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If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO RM172,473,768 NOMINAL VALUE OF 5-YEAR 5.0% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (“RCULS”) AT 100.0% OF ITS NOMINAL VALUE OF RM1.00 ON THE BASIS OF 36 RCULS FOR EVERY 100 EXISTING ORDINARY SHARES HELD IN HUME INDUSTRIES BERHAD ON AN ENTITLEMENT DATE TO BE DETERMINED

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



Hong Leong Investment Bank Berhad (10209-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

The notice of extraordinary general meeting (“**EGM**”) and Form of Proxy are set out in this circular. Our EGM will be held as follows:

Date and time of our EGM : Friday, 12 April 2019 at 11.00 a.m. or at any adjournment thereof
Venue of our EGM : Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur
Last date and time to lodge the Form of Proxy : Wednesday, 10 April 2019 at 11.00 a.m.

This circular is dated 28 March 2019

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this circular:

“Abridged Prospectus”	: The abridged prospectus and its accompanying documents to be issued by our Company in connection with the Proposed Rights Issue of RCULS
“Act”	: Companies Act 2016
“Board”	: Board of directors
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	: Bursa Malaysia Securities Berhad
“Code”	: Malaysian Code on Take-overs and Mergers 2016
“Conversion Price”	: The conversion price of the RCULS, which will be determined by our Board and announced by our Company at a later date
“EGM”	: Extraordinary general meeting
“Entitled Shareholders”	: Members whose names appear in our Record of Depositors on the Entitlement Date
“Entitlement Date”	: A date to be determined by our Board and announced later by our Company, on which members must be registered in our Record of Depositors as at 5.00 p.m. to be entitled to subscribe for the RCULS to be issued under the Proposed Rights Issue of RCULS
“Entitlement Undertaking”	: Irrevocable undertaking from our major shareholder, namely HLMG, to subscribe and/or procure the subscription in full for RM123,532,974 nominal value of RCULS under the Proposed Rights Issue of RCULS
“ESS”	: The executive share scheme of our Company, which was implemented on 12 November 2014
“Foreign Addressed Shareholders”	: Our shareholders on the Entitlement Date who have not provided an address in Malaysia for service of documents to be issued for purposes of the Proposed Rights Issue of RCULS
“Full Subscription Level”	: The full subscription level of RM172,473,768 nominal value of RCULS assuming if all the Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue of RCULS
“FYE”	: Financial year ended/ending, as the case may be
“Guidelines on Retail Corporate Bonds and Sukuk”	: Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors issued by the SC
“HIB Group” or the “Group”	: Our Company and our subsidiaries, collectively
“HIB Shares” or “Shares”	: Ordinary shares in our Company
“HIB” or the “Company”	: Hume Industries Berhad

DEFINITIONS (Cont'd)

“HLCM”	:	Hong Leong Company (Malaysia) Berhad
“HLIB” or the “Principal Adviser”	:	Hong Leong Investment Bank Berhad
“HLMG”	:	Hong Leong Manufacturing Group Sdn Bhd
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPD”	:	28 February 2019, being the latest practicable date before the date of this circular
“Market Day”	:	A day on which the stock market of Bursa Securities is open for trading in securities
“Minimum Subscription Level”	:	The minimum subscription level of RM123,532,974 nominal value of RCULS assuming only HLMG subscribes for its direct entitlement to the RCULS under the Entitlement Undertaking
“MT”	:	Metric tonnes
“NA”	:	Net assets attributable to our shareholders
“Official List”	:	A list specifying all securities listed on the Main Market of Bursa Securities
“Proposed Rights Issue of RCULS”	:	Proposed renounceable rights issue of up to RM172,473,768 nominal value of 5-year 5.0% RCULS at 100.0% of its nominal value of RM1.00 on the basis of 36 RCULS for every 100 existing Shares held on the Entitlement Date
“RCULS Holders”	:	Holders of the RCULS
“RCULS”	:	Redeemable convertible unsecured loan stocks
“Record of Depositors”	:	The record of securities holders established and maintained by Bursa Depository
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“Rules”	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
“SC”	:	Securities Commission Malaysia
“Trust Deed”	:	The trust deed constituting the RCULS to be entered into by our Company and the Trustee
“Trustee”	:	A trustee to be appointed to act on behalf of the RCULS Holders
“VWAMP”	:	Volume-weighted average market price

All references to “**our Company**” in this circular are to Hume Industries Berhad. All references to “**our Group**” are to our Company and our subsidiaries, collectively. References to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Company and, where the context otherwise requires, include our subsidiaries.

All references to “**you**” in this circular are to the shareholders of our Company.

DEFINITIONS (Cont'd)

Words denoting the singular include, where applicable, the plural and vice versa, and words denoting the masculine gender include, where applicable, the feminine and neuter genders and vice versa. References to persons include corporations, unless otherwise specified.

All references in this circular to enactments, rules or guidelines are references to those enactments, rules or guidelines as for the time being amended or re-enacted.

All references to the time of day in this circular are references to Malaysian time.

Any discrepancy in the figures included in this circular between the amount stated, actual figures and the totals are due to rounding.

This circular includes forward-looking statements which are subject to uncertainties and contingencies. All statements other than statements of historical facts included in this circular, including, without limitation, those regarding our prospects and plans of our Group for future operations, are forward-looking statements. There is no assurance that such forward-looking statements will materialise, be fulfilled or be achieved.

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Registered office:
Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur

28 March 2019

Directors:

YBhg Datuk Kwek Leng San (*Chairman; Non-Executive/Non-Independent*)
Mr Andi Johnny Lapon (*Group Managing Director*)
Mr Seow Yoo Lin (*Non-Executive Director/Independent*)
YBhg Dato' Ir. Tan Gim Foo (*Non-Executive Director/Independent*)
YBhg Datuk Wira Azhar bin Abdul Hamid (*Non-Executive Director/Independent*)
Ms Tai Sook Yee (*Non-Executive Director/Independent*)

To: Our shareholders

Dear Sir/Madam,

PROPOSED RIGHTS ISSUE OF RCULS

1. INTRODUCTION

On 12 November 2018, HLIB announced, on behalf of our Board, that our Company proposed to undertake a renounceable rights issue of up to RM172,473,768 nominal value of 5-year 5.0% RCULS at 100.0% of its nominal value of RM1.00 on the basis of 36 RCULS for every 100 existing Shares held on the Entitlement Date.

On 21 February 2019, HLIB announced, on behalf of our Board, that Bursa Securities, through its letter on the same date, approved the following subject to the conditions set out in section 8 of this circular:

- (i) admission of up to RM172,473,768 nominal value of RCULS to the Official List; and
- (ii) listing of and quotation for up to RM172,473,768 nominal value of RCULS and up to 345,000,000 new Shares to be issued upon conversion of the RCULS on the Main Market of Bursa Securities.

The 345,000,000 new Shares was determined based on an assumed Conversion Price of RM0.50. The assumed Conversion Price of RM0.50 was an estimate applied to determine a sufficient buffer in terms of the number of new Shares for which listing and quotation was sought, after taking into consideration the prevailing market price of the Shares at the time of application to Bursa Securities.

Our Board wishes to emphasise that the assumed Conversion Price is strictly for illustration purposes in section 6 of this circular only and should not be regarded as an indication or reference to the final Conversion Price, which will be determined by our Board at a later date after all relevant approvals have been obtained.

On 14 March 2019, HLIB announced, on behalf of our Board, that the SC, through its letter dated 13 March 2019, approved the issuance of the RCULS subject to the compliance with the standard conditions and continuing obligations as stipulated in the Guidelines on Retail Corporate Bonds and Sukuk.

The purpose of this circular is to provide you with details of the Proposed Rights Issue of RCULS and to seek your approval for the ordinary resolution in relation to the Proposed Rights Issue of RCULS to be tabled at our forthcoming EGM. The notice of EGM together with the Form of Proxy are enclosed in this circular.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE ORDINARY RESOLUTION PERTAINING TO THE PROPOSED RIGHTS ISSUE OF RCULS TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED RIGHTS ISSUE OF RCULS

2.1 Overview

The Proposed Rights Issue of RCULS entails the issuance of up to RM172,473,768 nominal value of 5-year 5.0% RCULS at 100.0% of its nominal value of RM1.00 on the basis of 36 RCULS for every 100 Shares held by the Entitled Shareholders.

The maximum RM172,473,768 nominal value of RCULS that may be issued under the Proposed Rights Issue of RCULS was arrived at after taking into consideration the following:

- (i) the total number of 479,093,800 Shares in issue as at the LPD; and
- (ii) assuming no new Shares are issued under our ESS.

Nonetheless, the actual total nominal value of RCULS to be issued will depend on the actual subscription by the Entitled Shareholders and their renounees and transferees (if applicable) under the Proposed Rights Issue of RCULS.

The Proposed Rights Issue of RCULS is renounceable in full or in part. As such, the Entitled Shareholders can subscribe for and/or renounce their respective entitlements to the RCULS in full or in part.

The RCULS will be provisionally allocated to the Entitled Shareholders. Any fractional entitlements under the Proposed Rights Issue of RCULS will be disregarded and will be dealt with in such manner as our Board in its absolute discretion deems fit or expedient and in the best interest of our Company.

Any RCULS which are not subscribed or validly subscribed will be made available for subscription by other Entitled Shareholders and their renounees and transferees (if applicable) under the application for excess RCULS. Our Board intends to allocate the excess RCULS in a fair and equitable manner on a basis to be determined by our Board and announced later by our Company.

The indicative salient terms of the RCULS are set out in Appendix I of this circular.

2.2 Basis of and justification for determining the issue price of the RCULS and the Conversion Price

The RCULS will be issued at 100.0% of its nominal value of RM1.00 each.

The Conversion Price will be determined at a later date by our Board after all relevant approvals have been obtained, and announced by our Company, after taking into consideration, among others, the following:

- (i) the prevailing market conditions on the price-fixing date; and
- (ii) the 5-day VWAMP of the Shares immediately before the price-fixing date or the theoretical ex-rights price of the Shares calculated based on such 5-day VWAMP, if applicable.

Throughout the tenure of the RCULS, the Conversion Price may be subject to adjustments under certain circumstances in accordance with the provisions of the Trust Deed.

The fixing of the Conversion Price closer to the implementation of the Proposed Rights Issue of RCULS is intended to provide flexibility to our Board to determine the Conversion Price in accordance with the basis set out above, given the substantial variability in the historical market price of the Shares. For instance, during the past 3 months before the announcement of the Proposed Rights Issue of RCULS, the Shares traded as high as RM1.08 in August 2018 and as low as RM0.77 in October 2018. Further details of the historical market prices of the Shares are set out in section 7 of this circular.

For information purposes, the 5-day VWAMP of the Shares up to and including the LPD is RM0.61.

2.3 Ranking of the RCULS and new Shares to be issued upon conversion of the RCULS

The RCULS constitute direct, unconditional, unsubordinated and unsecured obligations of our Company and, subject to the provisions contained in the Trust Deed, rank equally without discrimination, preference or priority among themselves and rank at least equally with all present and future direct, unconditional, unsecured and unsubordinated debts and obligations of our Company from time to time (except for those which are preferred by law).

The new Shares to be issued upon conversion of the RCULS will, upon allotment and issue, rank equally in all respects with the existing Shares, except that they will not be entitled to any dividends, rights, allotments and any other distributions in respect of which the entitlement date is before the date of allotment of such new Shares.

2.4 Listing of and quotation for the RCULS and new Shares to be issued upon conversion of the RCULS

Bursa Securities, through its letter dated 21 February 2019, approved the following subject to the conditions set out in section 8 of this circular:

- (i) the admission up to RM172,473,768 nominal value of RCULS to the Official List; and
- (ii) the listing of and quotation for up to RM172,473,768 nominal value of RCULS and up to 345,000,000 new Shares to be issued upon conversion of the RCULS on the Main Market of Bursa Securities.

2.5 Minimum subscription level and undertakings

The Proposed Rights Issue of RCULS will be implemented on a minimum subscription basis to raise minimum gross proceeds of about RM123.5 million. The Minimum Subscription Level was determined after taking into consideration, among others, the funding requirements of our Group as set out in section 3 of this circular as well as the existing gearing position of our Group.

In view of the Minimum Subscription Level, our Company has obtained an irrevocable undertaking from the major shareholder of our Company, namely HLMG, through its letter dated 25 January 2019, to subscribe and/or procure the subscription in full for RM123,532,974 nominal value of RCULS under the Proposed Rights Issue of RCULS, being its direct entitlement to the RCULS. Details of the Entitlement Undertaking are as follows:

Shareholder	Direct shareholding as at the LPD		Entitlement under the Proposed Rights Issue of RCULS		Entitlement Undertaking (RM '000)
	No. of Shares ('000)	(%)	Nominal value of RCULS (RM '000)	(%)	
HLMG	343,147	71.6	123,533	71.6	123,533

As the Entitlement Undertaking is sufficient to meet the Minimum Subscription Level, the remaining portion of RM48,940,794 nominal value of RCULS will not be underwritten.

