

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2022

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Revenue	206,789	128,067	206,789	128,067
Cost of sales	(178,836)	(107,225)	(178,836)	(107,225)
Gross profit	27,953	20,842	27,953	20,842
Operating expenses	(36,916)	(30,096)	(36,916)	(30,096)
Other operating (expense)/income	(345)	721	(345)	721
Operating loss	(9,308)	(8,533)	(9,308)	(8,533)
Interest income	208	87	208	87
Finance costs	(6,295)	(5,724)	(6,295)	(5,724)
Loss before taxation	(15,395)	(14,170)	(15,395)	(14,170)
Taxation	3,358	2,852	3,358	2,852
Loss for the period attributable to owners of the Company	(12,037)	(11,318)	(12,037)	(11,318)
Loss per ordinary share (sen):-				
(a) Basic	(2.39)	(2.26)	(2.39)	(2.26)
(b) 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 Audited Financial Statements for the Financial Year Ended 30 June 2022.

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**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (cont'd)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Loss for the period	(12,037)	(11,318)	(12,037)	(11,318)
Foreign currency translation differences for foreign operations	(8)	(42)	(8)	(42)
Cash flow hedge	237	(17)	237	(17)
Total comprehensive expense for the period	(11,808)	(11,377)	(11,808)	(11,377)

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

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**CONDENSED CONSOLIDATED STATEMENTS ON FINANCIAL POSITION AS AT
 30 SEPTEMBER 2022**

	As at end of current quarter 30/09/2022 RM'000	As at end of preceding financial year 30/06/2022 RM'000
ASSETS		
Property, plant and equipment	775,603	790,507
Right-of-use assets	37,176	37,728
Investment property	6,124	6,188
Deferred tax assets	9,479	9,908
Tax credit receivables	144,703	144,703
Total non-current assets	973,085	989,034
Inventories	160,469	163,630
Trade and other receivables	79,827	80,549
Current tax assets	129	161
Cash and cash equivalents	47,053	64,274
Total current assets	287,478	308,614
TOTAL ASSETS	1,260,563	1,297,648
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	496,287	496,267
Reserves	(268,581)	(256,775)
RCULS - equity portion	128,511	128,527
TOTAL EQUITY	356,217	368,019
LIABILITIES		
Borrowings	232,377	239,789
Lease liabilities	49	230
Deferred tax liabilities	12,080	16,073
RCULS – liability portion	5,006	6,873
Deferred income	83,590	85,380
Employee benefits	235	250
Other payable	579	579
Total non-current liabilities	333,916	349,174
Borrowings	423,481	372,602
Lease liabilities	934	1,068
RCULS – liability portion	7,269	7,177
Deferred income	7,158	7,158
Trade and other payables	131,386	192,187
Tax payable	202	263
Total current liabilities	570,430	580,455
TOTAL LIABILITIES	904,346	929,629
TOTAL EQUITY AND LIABILITIES	1,260,563	1,297,648
Net assets per share attributable to owners of the Company (RM)	0.71	0.73

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2022

	/-----Attributable to owners of the Company-----/							
	/-----Non-distributable-----/							
	Share capital	Redeemable convertible unsecured loan stocks ("RCULS") – equity portion	Hedging reserve	Exchange fluctuation reserve	Reserve for own share	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 30 September 2022								
At 1 July 2022	496,267	128,527	13	322	(50)	68	(257,128)	368,019
Loss for the period	-	-	-	-	-	-	(12,037)	(12,037)
Other comprehensive income/(expense)								
- Foreign currency translation difference	-	-	-	(8)	-	-	-	(8)
- Cash flow hedge	-	-	237	-	-	-	-	237
Total comprehensive income/(expense) for the period	-	-	237	(8)	-	-	(12,037)	(11,808)
<i>Contribution by and distribution to owners of the Company</i>								
- Conversion of RCULS	20	(16)	-	-	-	-	(3)	1
- Share-based payments	-	-	-	-	-	5	-	5
	20	(16)	-	-	-	5	(3)	6
At 30 September 2022	496,287	128,511	250	314	(50)	73	(269,168)	356,217

