

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2017

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Revenue	162,889	165,732	324,670	315,631
Cost of sales	(128,556)	(114,263)	(252,116)	(219,101)
Gross profit	34,333	51,469	72,554	96,530
Operating expenses	(37,138)	(35,599)	(73,923)	(67,038)
Other operating income/(expenses)	4,815	(1,373)	11,454	(778)
Operating profit	2,010	14,498	10,085	28,715
Interest income	201	301	409	599
Finance costs	(7,656)	(2,815)	(15,342)	(6,167)
(Loss)/Profit before taxation	(5,445)	11,984	(4,848)	23,147
Taxation	1,010	(2,788)	862	(5,929)
(Loss)/Profit for the period attributable to owners of the Company	(4,435)	9,196	(3,986)	17,218
Earnings per ordinary share (sen):-				
(a) Basic	(0.93)	1.92	(0.83)	3.59
(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.

HUME INDUSTRIES BERHAD
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2017

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2017 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
(Loss)/Profit for the period	(4,435)	9,196	(3,986)	17,218
Foreign currency translation differences for foreign operations	(24)	(11)	(33)	19
Total comprehensive (loss)/income for the period	(4,459)	9,207	(4,019)	17,237

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.

HUME INDUSTRIES BERHAD
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2017

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS ON FINANCIAL POSITION AS AT
31 DECEMBER 2017

	As at end of current quarter 31/12/2017 RM'000	As at end of preceding financial year 30/06/2017 RM'000
ASSETS		
Property, plant and equipment	1,089,547	1,120,489
Deferred tax assets	11,776	11,783
Tax credit receivables	156,146	156,146
Total non-current assets	<u>1,257,469</u>	<u>1,288,418</u>
Inventories	102,440	87,716
Trade and other receivables	87,386	86,119
Derivative financial assets	99	15
Current tax assets	3,507	1,522
Cash and cash equivalents	71,283	102,193
Total current assets	<u>264,715</u>	<u>277,565</u>
TOTAL ASSETS	<u>1,522,184</u>	<u>1,565,983</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	479,094	479,094
Reserves	(38,024)	(34,005)
TOTAL EQUITY	<u>441,070</u>	<u>445,089</u>
LIABILITIES		
Borrowings	238,966	354,594
Deferred tax liabilities	67,074	65,940
Deferred income	128,741	132,673
Employee benefits	523	527
Total non-current liabilities	<u>435,304</u>	<u>553,734</u>
Trade and other payables	141,016	151,963
Borrowings	496,766	407,314
Deferred income	7,841	7,817
Derivative financial liabilities	187	66
Total current liabilities	<u>645,810</u>	<u>567,160</u>
TOTAL LIABILITIES	<u>1,081,114</u>	<u>1,120,894</u>
TOTAL EQUITY AND LIABILITIES	<u>1,522,184</u>	<u>1,565,983</u>
Net assets per share attributable to owners of the Company (RM)	0.92	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.

HUME INDUSTRIES BERHAD
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2017

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD
ENDED 31 DECEMBER 2017

	Share capital	Translation reserve	Accumulated losses	Total equity
	RM'000	RM'000	RM'000	RM'000
Current year-to-date ended 31 December 2017				
At 1 July 2017	479,094	61	(34,066)	445,089
Loss for the period	-	-	(3,986)	(3,986)
Other comprehensive income – foreign currency translation difference	-	(33)	-	(33)
Total comprehensive income for the period	-	(33)	(3,986)	(4,019)
At 31 December 2017	479,094	28	(38,052)	441,070
Preceding year corresponding period ended 31 December 2016				
At 1 July 2016	479,094	64	(43,200)	435,958
Profit for the period	-	-	17,218	17,218
Other comprehensive income – foreign currency translation difference	-	19	-	19
Total comprehensive income for the period	-	19	17,218	17,237
At 31 December 2016	479,094	83	(25,982)	453,195

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.

HUME INDUSTRIES BERHAD
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2017

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
ENDED 31 DECEMBER 2017

	Current Year-To-Date	Preceding Year Corresponding Period
	31/12/2017 RM'000	31/12/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(4,848)	23,148
Adjustments for:-		
Depreciation and amortisation	33,535	19,128
Non cash items	(4,520)	7,440
Dividend income	(285)	(1,024)
Net financing costs	14,933	5,568
Operating profit before changes in working capital	38,815	54,260
Changes in working capital		
Net change in current assets	(15,940)	(5,963)
Net change in current liabilities	(10,948)	(20,641)
Taxation refunded/ (paid)	17	(326)
Net financing costs paid	(14,933)	(6,227)
Dividend received	285	1,024
Net cash (used in)/ generated from operating activities	(2,704)	22,127
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(4,397)	(19,455)
Proceeds from disposal of property, plant and equipment	557	-
Net cash used in investing activities	(3,840)	(19,455)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	427,383	443,565
Repayments of borrowings	(451,716)	(504,161)
Net cash used in financing activities	(24,333)	(60,596)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(30,877)	(57,924)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	102,193	172,747
EFFECT ON FOREIGN EXCHANGE	(33)	19
CASH & CASH EQUIVALENTS AT END OF PERIOD	71,283	114,842
Cash and cash equivalents included in the consolidated statements of cash flows comprise the following statements of financial position amounts:		
	31/12/2017 RM'000	31/12/2016 RM'000
Deposits, cash and bank balances	71,283	114,842

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.

