

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

The figures have not been audited

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/03/2019 RM'000	31/03/2018 RM'000	31/03/2019 RM'000	31/03/2018 RM'000
Revenue	152,075	179,759	475,382	504,429
Cost of sales	(130,113)	(157,607)	(408,849)	(409,723)
Gross profit	21,962	22,152	66,533	94,706
Operating expenses	(40,846)	(45,562)	(122,347)	(119,485)
Other operating income/(expense)	234	4,729	(3,552)	16,183
Operating loss	(18,650)	(18,681)	(59,366)	(8,596)
Interest income	204	383	661	792
Finance costs	(8,736)	(7,946)	(25,616)	(23,288)
Loss before taxation	(27,182)	(26,244)	(84,321)	(31,092)
Taxation	2,990	7,347	14,053	8,209
Loss for the period attributable to owners of the Company	(24,192)	(18,897)	(70,268)	(22,883)
Loss per ordinary share (sen):-				
(a) Basic	(5.05)	(3.94)	(14.67)	(4.78)
(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.

HUME INDUSTRIES BERHAD
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2019 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/03/2019 RM'000	31/03/2018 RM'000	31/03/2019 RM'000	31/03/2018 RM'000
Loss for the period	(24,192)	(18,897)	(70,268)	(22,883)
Foreign currency translation differences for foreign operations	(5)	(9)	5	(42)
Total comprehensive loss for the period	(24,197)	(18,906)	(70,263)	(22,925)

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.

HUME INDUSTRIES BERHAD
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**CONDENSED CONSOLIDATED STATEMENTS ON FINANCIAL POSITION AS AT
 31 MARCH 2019**

	As at end of current quarter 31/03/2019 RM'000	As at end of preceding financial year 30/06/2018 RM'000
ASSETS		
Property, plant and equipment	1,014,229	1,064,792
Investment property	7,015	-
Deferred tax assets	13,460	13,460
Tax credit receivables	148,166	156,146
Total non-current assets	<u>1,182,870</u>	<u>1,234,398</u>
Inventories	93,858	100,699
Trade and other receivables	73,930	76,171
Current tax assets	4,295	2,824
Cash and cash equivalents	33,855	73,256
Total current assets	<u>205,938</u>	<u>252,950</u>
TOTAL ASSETS	<u>1,388,808</u>	<u>1,487,348</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	479,094	479,094
Reserves	(159,457)	(89,194)
TOTAL EQUITY	<u>319,637</u>	<u>389,900</u>
LIABILITIES		
Borrowings	197,740	235,277
Deferred tax liabilities	43,368	56,893
Deferred income	111,758	124,856
Employee benefits	405	422
Total non-current liabilities	<u>353,271</u>	<u>417,448</u>
Trade and other payables	130,175	167,538
Borrowings	578,333	504,645
Deferred income	7,392	7,817
Total current liabilities	<u>715,900</u>	<u>680,000</u>
TOTAL LIABILITIES	<u>1,069,171</u>	<u>1,097,448</u>
TOTAL EQUITY AND LIABILITIES	<u>1,388,808</u>	<u>1,487,348</u>
Net assets per share attributable to owners of the Company (RM)	0.67	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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 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

	Share capital	Translation reserve	Accumulated losses	Total equity
	RM'000	RM'000	RM'000	RM'000
Current year-to-date ended 31 March 2019				
At 1 July 2018	479,094	21	(89,215)	389,900
Loss for the period	-	-	(70,268)	(70,268)
Other comprehensive income				
- foreign currency translation difference	-	5	-	5
Total comprehensive income/(expense) for the period	-	5	(70,268)	(70,263)
At 31 March 2019	479,094	26	(159,483)	319,637
Preceding year corresponding period ended 31 March 2018				
At 1 July 2017	479,094	61	(34,066)	445,089
Profit for the period	-	-	(22,883)	(22,883)
Other comprehensive expense				
- foreign currency translation difference	-	(42)	-	(42)
Total comprehensive expense for the period	-	(42)	(22,883)	(22,925)
At 31 March 2018	479,094	19	(56,949)	422,164

