

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2018

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Revenue	140,574	188,631	645,003	662,739
Cost of sales	(130,894)	(145,717)	(540,617)	(486,177)
Gross profit	9,680	42,914	104,386	176,562
Operating expenses	(35,883)	(42,840)	(155,368)	(146,253)
Other operating (expense)/income	(1,782)	9,137	14,401	12,981
Operating (loss)/profit	(27,985)	9,211	(36,581)	43,290
Interest income	280	118	1,072	1,044
Finance costs	(7,966)	(7,981)	(31,254)	(18,833)
(Loss)/Profit before taxation	(35,671)	1,348	(66,763)	25,501
Taxation	3,684	(105)	11,893	(6,785)
(Loss)/Profit for the period attributable to owners of the Company	(31,987)	1,243	(54,870)	18,716
(Loss)/Earnings per ordinary share (sen):-				
(a) Basic	(6.68)	0.26	(11.45)	3.91
(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 2017.

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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2018 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
(Loss)/Profit for the period	(31,987)	1,243	(54,870)	18,716
Foreign currency translation differences for foreign operations	2	(9)	(40)	(3)
Total comprehensive (loss)/income for the period	(31,985)	1,234	(54,910)	18,713

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 2017.

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CONDENSED CONSOLIDATED STATEMENTS ON FINANCIAL POSITION AS AT
30 JUNE 2018

	As at end of current quarter	As at end of preceding financial year
	30/06/2018	30/06/2017
	RM'000	RM'000
ASSETS		
Property, plant and equipment	1,064,792	1,120,489
Deferred tax assets	13,460	11,783
Tax credit receivables	156,146	156,146
Total non-current assets	<u>1,234,398</u>	<u>1,288,418</u>
Inventories	100,699	87,716
Trade and other receivables including derivatives	72,112	86,134
Current tax assets	2,824	1,522
Cash and cash equivalents	73,256	102,193
Total current assets	<u>248,891</u>	<u>277,565</u>
TOTAL ASSETS	<u>1,483,289</u>	<u>1,565,983</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	479,094	479,094
Reserves	(89,194)	(34,005)
TOTAL EQUITY	<u>389,900</u>	<u>445,089</u>
LIABILITIES		
Loans and borrowings	234,718	354,594
Deferred tax liabilities	56,893	65,940
Deferred income	124,856	132,673
Employee benefits	422	527
Total non-current liabilities	<u>416,889</u>	<u>553,734</u>
Trade and other payables including derivatives	163,479	152,029
Loans and borrowings	505,204	407,314
Deferred income	7,817	7,817
Total current liabilities	<u>676,500</u>	<u>567,160</u>
TOTAL LIABILITIES	<u>1,093,389</u>	<u>1,120,894</u>
TOTAL EQUITY AND LIABILITIES	<u>1,483,289</u>	<u>1,565,983</u>
Net assets per share attributable to owners of the Company (RM)	0.81	0.93

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2017.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD
ENDED 30 JUNE 2018

	Share capital	Translation reserve	Accumulated losses	Total equity
	RM'000	RM'000	RM'000	RM'000
Current year-to-date ended 30 June 2018				
At 1 July 2017	479,094	61	(34,066)	445,089
Loss for the period	-	-	(54,870)	(54,870)
Other comprehensive income – foreign currency translation difference	-	(40)	-	(40)
Total comprehensive income/(expense) for the period	-	(40)	(54,870)	(54,910)
Liquidation of Subsidiary	-	-	(279)	(279)
At 30 June 2018	479,094	21	(89,215)	389,900
Preceding year corresponding period ended 30 June 2017				
At 1 July 2016	479,094	64	(43,200)	435,958
Profit for the period	-	-	18,716	18,716
Other comprehensive income – foreign currency translation difference	-	(3)	-	(3)
Total comprehensive income/ (expense) for the period	-	(3)	18,716	18,713
Contributions by and distribution to owners of the Company – Dividend			(9,582)	(9,582)
At 30 June 2017	479,094	61	(34,066)	445,089

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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 2017.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 30 JUNE 2018

	Current Year-To-Date	Preceding Year Corresponding Period
	30/06/2018 RM'000	30/06/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(66,763)	25,501
Adjustments for:-		
Depreciation and amortisation	67,018	49,703
Non cash items	(8,153)	(464)
Dividend income	(535)	(668)
Net financing costs	30,182	17,789
Operating profit before changes in working capital	21,749	91,861
Changes in working capital		
Net change in current assets	1,213	(19,465)
Net change in current liabilities	11,449	(16,624)
Taxation paid	(136)	(776)
Net financing costs paid	(30,182)	(17,789)
Dividend received	535	668
Net cash / generated from operating activities	4,627	37,875
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(13,786)	(25,536)
Proceeds from disposal of property, plant and equipment	675	621
Net cash used in investing activities	(13,111)	(24,915)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owner of the Company	-	(9,582)
Drawdown of borrowings	745,840	952,322
Repayments of borrowings	(766,254)	(1,026,251)
Net cash used in financing activities	(20,414)	(83,511)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(28,897)	(70,551)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	102,193	172,747
EFFECT ON FOREIGN EXCHANGE	(40)	(3)
CASH & CASH EQUIVALENTS AT END OF PERIOD	73,256	102,193

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

	30/06/2018 RM'000	30/06/2017 RM'000
Deposits, cash and bank balances	73,256	102,193

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2017.