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2022 (cont'd)

	/-----Attributable to owners of the Company-----/							
	/-----Non-distributable-----/							
	Share capital	RCULS – equity portion	Hedging reserve	Exchange fluctuation reserve	Reserve for own share	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 September 2021								
At 1 July 2021	494,406	130,070	14	408	(100)	96	(260,137)	364,757
Loss for the period	-	-	-	-	-	-	(11,318)	(11,318)
Other comprehensive income/(expense)								
- Foreign currency translation difference	-	-	-	(42)	-	-	-	(42)
- Cash flow hedge	-	-	(17)	-	-	-	-	(17)
Total comprehensive income/(expense) for the period	-	-	(17)	(42)	-	-	(11,318)	(11,377)
<i>Contribution by and distribution to owners of the Company</i>								
- Share-based payments	-	-	-	-	-	14	-	14
	-	-	-	-	-	14	-	14
At 30 September 2021	494,406	130,070	(3)	366	(100)	110	(271,455)	353,394

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD
 ENDED 30 SEPTEMBER 2022**

	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2022 RM'000	30/09/2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(15,395)	(14,170)
Adjustments for:-		
Depreciation and amortisation	16,815	16,615
Non-cash items	(852)	(1,787)
Dividend income	(45)	(95)
Net financing costs	6,087	5,637
Operating profit before changes in working capital	6,610	6,200
Changes in working capital		
Net change in current assets	4,143	(28,169)
Net change in current liabilities	(62,356)	17,226
Taxation paid	(236)	(68)
Net financing costs paid	(5,807)	(5,263)
Dividend received	45	95
Employee benefits paid	(17)	-
Net cash used in operating activities	(57,618)	(9,979)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,834)	(1,546)
Proceeds from disposal of property, plant and equipment	146	-
Net cash used in investing activities	(2,688)	(1,546)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	273,952	53,952
Repayments of borrowings	(230,573)	(37,845)
Payment of lease liabilities	(286)	(196)
Net cash generated from financing activities	43,093	15,911
NET CHANGE IN CASH AND CASH EQUIVALENTS	(17,213)	4,386
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	64,274	50,581
EFFECT ON FOREIGN EXCHANGE	(8)	(42)
CASH & CASH EQUIVALENTS AT END OF PERIOD	47,053	54,925

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

	30/09/2022 RM'000	30/09/2021 RM'000
Deposits, cash and bank balances	47,053	54,925

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

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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 2022. 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 2022 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2022 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.

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

- (a) For the quarter under review and financial year-to-date, the issued share capital of the Company has been increased from 503,627,609 ordinary shares to 503,654,934 ordinary shares by the issuance and allotment of 27,325 new ordinary shares arising from the conversion of RM19,128 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. The outstanding nominal value of RCULS as at 30 September 2022 was RM155,280,959.
- (b) There were no additional shares purchased by the Executive Share Scheme (“ESS”) Trust during the quarter under review and financial year-to-date.

As at 30 September 2022, the total number of ordinary shares in the Company held by the ESS Trust was 66,667 ordinary shares. In FY2022, a total of 66,667 ordinary shares of the Company held in the ESS Trust were transferred to an eligible executive of the Group following the vesting of free shares pursuant to the ESS.

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7. **Dividend paid**

There were no dividends 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	(9,407)		
Included in the measure of segment loss are:			
Revenue from external customers		206,210	
Depreciation and amortisation		16,748	
Reconciliation of reportable segment loss to Consolidated LBT			
Reportable segment		(9,407)	
Non-reportable segments		99	
Interest income		208	
Finance costs		(6,295)	
Consolidated loss before taxation		(15,395)	
	External Revenue RM'000	Depreciation and amortisation RM'000	
Reportable segment	206,210	16,748	
Non-reportable segment	579	67	
Total	206,789	16,815	

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.