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 31 MARCH 2019**

	Current Year-To-Date	Preceding Year Corresponding Period
	31/03/2019 RM'000	31/03/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(84,321)	(31,092)
Adjustments for:-		
Depreciation and amortisation	50,414	50,302
Non-cash items	871	(7,506)
Dividend income	(122)	(440)
Net financing costs	24,955	22,496
Operating (loss)/profit before changes in working capital	(8,203)	33,760
Changes in working capital		
Net change in current assets	3,608	(2,461)
Net change in current liabilities	(37,203)	(30,373)
Taxation paid	(158)	(69)
Net financing costs paid	(24,955)	(22,496)
Dividend received	122	440
Net cash used in operating activities	(66,789)	(21,199)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(7,944)	(9,575)
Proceeds from disposal of property, plant and equipment	37	673
Net cash used in investing activities	(7,907)	(8,902)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	635,700	609,933
Repayments of borrowings	(600,410)	(640,371)
Net cash generated from/(used in) financing activities	35,290	(30,438)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(39,406)	(60,539)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	73,256	102,193
EFFECT ON FOREIGN EXCHANGE	5	(42)
CASH & CASH EQUIVALENTS AT END OF PERIOD	33,855	41,612

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

	31/03/2019 RM'000	31/03/2018 RM'000
Deposits, cash and bank balances	33,855	41,612

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.

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 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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 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

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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>(56,948)</u>
Included in the measure of segment losses are:	
Revenue from external customers	473,934
Depreciation and amortisation	<u>50,411</u>
Reconciliation of reportable segment loss	
Loss	
Reportable segment	(56,948)
Non-reportable segments	(2,418)
Interest income	661
Finance costs	<u>(25,616)</u>
Consolidated loss before taxation	<u>(84,321)</u>
	External Revenue RM'000
Reportable segment	473,934
Non-reportable segment	1,448
Total	<u>475,382</u>
	Depreciation and amortisation RM'000
Reportable segment	50,411
Non-reportable segment	3
Total	<u>50,414</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, had been placed under member's voluntary liquidation. The liquidation is currently pending tax clearance from the Inland Revenue Board.

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The figures have not been audited

11. Review of performance

For the quarter under review, the Group recorded revenue of RM152.1 million and loss before taxation (“LBT”) of RM27.2 million as compared with revenue and LBT of RM179.8 million and RM26.2 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2018 (“FY 2018”).

The decrease in revenue for the current quarter as compared with the corresponding quarter of FY2018 was mainly attributed to the lower contribution from cement sales. Even though revenue decreased by 15%, LBT reported a marginal increase from RM26.2 million to RM27.2 million as compared with the corresponding quarter of the preceding financial year due to higher margin contributed by exports coupled with lower operating expenses.

For the financial year-to-date, the Group recorded revenue of RM475.4 million and LBT of RM84.3 million respectively as compared with revenue and LBT of RM504.4 million and RM31.1 million recorded in the corresponding period of FY 2018 respectively. Higher LBT was reported for the quarter under review due to lower selling price of cement as a result of price competition in the cement industry and rising production cost due to higher electricity and fuel costs.

12. Material changes in LBT against the immediate preceding quarter

The Group recorded a reduced LBT of RM27.2 million for the quarter under review as compared with LBT of RM33.3 million for the preceding quarter. The decreased in LBT for the quarter under review was mainly due to improved margin of the cement products .

13. Prospects

The revival of the East Coast Rail Link (ECRL) project, Bandar Malaysia project and the recent news of cement industry consolidation are expected to have a positive impact for the industry.

Overall, the outlook for the local cement industry will remain challenging in the near term as the construction activities could not fully absorb the excess capacity of the cement producers. The Group is expanding its product range offerings and has a robust plan to continue to pursue various initiatives for better cost efficiency.

