 2020 Page 103:

Can you enlighten me on the high impairment on trade receivable of 15m and 40m respectively in year 2019 and 2020?

Any legal action taken against the clients?

Response:

The first part of this question is similar to the one raised by the MSWG and has been addressed.

In response to legal action, the management of the Group has explored all avenues to recover this receivable. After having sought advice from legal and financial advisers we were of the opinion that it would be a futile and costly exercise to pursue it in a legal manner and as such, we have agreed to dispose of this subsidiary.

AR2020 Page 118:

Please clarify why there is 50% increased in directors remuneration from 2.98m to 4.44m?

For the remuneration, are we just look at the Group as the total remuneration or we have to sum the Group and the Company that the total director remunerations for 2020 shall be $4.44m + 2.17m = 6.61m$ “

Response:

Directors remuneration increased by 33% and the main reason for the increase is due to the full year addition of the aviation segment which was acquired in May 2019.

More specifically, the increase in directors' remuneration from the aviation segment was RM 1.06 million and this is due to 12 months directors' remuneration in 2020 compared to 4 months remuneration in 2019.

There was a RM 394k increase in directors' remuneration from holding company because 2020 includes a once off gratuity payment of RM 480k.

The entire Group's director remuneration is RM 4.44m which covers the Company and all its subsidiaries.

General question:

What is the macro reason behind the recent surge in dry bulk charter rates?

Response:

There is a positive impact on the general economic recovery since the global pandemic which is affecting the countries in which we operate. The slow supply of raw materials over the course of 2020 during the pandemic lockdown periods have lead to diminishing stockpiles where now we see a demand for coal and other raw materials. This is simultaneous to the increase in bunker (fuel) prices which generally drives freight rates higher.

General question:

What is the action plan from the management to increase the cash flow for 2021?

Response:

As a result of improved performance by our operating segments, this contributes to the positive cash flows in operations. It is only in the event of large capital acquisitions that additional capex is required which may impact the cashflow. For the immediate term, we have recently announced a 10% private placement which will garner an estimated RM 16 million in funds.