HLMG has confirmed, and HLIB has verified, that it has adequate and sufficient financial resources to subscribe and/or procure the subscription in full for its direct entitlement under the Entitlement Undertaking and to make payment in full upon such subscription.

Based on the direct shareholding of HLMG in our Company as at the LPD, the subscription by HLMG under the Entitlement Undertaking and the conversion by HLMG of all the RCULS to be held by it into new Shares are not expected to give rise to any implications under the Code and the Rules.

2.6 Foreign Addressed Shareholders

This circular does not constitute the making available of an offer for the subscription or purchase of, or an invitation for the subscription or purchase of, any securities by or on behalf of our Company.

The Abridged Prospectus together with the accompanying notices of provisional allotment and the rights subscription forms to be issued in connection with the Proposed Rights Issue of RCULS are not and will not be made to comply with the laws of any country or jurisdiction other than Malaysia, and have not and will not be registered or approved under any applicable securities legislation of any country or jurisdiction other than Malaysia. The Proposed Rights Issue of RCULS will not be offered for purchase or subscription in any country or jurisdiction other than Malaysia.

Accordingly, the Abridged Prospectus together with the accompanying documents will only be sent to the Entitled Shareholders who have a registered address or an address for service in Malaysia as registered in our Record of Depositors as at the Entitlement Date. Foreign Addressed Shareholders who wish to provide Malaysian addresses should inform their respective stockbrokers to effect the change of address before the Entitlement Date.

Alternatively, such Foreign Addressed Shareholders may collect the Abridged Prospectus from our share registrar, who will be entitled to request for such evidence as it deems necessary to satisfy themselves as to the identity and authority of the person collecting the Abridged Prospectus.

Our Company will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address other than as stated in our Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

Foreign Addressed Shareholders may only exercise their rights in respect of the Proposed Rights Issue of RCULS to the extent that it would be lawful to do so, and our Company, HLIB and our share registrar would not, in connection with the Proposed Rights Issue of RCULS, be in breach of the laws of any country or jurisdiction which the Foreign Addressed Shareholders and their renounees and transferees (if applicable) might be subject to.

Foreign Addressed Shareholders will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such foreign country or jurisdiction and our Company will be entitled to be fully indemnified and held harmless by such foreign applicants for any issue, transfer or any other taxes or duties as such person may be required to pay. Foreign Addressed Shareholders will have no claims whatsoever against our Company, HLIB and our share registrar in respect of their rights or entitlements under the Proposed Rights Issue of RCULS. Such Foreign Addressed Shareholders should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Proposed Rights Issue of RCULS.

Foreign Addressed Shareholders will be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject, and participation by the Foreign Addressed Shareholders in the Proposed Rights Issue of RCULS must be on the basis of a warranty by them that they may lawfully so participate without our Company, HLIB or our share registrar being in breach of the laws of any jurisdiction.

Neither our Company, HLIB, our share registrar nor our other advisers to the Proposed Rights Issue of RCULS will accept any responsibility or liability in the event that any acceptance of a Foreign Addressed Shareholder of his/her rights in respect of the Proposed Rights Issue of RCULS is or becomes illegal, unenforceable, voidable or void in any country or jurisdiction.

Foreign Addressed Shareholders who do not provide an address in Malaysia or who are not entitled to subscribe for the RCULS under the Proposed Rights Issue of RCULS under the laws and jurisdiction to which they are subject to will have no claims whatsoever against our Company, HLIB, our share registrar or our other advisers in respect of their rights, entitlements or any net proceeds arising from the Proposed Rights Issue of RCULS.

Our Company reserves the right in our absolute discretion to treat any acceptance as being invalid if we believe or have reason to believe that such acceptance may violate applicable legal or regulatory requirements.

3. USE OF PROCEEDS

The Proposed Rights Issue of RCULS is expected to raise gross proceeds of about RM123.5 million under the Minimum Subscription Level and about RM172.5 million under the Full Subscription Level.

We intend to use the gross proceeds arising from the Proposed Rights Issue of RCULS in the following manner:

Details of use of proceeds	Minimum Subscription Level	Full Subscription Level	Estimated timeframe for use of proceeds
	(RM '000)	(RM '000)	
Repay bank borrowings	122,257	122,257	Within 12 months
Fund general working capital	326	49,267	Within 12 months
Defray expenses in relation to the Proposed Rights Issue of RCULS	950	950	Within 3 months
Total proceeds	123,533	172,474	

Further details of the use of proceeds are as follows:

(i) Repay bank borrowings

As at the LPD, the total borrowings of our Group, which comprised term loans, revolving credit and banker's acceptances, stood at about RM754.2 million. We intend to use about RM122.3 million of the gross proceeds arising from the Proposed Rights Issue of RCULS to repay part of our Group's bank borrowings. The timeframe of up to 12 months for repayment is intended to provide our Group with the flexibility to manage our cash flows, after taking into consideration the operating and financing requirements of our Group.

Details of the bank borrowings that may be repaid are as follows:

Financier	Type of facility	Purpose of the facility	Tenure	Outstanding amount as at the LPD
			(years)	(RM '000)
Affin Bank Berhad	Term loan	Production capacity expansion ⁽¹⁾	⁽²⁾ 5.0	50,000
AmBank (M) Berhad	Term loan	Production capacity expansion ⁽¹⁾	⁽²⁾ 5.0	50,000
CIMB Bank Berhad	Term loan	Production capacity expansion ⁽¹⁾	⁽²⁾ 5.0	75,000
Sumitomo Mitsui Banking Corporation Malaysia Berhad	Term loan	Production capacity expansion ⁽¹⁾	⁽²⁾ 5.0	49,750
AmBank Islamic Berhad	Murabahah Tawarruq revolving credit-i	General working capital	⁽³⁾ 4.5	100,000
			Total	324,750

Notes:

- (1) Proceeds from the term loans were used to finance our production capacity expansion involving the construction of a second production line at our cement plant located in Gopeng, Perak.
- (2) The term loans are repayable in annual instalments, with the final repayment due in July 2020.
- (3) The Islamic revolving credit is repayable in semi-annual instalments, with the final repayment due in January 2023.

As at the LPD, the interest rates for the abovementioned bank borrowings ranged from about 3.76% to 4.80% per annum.

For illustration purposes only, assuming that the proceeds arising from the Proposed Rights Issue of RCULS are used to partially repay our outstanding bank borrowings immediately upon receipt of proceeds, the net interest savings arising from the early repayment is expected to be about RM0.1 million based on the prevailing interest rates of the respective bank borrowings.

(ii) Fund general working capital

We intend to use about RM0.3 million under the Minimum Subscription Level and about RM49.3 million under the Full Subscription Level to fund the general working capital of our Group, namely for purchases of inputs (comprising raw materials, combustible materials and consumables) and repayment of creditors. While the exact amount of proceeds to be used for each component of working capital cannot be determined at this juncture as it would depend on the operating and financing requirements of our Group at the time of use, we expect to use the proceeds in the following manner:

Component of working capital	Minimum Subscription Level	Full Subscription Level
	(RM '000)	(RM '000)
Purchases of inputs (comprising raw materials, combustible materials ⁽¹⁾ and consumables ⁽²⁾)	-	5,000
Repayment of creditors	326	44,267
Total	326	49,267

Notes:

- (1) Combustible materials refer to coal and diesel, which we use to produce cement.
- (2) Consumables refer to other items used in cement production such as packaging and wooden pallets.

Notwithstanding the above, any shortfall or surplus in the funds allocated to one component of working capital may be adjusted from or to the other component depending on our operating and financing requirements at the time of use.

(iii) Defray expenses in relation to the Proposed Rights Issue of RCULS

We intend to use about RM1.0 million to defray expenses relating to the Proposed Rights Issue of RCULS. These expenses include, among others, professional fees, fees payable to the relevant authorities, expenses to convene our forthcoming EGM as well as other ancillary expenses incurred in relation to the Proposed Rights Issue of RCULS.

If the actual expenses are lower or higher than estimated, any surplus or shortfall will be adjusted against the portion earmarked for our Group's general working capital purposes.

The actual gross proceeds to be raised from the Proposed Rights Issue of RCULS will depend on the actual nominal value of RCULS issued under the Proposed Rights Issue of RCULS.

Pending the use of the proceeds from the Proposed Rights Issue of RCULS in the manner set out above, the proceeds will be placed in interest-bearing deposit accounts with financial institution(s) and/or investments in short-term money markets fund(s) as our Board deems fit and in the best interest of our Company. Any interest income generated from the deposits with financial institution(s) and/or dividend income arising from the short-term money market fund(s) will be used to fund our Group's general working capital purposes.

No proceeds will be raised from the conversion of RCULS into new Shares as the conversion will not require any cash payment by the RCULS Holders and will be wholly satisfied through the surrender of RCULS with an aggregate nominal value equivalent to the Conversion Price for cancellation by our Company.

4. RATIONALE FOR THE PROPOSED RIGHTS ISSUE OF RCULS

The Proposed Rights Issue of RCULS will enable our Company to raise funds to repay part of our Group's bank borrowings and fund our Group's general working capital as described in section 3 of this circular, which is expected to contribute positively to the future performance of our Group.

Based on our audited consolidated financial statements for the FYE 30 June 2018, our Group has net current liabilities amounting to about RM427.1 million as at 30 June 2018. Our net current liabilities position arose mainly because a substantial portion of our bank borrowings were due for repayment within 12 months from the date of our financial statements. These bank borrowings were mainly drawn down to finance our production capacity expansion involving the construction of a second production line at our cement plant located in Gopeng, Perak as well as for general working capital purposes. While the proceeds raised from the Proposed Rights Issue of RCULS will not completely eliminate our net current liabilities position, the proceeds are intended to supplement the cash flows generated from our day-to-day operations to enable us to meet our liabilities as and when they fall due.

After due consideration of the various funding options available to our Company, our Board is of opinion that the Proposed Rights Issue of RCULS is the most appropriate avenue of fund raising for the following reasons:

- (i) the Proposed Rights Issue of RCULS will enable our Group to secure funding of up to about RM172.5 million at a reasonable fixed funding cost for a period of 5 years, thereby reducing our Group's exposure to interest rate fluctuations, which will in turn enable our Group to manage our cash flows more efficiently;

- (ii) the issuance of RCULS minimises the impact of immediate dilution to the shareholdings of our existing shareholders as opposed to an issuance of new Shares as the RCULS are expected to be converted over a period of time; and
- (iii) the Proposed Rights Issue of RCULS will provide the Entitled Shareholders who subscribe for the RCULS with an opportunity to further increase their equity participation in our Company through the conversion of the RCULS at the Conversion Price. In the meantime, RCULS Holders are also expected to benefit from the periodic coupon payments to be made to them.

5. INDUSTRY OVERVIEW AND PROSPECTS OF OUR GROUP

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy grew by 4.7% in the fourth quarter of 2018 (third quarter of 2018 ("3Q 2018"): 4.4%), supported by continued expansion in domestic demand and a positive growth in net exports. Private sector expenditure remained the main driver of domestic demand, while a rebound in real exports of goods and services (+1.3%; 3Q 2018: -0.8%) contributed towards the positive growth of net exports. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4% (3Q 2018: 1.6%). For 2018 as a whole, the economy expanded by 4.7% (2017: 5.9%).

Domestic demand expanded at a more moderate pace of 5.6% (3Q 2018: 6.9%) during the quarter. Growth was weighed down by a moderation in gross fixed capital formation.

Private consumption growth remained robust at 8.5% (3Q 2018: 9.0%), despite the frontloading of purchases during the tax holiday period in the previous quarter. Income and employment growth continued to drive household spending. Government measures to alleviate cost of living, such as special payments to civil servants and pensioners, also provided some support to consumer spending.

Public consumption expanded at a slower pace of 4.0% (3Q 2018: 5.2%), attributable to a more moderate growth in supplies and services.

Gross fixed capital formation expanded marginally by 0.3% (3Q 2018: 3.2%), as private sector capital expenditure moderated amid a contraction in public sector investment. By type of assets, capital spending on structures expanded by 0.8% (3Q 2018: 1.8%), while investment in machinery and equipment declined (-1.5%; 3Q 2018: 5.9%).

For 2019, as the supply disruptions recede and new production facilities commence, the Malaysian economy is expected to continue to expand at a steady pace. Private sector demand is expected to remain the main driver of growth amid fiscal rationalisation while the external sector would be weighed down by weaker global demand. Although sentiments have moderated from recent highs, private sector expenditure will continue to be supported by fundamental factors such as continued income and employment growth.

Risks to growth remain tilted to the downside. These stem mainly from further escalation of trade tensions and tightening of global financial conditions.

(Source: Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2018, Bank Negara Malaysia)

5.2 The construction-related materials industry in Malaysia

Malaysia has seen continuous growth in cement demand since 2009. However, demand registered a drop of about 6.9% in 2016. The increase in production capacity from about 28.9 million MT in 2011 to 37.9 million MT in 2016 led to intensified competition and price pressure. As of the second quarter of 2017, cement manufacturers in Malaysia have a total estimated production capacity of 40.2 million MT.