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
	31/03/2019 RM'000	31/03/2019 RM'000
Loss before taxation is arrived at after charging/(crediting) :-		
Dividend income from short term investments	(47)	(122)
(Reversal of impairment loss)/impairment loss on trade receivables (net)	(57)	1,545
Depreciation and amortisation	16,878	50,414
Provision for and write off of inventories	2,196	7,348
(Gain)/loss on foreign exchange	(22)	1,100
Fair value (gain)/loss on derivative instrument	(209)	158

16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/03/2019 RM'000	31/03/2018 RM'000	31/03/2019 RM'000	31/03/2018 RM'000
Current taxation				
Malaysian - current year	(15)	(858)	(528)	(2,860)
- prior year	-	-	-	-
	(15)	(858)	(528)	(2,860)
Deferred taxation				
Malaysian - current year	(2,975)	(6,489)	(13,525)	(5,349)
- prior year	-	-	-	-
	(2,975)	(6,489)	(13,525)	(5,349)
	(2,990)	(7,347)	(14,053)	(8,209)

The figures have not been audited

17. Corporate proposals

Save as disclosed below, there are no corporate proposals announced but not completed as at the date of this report.

On 12 November 2018, the Board has approved the renounceable rights issue of up to RM172,473,768 nominal value of 5-year 5.0% redeemable convertible unsecured loan stocks ("RCULS") at 100.0% of its nominal value of RM1.00 on the basis of 36 RCULS for every 100 existing ordinary shares held in Hume Industries Berhad on an entitlement date to be determined ("Rights Issue of RCULS"). Please refer to the Company's announcement on even date for details of the Proposed Rights Issue of RCULS.

The Proposals are conditional upon approvals being obtained from the following:

- (i) the Securities Commission Malaysia ("SC") for the issuance of the RCULS; of which was obtained via its letter dated 13 March 2019.
- (ii) Bursa Malaysia Securities Berhad ("Bursa Securities") for the following:
 - a) admission of the RCULS to the Official List of Bursa Securities; and
 - b) listing of and quotation for the RCULS to be issued pursuant to the Rights Issue of RCULS and the new HIB Shares to be issued pursuant to the conversion of RCULS, on the Main Market of Bursa Securities;The approval of Bursa Securities was obtained via its letter dated 21 February 2019.
- (iii) the approval of the shareholders of HIB which was obtained at an extraordinary general meeting on 12 April 2019.

On 16 April 2019, the Board had fixed the conversion price of the RCULS at RM0.70 ("Conversion Price"). The Conversion Price represented a discount of RM0.03 or 4.1% to the theoretical ex-rights price of RM0.73, which was calculated based on the 5-day volume-weighted average market price of the Shares up to and including 15 April 2019 of RM0.75.

On 21 May 2019, as at the Closing Date, the Company had received valid acceptances and excess applications for a total of RM184,779,094 nominal value of Rights RCULS, which represent an over-subscription of 7.13% over the total nominal value of the Rights RCULS available for subscription.

The RM172,473,768 RCULS were subsequently allotted on 30 May 2019 and are expected to be listed on the Main Market of Bursa Securities on 3 June 2019.

The figures have not been audited

18. Group's borrowings and debt securities

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

	RM'000
Unsecured short term borrowings	578,333
Unsecured long term borrowings	197,740
	<u>776,073</u>

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

	RM'000
USD	<u>126,264</u>

The USD denominated borrowings include RM108 million which foreign currency exchange rate has been fixed on drawdown of the term loan. The Group's borrowings have increased due to operating losses incurred 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 31 March 2019 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 Per Ordinary Share

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 RM24,192,000 (3rd quarter 2017/2018: loss attributable to owners of the Company of RM18,897,000) by the weighted average number of ordinary shares during the quarter of 479,093,800 (3rd quarter 2017/2018: 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 RM70,268,000 (2017/2018: loss attributable to owners of the Company of RM22,883,000) by the weighted average number of ordinary shares during the period of 479,093,800 (2017/2018: 479,093,800).

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.

The figures have not been audited

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 March 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>23,994</u>	<u>30</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
30 May 2019