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11. **Review of performance**

For the quarter under review, the Group recorded revenue of RM206.8 million and loss before taxation (“LBT”) of RM15.4 million as compared with revenue and LBT of RM128.1 million and RM14.2 million for the corresponding quarter of the preceding financial year ended 30 June 2022 (“FY 2022”).

Revenue increased in the quarter under review as compared with the corresponding quarter of FY 2022 due to lower cement selling price rebate coupled with higher cement sales volume. In the corresponding quarter of FY2022, the lower revenue reported was also caused by the re-imposition of Movement Control Order (“MCO”). Higher LBT recorded in the quarter under review was mainly impacted by the higher input costs, particularly coal and electricity.

12. **Material changes in loss before taxation (“LBT”) against the immediate preceding quarter**

	Current quarter 30/09/2022 RM’000	Immediate preceding quarter 30/06/2022 RM’000
Revenue	206,789	213,267
(Loss)/Profit before taxation	(15,395)	6,376

The Group recorded LBT of RM15.4 million for the quarter under review as compared with profit before taxation of RM6.4 million for the immediate preceding quarter, mainly attributed to higher cement selling price rebate and coal cost.

13. **Prospects**

The construction activities have started recovering post-pandemic, and the market demand is gradually increasing. However, the Board remains cautious, as the uncertainties arising from global inflationary and geopolitical pressures continue to challenge the cement industry’s input cost. The Group remains agile in responding to these business volatilities with short and medium term market and financial strategies, while continuing to focus on improving internal operational 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
	30/09/2022 RM'000	30/09/2022 RM'000
Loss before taxation is arrived at after charging/(crediting) :-		
Dividend income from short term investments	(45)	(45)
Reversal on impairment loss on trade receivables (net)	(83)	(83)
Depreciation and amortisation	16,815	16,815
Provision for slow moving inventories	531	531
Loss on foreign exchange	2,764	2,764

16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2022 RM'000	30/09/2021 RM'000	30/09/2022 RM'000	30/09/2021 RM'000
Current taxation				
Malaysian - current year	206	175	206	175
- prior year	-	-	-	-
	206	175	206	175
Deferred taxation				
Malaysian - current year	(3,564)	(3,027)	(3,564)	(3,027)
- prior year	-	-	-	-
	(3,564)	(3,027)	(3,564)	(3,027)
	(3,358)	(2,852)	(3,358)	(2,852)

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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 30 September 2022 are as follows:

	RM'000
Borrowings:	
Unsecured short term borrowings	423,481
Unsecured long term borrowings	232,377
	<u>655,858</u>

The above include borrowing denominated in foreign currency with Ringgit equivalent as follows:-

	RM'000
USD	<u>41,110</u>

The USD denominated borrowing has the foreign currency exchange rate fixed on drawdown.

	RM'000
Debt Securities:	
RCULS – liability portion	
- Current	7,269
- Non-current	5,006
	<u>12,275</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 30 September 2022 of the financial year ending 30 June 2023 (1st quarter FY 2022: Nil).

(b) For the financial year-to-date, no dividend has been declared (1st quarter FY 2022: Nil).

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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 RM12,037,000 (1st quarter FY 2022: loss attributable to owners of the Company of RM11,318,000) by the weighted average number of ordinary shares during the quarter of 503,567,476 (1st quarter FY 2022: 500,835,391).

	<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
	30/09/2022 '000	30/09/2021 '000	30/09/2022 '000	30/09/2021 '000
Issued ordinary shares at beginning of period	503,627	500,968	503,627	500,968
Trust shares held at beginning of period	(67)	(133)	(67)	(133)
Effect of RCULS conversion	7	-	7	-
Weighted average number of ordinary shares (basic)	503,567	500,835	503,567	500,835
Basic loss per ordinary share (sen)	(2.39)	(2.26)	(2.39)	(2.26)

(b) Diluted earnings per share

The Group's diluted earnings per 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 September 2022, 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	26,085	250

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 2022.

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 re-measure its financial liabilities at fair value after the initial recognition.

By Order of the Board
Hume Cement Industries Berhad

Wong Wei Fong
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
22 November 2022