

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2019

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Revenue	172,217	160,303	172,217	160,303
Cost of sales	(151,090)	(136,800)	(151,090)	(136,800)
Gross profit	21,127	23,503	21,127	23,503
Operating expenses	(42,607)	(39,255)	(42,607)	(39,255)
Other operating income/(expense)	585	(77)	585	(77)
Operating loss	(20,895)	(15,829)	(20,895)	(15,829)
Interest income	454	240	454	240
Finance costs	(7,728)	(8,296)	(7,728)	(8,296)
Loss before taxation	(28,169)	(23,885)	(28,169)	(23,885)
Taxation	4,332	4,896	4,332	4,896
Loss and total comprehensive loss for the period attributable to owners of the Company	(23,837)	(18,989)	(23,837)	(18,989)
Loss per ordinary share (sen):-				
(a) Basic	(4.83)	(3.96)	(4.83)	(3.96)
(b) Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2019.

HUME INDUSTRIES BERHAD
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER
 2019

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**CONDENSED CONSOLIDATED STATEMENTS ON FINANCIAL POSITION AS AT
 30 SEPTEMBER 2019**

	As at end of current quarter 30/09/2019 RM'000	As at end of preceding financial year 30/06/2019 RM'000
ASSETS		
Property, plant and equipment	983,821	1,000,103
Right-of-use assets	2,804	-
Investment property	6,888	6,952
Deferred tax assets	19,129	19,555
Tax credit receivables	145,091	145,081
Total non-current assets	1,157,723	1,171,691
Inventories	69,044	88,985
Trade and other receivables	66,287	64,935
Current tax assets	4,538	3,944
Cash and cash equivalents	81,715	110,336
Total current assets	221,584	268,200
TOTAL ASSETS	1,379,307	1,439,891
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	489,273	488,306
Reserves	(210,766)	(186,920)
RCULS - equity portion	134,313	135,109
TOTAL EQUITY	412,820	436,495
LIABILITIES		
Borrowings	75,545	197,865
Deferred tax liabilities	36,640	40,882
RCULS – liability portion	26,935	28,772
Deferred income	105,438	107,234
Lease liabilities	2,152	-
Employee benefits	419	410
Refundable deposit	507	507
Total non-current liabilities	247,636	375,670
Trade and other payables	134,928	148,935
Borrowings	569,547	465,113
RCULS – liability portion	6,536	6,493
Deferred income	7,171	7,185
Lease liabilities	669	-
Total current liabilities	718,851	627,726
TOTAL LIABILITIES	966,487	1,003,396
TOTAL EQUITY AND LIABILITIES	1,379,307	1,439,891
Net assets per share attributable to owners of the Company (RM)	0.84	0.89

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2019.

HUME INDUSTRIES BERHAD
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	Share capital	Redeemable convertible unsecured loan stocks ("RCULS") – equity portion	Hedging reserve	Translation reserve	Accumulated losses	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year-to-date ended 30 September 2019						
At 1 July 2019	488,306	135,109	(375)	358	(186,903)	436,495
Loss for the period	-	-	-	-	(23,837)	(23,837)
Total comprehensive expense for the period	-	-	-	-	(23,837)	(23,837)
<i>Contribution by and distribution to owners of the Company</i>						
- Conversion of RCULS	967	(796)	-	-	(9)	162
Total transaction with owners of the Company	967	(796)	-	-	(9)	162
At 30 September 2019	489,273	134,313	(375)	358	(210,749)	412,820

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2019 (cont'd)

	Share capital	Translation reserve	Accumulated losses	Total equity
	RM'000	RM'000	RM'000	RM'000
Preceding year corresponding period ended 30 June 2019				
At 1 July 2018	479,094	21	(89,215)	389,900
Loss for the period	-	-	(18,989)	(18,989)
Total comprehensive expense for the period	-	-	(18,989)	(18,989)
At 30 September 2018	479,094	21	(108,204)	370,911

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2019.

