

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Revenue	79,606	161,187	585,390	636,569
Cost of sales	(73,340)	(141,068)	(480,344)	(549,917)
Gross profit	6,266	20,119	105,046	86,652
Operating expenses	(20,617)	(41,870)	(136,461)	(164,217)
Other operating income/(expense)	802	1,786	4,847	(1,766)
Operating loss	(13,549)	(19,965)	(26,568)	(79,331)
Interest income	330	607	1,448	1,268
Finance costs	(7,213)	(9,392)	(30,236)	(35,008)
Loss before taxation	(20,432)	(28,750)	(55,356)	(113,071)
Taxation	4,042	874	9,452	14,927
Loss for the period attributable to owners of the Company	(16,390)	(27,876)	(45,904)	(98,144)
Loss per ordinary share (sen):-				
(a) Basic	(3.30)	(5.75)	(9.28)	(20.26)
(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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED
30 JUNE 2020

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2020 (cont'd)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Loss for the period	(16,390)	(27,876)	(45,904)	(98,144)
Foreign currency translation differences for foreign operations	14	332	62	337
Cash flow hedge	400	(375)	400	(375)
Total comprehensive loss for the period	(15,976)	(27,919)	(45,442)	(98,182)

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 FOURTH QUARTER ENDED
 30 JUNE 2020

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENTS ON FINANCIAL POSITION AS AT
 30 JUNE 2020**

	As at end of current quarter 30/06/2020 RM'000	As at end of preceding financial year 30/06/2019 RM'000
ASSETS		
Property, plant and equipment	899,368	1,000,103
Right-of-use assets	40,828	-
Investment property	6,697	6,952
Deferred tax assets	16,031	19,555
Tax credit receivables	145,081	145,081
Total non-current assets	<u>1,108,005</u>	<u>1,171,691</u>
Inventories	64,215	88,985
Trade and other receivables	56,872	64,935
Current tax assets	658	3,944
Cash and cash equivalents	84,739	110,336
Total current assets	<u>206,484</u>	<u>268,200</u>
TOTAL ASSETS	<u>1,314,489</u>	<u>1,439,891</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	491,827	488,306
Reserves	(232,276)	(186,920)
RCULS - equity portion	132,204	135,109
TOTAL EQUITY	<u>391,755</u>	<u>436,495</u>
LIABILITIES		
Borrowings	209,140	197,865
Deferred tax liabilities	24,386	40,882
RCULS – liability portion	21,476	28,772
Deferred income	100,048	107,234
Lease liabilities	1,655	-
Employee benefits	458	410
Refundable deposit	507	507
Total non-current liabilities	<u>357,670</u>	<u>375,670</u>
Trade and other payables	114,524	148,935
Borrowings	435,968	465,113
RCULS – liability portion	6,679	6,493
Deferred income	7,187	7,185
Lease liabilities	706	-
Total current liabilities	<u>565,064</u>	<u>627,726</u>
TOTAL LIABILITIES	<u>922,734</u>	<u>1,003,396</u>
TOTAL EQUITY AND LIABILITIES	<u>1,314,489</u>	<u>1,439,891</u>
Net assets per share attributable to owners of the Company (RM)	0.80	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 FOURTH QUARTER ENDED 30 JUNE 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020

	Share capital	Redeemable convertible unsecured loan stocks ("RCULS") – equity portion	Hedging reserve	Translation reserve	Executive share scheme reserve	Accumulated losses	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year-to-date ended 30 June 2020							
At 1 July 2019	488,306	135,109	(375)	358	-	(186,903)	436,495
Loss for the period	-	-	-	-	-	(45,904)	(45,904)
Other comprehensive income							
- Foreign currency translation difference	-	-	-	62	-	-	62
- Cash flow hedge	-	-	400	-	-	-	400
Total comprehensive expense for the period	-	-	400	62	-	(45,904)	(45,442)
<i>Contribution by and distribution to owners of the Company</i>							
- Conversion of RCULS	3,521	(2,905)	-	-	-	36	652
- Share-based payments/transactions	-	-	-	-	50	-	50
	3,521	(2,905)	-	-	50	36	702
At 30 June 2020	491,827	132,204	25	420	50	(232,771)	391,755

HUME INDUSTRIES BERHAD
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020 (cont'd)

	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
Preceding year corresponding period ended 30 June 2019						
At 1 July 2018	479,094	-	-	21	(89,215)	389,900
Loss for the period	-	-	-	-	(98,144)	(98,144)
Other comprehensive income						
- Foreign currency translation difference	-	-	-	337	-	337
- Cash flow hedge	-	-	(375)	-	-	(375)
Total comprehensive expense for the period	-	-	(375)	337	(98,144)	(98,182)
<i>Contribution by and distribution to owners of the Company</i>						
- Issuance of RCULS	-	142,735	-	-	-	142,735
- Conversion of RCULS	9,212	(7,626)	-	-	456	2,042
Total transaction with owners of the Company	9,212	135,109	-	-	456	144,777
At 30 June 2019	488,306	135,109	(375)	358	(186,903)	436,495