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards 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 2017. 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 2017 except for the adoption of MFRS 9 Financial Instruments on 1 July 2017. The adoption of MFRS 9 does not have any material impact on the financial statements of the Group except for the following:

- **Classification of financial assets and financial liabilities**

Equity investments held by the Group were previously classified as fair value through profit or loss and available for sale where the fair value gains or losses were recognised in the profit or loss and other comprehensive income respectively. The fair value gain or loss recognised in other comprehensive income was recycled to profit or loss upon disposal of the financial asset. In accordance with MFRS 9, the Group's equity investments are measured at fair value, and the Group elected to recognise the fair value gain or loss in the other comprehensive income. Such fair value gain or loss is not permitted to be recycled to profit or loss upon disposal of the equity instrument.

The Group has also adopted the MFRSs, amendments and interpretations effective for annual period beginning on or after 1 January 2017 where 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.

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.

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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.

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**

There were no issuance of shares, 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**

There were 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>(31,782)</u>
Included in the measure of segment losses are:	
Revenue from external customers	631,643
Depreciation and amortisation	<u>66,742</u>
Reconciliation of reportable segment loss	
Loss	
Reportable segment	(31,782)
Non-reportable segments	(4,799)
Interest income	1,072
Finance costs	(31,254)
Consolidated loss before taxation	<u>(66,763)</u>
	External Revenue RM'000
Reportable segment	631,643
Non-reportable segment	13,360
Total	<u>645,003</u>
	Depreciation and amortisation RM'000
Reportable segment	66,742
Non-reportable segment	276
Total	<u>67,018</u>

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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 (formerly known as Hume Concrete Marketing Sdn Bhd) ["Flynex"], 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.

11. Review of performance

For the quarter under review, the Group recorded revenue of RM140.6 million and loss before taxation ("LBT") of RM35.7 million as compared with revenue and profit before taxation ("PBT") of RM188.6 million and RM1.3 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2017 ("FY 2017"). For the financial year-to-date, the Group recorded revenue of RM645.0 million and LBT of RM66.8 million respectively as compared with revenue and PBT of RM662.7 million and RM25.5 million recorded in the corresponding period of FY 2017.

For the current quarter and financial year-to-date, LBT was mainly due to lower average selling price and higher cost of production as compared with the preceding financial year period.

12. Material changes in PBT against the immediate preceding quarter

The Group recorded LBT of RM35.7 million for the quarter under review as compared with LBT of RM26.2 million for the preceding quarter. The increase in LBT for the quarter under review was mainly attributable to higher cost of production.

13. Prospects

The business for the financial year ended 30 June 2018 was impacted by intense price competition in the cement segment due to lower demand coincided with expanded capacity in the industry. However, given time, the demand and supply of cement will balance themselves. The Board believes that the business environment will continue to remain challenging for the financial year ending 30 June 2019.

14. Profit forecast / profit guaranteed

This note is not applicable.

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15. **Loss before taxation**

	Current Year Quarter	Current Year To-date
	30/06/2018 RM'000	30/06/2018 RM'000
Loss before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from short term investments	(96)	(535)
Depreciation and amortisation	16,917	67,018
Impairment and write off of trade receivables	1,111	1,108
Write off of inventories	1,425	738
Loss/(Gain) on foreign exchange	1,002	(903)
Fair value loss/(gain) on derivatives	77	(66)
Gain on disposal of property, plant and equipment	-	(182)

16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Current taxation				
Malaysian - current year	1,659	1,542	(1,155)	491
- prior year	21	(499)	13	(502)
	1,680	1,043	(1,168)	(11)
Deferred taxation				
Malaysian - current year	(11,500)	(991)	(16,100)	6,579
- prior year	6,136	53	5,375	217
	(5,364)	(938)	(10,725)	6,796
	(3,684)	105	(11,893)	6,785

17. **Corporate proposals**

There are no corporate proposals announced but not completed as at the date of this report.

18. **Group's borrowings and debt securities**

Particulars of the Group's borrowings and debt securities as at 30 June 2018 are as follows:-

	RM'000
Unsecured short term borrowings	234,718
Unsecured long term borrowings	505,204
	<u>739,922</u>

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

USD

RM'000
26,524

The Group's borrowings have increased due to other bank borrowings.

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 final dividend for the financial year ended 30 June 2018. (2016/2017 : Nil).

(b) For the financial year-to-date, no dividend has been declared (2016/2017: single tier dividend of 2.0 sen per share).

21. (Loss)/Earnings Per Ordinary Share

(a) Basic (loss)/earnings per ordinary share

The basic (loss)/earnings per ordinary share for the quarter under review is calculated by dividing the Group's loss attributable to owners of the Company of RM31,987,000 (4th quarter 2016/2017: profit attributable to owners of the Company of RM1,243,000) by the weighted average number of ordinary shares during the quarter of 479,093,800 (4th quarter 2016/2017: 479,093,800).

The basic (loss)/earnings per ordinary share for the financial year-to-date is calculated by dividing the Group's loss attributable to owners of the Company of RM54,870,000 (2016/2017: profit attributable to owners of the Company of RM18,716,000) by the weighted average number of ordinary shares during the period of 479,093,800 (2016/2017: 479,093,800).

(b) Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the quarter under review / financial year-to-date and preceding year corresponding quarter / period as there were no dilutive potential ordinary shares.

22. Derivatives

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

(a) 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.

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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 June 2018, 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>18,836</u>	<u>188</u>

Derivatives (which are classified as financial assets/liabilities) categorised as fair value through profit or loss are subsequently measured at their fair values with the gains/losses recognised in profit or loss. Net gain/loss arising from fair value changes of derivatives is as disclosed in Note 15.

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the previous financial year ended 30 June 2017.

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
29 August 2018