



# Hume Industries (Malaysia)

A Member of the Hong Leong Group Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2009

The figures have not been audited

### CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2009

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/12/2009 RM'000	31/12/2008 RM'000	31/12/2009 RM'000	31/12/2008 RM'000
<b>Revenue</b>	132,351	137,400	265,759	345,706
Cost of sales	(95,914)	(104,258)	(193,669)	(267,045)
<b>Gross profit</b>	36,437	33,142	72,090	78,661
Operating expenses	(21,875)	(22,425)	(44,073)	(56,078)
Other (expense)/income	(322)	(1,571)	(513)	60,349
<b>Operating profit</b>	14,240	9,146	27,504	82,932
Interest income	208	453	407	1,110
Interest expense	(147)	(212)	(283)	(722)
Share of profit/(loss) of associates	24,890	(107,804)	39,274	(75,863)
<b>Profit/(Loss) before taxation</b>	39,191	(98,417)	66,902	7,457
Taxation	(4,447)	(2,307)	(7,895)	(17,950)
<b>Profit/(Loss) for the period</b>	34,744	(100,724)	59,007	(10,493)
<b>Attributable to:</b>				
Equity holders of the parent	34,029	(100,768)	57,985	(10,571)
Minority interests	715	44	1,022	78
<b>Profit/(Loss) for the period</b>	34,744	(100,724)	59,007	(10,493)
<b>Earnings/(Loss) per ordinary share (sen):-</b>				
(a) Basic	19.20	(56.85)	32.72	(5.96)
(b) Fully diluted	N/A	N/A	N/A	N/A

Certain comparative figures have been reclassified to conform with the current year presentation.

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2009.

**HUME INDUSTRIES (MALAYSIA) BERHAD**  
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**CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2009**

	As at end of current quarter 31/12/2009 RM'000	As at preceding financial year end 30/06/2009 RM'000
<b>Non-current assets</b>		
Property, plant and equipment	99,117	102,413
Prepaid lease payments	56,470	57,050
Investments in associated companies	325,251	294,671
Other investments	16,500	16,500
Goodwill on consolidation	14,800	14,800
Deferred tax assets	12,643	13,278
	524,781	498,712
<b>Current assets</b>		
Inventories	70,771	70,584
Trade and other receivables	84,738	95,583
Tax recoverable	182	198
Other investments	-	-
Deposits, cash and bank balances	362,727	323,510
	518,418	489,875
<b>TOTAL ASSETS</b>	1,043,199	988,587
<b>Equity attributable to equity holders of the parent</b>		
Share capital	191,216	191,216
Reserves	764,783	719,147
Treasury shares – at cost	(40,483)	(40,480)
	915,516	869,883
<b>Minority interests</b>	8,973	7,916
<b>TOTAL EQUITY</b>	924,489	877,799
<b>Non-current liabilities</b>		
Retirement benefits	2,763	2,702
Deferred tax liabilities	4,987	4,360
	7,750	7,062
<b>Current liabilities</b>		
Trade and other payables	81,348	81,247
Short term borrowings and overdraft	22,532	19,361
Taxation	7,080	3,118
	110,960	103,726
<b>TOTAL LIABILITIES</b>	118,710	110,788
<b>TOTAL EQUITY AND LIABILITIES</b>	1,043,199	988,587
Net assets per share attributable to ordinary equity holders of the parent (RM)	5.17	4.91

