

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Revenue	155,517	156,198	329,828	328,415
Cost of sales	(114,890)	(124,025)	(244,822)	(275,115)
Gross profit	40,627	32,173	85,006	53,300
Operating expenses	(35,486)	(36,211)	(73,936)	(78,818)
Other operating income	1,723	2,548	4,655	3,133
Operating profit/(loss)	6,864	(1,490)	15,725	(22,385)
Interest income	130	358	330	812
Finance costs	(5,893)	(7,715)	(12,135)	(15,443)
Profit/(Loss) before taxation	1,101	(8,847)	3,920	(37,016)
Taxation	(770)	1,356	(2,052)	5,688
Profit/(Loss) for the period attributable to owners of the Company	331	(7,491)	1,868	(31,328)
Earnings/(Loss) per ordinary share (sen):-				
(a) Basic	0.07	(1.52)	0.37	(6.35)
(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 2020.

HUME CEMENT INDUSTRIES BERHAD (Formerly known as Hume Industries Berhad)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED
 31 DECEMBER 2020

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**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2020 (cont'd)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Profit/(Loss) for the period	331	(7,491)	1,868	(31,328)
Foreign currency translation differences for foreign operations	(25)	-	(27)	-
Cash flow hedge	-	-	(25)	-
Total comprehensive income/(expense) for the period	306	(7,491)	1,816	(31,328)

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 2020.

HUME CEMENT INDUSTRIES BERHAD (Formerly known as Hume Industries Berhad)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED
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**CONDENSED CONSOLIDATED STATEMENTS ON FINANCIAL POSITION AS AT
 31 DECEMBER 2020**

	As at end of current quarter 31/12/2020 RM'000	As at end of preceding financial year 30/06/2020 RM'000
ASSETS		
Property, plant and equipment	871,772	899,368
Right-of-use assets	39,963	40,828
Investment property	6,570	6,697
Deferred tax assets	15,267	16,031
Tax credit receivables	145,081	145,081
Total non-current assets	1,078,653	1,108,005
Inventories	80,108	64,215
Trade and other receivables	41,491	56,872
Current tax assets	341	658
Cash and cash equivalents	93,011	84,739
Total current assets	214,951	206,484
TOTAL ASSETS	1,293,604	1,314,489
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	493,923	491,827
Reserves	(230,570)	(232,276)
RCULS - equity portion	130,471	132,204
TOTAL EQUITY	393,824	391,755
LIABILITIES		
Borrowings	298,736	209,140
Lease liabilities	1,412	1,655
Deferred tax liabilities	25,311	24,386
RCULS – liability portion	17,722	21,476
Deferred income	96,495	100,048
Employee benefits	461	458
Other payable	507	507
Total non-current liabilities	440,644	357,670
Trade and other payables	116,299	114,524
Borrowings	328,320	435,968
Lease liabilities	599	706
RCULS – liability portion	6,760	6,679
Deferred income	7,158	7,187
Total current liabilities	459,136	565,064
TOTAL LIABILITIES	899,780	922,734
TOTAL EQUITY AND LIABILITIES	1,293,604	1,314,489
Net assets per share attributable to owners of the Company (RM)	0.79	0.80

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2020.

HUME CEMENT INDUSTRIES BERHAD (Formerly known as Hume Industries Berhad)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2020

	Share capital	Redeemable convertible unsecured loan stocks ("RCULS") – equity portion	Hedging reserve	Reserve for own shares	Translation reserve	Executive share scheme reserve	Accumulated losses	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year-to-date ended 31 December 2020	491,827	132,204	25	-	420	50	(232,771)	391,755
At 1 July 2020	-	-	-	-	-	-	1,868	1,868
Profit for the period	-	-	-	-	(27)	-	-	(27)
Other comprehensive income	-	-	(25)	-	-	-	-	(25)
- Foreign currency translation difference	-	-	-	-	-	-	-	-
- Cash flow hedge	-	-	(25)	-	-	-	-	(25)
Total comprehensive (expense)/income for the period	-	-	(25)	-	(27)	-	1,868	1,816
<i>Contribution by and distribution to owners of the Company</i>								
- Conversion of RCULS	2,096	(1,733)	-	-	-	-	(25)	338
- Share-based payments/transactions	-	-	-	(149)	-	64	-	(85)
	2,096	(1,733)	-	(149)	-	64	(25)	253
At 31 December 2020	493,923	130,471	-	(149)	393	114	(230,928)	393,824

HUME CEMENT INDUSTRIES BERHAD (Formerly known as Hume Industries Berhad)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2020 (cont'd)

	Share capital	Redeemable convertible unsecured loan stocks ("RCULS")	Hedging reserve	Reserve for own shares	Translation reserve	Executive share scheme reserve	Accumulated losses	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Preceding year corresponding period 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 income/(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

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 2020.