The installed capacity for cement has grown every year since 2011, as a result of cement manufacturers expanding their capacities in anticipation of stronger demand growth. During this period, installed capacity has outgrown cement production, reaching 37.9 million MT in 2016. Coupled with contraction in local demand in 2016, capacity utilisation recorded a new low of just 58.9%, signifying higher cost of production. Average utilisation rate prior to 2016 was in the range of 67.2% to 72.3%.

This is further compounded by escalating operating costs, driven mainly by the weaker currency which affected cost of imported raw materials, and increase in coal pricing, which has almost doubled in 2017 compared to 2016.

Precast concrete manufacturers, who are major end users of cement, have also faced similar intense competition. Key players have been observed to also offer innovative solutions as a point of differentiation and to cater to emerging market needs, such as products that allow water to be drained into the concrete to prevent puddles from forming, are crack resistant, able to improve energy efficiency in buildings.

(Source: Market Review of Building Materials in the Construction Industry under Competition Act 2010 dated 27 December 2017, Malaysia Competition Commission)

Demand for construction-related materials, which include cement and precast concrete products, depends on activity in the construction sector.

The construction sector is anticipated to expand, albeit at a moderate pace largely due to near completion of several mega projects as well as property overhang, particularly in the non-residential subsector. In 2019, the sector is expected to improve marginally following an increase in new planned supply in the affordable homes and industrial segments.

(Source: Economic Outlook 2019, Ministry of Finance Malaysia)

5.3 Prospects of our Group

Our Group is principally involved in the manufacture and sale of cement and precast concrete products. During the FYE 30 June 2018, the local cement market continued to suffer from prolonged price competition, with lower demand from both the residential and non-residential markets. Over the last 5 years, the production capacity of cement manufacturers in Peninsular Malaysia has increased. The added capacity has resulted in the current overcapacity issue in the cement industry. While our cement business achieved growth in sales volume, revenue was subdued due to lower average selling prices.

Our concrete business also suffered from the shortage of foreign workers and intense competition, particularly in our standard precast products. Among the regions in Peninsular Malaysia, the Johor region was the area which recorded highest growth in the number of precast manufacturers over the past few years.

The market conditions and the overcapacity in the cement industry will likely continue to pose a challenging environment for the FYE 30 June 2019. Further, the recent Federal Government's decision to review major infrastructure projects is expected to delay the recovery of demand for cement.

While we expect the business environment to remain competitive in the near term, we will continue to strive for best practices to ensure our cost reduction programme and business rationalisation plan are effectively implemented.

For our cement business, our Group will focus on improving our cost competitiveness by increasing alternatives fuels substitution levels, reformulating existing products and implementing a comprehensive cost reduction plan on raw materials usage and operating expenses. In doing so, we expect to be able to reduce energy consumption at our cement plant in Gopeng, Perak, which is a key cost component in cement manufacturing. For our concrete business, we will focus on moving up the value chain, transforming into manufacturer of value-added products like industrialised building systems where we have core strength.

Barring unforeseen circumstances, the abovementioned measures, if successful, are expected to contribute to our future financial performance.

6. EFFECTS OF THE PROPOSED RIGHTS ISSUE OF RCULS

Strictly for illustration purposes only, the effects of the Proposed Rights Issue of RCULS in this section 6 of this circular are illustrated under the Minimum Subscription Level and Full Subscription Level based on an assumed Conversion Price of RM0.50. The assumed Conversion Price of RM0.50 was an estimate applied to determine a sufficient buffer in terms of the number of new Shares for which listing and quotation was sought, after taking into consideration the prevailing market price of the Shares at the time of application to Bursa Securities.

Our Board wishes to emphasise that the assumed Conversion Price above is strictly for illustration purposes only and should not be regarded as an indication or reference to the final Conversion Price, which will be determined by our Board at a later date after all relevant approvals have been obtained.

6.1 Issued share capital

For illustration purposes, the pro forma effect of the Proposed Rights Issue of RCULS on our issued share capital is as follows:

	Minimum Subscription Level		Full Subscription Level	
	No. of Shares ('000)	Share capital (RM '000)	No. of Shares ('000)	Share capital (RM '000)
No. of issued Shares as at the LPD	479,094	479,094	479,094	479,094
New Shares to be issued upon full conversion of RCULS ⁽¹⁾	247,066	123,533	344,947	172,474
Enlarged no. of issued Shares	726,160	602,627	824,041	651,568

Note:

- (1) No new Shares will be issued if the RCULS are fully redeemed by our Company upon the maturity of the RCULS.

6.2 Substantial shareholders' shareholdings

The Proposed Rights Issue of RCULS is not expected to have any immediate effect on our substantial shareholders' shareholdings until such time the RCULS are converted into new Shares.

For illustration purposes, the pro forma effects of the Proposed Rights Issue of RCULS on our substantial shareholders' shareholdings as at the LPD are as follows:

Minimum Subscription Level

Substantial shareholder	As at the LPD		(I) After the Proposed Rights Issue of RCULS				(II)(A) After (I) and assuming full redemption of the RCULS				(II)(B) After (I) and assuming full conversion of the RCULS					
	Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect			
	No. of Shares ('000)	(%)	No. of Shares ('000)	(%)	No. of Shares ('000)	(%)	No. of Shares ('000)	(%)	No. of Shares ('000)	(%)	No. of Shares ('000)	(%)	No. of Shares ('000)	(%)		
HLMG	343,147	71.6	(1)1,470	0.3	343,147	71.6	(1)1,470	0.3	343,147	71.6	(1)1,470	0.3	590,213	81.3	(1)1,470	0.2
HLCM	-	-	(1)346,709	72.4	-	-	(1)346,709	72.4	-	-	(1)346,709	72.4	-	-	(1)593,775	81.8
HL Holdings Sdn Bhd	-	-	(2)346,709	72.4	-	-	(2)346,709	72.4	-	-	(2)346,709	72.4	-	-	(2)593,775	81.8
YBhg Tan Sri Quek Leng Chan	-	-	(3)350,232	73.1	-	-	(3)350,232	73.1	-	-	(3)350,232	73.1	-	-	(3)597,298	82.3
Hong Realty (Private) Limited	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)595,961	82.1
Hong Leong Investment Holdings Pte Ltd	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)595,961	82.1
Kwek Holdings Pte Ltd	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)595,961	82.1
Kwek Leng Beng	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)595,961	82.1

Substantial shareholder	As at the LPD		(I) After the Proposed Rights Issue of RCULS		(II)(A) After (I) and assuming full redemption of the RCULS		(II)(B) After (I) and assuming full conversion of the RCULS	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)	No. of Shares ('000)
Davos Investment Holdings Private Limited	-	(4)348,895	-	(4)348,895	-	(4)348,895	-	(4)595,961
Kwek Leng Kee	-	(4)348,895	-	(4)348,895	-	(4)348,895	-	(4)595,961

Notes:

- (1) Held through subsidiary(ies).
- (2) Held through HLCM.
- (3) Held through HLCM and companies in which YBhg Tan Sri Quek Leng Chan and his children have interests.
- (4) Held through HLCM and a company in which the substantial shareholder has interest.

As at the LPD, our public shareholding spread is about 25.5%. As set out above, assuming only HLMG subscribes for its direct entitlement under the Entitlement Undertaking, upon full conversion of the RCULS held by HLMG into new Shares, our public shareholding spread may decrease to 16.9%, which is below the minimum of 25.0% required to be in compliance with paragraph 8.02(1) of the Listing Requirements. Nonetheless, the Proposed Rights Issue of RCULS is not expected to have any immediate effect on our public shareholdings spread until such time the RCULS are converted into new Shares. We will continue to monitor our public shareholdings spread to ensure compliance with the minimum public shareholding spread, if required.

Full Subscription Level

Assuming all the Entitled Shareholders subscribe for their respective entitlements based on the Full Subscription Level and assuming full conversion of the RCULS into new Shares, the Proposed Rights Issue of RCULS will not have any effect on our substantial shareholders' shareholdings percentage as the RCULS will be allotted on a pro-rated basis to all the Entitled Shareholders. As such, the number of Shares held by each shareholder will increase proportionately upon full conversion of the RCULS into new Shares.

Substantial shareholder	As at the LPD			(I) After the Proposed Rights Issue of RCULS			(II)(A) After (I) and assuming full redemption of the RCULS			(II)(B) After (I) and assuming full conversion of the RCULS						
	Direct	Indirect	No. of Shares	Direct	Indirect	No. of Shares	Direct	Indirect	Direct	Indirect	Direct	Indirect				
	(% of No. of Shares)	(% of No. of Shares)	('000)	(% of No. of Shares)	(% of No. of Shares)	('000)	(% of No. of Shares)	(% of No. of Shares)	(% of No. of Shares)	(% of No. of Shares)	(% of No. of Shares)	(% of No. of Shares)				
HLMG	343,147	71.6	(1)1,470	0.3	343,147	71.6	(1)1,470	0.3	343,147	71.6	(1)1,470	0.3	590,213	71.6	(1)2,528	0.3
HLCM	-	-	(1)346,709	72.4	-	-	(1)346,709	72.4	-	-	(1)346,709	72.4	-	-	(1)596,339	72.4
HL Holdings Sdn Bhd	-	-	(2)346,709	72.4	-	-	(2)346,709	72.4	-	-	(2)346,709	72.4	-	-	(2)596,339	72.4
YBhg Tan Sri Quek Leng Chan	-	-	(3)350,232	73.1	-	-	(3)350,232	73.1	-	-	(3)350,232	73.1	-	-	(3)602,399	73.1
Hong Realty (Private) Limited	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)600,099	72.8
Hong Leong Investment Holdings Pte Ltd	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)600,099	72.8
Kwek Holdings Pte Ltd	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)600,099	72.8
Kwek Leng Beng	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)600,099	72.8
Davos Investment Holdings Private Limited	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)600,099	72.8
Kwek Leng Kee	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)348,895	72.8	-	-	(4)600,099	72.8

Notes:

- (1) Held through subsidiary(ies).
- (2) Held through HLCM.
- (3) Held through HLCM and companies in which YBhg Tan Sri Quek Leng Chan and his children have interests.
- (4) Held through HLCM and a company in which the substantial shareholder has interest.

6.3 NA and gearing

For illustration purposes, the pro forma effects of the Proposed Rights Issue of RCULS on our consolidated NA, NA per Share and gearing, based on our latest audited consolidated statement of financial position as at 30 June 2018, are set out below:

Minimum Subscription Level

	Audited as at 30 June 2018	(I) After the Proposed Rights Issue of RCULS	(II) After (I) and the intended use of proceeds	(III)(A) After (II) and assuming full redemption the RCULS	(III)(B) After (II) and assuming full conversion of the RCULS
	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)
Share capital	479,094	479,094	479,094	479,094	602,627
RCULS – Equity component	-	⁽¹⁾ 102,249	102,249	-	-
Reserves	(89,194)	⁽²⁾ (89,402)	(89,402)	⁽⁴⁾ (121,027)	⁽⁴⁾ (121,027)
NA	389,900	491,941	491,941	358,067	481,600
No. of Shares in issue ('000)	479,094	479,094	479,094	479,094	726,160
NA per Share (RM)	0.81	1.03	1.03	0.75	0.66
Total borrowings (RM '000)	739,922	766,951	⁽³⁾ 644,694	⁽⁵⁾ 741,198	617,665
Gearing ratio ⁽⁶⁾ (times)	1.90	1.56	1.31	2.07	1.28

Notes:

- (1) The estimated equity component of the RCULS arising from the Proposed Rights Issue of RCULS is determined by deducting the following from the gross proceeds to be raised under the Proposed Rights Issue of RCULS:
 - (i) the fair value of the liability component of the RCULS of about RM27.0 million, which is estimated by discounting the coupon payments over the tenure of 5 years at a discount rate of 5.0%, being the cost of debt of our Company; and
 - (ii) the estimated expenses attributable to the equity component of the RCULS of about RM0.7 million.

The equity component of the RCULS also includes the resulting deferred tax asset arising from the temporary differences of the liability component of the RCULS of about RM6.5 million, which is recognised based on the Malaysian statutory tax rate of 24.0%.
- (2) After deducting the estimated expenses attributable to the liability component of the RCULS of about RM0.2 million.
- (3) Assuming the part of the proceeds arising from the Proposed Rights Issue of RCULS are used to repay bank borrowings in the manner set out in section 3 of this circular and adding the fair value of the liability component of the RCULS as set out in Note (1)(i) above.
- (4) After deducting the interest expenses over the tenure of the RCULS of about RM3.9 million, the reduction of deferred tax assets of about RM6.5 million, which is expensed, and the recognition of the difference between the nominal value of RCULS and the equity component of the RCULS amounting to RM21.3 million as expense.

(5) Assuming the redemption of the RCULS is funded via additional borrowings.

(6) Calculated as total borrowings divided by NA.

