HUME INDUSTRIES BERHAD (62227-X)

Key Pertinent Questions and Answers at the 36th Annual General Meeting of HUME INDUSTRIES BERHAD held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 25 October 2016 at 10.30 a.m.

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1. **What is the total capacity of Hume Cement Sdn Bhd with the two production lines?**

   Our total capacity with the two production lines is 3 million metric tonnes.

2. **What is the utilisation rate for Line 2 since the recent commission?**

   We have lighted our Line 2 in June 2016, which is 3 months ahead the initial schedule. Commissioning period will be about 6 months. During the period, there are lots of adjustments to be incurred. Up to this moment, we are at 50% to 60% in terms of utilisation. Nevertheless, we are anticipating 80% to 90% of utilisation in Line 2 by the end of the year.

3. **Borrowings have increased significantly along with the expansion, attributing to high gearing ratio (more than 1) after netting off the cash and cash equivalent balance.**

   Where the economy has cited with a stagnant growth in construction sector, what would be Hume Industries Berhad's plan or direction in terms of sales and also the repayment schedule?

   With the eventual smooth running of Line 2 coupled with Line 1, we will be able to generate sufficient cash flow for borrowing repayments. Repayments are scheduled to be from next financial year onwards.

4. **Hume Industries Berhad has shown a hike in revenue in 2016 in comparing to 2015 but with a decreasing profit. Is it mainly attributable from the increase in distribution and administration expenses?**

   The higher revenue of the Group for 2016 was mainly attributable to the newly acquired construction material business following the completion of the acquisitions of the entire equity interest in Hume Concrete Sdn Bhd and Hume Cement Sdn Bhd in the second quarter of financial year ended 30 June 2015.

   Lower profit reported in financial year ended 30 June 2016 was mainly attributable to a reduction in both cement and concrete margins, impacted by competitive pricing via higher rebates and discounts.

5. What is the Group's view on the future price trend for cement?

The cement price is forecast to increase from next year onwards, underpinned by increased demand due to the commencement of infrastructure projects in 2017.

6. For the Furniture division, what would be the strategic plan on the business model? Is this division contributing a high profit to the Group?

Situation in Furniture continued to be extremely challenging with a decrease in profitability. We had focused management efforts on innovating new products and exploring new business opportunities with strategic partners but have not been successful so far. Whilst these efforts are continuing, in financial year ending 30 June 2017, we will undertake a critical review on the business model and review the viability of the business.