**The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2009.**

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2009**

	Attributable to equity holders of the parent						Total	Minority interest	Total equity
	Share capital	Share premium	Other reserves	Reserve for own shares	Retained profits	Treasury shares			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Current year-to-date ended 31 December 2009</b>									
<b>At 1 July 2009</b>	191,216	35,208	16,616	(17,078)	684,401	(40,480)	869,883	7,916	877,799
Foreign exchange translation difference	-	-	58	-	-	-	58	35	93
Net profit for the period	-	-	-	-	57,985	-	57,985	1,022	59,007
Dividends	-	-	-	-	(12,407)	-	(12,407)	-	(12,407)
Purchase of treasury shares	-	-	-	-	-	(3)	(3)	-	(3)
<b>At 31 December 2009</b>	<b>191,216</b>	<b>35,208</b>	<b>16,674</b>	<b>(17,078)</b>	<b>729,979</b>	<b>(40,483)</b>	<b>915,516</b>	<b>8,973</b>	<b>924,489</b>
<b>Preceding year corresponding period ended 31 December 2008</b>									
<b>At 1 July 2008</b>	191,216	35,208	17,329	(17,078)	723,835	(40,474)	910,036	8,189	918,225
Net profit for the period	-	-	-	-	(10,571)	-	(10,571)	78	(10,493)
Dividends	-	-	-	-	(8,862)	-	(8,862)	-	(8,862)
Transfer of revaluation reserve	-	-	(705)	-	705	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	(3)	(3)	-	(3)
<b>At 31 December 2008</b>	<b>191,216</b>	<b>35,208</b>	<b>16,624</b>	<b>(17,078)</b>	<b>705,107</b>	<b>(40,477)</b>	<b>890,600</b>	<b>8,267</b>	<b>898,867</b>

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 2009.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED**  
**31 DECEMBER 2009**

	Current Year- To-Date 31/12/2009 RM'000	Preceding Year Corresponding Period 31/12/2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	66,902	7,457
Adjustments for:-		
Depreciation and amortisation	8,066	9,827
Share of profit/(loss) after tax of associated companies	(39,274)	75,863
Non cash items	(2,537)	(64,781)
Net interest income	(124)	(388)
Operating profit before changes in working capital	33,033	27,978
Changes in working capital		
Net change in current assets	572	9,667
Net change in current liabilities	101	(8,919)
Net income taxes paid	(2,687)	(1,701)
Retirement benefits paid	(55)	(51)
Dividend received	11,363	24,084
Net interest income	124	388
<b>Net cash generated from operating activities</b>	42,451	51,446
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property, plant and equipment	(4,120)	(9,494)
Cash proceeds from sales of business	10,000	138,500
Other investments	-	(208,980)
<b>Net cash generated from/(used in) investing activities</b>	5,880	(79,974)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(12,407)	(8,862)
Purchase of treasury shares	(3)	(3)
Net proceeds from/(repayment of) borrowings	3,097	(27,101)
<b>Net cash used in financing activities</b>	(9,313)	(35,966)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	39,108	(64,494)
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	323,510	102,659
<b>EFFECT ON FOREIGN EXCHANGE</b>	125	-
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	362,653	38,165

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts:

	31/12/2009 RM'000	31/12/2008 RM'000
Deposits, cash and bank balances	362,727	38,165
Bank overdraft	(74)	-
	362,653	38,165

Certain comparative figures have been reclassified to conform with the current year presentation.

**The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2009.**

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**1. Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standards (“FRS”) 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 2009.

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 2009.

On 1 July 2009, the Group has adopted FRS 8 Operating Segments. The adoption of FRS 8 does not have any financial impact on the financial statements of the Group.

The Group has not applied all the Amendments to FRSS, FRSS and IC Interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) which are not yet effective.

Amendments to FRS 2, FRS 4, FRS 120, FRS 129, FRS 131, FRS 140, IC Interpretation 11, IC Interpretation 12, IC Interpretation 13, IC Interpretation 14, IC Interpretation 15, IC Interpretation 16 and IC Interpretation 17 are not applicable to the Group and hence, no further disclosure is required.

The Group plans to adopt the other Amendments to FRSS, FRSS and IC Interpretations for the financial year ending 30 June 2011.

The financial impact on the financial statement of the Group resulting from the adoption of FRS 7 and FRS 139 upon first adoption of these FRSS as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* are not disclosed by virtue of the exemptions given in the respective FRSS.