Full Subscription Level

	Audited as at 30 June 2018	(I) After the Proposed Rights Issue of RCULS	(II) After (I) and the intended use of proceeds	(III)(A) After (II) and assuming full redemption of the RCULS	(III)(B) After (II) and assuming full conversion of the RCULS
	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)
Share capital	479,094	479,094	479,094	479,094	651,568
RCULS – Equity component	-	⁽¹⁾ 143,051	143,051	-	-
Reserves	(89,194)	⁽²⁾ (89,402)	(89,402)	⁽⁴⁾ (133,263)	⁽⁴⁾ (133,263)
NA	389,900	532,743	532,743	345,831	518,305
No. of Shares in issue ('000)	479,094	479,094	479,094	479,094	824,041
NA per Share (RM)	0.81	1.11	1.11	0.72	0.63
Total borrowings (RM '000)	739,922	⁽³⁾ 777,660	655,403	⁽⁵⁾ 790,139	617,665
Gearing ratio ⁽⁶⁾ (times)	1.90	1.46	1.23	2.28	1.19

Notes:

(1) The estimated equity component of the RCULS arising from the Proposed Rights Issue of RCULS is determined by deducting the following from the gross proceeds to be raised under the Proposed Rights Issue of RCULS:

- (i) the fair value of the liability component of the RCULS of about RM37.7 million, which is estimated by discounting the coupon payments over the tenure of 5 years at a discount rate of 5.0%, being the cost of debt of our Company; and
- (ii) the estimated expenses attributable to the equity component of the RCULS of about RM0.7 million.

The equity component of the RCULS also includes the resulting deferred tax asset arising from the temporary differences of the liability component of the RCULS of about RM9.1 million, which is recognised based on the Malaysian statutory tax rate of 24.0%.

- (2) After deducting the estimated expenses attributable to the liability component of the RCULS of about RM0.2 million.
- (3) Assuming the part of the proceeds arising from the Proposed Rights Issue of RCULS are used to repay bank borrowings in the manner set out in section 3 of this circular and adding the fair value of the liability component of the RCULS as set out in Note (1)(i) above.
- (4) After deducting the interest expenses over the tenure of the RCULS of about RM5.4 million, the reduction of deferred tax assets of about RM9.1 million, which is expensed, and the recognition of the difference between the nominal value of RCULS and the equity component of the RCULS amounting to RM29.4 million as expense.
- (5) Assuming the redemption of the RCULS is funded via additional borrowings.
- (6) Calculated as total borrowings divided by NA.

6.4 Earnings/Losses and earnings/losses per Share

Save for the expenses to be incurred in relation to the Proposed Rights Issue of RCULS, the Proposed Rights Issue of RCULS is not expected to have any material effect on the earnings/losses of our Group for the FYE 30 June 2019 as the Proposed Rights Issue of RCULS is only expected to be completed by the second quarter of 2019 whereas the proceeds arising from the Proposed Rights Issue of RCULS are expected to be utilised within 12 months from the completion date.

Part of the proceeds to be raised from the Proposed Rights Issue of RCULS will be used to repay part of our Group's bank borrowings with floating interest rates, which will enable us to secure funding at a reasonable fixed funding cost for period of 5 years, thereby reducing our exposure to interest rate fluctuations. This will in turn enable us to manage our cash flows more efficiently. Additionally, part of the proceeds from the Proposed Rights Issue of RCULS is intended to be used to fund our Group's general working capital, which may contribute positively to our future earnings when utilised.

The Proposed Rights Issue of RCULS may result in dilution of the consolidated earnings/losses per Share arising from the increase in the number of Shares in issue as and when the RCULS are converted into new Shares. However, the extent of this dilution cannot be determined at this juncture as it will depend on the amount of RCULS converted as compared against the benefits arising from the use of proceeds in the manner set out in section 3 of this circular.

6.5 Convertible securities

As at the LPD, our Company does not have any outstanding convertible securities.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of the Shares traded on the Main Market of Bursa Securities for the past 12 months from March 2018 to February 2019 are as follows:

	<u>High</u>	<u>Low</u>
	(RM)	(RM)
2018		
March	1.980	1.700
April	1.700	1.560
May	1.620	1.290
June	1.300	1.060
July	1.200	0.990
August	1.080	0.980
September	1.000	0.860
October	0.970	0.770
November	0.850	0.620
December	0.635	0.490
2019		
January	0.535	0.465
February	0.670	0.500

Last transacted market price of the Shares immediately before the announcement of the Proposed Rights Issue of RCULS on 12 November 2018 RM0.815

Last transacted market price of the Shares as at the LPD RM0.620

(Source: Bloomberg L.P.)

8. APPROVALS REQUIRED

The Proposed Rights Issue of RCULS is conditional upon the following:

- (i) approval from the SC for the issuance of the RCULS;
- (ii) approval from Bursa Securities for the following:
 - (a) admission of the RCULS to the Official List of Bursa Securities; and
 - (b) listing of and quotation for up to RM172,473,768 nominal value of RCULS to be issued under the Proposed Rights Issue of RCULS and up to 345,000,000 new Shares to be issued upon conversion of the RCULS on the Main Market of Bursa Securities; and
- (iii) your approval for the Proposed Rights Issue of RCULS, which will be sought at our forthcoming EGM.

The approval from the SC for the issuance of the RCULS, which was obtained through its letter dated 13 March 2019, is subject to the compliance with the standard conditions and continuing obligations as stipulated in the Guidelines on Retail Corporate Bonds and Sukuk.

The approval from Bursa Securities, which was obtained through its letter dated 21 February 2019, is subject to, among others, the following conditions:

Conditions imposed	Status of compliance
(1) Our Company and HLIB, the adviser for the Proposed Rights Issue of RCULS, must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue of RCULS;	Noted
(2) Our Company and HLIB to inform Bursa Securities upon the completion of the Proposed Rights Issue of RCULS;	To be complied
(3) Our Company and HLIB to furnish Bursa Securities with a written confirmation of our compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue of RCULS is completed; and	To be complied
(4) Our Company to furnish Bursa Securities on a quarterly basis a summary of the total number of Shares listed pursuant to the conversion of the RCULS as at the end of each quarter together with a detailed computation of listing fees payable.	To be complied

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of our directors and major shareholders and persons connected with them have any interest, whether direct or indirect, in the Proposed Rights Issue of RCULS, save for their respective entitlements as the shareholders of our Company under the Proposed Rights Issue of RCULS, for which all the existing shareholders of our Company are also entitled to.

10. DIRECTORS' RECOMMENDATION

Our Board, having considered and deliberated on all aspects of the Proposed Rights Issue of RCULS (including but not limited to the rationale for and the effects of the Proposed Rights Issue of RCULS and the intended use of proceeds), is of the opinion that the Proposed Rights Issue of RCULS is in the best interest of our Group.

Accordingly, our Board recommends that you vote in favour of the ordinary resolution in relation to the Proposed Rights Issue of RCULS to be tabled at our forthcoming EGM.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Rights Issue of RCULS is expected to be completed by the second quarter of 2019.

The indicative timing of events leading up to the completion of the Proposed Rights Issue of RCULS is set out below:

Indicative timing	Events
12 April 2019	EGM for the Proposed Rights Issue of RCULS
Mid April 2019	Announcement on the Conversion Price of the RCULS and Entitlement Date
End April 2019	Entitlement Date and despatch of the Abridged Prospectus together with notices of provisional allotment and rights subscription forms
Mid May 2019	Last day for acceptance of and payment for the RCULS and application and payment for excess RCULS
End May 2019	Admission of the RCULS to the Official List, listing of and quotation for the RCULS on the Main Market of Bursa Securities and completion of Proposed Rights Issue of RCULS

12. CORPORATE EXERCISE OR SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Rights Issue of RCULS, there is no other corporate exercise or scheme that has been announced by our Company but has yet to be completed as at the LPD.

The Proposed Rights Issue of RCULS is not conditional upon any other corporate exercise or scheme of our Company.

13. EGM

The ordinary resolution in respect of the Proposed Rights Issue of RCULS will be tabled at our forthcoming EGM to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 12 April 2019 at 11.00 a.m. or at any adjournment thereof.

The notice of EGM together with the Form of Proxy are enclosed in this circular.

If you are unable to attend our forthcoming EGM in person and wish to appoint other person(s) to be your proxy(ies), please complete the Form of Proxy and deposit it at our registered office at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, so as to arrive not less than 48 hours before the time appointed for holding of our forthcoming EGM or at any adjournment thereof.

The completion and deposit of the Form of Proxy will not preclude you from attending and voting in person at our forthcoming EGM should you wish to do so. The Form of Proxy should be completed strictly in accordance with the instructions contained therein.

14. FURTHER INFORMATION

You are requested to refer to the enclosed appendices of this circular for further information.

Yours faithfully,
For and on behalf of the Board of
HUME INDUSTRIES BERHAD

Andi Johnny Lapon
Group Managing Director

INDICATIVE SALIENT TERMS OF THE RCULS

Issuer	:	HIB.
Issue size/ Basis of allotment	:	Up to RM172,473,768 nominal value of 5-year 5.0% RCULS at 100.0% of its nominal value of RM1.00 on the basis of 36 RCULS for every 100 existing Shares held on the Entitlement Date.
Issue price of the RCULS	:	Each RCULS shall be issued at 100.0% of its nominal value of RM1.00.
Form and denomination	:	The RCULS will be issued in registrable form and in denominations and multiples of RM1.00 each.
Issue Date	:	The issue date of the RCULS (" Issue Date ") shall be a Market Day to be mutually agreed between our Company and our Principal Adviser, and shall take place within the period commencing from the date of fulfilment of the conditions precedent and ending on a date falling one year from the date of approval by the SC.
Tenure	:	5 years from the Issue Date (" Maturity Date ").
Interest/Coupon rate	:	Fixed rate of 5.0% per annum calculated on the nominal value of the RCULS then outstanding.
Interest/Coupon payment frequency	:	The coupon payment shall be payable semi-annually in arrears starting 6 months from the Issue Date.
Conversion Rights	:	The RCULS Holders shall have the right to convert (" Conversion Rights ") all or any part of the RCULS held by them into fully paid new Shares at the Conversion Price upon meeting the required Conditions for Conversion (as defined below) at any time during the Conversion Period (as defined below).

If any RCULS Holder exercises his/her right to convert all or any part of the RCULS held by him into fully paid new Shares, no coupon shall be payable on such RCULS as from the Issue Date or the coupon payment date immediately before the conversion date, whichever is the later.

All the outstanding RCULS which have not been earlier converted or redeemed on the Maturity Date, shall be automatically converted into new Shares at the Conversion Price on the Maturity Date ("**Automatic Conversion**"). In the event of an Automatic Conversion, the RCULS Holders shall be deemed to have submitted a valid conversion notice on the Maturity Date for the purpose of converting such outstanding RCULS into fully paid new Shares.

Any fractional new Shares arising from the Automatic Conversion shall be disregarded and be dealt with by the Board as it may deem fit and expedient and in the best interest of our Company.

Subject to our Company giving irrevocable notice to the RCULS Holders of at least 30 days before the Maturity Date, our Company shall have the option to redeem the outstanding RCULS (if not earlier converted) in cash at 100.0% of its nominal value, in whole or in part, on the Maturity Date. During such notice period but not later than the 8th Market Day before the Maturity Date, the RCULS Holders shall be entitled to exercise their Conversion Rights, subject to compliance with the Conditions for Conversion.

INDICATIVE SALIENT TERMS OF THE RCULS (Cont'd)

- Conversion Period : On any Market Day after the Issue Date and up to the Maturity Date of the RCULS (“**Conversion Period**”).
- Conversion Price : The Conversion Price will be determined by our Board and announced by our Company at a later date in the manner set out in section 2.2 of this circular.
- The Conversion Price may be subject to adjustments as described below.
- Conditions for Conversion : The following conditions (“**Conditions for Conversion**”) must be complied with before any conversion of the RCULS can be made:
- (i) an irrevocable written conversion notice informing the intention to convert the RCULS into fully paid new Shares shall be served to our share registrar (as agent to our Company) by the RCULS Holder by 5.00 p.m. during normal business hours on any Market Day at the specified office of our share registrar;
 - (ii) the RCULS Holder must agree in the conversion notice to have the delivery of the new Shares effected by crediting such new Shares to the securities account of the RCULS Holder. In the conversion notice, the RCULS Holder shall also authorise our Company or our share registrar to instruct Bursa Depository to debit the securities account of the RCULS Holder in respect of the RCULS so converted, and to credit the securities account of the RCULS Holder in respect of the new Shares issues as a result of the conversion of the RCULS;
 - (iii) upon receipt of the written conversion notice by our share registrar (as agent to our Company), our Company shall procure our share registrar to act in accordance with the Listing Requirements;
 - (iv) the RCULS Holder shall furnish such evidence (if any) as our share registrar may require to determine the due execution of the conversion notice by it or otherwise to ensure the due conversion of the RCULS and such other evidence as our Company may require to verify due compliance with, and for the purpose of administering and implementing the provisions as set out in the Trust Deed;
 - (v) the RCULS Holder must pay to our share registrar any taxes, stamp, issue, registration, or other duties, exercise charges imposed by Bursa Depository, and other expenses (including, sales and services tax) as may be imposed by our share registrar arising from the issue and delivery of the new Shares arising on the conversion (other than any taxes or capital or stamp duties payable in Malaysia and by our Company in respect of the allotment and issuance of the new Shares and listing of the new Shares on the Main Market of Bursa Securities on conversion) (the “**Bursa Taxes**”) provided that our share registrar shall notify the RCULS Holder of the Bursa Taxes required to be paid by it within 2 Market Days after the date of delivery of the conversion notice and the RCULS Holder must pay all, if any, taxes (other than the Bursa Taxes) arising by reference to any disposal or deemed disposal of a RCULS in connection with such conversion. The RCULS Holder must provide our share registrar with details of the relevant tax authorities to which our share registrar must pay monies received in settlement of taxes payable pursuant to this condition;