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 FOURTH QUARTER ENDED 30 JUNE 2020

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
 ENDED 30 JUNE 2020**

	Current Year-To-Date	Preceding Year Corresponding Period
	30/06/2020 RM'000	30/06/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(55,356)	(113,071)
Adjustments for:-		
Depreciation and amortisation	68,542	67,636
Non-cash items	(5,331)	(5,284)
Dividend income	(753)	(297)
Net financing costs	28,788	33,740
Operating profit/(loss) before changes in working capital	35,890	(17,276)
Changes in working capital		
Net change in current assets	36,647	22,950
Net change in current liabilities	(33,954)	(18,897)
Taxation (paid)/refund	(234)	843
Net financing costs paid	(26,984)	(33,619)
Dividend received	753	297
Employee benefits paid	(14)	(61)
Net cash generated from/(used in) operating activities	12,104	(45,763)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(7,586)	(11,879)
Addition of right-of-use asset	(3,266)	-
Proceeds from disposal of property, plant and equipment	420	1,096
Net cash used in investing activities	(10,432)	(10,783)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	803,259	919,925
Repayments of borrowings	(821,747)	(998,100)
RCULS coupon payment/Proceeds from issuance of RCULS	(8,053)	171,464
Payment of lease liabilities	(790)	-
Net cash (used in)/generated from financing activities	(27,331)	93,289
NET CHANGE IN CASH AND CASH EQUIVALENTS	(25,659)	36,743
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	110,336	73,256
EFFECT ON FOREIGN EXCHANGE	62	337
CASH & CASH EQUIVALENTS AT END OF PERIOD	84,739	110,336

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

	30/06/2020 RM'000	30/06/2019 RM'000
Deposits, cash and bank balances	84,739	110,336

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 and the reclassification of leasehold land as right-of-use assets 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			
Property, plant and equipment	1,000,103	(36,208)	963,895
Right-of-use assets	-	2,131	2,131
	<u> </u>	<u> </u>	<u> </u>
Non-current liabilities			
Lease liabilities	-	1,603	1,603
	<u> </u>	<u> </u>	<u> </u>
Current liabilities			
Lease Liabilities	-	528	528
	<u> </u>	<u> </u>	<u> </u>

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

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

The figures have not been audited

3. Seasonality or cyclicity of interim operations

The operations of the Group generally follow the performance of the construction industry.

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

For the quarter under review, the issued share capital of the Company has been increased from 497,146,739 ordinary shares to 497,284,881 ordinary shares by the issuance and allotment of 138,142 new ordinary shares arising from the conversion of RM96,700 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 has been increased from 492,254,775 ordinary shares to 497,284,881 ordinary shares by the issuance and allotment of 5,030,106 new ordinary shares arising from the conversion of RM3,521,078 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 30 June 2020 was RM159,740,000.

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>(25,953)</u>
Included in the measure of segment losses are:	
Revenue from external customers	583,357
Depreciation and amortisation	<u>(68,277)</u>
Reconciliation of reportable segment loss	
Loss	
Reportable segment	(25,953)
Non-reportable segments	(615)
Interest income	1,448
Finance costs	<u>(39,236)</u>
Consolidated loss before taxation	<u>(55,356)</u>

	External Revenue RM'000	Depreciation and amortisation RM'000
Reportable segment	583,357	68,277
Non-reportable segment	2,033	265
Total	<u>585,390</u>	<u>68,542</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:

The liquidator of Flynex Sdn Bhd ("Flynex"), an indirect wholly-owned subsidiary of the Company, has convened a final meeting to conclude the member's liquidation of Flynex, and accordingly Flynex was dissolved on 26 May 2020.

The figures have not been audited

11. Review of performance

For the quarter under review, the Group recorded revenue of RM79.6 million and loss before taxation (“LBT”) of RM20.4 million as compared with revenue and LBT of RM161.2 million and RM28.8 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2019 (“FY 2019”).

For the financial year-to-date, the Group recorded revenue of RM585.4 million and LBT of RM55.4 million as compared with revenue and LBT of RM636.6 million and RM113.1 million respectively for the corresponding period of FY 2019.

The lower revenue was due to the suspension of business operations during the Movement Control Order (MCO) imposed by the Malaysian Government to curb the spread of the Coronavirus disease (“COVID-19”). Nevertheless, the lower LBT recorded for the quarter under review was mainly contributed by the cement business with improved margin from lower rebate of cement selling price.