HUME INDUSTRIES BERHAD
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER
 2019

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
 ENDED 30 SEPTEMBER 2019**

	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2019 RM'000	30/09/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(28,169)	(23,885)
Adjustments for:-		
Depreciation and amortisation	17,269	16,839
Non-cash items	418	(36)
Dividend income	(108)	(240)
Net financing costs	7,274	8,296
Operating (loss)/profit before changes in working capital	(3,316)	974
Changes in working capital		
Net change in current assets	16,240	11,476
Net change in current liabilities	(15,148)	(40,392)
Taxation (paid)/refunded	(128)	33
Net financing costs paid	(6,838)	(8,296)
Dividend received	108	240
Net cash used in operating activities	(9,082)	(35,965)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,512)	(1,983)
Proceeds from disposal of property, plant and equipment	17	-
Net cash used in investing activities	(1,495)	(1,983)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	177,448	256,691
Repayments of borrowings	(195,492)	(264,998)
Net cash used in financing activities	(18,044)	(8,307)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(28,621)	(46,255)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	110,336	73,256
CASH & CASH EQUIVALENTS AT END OF PERIOD	81,715	27,001

Cash and cash equivalents included in the consolidated statements of cash flows comprise the following statements of financial position amounts:

	30/09/2019 RM'000	30/09/2018 RM'000
Deposits, cash and bank balances	81,715	27,001

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2019.


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The figures have not been audited

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2019. This interim financial report also complies with International Accounting Standards 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The accounting policies and presentation adopted for this interim report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2019 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2019 which are applicable to the Group. The initial adoption of these applicable MFRSs, amendments and interpretations do not have any material impact on the financial statements of the Group except for the adoption of MFRS 16 Leases which requires the lessee to recognise the right-of-use of the underlying lease asset and future lease payments liabilities in the statement of financial position.

In accordance with the transitional provisions provided in MFRS 16 Leases, comparative information for the previous financial year ended 30 June 2019 were not restated. The financial impact on the financial statements of the Group arising from the adoption of MFRS 16 Leases on 1 July 2019 are as follows:

Condensed Statement of Financial Position

	At 30 June 2019 RM’000	Adoption of MFRS 16 RM’000	At 1 July 2019 RM’000
Non-current assets			
Right-of-use assets	-	2,983	2,983
Non-current liabilities			
Lease liabilities	-	2,210	2,210
Current liabilities			
Lease Liabilities	-	773	773

2. Qualification of audit report of the preceding annual financial statements

The audit report for the preceding annual financial statements was not qualified.

3. Seasonality or cyclicity of interim operations

There have been no material seasonal or cyclical factors affecting the results of the quarter under review.

4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the quarter under review and financial year-to-date.

The figures have not been audited

5. **Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years**

There were no changes in estimates of amounts reported in prior financial years.

6. **Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

During the quarter under review, the issued share capital of the Company has increased from 492,254,775 ordinary shares to 493,635,746 ordinary shares by the issue and allotment of 1,380,971 new ordinary shares arising from the conversion of RM966,680 nominal value of redeemable convertible unsecured loan stocks ("RCULS") at the conversion price of RM0.70 for every 1 new ordinary share in the Company.

There were no share buy-back, share cancellations, resale of treasury shares or repayments of debt or equity securities during the quarter under review and financial year-to-date.

7. **Dividend paid**

There was no dividend paid during the quarter under review and financial year-to-date.

8. **Operating segments**

The Group's segmental report for the financial year-to-date is as follows: -

	Construction Materials RM'000
Reportable segment loss	<u>(20,810)</u>
Included in the measure of segment losses are:	
Revenue from external customers	171,709
Depreciation and amortisation	<u>17,202</u>
Reconciliation of reportable segment loss	
Loss	
Reportable segment	(20,810)
Non-reportable segments	(85)
Interest income	454
Finance costs	<u>(7,728)</u>
Consolidated loss before taxation	<u>(28,169)</u>
	External Revenue RM'000
Reportable segment	171,709
Non-reportable segment	508
Total	<u>172,217</u>
	Depreciation and amortisation RM'000
Reportable segment	17,202
Non-reportable segment	67
Total	<u>17,269</u>

The figures have not been audited

9. Material events not reflected in the financial statements

There are no material subsequent events to be disclosed as at the date of this report.

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations other than as mentioned below:

Flynex Sdn Bhd, an indirect wholly-owned subsidiary of the Company, had been placed under member's voluntary liquidation. The liquidation is currently pending tax clearance from the Inland Revenue Board.

Forestmoon Pte Ltd (formerly known as Hume Concrete Singapore Pte Ltd), a company registered in Singapore, an indirect wholly-owned subsidiary of the Company, has been struck off on 7 October 2019 from the Register of Companies by Accounting and Corporate Regulatory Authority and accordingly ceased as an indirect subsidiary of the Company.

11. Review of performance

For the quarter under review, the Group recorded revenue of RM172.2 million and loss before taxation ("LBT") of RM28.2 million as compared with revenue and LBT of RM160.3 million and RM23.9 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2019 ("FY 2019").