INDICATIVE SALIENT TERMS OF THE RCULS (Cont'd)

- Conditions for Conversion (Cont'd) : (vi) subject to paragraph (vii) below, the RCULS Holder shall surrender the RCULS with an aggregate nominal value equivalent to the Conversion Price for cancellation by our Company and submit any necessary documents required in order to effect the registration of the new Shares in the name of the converting RCULS Holder and delivery of the new Shares by crediting the securities account specified by the RCULS Holder in the conversion notice. The conversion of the RCULS will not require any cash payment by the RCULS Holders; and
- (vii) where the RCULS Holder exercises in part only (but not in full) of its Conversion Rights, our Company shall deliver to Bursa Depository a certificate in the name of Bursa Malaysia Depository Nominees Sdn Bhd in respect of any RCULS remaining unexercised in accordance with the Securities Industry (Central Depositories) Act 1991 and the Rules of Bursa Depository.
- Conversion mode : The conversion of the RCULS will not require any cash payment by the RCULS Holders. The Conversion Price will be satisfied by surrendering the equivalent nominal value of RCULS for cancellation by our Company. All such RCULS so converted will be cancelled and cannot be re-issued. Any fractional new Shares arising from the conversion of the RCULS will be disregarded.
- Redemption on Maturity Date : Subject to our Company giving irrevocable notice to the RCULS Holders of at least 30 days before the Maturity Date, our Company shall have the option to redeem the outstanding RCULS (if not earlier converted) in cash at 100.0% of its nominal value, in whole or in part, on the Maturity Date.
- During such notice period, but not later than the 8th Market Day before the Maturity Date, the RCULS Holders shall be entitled to exercise their Conversion Rights, subject to compliance with the Conditions for Conversion.
- Upon the exercise by our Company of our option to redeem the RCULS on the Maturity Date, our Company shall also pay the RCULS Holders (no later than the Maturity Date) all unpaid coupon accruing from the immediately preceding coupon payment date until but excluding the Maturity Date.
- For the avoidance of doubt, the RCULS Holders shall not have the right to require our Company to redeem the RCULS on the Maturity Date.
- The RCULS which have been redeemed will be cancelled and cannot be re-sold.
- Status and ranking of RCULS : The RCULS shall constitute direct, unconditional, unsubordinated and unsecured obligations of our Company and, subject to the provisions contained in the Trust Deed, rank equally without discrimination, preference or priority among themselves and rank at least equally with all present and future direct, unconditional, unsecured and unsubordinated debts and obligations of our Company from time to time (except for those which are preferred by law).
- Status and ranking of new Shares arising from the conversion of the RCULS : The new Shares to be issued upon conversion of the RCULS will, upon allotment and issue, rank equally in all respects with the existing Shares, except that they will not be entitled to any dividends, rights, allotments and any other distributions in respect of which the entitlement date is before the date of allotment of such new Shares.

INDICATIVE SALIENT TERMS OF THE RCULS (Cont'd)

- RCULS Holders' rights to participate in any distribution or offer of further securities : The RCULS Holders are not entitled to participate in any dividends, rights, allotments, and any other distributions and offer of securities in our Company until and unless such RCULS Holders have validly converted their RCULS into new Shares by exercising their Conversion Rights during the Conversion Period, and such new Shares are allotted before the entitlement date of such dividend, right, allotment, distribution or offer of securities, in which event the rights to participate will be as stated above.
- Adjustment in the Conversion Price in the event of alteration to share capital : Our Company shall make the necessary adjustments to the Conversion Price of the RCULS then outstanding in the event of any alteration in our share capital on or before the Maturity Date, whether by way of rights issue, bonus issue, capitalisation issue, consolidation or subdivision of Shares or reduction of capital howsoever being effected, in accordance with the provisions of the Trust Deed and in compliance with the Listing Requirements.
- Amendments to the RCULS Holders' rights : Save as otherwise provided in the Trust Deed, an extraordinary resolution of the RCULS Holders is required to sanction any modification, variation, abrogation or compromise of or arrangement in respect of the rights of the RCULS Holders against our Company.
- Rights in the event of winding up/liquidation : If a resolution is passed for a voluntary winding-up of our Company whilst any of the RCULS remain capable of being converted, then:
- (i) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the RCULS Holders, or some person designated by them for such purpose, shall be a party, the terms of such scheme of arrangement if approved by an extraordinary resolution shall be binding on all the RCULS Holders; and
 - (ii) in any other case every RCULS Holders shall be entitled to upon and, subject to the Trust Deed, at any time within 6 weeks ("**Specified Period**") after the passing of such resolution for a members' voluntary winding-up of our Company, deliver to our Company a duly completed conversion notice in relation to the RCULS to elect to be treated as if he had, on the last day of the month immediately before the commencement of such winding-up, exercised the Conversion Rights to the extent specified in the conversion notice and be entitled to receive out of the assets of our Company which will be available in liquidation if he had on such date been the holder of the new Shares to which he would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly. Upon such election taking effect, all RCULS converted under such election shall cease to carry any coupon as from the last day of the month immediately before the month in which the RCULS are converted or deemed converted under this provision.
- All Conversion Rights which have not been exercised at the expiry date of the Specified Period shall lapse and cease to be valid for any purpose.
- Listing status and types of listing, where applicable : The RCULS and new Shares to be issued upon conversion of the RCULS will be listed on the Main Market of Bursa Securities.
- The admission, listing of and quotation for the RCULS on the Main Market of Bursa Securities is subject to compliance with the public spread requirements of the Listing Requirements, where there must be at least 100 RCULS Holders holding not less than 1 board lot each.

INDICATIVE SALIENT TERMS OF THE RCULS (Cont'd)

- Tradability, including selling restriction : For the purpose of trading on the Main Market of Bursa Securities, the RCULS will be tradable upon listing in board lots of 100 units of RCULS, or such other denomination as may be determined by Bursa Securities. No selling restriction is imposed on the RCULS.
- Trust Deed : The RCULS shall be constituted by the Trust Deed, which shall be administered by the Trustee. The Trust Deed shall be in compliance with the Trust Deeds Guidelines issued by the SC (revised on 12 July 2011 and effective on 12 August 2011).
- Rating : The RCULS are exempted from rating requirements pursuant to paragraph 5.02(b) of the Guidelines on Retail Corporate Bonds and Sukuk (first issued on 15 June 2015 and revised on 11 October 2018) issued by the SC based on the following:
- (i) the RCULS Holders are given the right to convert the RCULS into new Shares at any time during the Conversion Period; and
 - (ii) the underlying Shares will be listed and quoted on the Main Market of Bursa Securities.
- Governing laws : The RCULS, the Trust Deed and such other legal documents and agreements (if any) necessary in relation thereto in form and substance acceptable to the Principal Adviser, the Trustee and our Company shall be governed by the laws of Malaysia and be subject to the non-exclusive jurisdiction of the courts of Malaysia.

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON



KPMG PLT
 (LLP0010081-LCA & AF 0758)
 Chartered Accountants
 Level 10, KPMG Tower
 8 First Avenue, Bandar Utama
 47800 Petaling Jaya
 Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
 Fax +60 (3) 7721 3399
 Internet www.kpmg.com.my

The Board of Directors
 Hume Industries Berhad
 Level 31, Menara Hong Leong
 No. 6 Jalan Damanlela
 Bukit Damansara
 50490 Kuala Lumpur
 Wilayah Persekutuan

28 March 2019

Dear Sirs

Hume Industries Berhad (“HIB” or the “Company”)

Report on the compilation of the pro forma consolidated statement of financial position for inclusion in the circular to shareholders of HIB (the “Circular”) in connection with the proposed renounceable rights issue of up to RM172,473,768 nominal value of 5-year 5.0% redeemable convertible unsecured loan stocks (“RCULS”) at 100.0% of its nominal value of RM1.00 on the basis of 36 RCULS for every 100 existing ordinary shares held in HIB (“HIB Shares”) (“Proposed Rights Issue of RCULS”)

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of HIB and its subsidiaries (“HIB Group”) as at 30 June 2018 prepared by the management of the Company (the “Management”). The pro forma consolidated statement of financial position and the related notes as set out in Attachment A have been stamped by us for identification purposes. The applicable criteria on the basis of which the Board of Directors of HIB (the “Board”) has compiled the pro forma consolidated statement of financial position are described in Note 3 and Note 4 of Attachment A.

The pro forma consolidated statement of financial position has been compiled by the Board for inclusion in the Circular solely to illustrate the impact of the Proposed Rights Issue of RCULS on HIB’s consolidated statement of financial position as at 30 June 2018. As part of this process, information about the HIB Group’s financial position has been extracted by the Board for the financial year ended 30 June 2018, on which an audit report has been published.

The Board’s Responsibilities for the Pro Forma Consolidated Statement of Financial Position

The Board is responsible for compiling the pro forma consolidated statement of financial position on the basis described in Note 3 and Note 4 of Attachment A.

KPMG PLT, a limited liability partnership established under Malaysian law is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. KPMG PLT (LLP0010081-LCA) was registered on 27.12.2016 and from the date thereof, was converted from a conventional partnership, KPMG, to a limited liability partnership.

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Hume Industries Berhad
*Reporting Accountants' letter on the
Pro Forma Consolidated Statement of Financial Position*

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion about whether the pro forma consolidated statement of financial position has been compiled, in all material respects, by the Board on the basis described in Note 3 and Note 4 of Attachment A.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board has compiled, in all material respects, the pro forma consolidated statement of financial position on the basis described in Note 3 and Note 4 of Attachment A.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statement of financial position.

The purpose of the pro forma consolidated statement of financial position included in the Circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of HIB Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board in the compilation of the pro forma consolidated statement of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)



Hume Industries Berhad
*Reporting Accountants' letter on the
 Pro Forma Consolidated Statement of Financial Position*

Reporting Accountants' Responsibilities (continued)

- the related pro forma adjustments give appropriate effects to those criteria; and
- the pro forma consolidated statement of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of HIB Group, the event or transaction in respect of which the pro forma consolidated statement of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statement of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis stated in Note 3 and Note 4 of Attachment A.

Other Matter

Our report on the pro forma consolidated statement of financial position has been prepared for inclusion in the Circular in connection with the Proposed Rights Issue of RCULS and should not be relied upon for any other purposes.

Yours faithfully,

KPMG PLT
 LLP0010081-LCA & AF 0758
 Chartered Accountants

Chong Chen Kian
 Approval Number: 03232/02/2020 J
 Chartered Accountant

OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A**Hume Industries Berhad ("HIB")**

Pro Forma Consolidated Statement of Financial Position and the notes thereon

1. Introduction

The pro forma consolidated statement of financial position of Hume Industries Berhad ("HIB" or the "Company") has been prepared for inclusion in the Company's circular to shareholders ("Circular") in relation to the proposed renounceable rights issue of up to RM172,473,768 nominal value of 5-year 5.0% redeemable convertible unsecured loan stocks ("RCULS") at 100.0% of its nominal value of RM1.00 on the basis of thirty-six (36) RCULS for every one hundred (100) existing ordinary shares of HIB ("HIB Shares") held on an entitlement date to be determined later ("Entitlement Date") ("Proposed Rights Issue of RCULS").

2. Details of the Proposed Rights Issue of RCULS**2.1 Overview**

The Proposed Rights Issue of RCULS entails the issuance of up to RM172,473,768 nominal value of RCULS at 100% of its nominal value of RM1.00 on the basis of 36 RCULS for every 100 existing HIB Shares held by the entitled members whose names appear in the Record of Depositors of the Company ("Entitled Shareholders") on the Entitlement Date.

The maximum RM172,473,768 nominal value of RCULS that may be issued under the Proposed Rights Issue of RCULS is arrived at after taking into consideration the following:

- (i) the total number of 479,093,800 HIB Shares in issue as at the latest practicable date of 28 February 2019 ("LPD"); and
- (ii) assuming no new HIB Shares are issued under the executive share scheme of the Company, which was implemented on 12 November 2014.

Nonetheless, the actual total nominal value of RCULS to be issued will depend on the actual subscription by the Entitled Shareholders and their renounees and transferees (if applicable) under the Proposed Rights Issue of RCULS.

The Proposed Rights Issue of RCULS is renounceable in full or in part. As such, the Entitled Shareholders can subscribe for and/or renounce their respective entitlements to the RCULS in full or in part.

The RCULS will be provisionally allocated to the Entitled Shareholders. Any fractional entitlements under the Proposed Rights Issue of RCULS will be disregarded and will be dealt with in such manner as the Board of Directors of the Company (the "Board") in its absolute discretion deems fit or expedient and in the best interest of the Company.