12. Material changes in profit before taxation (“PBT”) against the immediate preceding quarter

	Current quarter 30/06/2020 RM’000	Immediate preceding quarter 31/03/2020 RM’000
Revenue	79,606	177,369
(Loss)/Profit before taxation	(20,432)	2,092

The Group recorded LBT of RM20.4 million for the quarter under review as compared with PBT of RM2.1 million for the immediate preceding quarter. In spite of higher revenue generated from lower rebate of cement selling price, the business operations was disrupted by the COVID-19 pandemic where all business operations were suspended due to the Movement Control Order (MCO) imposed by the Malaysian Government.

13. Prospects

The unprecedented outbreak of COVID-19 has spurred lockdowns across the world. The loss of production uptime and inability to deliver goods have negatively impacted the Group. Construction activities have also been severely affected, resulting in a decrease in demand for building materials. The pace of recovery remains uncertain given current unfavourable market conditions.

The Group will remain steadfast and agile during this period of uncertainty. We will continue to act decisively in responding to the evolving market conditions and the new norms caused by the COVID-19 pandemic.

HUME INDUSTRIES BERHAD
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2020

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14. **Profit forecast / profit guaranteed**

This note is not applicable.

15. **Loss before taxation**

	Current Year Quarter	Current Year To-date
	30/06/2020 RM'000	30/06/2020 RM'000
Loss before taxation is arrived at after charging/(crediting) :-		
Dividend income from short term investments	(392)	(753)
Impairment loss on trade receivables (net)	254	469
Depreciation and amortisation	16,836	68,542
Provision for slow moving inventories	2,484	6,319
Gain on foreign exchange	(899)	(616)

16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Current taxation				
Malaysian - current year	5,520	(1,392)	3,506	(1,920)
- prior year	(33)	(43)	14	(43)
	5,487	(1,435)	3,520	(1,963)
Deferred taxation				
Malaysian - current year	(8,618)	157	(13,061)	(13,368)
- prior year	(911)	404	89	404
	(9,529)	561	(12,972)	(12,964)
	(4,042)	(874)	(9,452)	(14,927)

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17. **Corporate proposals**

- (a) There are no corporate proposals announced but not completed as at the date of this report.
- (b) The proceeds of RM172,473,768 raised from the Right Issue of RCULS (as disclosed in Note 6) had been fully utilised during the quarter under review in the following manner:

<u>Details</u>	<u>Proposed Utilisation</u> RM'000	<u>Actual Utilisation</u> RM'000	<u>Variance</u> RM'000
Repay bank borrowings	122,257	122,257	-
Fund general working capital	49,267	49,207	60
Defray expenses in relation to the Rights Issue of RCULS	950	1,010	(60)*
	<u>172,474</u>	<u>172,474</u>	<u>-</u>

* The additional expenses incurred were paid from working capital

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

Particulars of the Group's borrowings and debt securities as at 30 June 2020 are as follows:

	RM'000
Borrowings:	
Unsecured short term borrowings	435,968
Unsecured long term borrowings	209,140
	<u>645,108</u>

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

	RM'000
USD	<u>121,255</u>

The USD denominated borrowings include RM116 million which foreign currency exchange rate has been fixed on drawdown of the term loan. The Group's borrowings have decreased from RM663.0 million to RM645.1 million due to repayment of bank borrowings in the financial year-to-date.

	RM'000
Debt Securities:	
RCULS – liability portion	
- Current	6,679
- Non-current	21,476
	<u>28,155</u>

HUME INDUSTRIES BERHAD
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2020

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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 June 2020 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).

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 RM16,390,000 (4th quarter 2018/2019: RM27,876,000) by the weighted average number of ordinary shares during the quarter of 494,724,036 (4th quarter 2018/2019: 480,925,939).

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 RM45,904,000 (2018/2019: RM98,144,000) by the weighted average number of ordinary shares during the period of 494,727,200 (2018/2019: 479,550,580).

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
	30/06/2020 RM'000	30/06/2019 RM'000	30/06/2020 RM'000	30/06/2019 RM'000
Issued ordinary shares at beginning of period	497,147	479,094	492,255	479,094
Effect of RCULS conversion	23	1,832	2,472	457
Weighted average number of ordinary shares (basic)	497,170	480,926	494,727	479,551
Basic loss per ordinary share (sen)	(3.30)	(5.80)	(9.28)	(20.47)

- (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 30 June 2020, 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>17,000</u>	<u>25</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. There is no gains/(losses) arising from fair value changes of derivatives.

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 2019.

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 August 2020