HUME CEMENT INDUSTRIES BERHAD (Formerly known as Hume Industries Berhad)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER
 2020

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
 ENDED 31 DECEMBER 2020**

	Current Year-To-Date	Preceding Year Corresponding Period
	31/12/2020 RM'000	31/12/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	3,920	(37,016)
Adjustments for:-		
Depreciation and amortisation	33,251	34,493
Non-cash items	(2,529)	1,697
Dividend income	(317)	(172)
Net financing costs	11,805	14,631
Operating profit before changes in working capital	46,130	13,633
Changes in working capital		
Net change in current assets	(3,583)	4,547
Net change in current liabilities	4,497	(9,331)
Taxation paid	(49)	(186)
Net financing costs paid	(11,068)	(13,752)
Dividend received	317	172
Employee benefits paid	(27)	-
Net cash generated from/(used in) operating activities	36,217	(4,917)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(5,797)	(3,127)
Proceeds from disposal of property, plant and equipment	6	420
Net cash used in investing activities	(5,791)	(2,707)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	422,921	367,219
Repayments of borrowings	(440,628)	(375,159)
RCULS coupon payment	(4,035)	-
Payment of lease liabilities	(385)	(4,068)
Net cash used in financing activities	(22,127)	(12,008)
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,299	(19,632)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	84,739	110,336
EFFECT ON FOREIGN EXCHANGE	(27)	-
CASH & CASH EQUIVALENTS AT END OF PERIOD	93,011	90,704

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

	31/12/2020 RM'000	30/09/2019 RM'000
Deposits, cash and bank balances	93,011	90,704

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2020.

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 paragraph 9.22 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 2020. 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 financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2020 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2020 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.

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

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.

The figures have not been audited

6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

- (a) For the quarter under review, the issued share capital of the Company has been increased from 497,998,719 ordinary shares to 500,277,369 ordinary shares by the issuance and allotment of 2,278,650 new ordinary shares arising from the conversion of RM1,595,056 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 497,284,881 ordinary shares to 500,277,369 ordinary shares by the issuance and allotment of 2,992,488 new ordinary shares arising from the conversion of RM2,094,743 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 2020 was RM157,645,257.

- (b) During the quarter under review and financial year-to-date, 200,000 ordinary shares in the Company were purchased by the Executive Share Scheme (“ESS”) Trust of a subsidiary.

As at 31 December 2020, the total number of shares held by the said ESS Trust was 200,000 shares.

Subsequent to the quarter under review, a total of 66,666 existing ordinary shares in the Company (“HCIB Shares”) held in the said ESS Trust were transferred to an eligible executive of the Group arising from the vesting of free HCIB Shares pursuant to the ESS.

7. Dividend paid

There was no dividends 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 profit		<u>15,846</u>
Included in the measure of segment profit are:		
Revenue from external customers		328,811
Depreciation and amortisation		<u>33,118</u>
Reconciliation of reportable segment profit		
Profit		
Reportable segment		15,846
Non-reportable segments		(121)
Interest income		330
Finance costs		<u>(12,135)</u>
Consolidated profit before taxation		<u>3,920</u>
	External Revenue RM'000	Depreciation and amortisation RM'000
Reportable segment	328,811	33,118
Non-reportable segment	1,017	133
Total	<u>329,828</u>	<u>33,251</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.

The figures have not been audited

11. Review of performance

For the quarter under review, the Group recorded revenue of RM155.5 million and profit before taxation (“PBT”) of RM1.1 million as compared with revenue and loss before taxation (“LBT”) of RM156.2 million and RM8.8 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2020 (“FY 2020”).

Revenue decreased in the quarter under review as compared with the corresponding quarter of FY 2020, mainly due to the lower sales volume recorded in the quarter under review. The improvement in the PBT of RM1.1 million as compared with the LBT of the corresponding quarter of the preceding financial year of RM8.8 million was mainly contributed by lower production cost driven by the reduction in energy cost.

For the financial year-to-date, the Group recorded revenue of RM329.8 million and PBT of RM3.9 million as compared with revenue and LBT of RM328.4 million and RM37.0 million respectively for the corresponding period of FY 2020. The improvement in the financial year-to-date was mainly contributed by the cement business with higher revenue generated from lower rebate of cement selling price and reduction of production cost.

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

	Current quarter 31/12/2020 RM’000	Immediate preceding quarter 30/09/2020 RM’000
Revenue	155,517	174,311
Profit before taxation	1,101	2,819

The Group recorded PBT of RM1.1 million for the quarter under review as compared with PBT of RM2.8 million for the immediate preceding quarter, mainly due to lower sales volume recorded coupled with a higher rebate of cement selling price.