Any RCULS which are not subscribed or validly subscribed will be made available for subscription by other Entitled Shareholders and their renounees and transferees (if applicable) under the application for excess RCULS. The Board intends to allocate the excess RCULS in a fair and equitable manner on a basis to be determined by the Board and announced later by the Company.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A**Hume Industries Berhad ("HIB")**

Pro Forma Consolidated Statement of Financial Position and the notes thereon

2. Details of the Proposed Rights Issue of RCULS (continued)**2.1 Overview (continued)**

The RCULS constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and, subject to the provisions contained in the trust deed constituting the RCULS ("Trust Deed"), rank equally without discrimination, preference or priority among themselves and rank at least equally with all present and future direct, unconditional, unsecured and unsubordinated debts and obligations of the Company from time to time (except for those which are preferred by law).

The new HIB Shares to be issued upon the conversion of the RCULS will, upon allotment and issue, rank equally in all respects with the existing HIB Shares, except that they will not be entitled to any dividends, rights, allotments and any other distributions in respect of which the entitlement date is before the date of allotment of such new HIB Shares.

2.2 Basis of and justification for determining the issue price and the conversion price of the RCULS

The RCULS will be issued at 100.0% of its nominal value of RM1.00 each.

The conversion price of the RCULS ("Conversion Price") will be determined at a later date by the Board after all relevant approvals have been obtained, and announced by the Company, after taking into consideration, among others, the following:

- (i) the prevailing market conditions on the price-fixing date; and
- (ii) the 5-day volume-weighted average market price ("VWAMP") of HIB Shares immediately before the price-fixing date or the theoretical ex-rights price of the HIB Shares calculated based on such 5-day VWAMP, if applicable.

Throughout the tenure of the RCULS, the Conversion Price may be subject to adjustments under certain circumstances in accordance with the provisions of the Trust Deed.

The fixing of the Conversion Price closer to the implementation of the Proposed Rights Issue of RCULS is intended to provide flexibility to the Board to determine the Conversion Price in accordance with the basis set out above, given the substantial variability in the historical market price of HIB Shares.

The 5-day VWAMP of the HIB Shares up to and including the LPD is RM0.61.

2.3 Subscription basis and undertakings**Minimum Scenario**

The Proposed Rights Issue of RCULS will be implemented on a minimum subscription basis to raise minimum gross proceeds of about RM123.5 million ("Minimum Subscription Level").



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A**Hume Industries Berhad ("HIB")**

Pro Forma Consolidated Statement of Financial Position and the notes thereon

2.3 Subscription basis and undertakings (continued)**Minimum Scenario (continued)**

In view of the Minimum Subscription Level, the Company has obtained an irrevocable undertaking from the major shareholder of the Company, namely Hong Leong Manufacturing Group Sdn Bhd ("HLMG"), through its letter dated 25 January 2019, to subscribe and/or procure the subscription in full for RM123,532,974 nominal value of RCULS under the Proposed Rights Issue of RCULS, being its direct entitlement to the RCULS ("Entitlement Undertaking").

As the Entitlement Undertaking is sufficient to meet the Minimum Subscription Level, the remaining portion of RM48,940,794 nominal value of RCULS will not be underwritten.

HLMG has confirmed, and Hong Leong Investment Bank has verified, that it has adequate and sufficient financial resources to subscribe and/or procure the subscription in full for its direct entitlement under the Entitlement Undertaking and to make payment in full upon such subscription.

Based on the direct shareholding of HLMG in the Company as at the LPD, the subscription by HLMG under the Entitlement Undertaking and the conversion by HLMG of all the RCULS to be held by it into new HIB Shares are not expected to give rise to any implications under the Malaysian Code on Take-overs and Mergers 2016 and the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia.

Maximum Scenario

Assuming if all the Entitled Shareholders subscribe for their respective entitlements under the Proposed Rights Issue of RCULS, the maximum/ full subscription level is RM172,473,768 nominal value of RCULS.

3. Basis of preparation of the pro forma consolidated statement of financial position

The pro forma consolidated statement of financial position of HIB as at 30 June 2018 has been compiled based on the audited consolidated financial statements for the financial year ended 30 June 2018, which had been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. The pro forma consolidated statement of financial position does not include the effects of the adoption of MFRS issued by the Malaysian Accounting Standards Board which are effective for the annual period beginning on or after 1 January 2018.

The auditors' report of the audited consolidated financial statements of HIB for the financial year ended 30 June 2018 was not subject to any qualification, modification or disclaimer of opinion.

The pro forma consolidated statement of financial position of HIB as at 30 June 2018, of which the Board is solely responsible, has been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of HIB had the events / transactions in Note 4 been effected on that date, and should be read in conjunction with the notes accompanying thereto.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A**Hume Industries Berhad ("HIB")**

Pro Forma Consolidated Statement of Financial Position and the notes thereon

4. Pro forma adjustments to the pro forma consolidated statement of financial position

The pro forma consolidated statement of financial position incorporate the following events or transactions under the Minimum Scenario and Maximum Scenario:

Minimum Scenario**a) Pro Forma I - Proposed Rights Issue of RCULS**

Pro Forma I incorporates the effects of the Proposed Rights Issue of RCULS.

- On the assumption that only HLMG subscribes for the RCULS pursuant to the Entitlement Undertaking and none of the other Entitled Shareholders subscribe for their entitlement under the Proposed Rights Issue of RCULS.
- The issuance of RM123,532,974 in nominal value of RCULS at 100.0% of its nominal value of RM1.00 on the basis of 36 RCULS for every 100 existing HIB Shares held on the Entitlement Date, raising illustrative gross proceeds of approximately RM123.5 million.
- The Proposed Rights Issue of RCULS is segregated into equity and liability components. The fair value of liability component of the RCULS in the Minimum Scenario is arrived at by discounting the 5.0% coupon payments over the tenure of five (5) years at the discount rate of 5.0%, being the estimated current market interest rate of a similar borrowing as at the LPD.
- The RCULS reserve (equity component) is determined based on the proceeds from the issuance of the RCULS, net of liability component of the RCULS and the deferred tax assets arising from the temporary differences of the liability component of the RCULS.

	RM'000
Proceeds from issuance of the RCULS	123,533
Less: Liability component of the RCULS	(27,029)
Less: Estimated expenses attributable to the equity component of the RCULS	(742)
Add: Deferred tax assets arising from the temporary differences of the liability component of the RCULS, computed based on an income tax rate of 24.0%	6,487
Equity component of the RCULS	102,249

- The estimated expenses attributable to the liability component of the RCULS of approximately RM208,000 will be charged to the profit or loss.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A**Hume Industries Berhad ("HIB")**

Pro Forma Consolidated Statement of Financial Position and the notes thereon

4. Pro forma adjustments to the pro forma consolidated statement of financial position (continued)**Minimum Scenario (continued)****b) Pro Forma II – Intended Use of Proceeds**

Pro Forma II incorporates the effects of Pro Forma I and the effects of the intended use of proceeds from the Proposed Rights Issue of RCULS.

- The gross proceeds from the Proposed Rights Issue of RCULS of approximately RM123,533,000 is intended to be utilised as follows:

Description of use of proceeds	Notes	RM'000
Repay bank borrowings	1	122,257
Fund general working capital	2	326
Defray expenses in relation to the Proposed Rights Issue of RCULS	3	950
		<u>123,533</u>

Notes:**(1) Repay bank borrowings**

As at the LPD, the total borrowings of HIB and its subsidiaries ("HIB Group"), which comprised term loans, revolving credit and banker's acceptances, stood at about RM754.2 million. The Company intends to use about RM122.3 million of the gross proceeds arising from the Proposed Rights Issue of RCULS to repay part of HIB Group's bank borrowings.

(2) Fund general working capital

The Company intends to use about RM0.3 million to fund the general working capital purposes of HIB Group, namely for purchases of inputs (comprising raw materials, combustible materials and consumables) and repayment of creditors. The exact amount of proceeds to be used for each component of working capital cannot be determined at this juncture as it would depend on the operating and financing requirements of HIB Group at the time of use.

Any shortfall or surplus in the funds allocated to one component of working capital may be adjusted from or to the other component depending on the Company's operating and financing requirements at the time of use.

(3) Defray expenses in relation to the Proposed Rights Issue of RCULS

The Company intends to use about RM1.0 million to defray expenses relating to the Proposed Rights Issue of RCULS. These expenses include, among others, professional fees, fees payable to the relevant authorities, expenses to convene its extraordinary general meeting ("EGM") as well as other ancillary expenses incurred in relation to the Proposed Rights Issue of RCULS.

If the actual expenses are lower or higher than estimated, any shortfall or surplus will be adjusted against the portion earmarked for HIB Group's general working capital purposes.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A**Hume Industries Berhad ("HIB")**

Pro Forma Consolidated Statement of Financial Position and the notes thereon

4. Pro forma adjustments to the pro forma consolidated statement of financial position (continued)**Minimum Scenario (continued)****c) Pro Forma III(a) - Full redemption of the RCULS**

- Pro Forma III(a) incorporates the effects of Pro Forma I, Pro Forma II and the effects of the full redemption of RM123,532,974 nominal value of RCULS via additional borrowings.
- The full redemption of the RCULS will result in an increase in loans and borrowings by approximately RM123.5 million and a corresponding reduction in equity and the equity component of the RCULS by approximately RM123.5 million and RM102.2 million respectively.
- The interest expense over the tenure of the RCULS of about RM3.9 million, the reduction of deferred tax assets of about RM6.5 million, and the recognition of the differences between the nominal value of RCULS and the equity component of the RCULS amounting to about RM21.3 million will be charged to the profit or loss.

d) Pro Forma III(b) - Full conversion of the RCULS

- Pro Forma III(b) incorporates the effects of Pro Forma I, Pro Forma II and the effects of the full conversion of RM123,532,974 nominal value of RCULS into new HIB Shares, at a Conversion Price of RM0.50 each.
- The full conversion of the RCULS will result in an increase in share capital by approximately RM123.5 million and a corresponding reduction in retained earnings and the equity component of the RCULS by approximately RM21.3 million and RM102.2 million respectively.
- The interest expense over the tenure of the RCULS of about RM3.9 million, the reduction of deferred tax assets of about RM6.5 million, and the recognition of the differences between the nominal value of RCULS and the equity component of the RCULS amounting to about RM21.3 million will be charged to the profit or loss.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A

Hume Industries Berhad ("HIB")

Pro Forma Consolidated Statement of Financial Position and the notes thereon

4. Pro forma adjustments to the pro forma consolidated statement of financial position (continued)**Maximum Scenario****a) Pro Forma I - Proposed Rights Issue of RCULS**

Pro Forma I incorporates the effects of the Proposed Rights Issue of RCULS.

- On the assumption that all the Entitled Shareholders subscribe for their respective entitlements to the RCULS in full under the Proposed Rights Issue of RCULS.
- The issuance of up to RM172,473,768 in nominal value of RCULS at 100.0% of its nominal value of RM1.00 on the basis of 36 RCULS for every 100 existing HIB Shares held on the Entitlement Date, raising illustrative gross proceeds of approximately RM172.5 million.
- The Proposed Rights Issue of RCULS is segregated into equity and liability components. The fair value of liability component of the RCULS in the Maximum Scenario is arrived at by discounting the 5.0% coupon payments over the tenure of five (5) years at the discount rate of 5.0%, being the estimated current market interest rate of a similar borrowing as at the LPD.
- The RCULS reserve (equity component) is determined based on the proceeds from the issuance of the RCULS, net of liability component of the RCULS and the deferred tax assets arising from the temporary differences of the liability component of the RCULS.

	RM'000
Proceeds from issuance of the RCULS	172,474
Less: Liability component of the RCULS	(37,737)
Less: Estimated expenses attributable to the equity component of the RCULS	(742)
Add: Deferred tax assets arising from the temporary differences of the liability component of the RCULS, computed based on an income tax rate of 24.0%	9,057
Equity component of the RCULS	143,052

- The estimated expenses attributable to the liability component of the RCULS of approximately RM208,000 will be charged to the profit or loss.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A**Hume Industries Berhad ("HIB")**

Pro Forma Consolidated Statement of Financial Position and the notes thereon

4. Pro forma adjustments to the pro forma consolidated statement of financial position (continued)**Maximum Scenario (continued)****b) Pro Forma II – Intended Use of Proceeds**

- Pro Forma II incorporates the effects Pro Forma I and the effects of the intended use of proceeds from the Proposed Rights Issue of RCULS.
- The gross proceeds from the Proposed Rights Issue of RCULS of approximately RM172,474,000 is intended to be utilised as follows:

Description of use of proceeds	Notes	RM'000
Repay bank borrowings	1	122,257
Fund general working capital	2	49,267
Defray expenses in relation to the Proposed Rights Issue of RCULS	3	950
		<u>172,474</u>

Notes:**(1) Repay bank borrowings**

As at the LPD, the total borrowings of HIB Group, which comprised term loans, revolving credit and banker's acceptances, stood at about RM754.2 million. The Company intends to use about RM122.3 million of the gross proceeds arising from the Proposed Rights Issue of RCULS to repay part of HIB Group's bank borrowings.

