Hume Industries Berhad

A Member of the Hong Leong Group

ANNUAL REPORT 2017

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COMPANY PROFILE

HUME INDUSTRIES BERHAD (“HIB”)

is a principally an investment holding company and its subsidiaries are engaged in the manufacturing and sale of cement and cement related products; manufacturing, marketing and sale of concrete and concrete related products; provision of research and development services for concrete and cement products; and interior design fit-out works.

HIB is a public listed company and its shares are traded on the Main Market of Bursa Malaysia Securities Berhad.

CORPORATE INFORMATION

DIRECTORS

YBhg Datuk Kwek Leng San
(Chairman)

YBhg Dato' Quah Thain Khan
(Group Managing Director)

YBhg Dato' Rosman bin Abdullah

Mr Seow Yoo Lin

YBhg Dato' Ir. Tan Gim Foo

YBhg Datuk Wira Azhar bin Abdul Hamid

COMPANY SECRETARIES

Ms Joanne Leong Wei Yin
Ms Valerie Mak Mew Chan

AUDITORS

KPMG PLT
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7721 3388
Fax : 03-7721 3399

REGISTRAR

Hong Leong Share Registration Services Sdn. Bhd.
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 1818
Fax : 03-2164 3703

REGISTERED OFFICE

Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 2631
Fax : 03-2164 2514

COUNTRY OF INCORPORATION/ DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-seventh Annual General Meeting of Hume Industries Berhad ("the Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 25 October 2017 at 10.00 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2017.

2. To approve the payment of Director Fees of RM422,000/- for the financial year ended 30 June 2017 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM56,000/- for the period of 31 January 2017 until the next Annual General Meeting. **Resolution 1**

3. To pass the following motions as ordinary resolutions:

   (a) "**THAT** YBhg Dato' Quah Thain Khan, a Director who retires by rotation pursuant to Article 115 of the Company's Constitution, be and is hereby re-elected a Director of the Company." **Resolution 2**

   (b) "**THAT** YBhg Dato' Ir. Tan Gim Foo, a Director who retires by rotation pursuant to Article 115 of the Company's Constitution, be and is hereby re-elected a Director of the Company." **Resolution 3**

4. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 4**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions:

5. **Ordinary Resolution**
   -Approval To Continue In Office As Independent Non-Executive Director

   "**THAT** approval be and is hereby given for YBhg Dato' Rosman bin Abdullah who has served as an Independent Non-Executive Director of the Company for more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting." **Resolution 5**

6. **Ordinary Resolution**
   -Authority To Directors To Allot Shares

   "**THAT** subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to allot shares in the Company, grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so allotted on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 6**

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

7. **Ordinary Resolution**
-Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Company (Malaysia) Berhad ("HLCM") And Persons Connected With HLCM

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(A) of the Circular to Shareholders dated 3 October 2017 with HLCM and persons connected with HLCM ("Hong Leong Group"), provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 7**

8. **Ordinary Resolution**
-Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Investment Holdings Pte. Ltd. ("HLIH") And Persons Connected With HLIH

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 3 October 2017 with HLIH and persons connected with HLIH ("HLIH Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to HLIH Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 8**

9. **Ordinary Resolution**
-Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware")

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 3 October 2017 with Hong Bee Hardware provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to Hong Bee Hardware than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 9**

10. **Ordinary Resolution**
-Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Putrajaya Perdana Berhad ("PPB") And Its Subsidiaries

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 3 October 2017 with PPB and its subsidiaries ("PPB Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to PPB Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 10**

11. To consider any other business of which due notice shall have been given.

By Order of the Board

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
3 October 2017

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 19 October 2017 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 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 proportions 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 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than twenty-four (24) 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 ("MMLR"), all resolutions set out in this Notice will be put to a vote by way of a poll.*

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

Explanatory Notes

1. Resolution 1 - Director Fees And Other Benefits

   Director Fees of RM422,000/- are inclusive of Board Committees Fees of RM142,000/-; and Directors' Other Benefits refer to Directors' and Officers' Liability Insurance coverage based on premium paid/ payable and Directors' training benefits of up to an amount of RM56,000/-.

2. Resolution 5 - Approval To Continue In Office As Independent Non-Executive Director

   The proposed Ordinary Resolution 5, if passed, will enable YBhg Dato' Rosman bin Abdullah to continue in office as an Independent Non-Executive Director of the Company.

   Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") provides that approval of shareholders be sought in the event that the Company would like an independent director who has served in that capacity for more than 9 years to continue in office as an independent director.

   The Company has in place an Independence of Directors Policy ("ID Policy") as set out in the Statement on Corporate Governance, Risk Management and Internal Control, and an annual assessment is conducted on the independence of independent directors by the Nominating Committee ("NC") and the Board of Directors ("Board") in accordance with the criteria set out in the MMLR and the ID Policy.