The first adoption of the other Amendments to FRSS, FRSS and IC Interpretations are not expected to 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 Group’s operation is not affected materially by any seasonal / cyclical factors.

**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 the prior financial years.

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

- (a) During the quarter under review and financial year-to-date, the Company bought back 1,000 of its own shares from the open market for a total cash consideration of RM3,485. The total number of shares bought back as at 31 December 2009 was 8,282,800 shares and the shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.
- (b) There were no share options granted during the quarter under review and financial year-to-date to eligible executives of the Group pursuant to the Executive Share Option Scheme ("ESOS") of the Company which was established on 23 January 2006.
- (c) There were no additional shares purchased by the trust set up for the ESOS ("ESOS Trust") during the quarter under review and financial year-to-date. The total number of shares purchased by the ESOS Trust as at 31 December 2009 was 5,691,000 shares.

There were no issuance of shares, share cancellation, resale of treasury shares or repayment of debt or equity securities during the quarter under review and financial year-to-date.

**7. Dividend**

The Company has paid the following dividend during the current financial year-to-date:-

	RM'000
First dividend of 7 sen per share tax exempt paid on 22 December 2009	<u>12,805</u>

**8. Operating segments**

The Group's operating segments for the current financial year-to-date are as follows:-

	Building Materials RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Total external revenue	229,824	35,935	-	267,759
Inter-segment revenue	-	-	-	-
Total segment revenue	<u>229,824</u>	<u>35,935</u>	<u>-</u>	<u>267,759</u>

**Results**

Segment results	<u>23,056</u>	<u>4,448</u>	<u>-</u>	27,504
Share of profit of equity accounted associates				<u>39,274</u>
Interest expense				66,778
Interest income				(283)
Profit before taxation				<u>407</u>
Taxation				66,902
Profit after taxation				<u>(7,895)</u>
				<u>59,007</u>

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**9. Valuations of property, plant and equipment**

The valuation of property, plant and equipment has been brought forward without any amendments from the previous annual financial statements.

**10. Material events not reflected in the financial statements**

There were no material subsequent events to be disclosed as at the date of this report.

**11. 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.

**12. Contingent liabilities or contingent assets**

There were no material contingent liabilities or contingent assets as at the date of this report.

**13. Review of performance**

The Group registered a revenue of RM132.4 million for the quarter under review as compared with RM137.4 million achieved in the preceding year's corresponding quarter due to lower sales recorded in the building material business.

The Group's profit before taxation ("PBT") for the quarter under review was RM39.2 million as compared with a loss before taxation ("LBT") of RM98.4 million in the preceding year's corresponding quarter. The improvement in PBT was mainly attributed to the turnaround of Southern Steel Berhad ("SSB") which recorded higher revenue.

For the current year-to-date, the Group reported a PBT of RM66.9 million as compared with a PBT of RM7.5 million achieved in the preceding year mainly due to the foregoing reasons.

**14. Material changes in PBT against the immediate preceding quarter**

For the quarter under review, the Group recorded a PBT of RM39.2 million as compared with a PBT of RM27.7 million for the preceding quarter due to factors as explained in note 13.

**15. Prospects**

If the economic conditions continue to be stable, the Board expects the performance of the Group to be satisfactory for the financial year ending 30 June 2010.

**16. Profit forecast / profit guaranteed**

This note is not applicable.

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17. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2009 RM'000	31/12/2008 RM'000	31/12/2009 RM'000	31/12/2008 RM'000
Current tax				
- current	3,221	1,860	6,654	5,595
- prior years	-	-	(22)	25
Deferred tax				
- current	1,226	447	1,263	12,330
- prior years	-	-	-	-
	<u>4,447</u>	<u>2,307</u>	<u>7,895</u>	<u>17,950</u>

The Group's effective tax rate is higher than the Malaysian statutory tax rate mainly due to higher statutory tax rate payable by an indirect foreign subsidiary.