(2) Fund general working capital

The Company intends to use about RM49.3 million to fund the general working capital purposes of HIB Group, namely for purchases of inputs (comprising raw materials, combustible materials and consumables) and repayment of creditors. The exact amount of proceeds to be used for each component of working capital cannot be determined at this juncture as it would depend on the operating and financing requirements of HIB Group at the time of use.

Any shortfall or surplus in the funds allocated to one component of working capital may be adjusted from or to the other component depending on the Company's operating and financing requirements at the time of use.

(3) Defray expenses in relation to the Proposed Rights Issue of RCULS

The Company intends to use about RM1.0 million to defray expenses relating to the Proposed Rights Issue of RCULS. These expenses include, among others, professional fees, fees payable to the relevant authorities, expenses to convene the EGM as well as other ancillary expenses incurred in relation to the Proposed Rights Issue of RCULS.

If the actual expenses are lower or higher than estimated, any shortfall or surplus will be adjusted against the portion earmarked for HIB Group's general working capital purposes.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A**Hume Industries Berhad ("HIB")**

Pro Forma Consolidated Statement of Financial Position and the notes thereon

4. Pro forma adjustments to the pro forma consolidated statement of financial position (continued)**Maximum Scenario (continued)****c) Pro Forma III(a) – Full redemption of the RCULS**

- Pro Forma III(a) incorporates the effects of Pro Forma I, Pro Forma II and the effects of the full redemption of RM172,473,768 nominal value of RCULS via additional borrowings.
- The assumed full redemption of the RCULS will result in an increase in loans and borrowings by approximately RM172.5 million and a corresponding reduction in equity and the equity component of the RCULS by approximately RM172.5 million and RM143.1 million respectively.
- The interest expense over the tenure of the RCULS of about RM5.4 million, the reduction of deferred tax assets of about RM9.1 million, and the recognition of the differences between the nominal value of RCULS and the equity component of the RCULS amounting to about RM29.4 million will be charged to the profit or loss.

d) Pro Forma III(b) – Full conversion of the RCULS

- Pro Forma III(b) incorporates the effects of Pro Forma I, Pro Forma II, and the effects of the full conversion of RM172,473,768 nominal value of RCULS into new HIB shares, at a Conversion Price of RM0.50 each.
- The assumed full conversion of the RCULS will result in an increase in share capital by approximately RM172.5 million and a corresponding reduction in retained earnings and the equity component of the RCULS by approximately RM29.4 million and RM143.1 million respectively.
- The interest expense over the tenure of the RCULS of about RM5.4 million, the reduction of deferred tax assets of about RM9.1 million, and the recognition of the differences between the nominal value of RCULS and the equity component of the RCULS amounting to about RM29.4 million will be charged to the profit or loss.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A

Hume Industries Berhad ("HIB")
Pro Forma Consolidated Statement of Financial Position and the notes thereon

5. Pro forma Consolidated Statement of Financial Position

The pro forma consolidated statement of financial position of HIB as at 30 June 2018 as set out below has been prepared for illustrative purposes only, to show the effects of the pro forma adjustments referred to in Note 4, had these events and transactions been effected on 30 June 2018, and should be read in conjunction with the rest of the notes in this attachment.

Minimum Scenario

Notes	As at 30 June 2018* RM'000	Pro Forma (RM'000)			
		Pro Forma (I) After the Proposed Rights Issue of RCULS	Pro Forma (II) After (I) and the intended use of proceeds	Pro Forma (III)(a) After (II) and the full redemption of the RCULS	Pro Forma (III)(b) After (II) and the full conversion of the RCULS
Assets					
Property, plant and equipment	1,064,792	1,064,792	1,064,792	1,064,792	1,064,792
Investment in subsidiaries	-	-	-	-	-
Deferred tax assets	13,460	19,947	19,947	13,460	13,460
Tax credit receivable	156,146	156,146	156,146	156,146	156,146
Total non-current assets	1,234,398	1,240,885	1,240,885	1,234,398	1,234,398
Inventories	100,699	100,699	100,699	100,699	100,699
Trade and other receivables, including derivatives	76,171	76,171	76,171	76,171	76,171
Current tax assets	2,824	2,824	2,824	2,824	2,824
Cash and cash equivalents	73,256	196,789	73,582	42,699	42,699
Total current assets	252,950	376,483	253,276	222,393	222,393
Total assets	1,487,348	1,617,368	1,494,161	1,456,791	1,456,791

* Extracted from the audited financial statements of HIB Group for the financial year ended 30 June 2018.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A

Hume Industries Berhad ("HIB")

Pro Forma Consolidated Statement of Financial Position and the notes thereon

		5. Pro forma Consolidated Statement of Financial Position (continued)				
		<u>Minimum Scenario (continued)</u>				
	Notes	As at 30 June 2018*	Pro Forma (I) After the Proposed Rights Issue of RCULS	Pro Forma (II) After (I) and the intended use of proceeds	Pro Forma (III)(a) After (II) and the full redemption of the RCULS	Pro Forma (III)(b) After (II) and the full conversion of the RCULS
		RM'000	RM'000	RM'000	RM'000	RM'000
Equity						
Share capital		479,094	479,094	479,094	479,094	602,627
Reserves		(89,194)	(89,402)	(89,402)	(121,027)	(121,027)
RCULS - Equity component		-	102,249	102,249	-	-
Total equity attributable to owners of the Company	6.3	389,900	491,941	491,941	358,067	481,600
Liabilities						
Loans and borrowings		235,277	235,277	235,277	235,277	235,277
Deferred tax liabilities		56,893	56,893	56,893	56,893	56,893
RCULS - Liability component	6.4	-	21,076	21,076	-	-
Deferred income		124,856	124,856	124,856	124,856	124,856
Employee benefits		422	422	422	422	422
Total non-current liabilities		417,448	438,524	438,524	417,448	417,448
Trade and other payables, including derivatives		167,538	168,488	167,538	167,538	167,538
Loans and borrowings	6.5	504,645	504,645	382,388	505,921	382,388
RCULS - Liability component	6.4	-	5,953	5,953	-	-
Deferred income		7,817	7,817	7,817	7,817	7,817
Total current liabilities		680,000	686,903	563,696	681,276	557,743
Total liabilities		1,097,448	1,125,427	1,002,220	1,098,724	975,191
Total equity and liabilities		1,487,348	1,617,368	1,494,161	1,456,791	1,456,791

* Extracted from the audited financial statements of HIB Group for the financial year ended 30 June 2018.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A

Hume Industries Berhad ("HIB")

Pro Forma Consolidated Statement of Financial Position and the notes thereon

5. Pro forma Consolidated Statement of Financial Position (continued)

Minimum Scenario (continued)

Supplementary Information

	Notes	As at 30 June 2018*	After the Proposed Rights Issue of RCULS	Pro Forma (I)	After (I) and the intended use of proceeds	Pro Forma (II)	After (II) and the full redemption of the RCULS	Pro Forma (III)(a)	After (II) and the full conversion of the RCULS	Pro Forma (III)(b)
No. of HIB Shares in issue ('000)		479,094	479,094	479,094	479,094	479,094	479,094	479,094	726,160	
Net assets (RM'000)	(i)	389,900	491,941	491,941	491,941	491,941	358,067	358,067	481,600	
Net assets per share (RM)	(ii)	0.81	1.03	1.03	1.03	1.03	0.75	0.75	0.66	
Total borrowings (RM'000)		739,922	766,951	766,951	644,694	644,694	741,198	741,198	617,665	
Gearing (times)	(iii)	1.90	1.56	1.56	1.31	1.31	2.07	2.07	1.28	

* Extracted from the audited financial statements of HIB Group for the financial year ended 30 June 2018

Notes:

- (i) Net assets represents total equity attributable to owners of the Company.
(ii) Net assets per share = Net assets / Number of HIB Shares in issue.
(iii) Gearing ratio = Total borrowings / Total equity attributable to owners of the Company.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A

Hume Industries Berhad ("HIB")

Pro Forma Consolidated Statement of Financial Position and the notes thereon

5. Pro forma Consolidated Statement of Financial Position (continued)

Maximum Scenario

Note	Pro Forma (I) Pro Forma (II) Pro Forma (III)(a) Pro Forma (III)(b)			
	As at 30 June 2018*	After the Proposed Rights Issue of RCULS of RM'000	After (I) and the intended use of proceeds of RM'000	After (II) and the full redemption of the RCULS of RM'000
	RM'000	RM'000	RM'000	RM'000
	1,064,792	1,064,792	1,064,792	1,064,792
6.1	13,460	22,517	22,517	13,460
	156,146	156,146	156,146	156,146
	1,234,398	1,243,455	1,243,455	1,234,398
	100,699	100,699	100,699	100,699
	76,171	76,171	76,171	76,171
	2,824	2,824	2,824	2,824
6.2	73,256	245,730	122,523	79,404
	252,950	425,424	302,217	259,098
	1,487,348	1,668,879	1,545,672	1,493,496

* Extracted from the audited financial statements of HIB Group for the financial year ended 30 June 2018.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A

Hume Industries Berhad ("HIB")

Pro Forma Consolidated Statement of Financial Position and the notes thereon

	5. Pro forma Consolidated Statement of Financial Position (continued)				
	Notes	Pro Forma (I) As at 30 June 2018*	Pro Forma (II) After the Proposed Rights Issue of RCULS	Pro Forma (III)(a) After (II) and the full redemption of the RCULS	Pro Forma (III)(b) After (II) and the full conversion of the RCULS
	RM'000	RM'000	RM'000	RM'000	RM'000
Equity					
Share capital	479,094	479,094	479,094	479,094	651,568
Reserves	(89,194)	(89,402)	(89,402)	(133,263)	(133,263)
RCULS – Equity component	-	143,051	143,051	-	-
Total equity attributable to owners of the Company	389,900	532,743	532,743	345,831	518,305
Liabilities					
Loans and borrowings	235,277	235,277	235,277	235,277	235,277
Deferred tax liabilities	56,893	56,893	56,893	56,893	56,893
RCULS – Liability component	-	29,427	29,427	-	-
Deferred income	124,856	124,856	124,856	124,856	124,856
Employee benefits	422	422	422	422	422
Total non-current liabilities	417,448	446,875	446,875	417,448	417,448
Trade and other payables, including derivatives	167,538	168,488	167,538	167,538	167,538
Loans and borrowings	504,645	504,645	382,388	554,862	382,388
RCULS – Liability component	-	8,311	8,311	-	-
Deferred income	7,817	7,817	7,817	7,817	7,817
Total current liabilities	680,000	689,261	566,054	730,217	557,743
Total liabilities	1,097,448	1,136,136	1,012,929	1,147,665	975,191
Total equity and liabilities	1,487,348	1,668,879	1,545,672	1,493,496	1,493,496

* Extracted from the audited financial statements of HIB Group for the financial year ended 30 June 2018.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A

Hume Industries Berhad ("HIB")
Pro Forma Consolidated Statement of Financial Position and the notes thereon

5. Pro forma Consolidated Statement of Financial Position (continued)

Maximum Scenario (continued)

Supplementary Information

	Notes	As at 30 June 2018*	After the Proposed Rights Issue of RCULS	Pro Forma (I) After (I) and the intended use of proceeds	Pro Forma (II)(a) After (II) and the full redemption of the RCULS	Pro Forma (III)(b) After (II) and the full conversion of the RCULS
No. of HIB Shares in issue ('000)		479,094	479,094	479,094	479,094	824,041
Net assets (RM'000)	(i)	389,900	532,743	532,743	345,831	518,305
Net assets per share (RM)	(ii)	0.81	1.11	1.11	0.72	0.63
Total borrowings (RM'000)		739,922	777,660	655,403	790,139	617,665
Gearing (times)	(iii)	1.90	1.46	1.23	2.28	1.19

* Extracted from the audited financial statements of HIB Group for the financial year ended 30 June 2018

Notes:

- (i) Net assets represents total equity attributable to owners of the Company.
(ii) Net assets per share = Net assets / Number of HIB Shares in issue.
(iii) Gearing ratio = Total borrowings / Total equity attributable to owners of the Company.