13. Prospects

The outlook of the Group remains challenging with the slower construction activities caused by the resurgence of COVID-19 infections that has resulted in the re-imposition of the Movement Control Order (“MCO”) in January 2021. It is anticipated that with the National COVID-19 Immunisation Programme, the country’s construction activities could gain faster recovery. The Group will stay vigilant and continue to focus on improving overall operational efficiency and performance.

14. Profit forecast / profit guaranteed

This note is not applicable.

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 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER
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15. Profit before taxation

	Current Year Quarter	Current Year To-date
	31/12/2020 RM'000	31/12/2020 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Dividend income from short term investments	(159)	(317)
Impairment loss on trade receivables (net)	293	(315)
Depreciation and amortisation	16,609	33,251
Provision for slow moving inventories	1,020	2,856
Gain on foreign exchange	(627)	783

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Current taxation				
Malaysian - current year	36	599	365	1,064
- prior year	-	(46)	-	(46)
	36	553	365	1,018
Deferred taxation				
Malaysian - current year	734	803	1,598	4,670
- prior year	-	-	89	-
		803	1,687	4,670
	770	1,356	2,052	5,688

The figures have not been audited

17. Corporate proposals

HCIB had appointed Hong Leong Investment Bank (“HLIB”) as the Principal Adviser, Lead Arranger and the Lead Manager for the Medium Term Note (“MTN”) Programme. On 9 December 2020, HCIB had lodged the MTN Programme with the Securities Commission Malaysia (“SC”) pursuant to the SC’s Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (issued by the SC on 9 March 2015 and revised on 12 November 2020, as amended from time to time).

The MTN Programme provides the Company with the flexibility to issue unrated MTNs from time to time, subject to the aggregate outstanding nominal amount of the MTNs not exceeding RM500 million at any point in time.

The proceeds raised from the MTN Programme will be used by the Company and/or its subsidiaries for:

- (i) payment or refinancing of existing borrowings/financing facilities or existing and future financing obligations;
- (ii) investment in capital expenditure;
- (iii) business investment requirements (including investment in mergers and acquisitions);
- (iv) working capital purposes; and/or
- (v) defray expenses in relation to the MTN Programme and the issuance(s) of MTNs thereunder.

On 18 December 2020, HCIB had completed its inaugural issuance of the unrated MTN with a nominal value of RM100.0 million and tenure of 3 years under the MTN Programme. The MTN are unsecured and carry a fixed coupon rate of 4.05% per annum, payable semi-annually.

The proceeds from the MTN issuance had been utilised by HCIB to:

- (i) fund partially the repayment of an existing term loan; and
- (ii) defray expenses in relation to the establishment of the MTN Programme and the inaugural issuance of MTN thereunder.

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18. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 31 December 2020 are as follows:

	RM'000
Borrowings:	
Unsecured short term borrowings	328,320
Unsecured long term borrowings	298,736
	<u>627,056</u>

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

	RM'000
USD	<u>25,604</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 increased slightly from RM645.1 million to RM645.2 million due to withdrawal of bank borrowings in the financial year-to-date.

	RM'000
Debt Securities:	
RCULS – liability portion	
- Current	6,760
- Non-current	17,722
	<u>24,482</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 2020 of the financial year ending 30 June 2021 (2019/2020: Nil).
- (b) For the financial year-to-date, no dividend has been declared (2019/2020: Nil).

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21. **Earnings/(Loss) Per Ordinary Share**

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

The basic earnings/(loss) per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM331,000 (2nd quarter 2019/2020: loss attributable to owners of the Company of RM7,491,000) by the weighted average number of ordinary shares during the quarter of 498,869,249 (2nd quarter 2019/2020: 493,689,547).

The basic earnings/(loss) per ordinary share for the financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company of RM1,868,000 (2019/2020: loss attributable to owners of the Company of RM31,328,000) by the weighted average number of ordinary shares during the period of 498,347,627 (2019/2020: 493,364,530).

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2020 '000	31/12/2019 '000	31/12/2020 '000	31/12/2019 '000
Issued ordinary shares at beginning of period	497,826	493,040	497,285	479,551
Effect of RCULS conversion	1,043	650	1,063	13,814
Weighted average number of ordinary shares (basic)	498,869	493,690	498,348	493,365
Basic earnings/(loss) per ordinary share (sen)	0.07	(1.52)	0.37	(6.35)

(b) Diluted earnings per share

The Group's diluted earnings 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 2020, no contract amount and fair value of the forward foreign exchange contracts.

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 2020.

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 Cement Industries Berhad
(Formerly known as Hume Industries Berhad)

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
24 February 2021