

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018

The figures have not been audited

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Revenue	160,303	161,781	160,303	161,781
Cost of sales	(136,800)	(123,560)	(136,800)	(123,560)
Gross profit	23,503	38,221	23,503	38,221
Operating expenses	(39,255)	(36,785)	(39,255)	(36,785)
Other operating (expense)/income	(77)	6,639	(77)	6,639
Operating (loss)/profit	(15,829)	8,075	(15,829)	8,075
Interest income	240	208	240	208
Finance costs	(8,296)	(7,686)	(8,296)	(7,686)
(Loss)/Profit before taxation	(23,885)	597	(23,885)	597
Taxation	4,896	(148)	4,896	(148)
(Loss)/Profit for the period attributable to owners of the Company	(18,989)	449	(18,989)	449
(Loss)/Earnings per ordinary share (sen):-				
(a) Basic	(3.96)	0.09	(3.96)	0.09
(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 2018.

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
(Loss)/Profit for the period	(18,989)	449	(18,989)	449
Foreign currency translation differences for foreign operations	-	(9)	-	(9)
Total comprehensive (loss)/income for the period	(18,989)	440	(18,989)	440

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 2018.

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CONDENSED CONSOLIDATED STATEMENTS ON FINANCIAL POSITION AS AT
30 SEPTEMBER 2018

	As at end of current quarter	As at end of preceding financial year
	30/09/2018 RM'000	30/06/2018 RM'000
ASSETS		
Property, plant and equipment	1,048,990	1,064,792
Deferred tax assets	13,460	13,460
Tax credit receivables	148,166	156,146
Total non-current assets	<u>1,210,616</u>	<u>1,234,398</u>
Inventories	91,806	100,699
Trade and other receivables	73,497	76,171
Current tax assets	3,051	2,824
Cash and cash equivalents	27,001	73,256
Total current assets	<u>195,355</u>	<u>252,950</u>
TOTAL ASSETS	<u>1,405,971</u>	<u>1,487,348</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	479,094	479,094
Reserves	(108,183)	(89,194)
TOTAL EQUITY	<u>370,911</u>	<u>389,900</u>
LIABILITIES		
Borrowings	123,343	235,277
Deferred tax liabilities	52,254	56,893
Deferred income	115,454	124,856
Employee benefits	419	422
Total non-current liabilities	<u>291,470</u>	<u>417,448</u>
Trade and other payables	127,139	167,538
Borrowings	609,059	504,645
Deferred income	7,392	7,817
Total current liabilities	<u>743,590</u>	<u>680,000</u>
TOTAL LIABILITIES	<u>1,035,060</u>	<u>1,097,448</u>
TOTAL EQUITY AND LIABILITIES	<u>1,405,971</u>	<u>1,487,348</u>
Net assets per share attributable to owners of the Company (RM)	0.77	0.81

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2018.

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

	Share capital	Translation reserve	Accumulated losses	Total equity
	RM'000	RM'000	RM'000	RM'000
Current year-to-date ended 30 September 2018				
At 1 July 2018	479,094	21	(89,215)	389,900
Loss for the period	-	-	(18,989)	(18,989)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the period	-	-	(18,989)	(18,989)
At 30 September 2018	479,094	21	(108,204)	370,911
Preceding year corresponding period ended 30 September 2017				
At 1 July 2017	479,094	61	(34,066)	445,089
Profit for the period	-	-	449	449
Other comprehensive expense - foreign currency translation difference	-	(9)	-	(9)
Total comprehensive (expense)/income for the period	-	(9)	449	440
At 30 September 2017	479,094	52	(33,617)	445,529

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 2018.

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

	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2018 RM'000	30/09/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(23,885)	597
Adjustments for:-		
Depreciation and amortisation	14,991	16,835
Non cash items	1,812	(3,110)
Dividend income	(240)	(116)
Net financing costs	8,296	7,478
Operating profit before changes in working capital	974	21,684
Changes in working capital		
Net change in current assets	11,476	3,791
Net change in current liabilities	(40,392)	(24,954)
Taxation refunded	33	132
Net financing costs paid	(8,296)	(7,478)
Dividend received	240	116
Net cash used in operating activities	(35,965)	(6,709)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,983)	(1,459)
Proceeds from disposal of property, plant and equipment	-	2
Net cash used in investing activities	(1,983)	(1,457)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	256,691	249,976
Repayments of borrowings	(264,998)	(284,756)
Net cash used in financing activities	(8,307)	(34,780)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(46,255)	(42,946)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	73,256	102,193
EFFECT ON FOREIGN EXCHANGE	-	(9)
CASH & CASH EQUIVALENTS AT END OF PERIOD	27,001	59,238

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

	30/09/2018 RM'000	30/09/2017 RM'000
Deposits, cash and bank balances	27,001	59,238

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2018.