18. **Sale of unquoted investments and/or properties**

There were no sales of unquoted investments and/or properties for the quarter under review and financial year-to-date.

19. **Quoted securities**

(a) There were no purchases or disposals of quoted securities (other than securities in existing subsidiaries and associated companies) for the quarter under review and financial year-to-date.

(b) Particulars of investments in quoted securities as at 31 December 2009:

	RM'000
At cost:	
- Associated Company	193,056
- Others	32,670
	<u>225,726</u>
At book value:	
- Associated Company	324,682
- Others	16,500
	<u>341,182</u>
At market value:	
- Associated Company	344,280
- Others	46,200
	<u>390,480</u>



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**20. Corporate proposals**

There were no corporate proposals announced but not completed as at the date of this report.

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

Particulars of the Group's borrowings and debt securities as at 31 December 2009 are as follows:

	RM'000
(i) Unsecured short term borrowings and overdraft	22,532
(ii) Unsecured long term borrowings	-
	<u>22,532</u>

There are no foreign currency borrowings as at 31 December 2009.

**22. Financial instruments with off balance sheet risk**

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

Financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

The financial instruments with off balance sheet risk as at 20 January 2010 are as follows:

	Contract amount RM'000
▪ Foreign exchange forward contracts	<u>7,924</u>

The above contracts mature within a period of one (1) year.

There is minimal credit and market risk because the contracts were executed with established financial institutions.

Gains and losses on foreign exchange forward contracts are recognised in the income statements upon realisation.

**23. Changes in material litigation**

There is no material litigation as at the date of this report.

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24. **Dividend**

- (a) The Board does not recommend any interim dividend for the quarter ending 31 December 2009 of the financial year ending 30 June 2010 (2008/2009: nil)
- (b) For the financial year-to-date, a total dividend of 7 sen per share tax exempt (2008/2009: 5 sen per share tax exempt) has been declared.

25. **Earnings/(loss) per ordinary share**

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

The calculation of basic earning/(loss) per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to equity holders of the parent of RM34,029,000 (2008/2009 : net loss of RM100,768,000) by the weighted average number of ordinary shares outstanding during the quarter of 177,242,000 (2008/2009: 177,244,000).

The calculation of basic earnings/(loss) per ordinary share for the current year-to-date is calculated by dividing the Group's profit attributable to equity holders of the parent of RM57,985,000 (2008/2009 : net loss of RM10,571,000) by the weighted average number of ordinary shares outstanding during the quarter of 177,242,000 (2008/2009: 177,245,000).

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
	31/12/2009 '000	31/12/2008 '000	31/12/2009 '000	31/12/2008 '000
Issued ordinary shares at beginning of period	177,243	177,245	177,243	177,245
Effect of purchase of treasury shares	(1)	(1)	(1)	-
Effect of shares purchased by ESOS Trust	-	-	-	-
Weighted average number of ordinary shares	177,242	177,244	177,242	177,245

**Diluted earnings per share**

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

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**26. Receipt of Notice of Voluntary Take-over Offer**

The Company had, on 14 January 2010, received a Notice of Voluntary Take-over Offer from Hong Leong Investment Bank Berhad, on behalf of Spectrum Arrangement Sdn Bhd (“Offeror”), to extend a voluntary take-over offer (“Offer”) to acquire all the ordinary shares of RM1.00 each in the Company which are not owned by the Offeror (excluding treasury shares) (“Offer Shares”) at a cash consideration of RM4.30 per Offer Share.

In accordance with the Malaysian Code on Take-overs and Mergers, 1998, the Board has, on 25 January 2010, appointed Public Investment Bank Berhad as the independent adviser to advise the independent Directors and the holders of the Offer Shares in relation to the Offer.

By Order of the Board  
Hume Industries (Malaysia) Berhad

Joanne Leong Wei Yin  
Company Secretary

Kuala Lumpur  
27 January 2010