

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2019

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Revenue	156,198	163,004	328,415	323,307
Cost of sales	(124,025)	(141,936)	(275,115)	(278,736)
Gross profit	32,173	21,068	53,300	44,571
Operating expenses	(36,221)	(42,242)	(78,818)	(81,501)
Other operating income/(expense)	2,548	(3,709)	3,133	(3,786)
Operating loss	(1,490)	(24,883)	(22,385)	(40,716)
Interest income	358	217	812	457
Finance costs	(7,715)	(8,584)	(15,443)	(16,880)
Loss before taxation	(8,847)	(33,250)	(37,016)	(57,139)
Taxation	1,356	6,167	5,688	11,063
Loss for the period attributable to owners of the Company	(7,491)	(27,083)	(31,328)	(46,076)
Loss per ordinary share (sen):-				
(a) Basic	(1.52)	(5.65)	(6.35)	(9.62)
(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.

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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2019

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Loss for the period	(7,491)	(27,083)	(31,328)	(46,076)
Foreign currency translation differences for foreign operations	-	10	-	10
Total comprehensive loss for the period	(7,491)	(27,073)	(31,328)	(46,066)

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.

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**CONDENSED CONSOLIDATED STATEMENTS ON FINANCIAL POSITION AS AT
 31 DECEMBER 2019**

	As at end of current quarter 31/12/2019 RM'000	As at end of preceding financial year 30/06/2019 RM'000
ASSETS		
Property, plant and equipment	968,309	1,000,103
Right-of-use assets	2,613	-
Investment property	6,824	6,952
Deferred tax assets	19,845	19,555
Tax credit receivables	145,081	145,081
Total non-current assets	<u>1,142,672</u>	<u>1,171,691</u>
Inventories	69,450	88,985
Trade and other receivables	75,043	64,935
Current tax assets	5,148	3,944
Cash and cash equivalents	90,704	110,336
Total current assets	<u>240,345</u>	<u>268,200</u>
TOTAL ASSETS	<u>1,383,017</u>	<u>1,439,891</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	489,368	488,306
Reserves	(218,369)	(186,920)
RCULS - equity portion	134,240	135,109
TOTAL EQUITY	<u>405,239</u>	<u>436,495</u>
LIABILITIES		
Borrowings	75,419	197,865
Deferred tax liabilities	36,506	40,882
RCULS – liability portion	25,214	28,772
Deferred income	103,641	107,234
Lease liabilities	1,980	-
Employee benefits	429	410
Refundable deposit	507	507
Total non-current liabilities	<u>243,696</u>	<u>375,670</u>
Trade and other payables	140,150	148,935
Borrowings	579,445	465,113
RCULS – liability portion	6,633	6,493
Deferred income	7,177	7,185
Lease liabilities	677	-
Total current liabilities	<u>734,082</u>	<u>627,726</u>
TOTAL LIABILITIES	<u>977,778</u>	<u>1,003,396</u>
TOTAL EQUITY AND LIABILITIES	<u>1,383,017</u>	<u>1,439,891</u>
Net assets per share attributable to owners of the Company (RM)	0.83	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.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 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 31 December 2019						
At 1 July 2019	488,306	135,109	(375)	358	(186,903)	436,495
Loss for the period	-	-	-	-	(31,328)	(31,328)
Other comprehensive income						
- Cash flow hedge	-	-	(122)	-	-	(122)
Total comprehensive expense for the period	-	-	(122)	-	(31,328)	(31,450)
<i>Contribution by and distribution to owners of the Company</i>						
- Conversion of RCULS	1,063	(869)	-	-	1	195
Total transaction with owners of the Company	1,063	(869)	-	-	1	195
At 31 December 2019	489,369	134,240	(497)	358	(218,230)	405,240

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019 (cont'd)

	Share capital	Translation reserve	Accumulated losses	Total equity
	RM'000	RM'000	RM'000	RM'000
Preceding year corresponding period ended 31 December 2018				
At 1 July 2018	479,094	21	(89,215)	389,900
Loss for the period	-	-	(46,076)	(46,076)
Other comprehensive income				
- foreign currency translation difference	-	10	-	10
Total comprehensive expense for the period	-	10	(46,076)	(46,066)
At 31 December 2018	479,094	31	(135,291)	343,834

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.

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
 ENDED 31 DECEMBER 2019**

	Current Year-To-Date	Preceding Year Corresponding Period
	31/12/2019 RM'000	31/12/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(37,016)	(57,139)
Adjustments for:-		
Depreciation and amortisation	34,493	33,536
Non-cash items	1,697	4,459
Dividend income	(172)	(75)
Net financing costs	14,631	16,423
Operating profit/(loss) before changes in working capital	<u>13,633</u>	<u>(2,796)</u>
Changes in working capital		
Net change in current assets	4,547	14,654
Net change in current liabilities	(9,331)	(38,384)
Taxation paid	(186)	(29)
Net financing costs paid	(13,752)	(16,423)
Dividend received	172	75
Net cash used in operating activities	<u>(4,917)</u>	<u>(42,903)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,127)	(4,612)
Proceeds from disposal of property, plant and equipment	420	-
Net cash used in investing activities	<u>(2,707)</u>	<u>(4,612)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	367,219	440,522
Repayments of borrowings	(375,159)	(433,300)
RCULS coupon payment	(4,068)	-
Net cash (used in)/generated from financing activities	<u>(12,008)</u>	<u>7,222</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(19,632)	(40,293)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	110,336	73,256
EFFECT ON FOREIGN EXCHANGE	-	10
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>90,704</u>	<u>32,973</u>

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

	31/12/2019 RM'000	31/12/2018 RM'000
Deposits, cash and bank balances	<u>90,704</u>	<u>32,973</u>

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.