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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 31 June 2018. 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 2018 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018 which are applicable to the Group including MFRS 15 Revenue from Contracts with Customers. 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.

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.

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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 paid**

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>(15,194)</u>
Included in the measure of segment losses are:	
Revenue from external customers	160,280
Depreciation and amortisation	<u>14,927</u>
Reconciliation of reportable segment loss	
Loss	
Reportable segment	(15,194)
Non-reportable segments	(635)
Interest income	240
Finance costs	(8,296)
Consolidated loss before taxation	<u>(23,885)</u>
	External Revenue RM'000
Reportable segment	160,280
Non-reportable segment	23
Total	<u>160,303</u>
	Depreciation and amortisation RM'000
Reportable segment	14,927
Non-reportable segment	64
Total	<u>14,991</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.

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11. Review of performance

For the quarter under review, the Group recorded revenue of RM160.3 million and loss before taxation ("LBT") of RM23.9 million as compared with revenue and profit before taxation ("PBT") of RM161.8 million and RM0.6 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2018.

For the current quarter and financial year-to-date, revenue decreased slightly in the current quarter under review due to loss of revenue from the interior design fit-out works that the Group has exited despite higher revenue generated from the construction materials segment.

LBT was mainly due to lower contribution margin as a result of lower selling price of cement. In addition, energy cost in cement manufacturing has escalated due to the hike in electricity tariff and coal price.

12. Material changes in LBT against the immediate preceding quarter

The Group recorded LBT of RM23.9 million for the quarter under review as compared with LBT of RM35.7 million for the preceding quarter. The decrease in LBT for the quarter under review was mainly due to higher sales volume recorded in the cement business.

13. Prospects

The cement industry remains competitive and the Board does not foresee an immediate change in the activities of the construction sector. Therefore, the Group continues to focus on optimising the operating efficiency of its production facilities.

In addition, the Group is embarking on a renounceable rights issue of redeemable convertible unsecured loan stocks ("Proposed Rights Issue of RCULS") to further enhance its balance sheet.

14. Profit forecast / profit guaranteed

This note is not applicable.

15. Loss before taxation

	Current Year Quarter	Current Year To-date
	30/09/2018 RM'000	30/09/2018 RM'000
Loss before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from short term investments	(169)	(169)
Reversal of impairment loss on trade receivables	(151)	(151)
Depreciation and amortisation	14,991	14,991
Write off of inventories	31	31
Loss on foreign exchange	787	787
Fair value loss on derivatives	188	188

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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
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Current taxation				
Malaysian - current year	(257)	(696)	(257)	(696)
- prior year	-	-	-	-
	(257)	(696)	(257)	(696)
Deferred taxation				
Malaysian - current year	(4,639)	844	(4,639)	844
- prior year	-	-	-	-
	(4,639)	844	(4,639)	844
	(4,896)	148	(4,896)	148

17. **Corporate proposals**

There are no corporate proposals previously announced but not completed.

On 12 November 2018, the Board has approved the Proposed Rights Issue of RCULS. Please refer to the Company's announcement on even date for details of the Proposed Rights Issue of RCULS.

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

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

	RM'000
Unsecured short term borrowings	609,059
Unsecured long term borrowings	123,343
	<u>732,402</u>

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

	RM'000
USD	<u>23,608</u>

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.

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20. Dividend

(a) The Board does not recommend any interim dividend for the quarter ended 30 September 2018 of the financial year ending 30 June 2019 (2017/2018: Nil).

(b) For the financial year-to-date, no dividend has been declared (2017/2018: Nil).

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 and financial year-to-date is calculated by dividing the Group's loss attributable to owners of the Company of RM18,989,000 (1st quarter 2017/2018: profit attributable to owners of the Company of RM449,000) by the weighted average number of ordinary shares during the quarter of 479,093,800 (1st quarter 2017/2018: 479,093,800).

(b) Diluted earnings per share

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

22. Derivatives

For the quarter under review, there were no outstanding forward foreign exchange contracts.

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
12 November 2018