The increase in revenue for the quarter under review as compared with the corresponding quarter of FY 2019 was mainly contributed from the higher cement and clinker sales volume but partially offset by lower cement selling price. Consequently, LBT increased from RM23.9 million to RM28.2 million as compared with the corresponding quarter of the preceding financial year.

12. Material changes in LBT against the immediate preceding quarter

The Group recorded a slight reduction in LBT of RM28.2 million for the quarter under review as compared with LBT of RM28.8 million for the preceding quarter.

13. Prospects

The Board expects the market to remain challenging. However, the recent cement selling price has been improving from the past low level. The Group continues to work on increasing operating efficiency and reducing costs.

14. Profit forecast / profit guaranteed

This note is not applicable.

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HUME INDUSTRIES BERHAD
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER
 2019

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15. **Loss before taxation**

	Current Year Quarter	Current Year To-date
	30/09/2019 RM'000	30/09/2019 RM'000
Loss before taxation is arrived at after charging/(crediting) :-		
Dividend income from short term investments	(108)	(108)
Reversal of impairment loss on trade receivables (net)	52	52
Depreciation and amortisation	17,269	17,269
Provision for slow moving inventories	754	754
Loss on foreign exchange	103	103
Fair value loss on derivative instrument	-	-

16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Current taxation				
Malaysian - current year	(465)	(257)	(465)	(257)
- prior year	-	-	-	-
	(465)	(257)	(465)	(257)
Deferred taxation				
Malaysian - current year	(3,867)	(4,639)	(3,867)	(4,639)
- prior year	-	-	-	-
	(3,867)	(4,639)	(3,867)	(4,639)
	(4,332)	(4,896)	(4,332)	(4,896)

The figures have not been audited

17. Corporate proposals

- (a) There are no corporate proposals announced but not completed as at the date of this report.
- (b) During the quarter under review, the status of the utilisation of proceeds from the Rights Issue of RCULS is as follow:

<u>Details</u>	<u>Proposed Utilisation</u> RM'000	<u>Actual Utilisation</u> RM'000	<u>Balance Unutilised</u> RM'000	<u>Estimated timeframe for utilisation</u>	<u>Variance</u> RM'000 %	
Repay bank borrowings	122,257	122,257	-	Within 12 months	-	-
Fund general working capital	49,267	27,743	21,524	Within 12 months	-	-
Defray expenses in relation to the Rights Issue of RCULS	950	1,010	(60)	Within 3 months	(60)*	-6%
	<u>172,474</u>	<u>151,010</u>	<u>21,464</u>		<u>(60)</u>	

* The additional expenses incurred were paid from working capital

18. Group's borrowings and debt securities

	RM'000
Unsecured short term borrowings	569,547
Unsecured long term borrowings	75,545
	<u>645,092</u>

The above include borrowings denominated in foreign currencies as follows:-

USD	RM'000
	<u>127,571</u>

The USD denominated borrowings include RM113 million which foreign currency exchange rate has been fixed on drawdown of the term loan. The Group's borrowings have decreased due to repayment of bank borrowings in the financial year-to-date.

19. Changes in material litigation

There are no material litigations as at the date of this report.

20. Dividend

- (a) The Board does not recommend any interim dividend for the quarter ended 30 September 2019 of the financial year ending 30 June 2020 (2018/2019: Nil).
- (b) For the financial year-to-date, no dividend has been declared (2018/2019: Nil).

The figures have not been audited

21. Loss Per Ordinary Share

(a) Basic loss per ordinary share

The basic loss per ordinary share for the quarter under review is calculated by dividing the Group's loss attributable to owners of the Company of RM23,837,000 (1st quarter 2018/2019: RM18,989,000) by the weighted average number of ordinary shares during the quarter of 493,039,513 (1st quarter 2018/2019: 479,550,800).

(b) Diluted loss per share

The Group's diluted loss per ordinary share in the quarter under review and financial year-to-date is not presented as the assumed potential new ordinary shares are anti-dilutive.

22. Derivatives

The Group uses forward foreign exchange contracts to manage its exposure to various financial risks.

Forward foreign exchange contracts

The Group has entered into a number of forward foreign exchange contracts by a subsidiary to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions.

The forward foreign exchange contracts are stated at fair value using observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

As at 30 September 2019, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract amount	Fair Value Assets / (Liabilities)
	RM'000	RM'000
Less than 1 year	<u>56,534</u>	<u>(375)</u>

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23. Gains/losses arising from fair value changes of financial liabilities

Other than derivatives which are classified as financial liabilities, when they are at fair value loss position, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

By Order of the Board
Hume Industries Berhad

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
28 November 2019