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A

Hume Industries Berhad ("HIB")

Pro Forma Consolidated Statement of Financial Position and the notes thereon

6. Effects on the Pro Forma Consolidated Statement of Financial Position**6.1 Movement in deferred tax assets**

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance at 30 June 2018	13,460	13,460
<i>Effects of Pro Forma I</i>		
- Proposed Rights Issue of RCULS	6,487	9,057
Pro Forma I	19,947	22,517
<i>Effects of Pro Forma II</i>		
- Intended use of proceeds	-	-
Pro Forma II	19,947	22,517
<i>Effects of Pro Forma III(a) and III(b)</i>		
- Reversal of deferred tax assets	(6,487)	(9,057)
Pro Forma III(a) and III(b)	13,460	13,460

6.2 Movement in cash and cash equivalents

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance at 30 June 2018	73,256	73,256
<i>Effects of Pro Forma I</i>		
- Proceeds from the Proposed Rights Issue of RCULS	123,533	172,474
Pro Forma I	196,789	245,730
<i>Effects of Pro Forma II</i>		
- Intended use of proceeds	(123,207)	(123,207)
Pro Forma II	73,582	122,523
<i>Effects of Pro Forma III(a) and III(b)</i>		
- RCULS coupon payment	(30,883)	(43,119)
Pro Forma III(a) and III(b)	42,699	79,404



OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A

Hume Industries Berhad ("HIB")

Pro Forma Consolidated Statement of financial position and the notes thereon

6. Effects on the Pro Forma Consolidated Statement of Financial Position (continued)

6.3 Movement in equity

Minimum Scenario

	Share capital	Exchange fluctuation reserve	Accumulated losses	Equity component of RCULS	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 June 2018	479,094	21	(89,215)	-	389,900
<i>Effects of Pro Forma I and II</i>					
- Proposed Rights Issue of RCULS	-	-	(208)	102,249	102,041
- Intended use of proceeds	-	-	-	-	-
Pro Forma I and II	479,094	21	(89,423)	102,249	491,941
<i>Effects of Pro Forma III(a)</i>					
- Full redemption of the RCULS	-	-	(31,625)	(102,249)	(133,874)
Pro Forma III(a)	479,094	21	(121,048)	-	358,067
At 30 June 2018	479,094	21	(89,215)	-	389,900
<i>Effects of Pro Forma I and II</i>					
- Proposed Rights Issue of RCULS	-	-	(208)	102,249	102,041
- Intended use of proceeds	-	-	-	-	-
Pro Forma I and II	479,094	21	(89,423)	102,249	491,941
<i>Effects of Pro forma III(b)</i>					
- Full conversion of the RCULS	123,533	-	(31,625)	(102,249)	(10,341)
Pro Forma III(b)	602,627	21	(121,048)	-	481,600

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OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A

Hume Industries Berhad ("HIB")

Pro Forma Consolidated Statement of financial position and the notes thereon

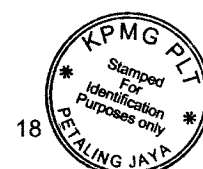
6. Effects on the Pro Forma Consolidated Statement of Financial Position (continued)

6.3 Movement in equity (continued)

Maximum Scenario

	Share capital	Exchange fluctuation reserve	Accumulated losses	Equity component of RCULS	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
At 30 June 2018	479,094	21	(89,215)	-	389,900
<i>Effects of Pro Forma I and II</i>					
- Proposed Rights Issue of RCULS	-	-	(208)	143,051	142,843
- Intended use of proceeds	-	-	-	-	-
Pro Forma I and II	479,094	21	(89,423)	143,051	532,743
<i>Effects of Pro Forma III(a)</i>					
- Full redemption of the RCULS	-	-	(43,861)	(143,051)	(186,912)
Pro Forma III(a)	479,094	21	(133,284)	-	345,831
At 30 June 2018	479,094	21	(89,215)	-	389,900
<i>Effects of Pro Forma I and II</i>					
- Proposed Rights Issue of RCULS	-	-	(208)	143,051	142,843
- Intended use of proceeds	-	-	-	-	-
Pro Forma I and II	479,094	21	(89,423)	143,051	532,743
<i>Effects of Pro forma III(b)</i>					
- Full conversion of the RCULS	172,474	-	(43,861)	(143,051)	(14,438)
Pro Forma III(b)	651,568	21	(133,284)	-	518,305

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OUR PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018 TOGETHER WITH OUR REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Attachment A

**Hume Industries Berhad ("HIB")
Pro Forma Consolidated Statement of Financial Position and the notes thereon**

6. Effects on the Pro Forma Consolidated Statement of Financial Position (continued)

6.4 Movement in RCULS - liability component

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance at 30 June 2018	-	-
<i>Effects of Pro Forma I and II</i>		
- Proposed Rights Issue of RCULS		
- Current liabilities	5,953	8,311
- Non-current liabilities	21,076	29,427
	<u>27,029</u>	<u>37,738</u>
- Intended use of proceeds	-	-
Pro Forma I and II	<u>27,029</u>	<u>37,738</u>
<i>Effects of Pro Forma III(a) and III(b)</i>		
- Full redemption/conversion of the RCULS	<u>(27,029)</u>	<u>(37,738)</u>
Pro Forma III(a) and III(b)	<u>-</u>	<u>-</u>

6.5 Movement in loans and borrowings (current)

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance at 30 June 2018	504,645	504,645
<i>Effects of Pro Forma I and II</i>		
- Proposed Rights Issue of RCULS	-	-
- Intended use of proceeds	(122,257)	(122,257)
Pro Forma I and II	<u>382,388</u>	<u>382,388</u>
<i>Effects of Pro Forma III(a)</i>		
- Full redemption of the RCULS	123,533	172,474
Pro Forma III(a)	<u>505,921</u>	<u>554,862</u>
Balance at 30 June 2018	504,645	504,645
<i>Effects of Pro Forma I and II</i>		
- Proposed Rights Issue of RCULS	-	-
- Intended use of proceeds	(122,257)	(122,257)
Pro Forma I and II	<u>382,388</u>	<u>382,388</u>
<i>Effects of Pro Forma III(b)</i>		
- Full conversion of the RCULS	-	-
Pro Forma III(b)	<u>382,388</u>	<u>382,388</u>



FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

This circular has been seen and approved by our Board, who collectively and individually accept full responsibility for the accuracy of the information given and confirm that, having made all reasonable enquiries and to the best of our Board's knowledge and belief, there are no other material facts, the omission of which would make any statement in this circular false or misleading.

2. CONSENTS AND CONFLICT OF INTERESTS**2.1 HLIB**

HLIB, being our Principal Adviser for the Proposed Rights Issue of RCULS, has given and has not subsequently withdrawn its written consent to the inclusion in this circular of its name and all references to it in the form and context in which they appear in this circular.

HLIB has confirmed that no conflict of interest exists or is likely to exist arising from its appointment as our Principal Adviser for the Proposed Rights Issue of RCULS, apart from it being related to our Company by virtue of the common ultimate holding company, HLCM. Notwithstanding the above, HLIB is a licensed investment bank and its appointment as our Principal Adviser for the Proposed Rights Issue of RCULS is in its ordinary course of business. Furthermore, the conduct of HLIB is regulated strictly by the Financial Services Act 2013, the Capital Markets and Services Act 2007 and its internal control policies and procedures.

2.2 KPMG PLT

KPMG PLT, being our reporting accountants for the Proposed Rights Issue of RCULS, has given and has not subsequently withdrawn its written consent to the inclusion in this circular of its name, our pro forma consolidated statement of financial position as at 30 June 2018 with the notes and its letter thereon and all references to them in the form and context in which they appear in this circular.

KPMG PLT has confirmed that as at the date of this circular, it is not aware of any circumstances or relationships which would give rise to a conflict of interest situation in its capacity as our reporting accountants for the Proposed Rights Issue of RCULS.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**3.1 Material commitments**

As at the LPD, our Group does not have any material commitments contracted or known to be contracted by our Group.

3.2 Contingent liabilities

As at the LPD, our Group does not have any material contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the profits or NA of our Group.

FURTHER INFORMATION (Cont'd)

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, our Group is not engaged in any material litigation, either as the plaintiff or defendant, claims or arbitration which have a material effect on the financial position or business of our Group and our Board is not aware of any proceedings, pending or threatened against our Group, or of any other facts which is likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Level 31, Menara Hong Leong, No. 6, Jalan Damanela, Bukit Damansara, 50490 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) from the date of this circular up to and including the date of our forthcoming EGM:

- (i) our Constitution;
- (ii) our audited consolidated financial statements for the past 2 FYEs 30 June 2017 and 2018 and our latest unaudited consolidated financial statements for the 6-month financial period ended 31 December 2018;
- (iii) our pro forma consolidated statement of financial position as at 30 June 2018 together with our reporting accountant's letter thereon, as set out in Appendix II of this circular;
- (iv) the letters of consent and declaration of no conflict of interests referred to in section 2 of this Appendix;
- (v) the undertaking letter dated 25 January 2019 in relation to the Entitlement Undertaking as referred to in section 2.5 of this circular; and
- (vi) the draft Trust Deed.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“EGM”) of Hume Industries Berhad will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 12 April 2019 at 11.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following motion:

ORDINARY RESOLUTION

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO RM172,473,768 NOMINAL VALUE OF 5-YEAR 5.0% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (“RCULS”) AT 100.0% OF ITS NOMINAL VALUE OF RM1.00 ON THE BASIS OF 36 RCULS FOR EVERY 100 EXISTING ORDINARY SHARES HELD IN HUME INDUSTRIES BERHAD (THE “COMPANY”) (“SHARES”) ON AN ENTITLEMENT DATE TO BE DETERMINED (“PROPOSED RIGHTS ISSUE OF RCULS”)

“**THAT**, subject to all approvals being obtained from the relevant regulatory authorities, the board of directors of the Company (“**Board**”) be and is hereby authorised to issue and allot:

- (i) by way of a renounceable rights issue of up to RM172,473,768 nominal value of 5-year 5.0% RCULS at 100.0% of its nominal value of RM1.00 to persons who are registered as shareholders of the Company whose names appear in the Record of Depositors of the Company as at 5.00 p.m. on a date to be determined by the Board, on the basis of 36 RCULS for every 100 existing Shares held, and that any RCULS not allotted or validly taken up for any reason whatsoever shall be dealt with by the Board in such manner as the Board shall in its absolute discretion deem fit or expedient and in the best interest of the Company;
- (ii) such number of new Shares credited as fully paid-up in the Company upon conversion of the RCULS at a conversion price to be determined by the Board, and that such new Shares shall, upon allotment and issue, rank equally in all respects with the existing Shares, except that they will not be entitled to any dividends, rights, allotments and any other distributions in respect of which the entitlement date is before the date of allotment of such new Shares; and
- (iii) such further number of new Shares as may be required or permitted to be issued and allotted as a consequence of the adjustments under the provisions of the trust deed constituting the RCULS (“**Trust Deed**”),

upon such terms and conditions including without limitation as to interest and maturity thereof as the Board may determine and provide in the Trust Deed and/or other documents constituting the RCULS;

AND THAT the Board be and is hereby authorised to utilise the proceeds arising from the Proposed Rights Issue of RCULS for the purposes as set out in the circular to shareholders of the Company dated 28 March 2019 and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit or expedient and in the best interest of the Company, subject (where required) to the approval of the relevant authorities;

AND THAT the Board be and is hereby authorised to enter into and execute all transaction documents or agreements in connection with the Proposed Rights Issue of RCULS, including but not limited to the Trust Deed, and to do all acts, deeds and things as the Board may deem fit or expedient in order to implement, finalise and give full effect to the aforesaid Trust Deed;

AND THAT fractional entitlements to the RCULS arising from the Proposed Rights Issue of RCULS, if any, shall be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion deem fit or expedient and in the best interest of the Company;

AND THAT in order to implement, complete and give full effect to the Proposed Rights Issue of RCULS, approval be and is hereby given to the Board to do or to procure to be done all such acts, deeds and things and to execute, sign and deliver on behalf of the Company, all such documents and enter into any arrangements, agreements and/or undertakings with any parties, as they may deem fit, necessary, expedient and/or appropriate to implement, finalise, and/or give full effect to complete the Proposed Rights Issue of RCULS, with full powers to assent to any term, condition, modification, variation and/or amendment as may be agreed with/required by any relevant regulatory authority or as a consequence of any such requirements or as the Board shall in its absolute discretion deem fit, necessary, expedient and/or appropriate in connection with the Proposed Rights Issue of RCULS and in the best interest of the Company.”

By Order of the Board

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
28 March 2019

Notes:

- (1) For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 5 April 2019 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- (2) Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one (1) securities account ("**Omnibus Account**") may appoint any number of proxies in respect of the Omnibus Account.
- (3) Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.
- (4) The Form of Proxy must be deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.
- (5) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in this Notice will be put to a vote by way of a poll.

FORM OF PROXY

I/We _____

NRIC/Passport/Company No. _____

of _____

being a member of **HUME INDUSTRIES BERHAD** (the "Company"), hereby appoint _____

NRIC/Passport No. _____

of _____

or failing him/her, _____

NRIC/Passport No. _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 12 April 2019 at 11.00 a.m. or at any adjournment thereof.

My/Our proxy/proxies is/are to vote on a poll as indicated below with an "X":

ORDINARY RESOLUTION	FOR	AGAINST
PROPOSED RIGHTS ISSUE OF RCULS		

Dated this _____ day of _____ 2019

Number of shares held

Signature(s) of Member

Notes:

- (1) For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 5 April 2019 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- (2) If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- (3) If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- (4) A proxy may but need not be a member of the Company.
- (5) Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one (1) securities account ("**Omnibus Account**") may appoint any number of proxies in respect of the Omnibus Account.
- (6) Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).
- (7) In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- (8) All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.
- (9) In the event two (2) or more proxies are appointed, please fill in the ensuing section:

Name of proxies	% of shareholdings to be represented

- (10) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in the notice of Extraordinary General Meeting will be put to a vote by way of poll.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries
HUME INDUSTRIES BERHAD (62227-X)
Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

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