HUME INDUSTRIES BERHAD
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2017

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 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.

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.

HUME INDUSTRIES BERHAD
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2017

The figures have not been audited

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 profit	<u>11,658</u>
Included in the measure of segment profit are:	
Revenue from external customers	314,466
Depreciation and amortisation	<u>33,381</u>

Reconciliation of reportable segment profit

Profit

Reportable segment	11,658
Non-reportable segments	(1,573)
Interest income	409
Finance costs	(15,342)
Consolidated loss before taxation	<u>(4,848)</u>

	External Revenue RM'000	Depreciation and amortisation RM'000
Reportable segment	314,466	33,381
Non-reportable segment	10,204	154
Total	<u>324,670</u>	<u>33,535</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, restructurings and discontinuing operations other than as mentioned below:

HUME INDUSTRIES BERHAD
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2017

The figures have not been audited

10. Changes in the composition of the Group (cont'd)

On 14 December 2017, Flynex Sdn Bhd (formerly known as Hume Concrete Marketing Sdn Bhd) ["Flynex"], a wholly-owned subsidiary of Hume Concrete Sdn Bhd which in turn is a subsidiary of the Company, had been placed under member's voluntary liquidation pursuant to Section 439(1)(b) of the Companies Act 2016. Mr Ling Kam Hoong of Messrs Ling Kam Hoong & Co. has been appointed as liquidator of Flynex.

11. Review of performance

For the quarter under review, the Group recorded revenue of RM162.9 million and loss before taxation ("LBT") of RM5.4 million as compared with revenue and profit before taxation ("PBT") of RM165.7 million and RM12.0 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 RM324.7 million and LBT of RM4.8 million respectively as compared with a revenue and PBT of RM315.6 million and RM23.1 million recorded in the corresponding period of FY 2017.

Despite the higher revenue recorded for the financial year-to-date, the decline in PBT was mainly due to lower selling price and higher operating expenses.

12. Material changes in PBT against the immediate preceding quarter

The Group recorded a LBT of RM5.4 million for the quarter under review as compared with a PBT of RM0.6 million for the preceding quarter. The decrease in the PBT for the quarter under review was mainly attributable to lower selling price.

13. Prospects

The business environment is expected to remain challenging in this financial year ending 30 June 2018. Moving forward, the Board believes that the demand for cement and concrete products will improve with the impending implementation of major infrastructure projects in the country.

14. Profit forecast / profit guaranteed

This note is not applicable.

15. Profit before taxation

	Current Year Quarter	Current Year To-date
	31/12/2017 RM'000	31/12/2017 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from short term investments	(169)	(285)
Depreciation and amortisation	16,700	33,535
Impairment and write off of trade receivables	237	220
Provision for and write off/(Reversal of) of inventories	908	(69)
Gain on foreign exchange	(838)	(1,391)
Fair value loss on derivatives	38	38
Gain on disposal of property, plant and equipment	(182)	(182)
Impairment of property, plant and equipment	-	-

HUME INDUSTRIES BERHAD
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2017

The figures have not been audited

16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Current taxation				
Malaysian - current year	(1,306)	763	(2,002)	(47)
- prior year	-	-	-	1
	(1,306)	763	(2,002)	(46)
Deferred taxation				
Malaysian - current year	296	1,990	1,140	5,894
- prior year	-	35	-	81
	296	2,025	1,140	5,975
	(1,010)	2,788	(862)	5,929

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 31 December 2017 are as follows:-

	RM'000
Unsecured short term borrowings	496,766
Unsecured long term borrowings	238,966
	<u>735,732</u>

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

	RM'000
USD	<u>32,057</u>

The Group's borrowings have decreased due to repayment of term loan.

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 2017 of the financial year ending 30 June 2018 (2016/2017: Nil).

(b) For the financial year-to-date, no dividend has been declared (2016/2017: Nil).

HUME INDUSTRIES BERHAD
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2017

The figures have not been audited

21. Earnings Per Ordinary Share

(a) Basic earnings per ordinary share

The basic earnings per ordinary share for the quarter under review is calculated by dividing the Group's loss attributable to owners of the Company of RM4,435,000 (2nd quarter 2016/2017: profit attributable to owners of the Company of RM9,196,000) by the weighted average number of ordinary shares during the quarter of 479,093,800 (2nd quarter 2016/2017: 479,093,800).

The basic 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 RM3,986,000 (2016/2017: profit attributable to owners of the Company of RM17,218,000) 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 and interest rate swap 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.

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 2017, 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	14,789	(187)

HUME INDUSTRIES BERHAD
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2017

The figures have not been audited

22. **Derivatives (cont'd)**

(b) Interest rate swap contracts

The Group has entered into interest rate swap contracts by a subsidiary to convert floating rate liabilities to fixed rate liabilities to mitigate the Group's exposure from adverse fluctuations in interest rates on underlying debt instruments.

The differences between the floating rate and fixed rate calculated by reference to the agreed notional contract principal amounts were exchanged at periodic intervals.

As at 31 December 2017, the contract amount, fair value and maturity tenor of the interest rate swap contracts are as follows:

	Contract Amount	Fair Value Assets / (Liabilities)
	RM'000	RM'000
Less than 1 year	<u>100,000</u>	<u>99</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
5 February 2018