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	-	2,969	2,969
Non-current liabilities			
Lease liabilities	-	2,322	2,322
Current liabilities			
Lease Liabilities	-	647	647

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**

For the quarter under review, the issued share capital of the Company has been increased from 493,635,746 ordinary shares to 493,771,888 ordinary shares by the issue and allotment of 136,142 new ordinary shares arising from the conversion of RM95,300 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.

For the financial year-to-date, the issued share capital of the Company was from 492,254,775 ordinary shares to 493,771,888 ordinary shares by the issue and allotment of 1,517,113 new ordinary shares arising from the conversion of RM1,061,980 nominal value of RCULS at the conversion price of RM0.70 for every 1 new ordinary share in the Company. The outstanding nominal value of RCULS as at 31 December 2019 was RM162,199,098.

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.

The figures have not been audited

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>(22,152)</u>
Included in the measure of segment losses are:	
Revenue from external customers	327,399
Depreciation and amortisation	<u>34,362</u>
Reconciliation of reportable segment loss	
Loss	
Reportable segment	(22,152)
Non-reportable segments	(233)
Interest income	812
Finance costs	(15,443)
Consolidated loss before taxation	<u>(37,016)</u>
	External Revenue RM'000
	Depreciation and amortisation RM'000
Reportable segment	327,399
Non-reportable segment	1,016
Total	<u>328,415</u> <u>34,493</u>

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 ("Flynex"), an indirect wholly-owned subsidiary of the Company, has been placed under member's voluntary liquidation. The liquidator of Flynex has convened a final meeting to conclude the member's liquidation of Flynex on 25 February 2020.

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

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11. Review of performance

For the quarter under review, the Group recorded revenue of RM156.2 million and loss before taxation (“LBT”) of RM8.8 million as compared with revenue and LBT of RM163.0 million and RM33.3 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2019 (“FY 2019”).

The decline in revenue for the quarter under review as compared with the corresponding quarter of FY 2019 was mainly contributed from the lower cement and clinker sales volume. However, LBT decreased from RM33.3 million to RM8.8 million as compared with the corresponding quarter of FY 2019 due to a lower rebate of cement selling price.

For the financial year-to-date, the Group recorded revenue RM328.4 million and LBT of RM37.0 million as compared with revenue and LBT of RM323.3 million and RM57.1 million for the corresponding period of FY 2019 respectively. Lower LBT was reported for the financial year-to-date due to a lower rebate of cement selling price.

12. Material changes in LBT against the immediate preceding quarter

The Group recorded a reduced LBT of RM8.8 million for the quarter under review as compared with LBT of RM28.2 million for the immediate preceding quarter mainly due to a lower rebate of cement selling price.

13. Prospects

The Board expects the market to remain challenging and the Group continues to focus on improving overall operational efficiency and performance.

14. Profit forecast / profit guaranteed

This note is not applicable.

15. Loss before taxation

	Current Year Quarter	Current Year To-date
	31/12/2019 RM'000	31/12/2019 RM'000
Loss before taxation is arrived at after charging/(crediting) :-		
Dividend income from short term investments	(64)	(172)
Impairment loss on trade receivables (net)	70	122
Depreciation and amortisation	16,691	33,959
Provision for slow moving inventories	1,502	2,256
Gain on foreign exchange	(180)	(77)
Fair value loss on derivative instrument	-	-

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16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
	Current taxation			
Malaysian - current year - prior year	599 (46) 553	256 - 256	1,064 (46) 1,018	513 - 513
Deferred taxation				
Malaysian - current year - prior year	803 - 803	5,911 - 5,911	4,670 - 4,670	10,550 - 10,550
	1,356	6,167	5,688	11,063

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:

Details	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Estimated timeframe for utilisation	Variance	
					RM'000	%
Repay bank borrowings	122,257	122,257	-	Within 12 months	-	-
Fund general working capital	49,267	28,207	21,060	Within 12 months	-	-
Defray expenses in relation to the Rights Issue of RCULS	950	1,010	(60)	Within 3 months	(60)*	-6%
	172,474	151,474	21,000		(60)	

* The additional expenses incurred were paid from working capital

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18. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 31 December 2019 are as follows:

	RM'000
Borrowings:	
Unsecured short term borrowings	579,445
Unsecured long term borrowings	75,419
	<u>654,864</u>

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

	RM'000
USD	<u>127,239</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.

	RM'000
Debt Securities:	
RCULS – liability portion	
- Current	10,489
- Non-current	21,358
	<u>31,847</u>

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 31 December 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).

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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 RM7,491,000 (2nd quarter 2018/2019: RM27,083,000) by the weighted average number of ordinary shares during the quarter of 493,689,547 (2nd quarter 2018/2019: 479,093,800).

The basic loss per ordinary share for the financial year-to-date is calculated by dividing the Group's loss attributable to owners of the Company of RM31,328,000 (2018/2019: RM46,076,000) by the weighted average number of ordinary shares during the period of 493,364,530 (2018/2019: 479,903,800).

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Issued ordinary shares at beginning of period	493,040	479,094	479,551	479,094
Effect of RCULS conversion	650	-	13,814	-
Weighted average number of ordinary shares (basic)	493,690	479,094	493,365	479,094
Basic loss per ordinary share (sen)	(1.52)	(5.65)	(6.35)	(9.62)

(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.

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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 31 December 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>52,978</u>	<u>(497)</u>

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
25 February 2020