   Pursuant to the MCCG 2012, the NC and the Board have assessed the performance and independence of YBhg Dato' Rosman bin Abdullah who has served on the Board for more than 9 years and determined that he remains objective and continues to bring independent and objective judgment, based on the following justifications:

   - He meets the criteria of "independent director" in accordance with the MMLR and continues to exercise independent judgment in expressing his views and deliberating issues objectively on the conduct of the Group's business and other issues raised at Board and Board Committee meetings.
   - He is free from any conflict of interest with the Company.
   - The Company benefits from the experience of YBhg Dato' Rosman bin Abdullah who has, over time, gained valuable insight into the Group, its market and the industry.
   - His knowledge of the Group's various core business operations during his tenure of office will enable him to discharge his duties effectively.
   - He exercises due care and diligence as an Independent Non-Executive Director of the Company and carries out his professional duties in the best interest of the Company and its shareholders.

   The Board recognises that independence should not be determined solely based on tenure of service and that the continued tenure of service brings considerable stability to the Board. The Company benefits from the mix of skills, experience and competencies for informed and balanced decision-making by the Board.

   Accordingly, the NC and the Board recommend that YBhg Dato' Rosman bin Abdullah continues in office as an Independent Non-Executive Director of the Company.

3. Resolution 6 - Authority To Directors To Allot Shares

The proposed ordinary resolution, if passed, will renew the general mandate given to the Directors of the Company to allot ordinary shares of the Company from time to time and expand the mandate to grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being ("Renewed General Mandate"). In computing the aforesaid 10% limit, shares issued or agreed to be issued or subscribed pursuant to the approval of shareholders in a general meeting where precise terms and conditions are approved shall not be counted. The Renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company.

As at the date of this Notice, no new shares in the Company were issued and allotted pursuant to the general mandate given to the Directors at the last AGM held on 25 October 2016 and which will lapse at the conclusion of the Thirty-seventh AGM. The Renewed General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issuance and allotment of new shares, grant of rights to subscribe for shares, conversion of any security into shares, or allotment of shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

4. Resolutions 7 to 10 – Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

The proposed ordinary resolutions, if passed, will empower the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Hume Industries Berhad Group, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company ("Proposed Renewal Of Shareholders' Mandate").

Detailed information on the Proposed Renewal Of Shareholders' Mandate is set out in the Circular to Shareholders dated 3 October 2017 which is despatched together with the Company's Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Details of individuals who are standing for election as Directors

No individual is seeking election as a Director at the Thirty-seventh Annual General Meeting of the Company.

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Details of the general mandate to allot securities in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 3 of the Notice of the Thirty-seventh Annual General Meeting.

BOARD OF DIRECTORS

YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/Non-Independent | Age 62, Male, Singaporean

Datuk Kwek Leng San graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing.

Datuk Kwek was appointed to the Board of Directors ("Board") of Hume Industries Berhad ("HIB") on 1 July 2001 and assumed the position of Managing Director on 1 March 2003. He was appointed as the Chairman of HIB on 21 February 2012. He is a member of the Nominating Committee of HIB.

He is the Chairman of Malaysian Pacific Industries Berhad, Hong Leong Industries Berhad ("HLI") and Southern Steel Berhad ("SSB"), companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). He is also a Director of Hong Leong Company (Malaysia) Berhad and Hong Leong Foundation.

YBHG DATO' QUAH THAIN KHAN

Group Managing Director/Non-Independent | Age 59, Male, Malaysian

Dato' Quah Thain Khan graduated from Monash University, Australia with a Bachelor of Mechanical Engineering (Honours) degree. He also holds a Master of Business Administration degree from Cranfield School of Management, United Kingdom.

He started his career as an engineer in 1982 with the UMW Group, where his last position was Factory Manager before joining PA Consultancy Group in 1988 as a management consultant. In 1993, he joined Lafarge Malayan Cement Berhad ("LMC"), where he held senior management positions in the manufacturing and marketing subsidiaries before becoming the Chief Executive Officer in 2000 and President & Chief Executive Officer of LMC in 2002, a position he held until 2004.

Dato' Quah joined the HLI Group as Managing Director of a subsidiary company in 2004 and in the same year, he was appointed to the Board of HLI, a position he held until 2007. He was the Managing Director of Hume Concrete Sdn Bhd until 2014 when he relinquished this position and was subsequently appointed to the Board of HIB as Group Managing Director on 28 October 2014. He does not sit on any committee of HIB.

YBHG DATO' ROSMAN BIN ABDULLAH

Non-Executive Director/Independent | Age 50, Male, Malaysian

Dato' Rosman bin Abdullah is a chartered member of the Malaysian Institute of Accountants and a member of the Australian Society of Certified Practicing Accountants. He holds a Bachelor of Commerce (Accounting) degree from the Australian National University and had attended the Advanced Management Programme at the Oxford University.

Dato' Rosman started his career with Arthur Andersen & Co in 1989. He was an Executive Director of Malaysia Airport Holdings Berhad from 1997 to 2003, a Non-Independent Non-Executive Director of KUB Malaysia Berhad from 2006 to 2011 and Cuscapi Berhad from 2003 to 2013. In 2003, he was appointed as the Corporate Affairs Director of PECD Berhad ("PECD") and was promoted to Group Chief Executive Officer of PECD in 2006 and held the position until 2009. He then served as the Chief Executive Officer of Syarikat Air Negeri Sembilan Sdn Bhd from 2009 to 2012.

Dato' Rosman was appointed to the Board of HIB on 3 February 2006. He is the Chairman of the Board Audit & Risk Management Committee of HIB.

Currently, he is the Group Managing Director of Putrajaya Perdana Berhad, a public company, and an Independent Non-Executive Director of Kumpulan Fima Berhad, a company listed on the Main Market of Bursa Securities.

MR SEOW YOO LIN

Non-Executive Director/Independent | Age 61, Male, Malaysian

Mr Seow Yoo Lin qualified as a Certified Public Accountant in 1981. He holds a Master in Business Administration from The International Management Centre, Buckingham, United Kingdom.

Mr Seow joined KPMG Malaysia in 1977. In 1983, he was seconded to KPMG United States to gain overseas experience. He returned in 1985 and was admitted as Partner in 1990.

He has been the audit partner on a wide range of companies including public listed companies and multinationals in banking and finance, manufacturing, trading and services. He was the Managing Partner of KPMG Malaysia from 2007 to 2010. He retired from the firm in 2011.

He was a member of the Executive Committee of the Malaysian Institute of Certified Public Accountants from 2009 to 2011 and was a Council member of the Malaysian Institute of Accountants from 2007 to 2011.

Mr Seow was appointed to the Board of HIB on 21 February 2012. He is the Chairman of the Nominating Committee and a member of the Board Audit & Risk Management Committee of HIB.

Mr Seow is a Director of SSB, Dolomite Corporation Berhad and AMMB Holdings Berhad, companies listed on the Main Market of Bursa Securities.

YBHG DATO' IR. TAN GIM FOO

Non-Executive Director/Independent | Age 59, Male, Malaysian

Dato' Ir. Tan Gim Foo graduated from University Malaya with a Bachelor of Engineering (Civil) Honours degree. He is a Professional Engineer registered with the Board of Engineers Malaysia and also holds a Master in Business Administration from Charles Sturt University, New South Wales, Australia.

He started his career as an engineer with IJM Construction Sdn Bhd ("IJMC") in 1983 and since then has held various senior management positions including as Managing Director of IJMC. Prior to his retirement, Dato' Ir. Tan was the Deputy Chief Executive Officer & Deputy Managing Director of IJM Corporation Berhad.

Dato' Ir. Tan was appointed to the Board of HIB on 11 December 2014. He is a member of the Board Audit & Risk Management Committee of HIB.

BOARD OF DIRECTORS
(cont'd)

YBHG DATUK WIRA AZHAR BIN ABDUL HAMID

Non-Executive Director/Independent | Age 56, Male, Malaysian

Datuk Wira Azhar bin Abdul Hamid is a Fellow member of the Association of Chartered Certified Accountants, United Kingdom and a member of the Malaysian Institute of Accountants.

Datuk Wira Azhar began his early career in the United Kingdom where he served British Telecom Plc as an Internal Audit Manager from 1989 to 1991. He then joined Malaysian Co-Operative Insurance Society Ltd as Head of Internal Audit prior to joining Sime Darby Berhad ("Sime Darby") in 1994.

In November 2001, he was appointed as Group Chief Executive of Tradewinds Corporation Berhad, a post he held until October 2002. Subsequently, in 2003, he returned to the Sime Darby Group of Companies ("Sime Darby Group") and since then, has held various key positions within the Sime Darby Group including as Managing Director of Sime Darby Plantation Sdn Bhd and Acting President and Group Chief Executive of Sime Darby, overseeing the entire Sime Darby Group's operations. In September 2011, Datuk Wira Azhar was appointed as Chief Executive Officer of Mass Rapid Transit Corporation Sdn Bhd and held the position until December 2014. He was previously the Group Managing Director of Malakoff Corporation Berhad.

Datuk Wira Azhar was appointed to the Board of HIB on 3 April 2015. He is a member of the Nominating Committee of HIB.

Currently, Datuk Wira Azhar is the Chairman of Felda Global Ventures Holdings Berhad, a Director of ICON Offshore Berhad and Hong Leong Bank Berhad, companies listed on the Main Market of Bursa Securities. He is also a Director of Malakoff Power Berhad, a public company, and a Director of Perbadanan Kemajuan Negeri Perak.

Notes:

1. **Family Relationship with Director and/or Major Shareholder**
YBhg Datuk Kwek Leng San is a brother of YBhg Tan Sri Quek Leng Chan, a major shareholder of HIB. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of HIB.

2. **Conflict of Interest**
None of the Directors has any conflict of interest with HIB.

3. **Conviction of Offences**
None of the Directors has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2017.

4. **Attendance of Directors**
Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance, Risk Management and Internal Control in the Annual Report.

KEY SENIOR MANAGEMENT

MR HENRY CHOW TIAM CHYE

Chief Financial Officer, Hume Industries Berhad | Age 44, Male, Malaysian

Mr Henry Chow is a qualified Chartered Accountant with the Malaysian Institute of Certified Public Accountants. He is also a member of the Association of Chartered Certified Accountants, Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia.

Mr Henry Chow brings with him more than 20 years of financial experience from property development sector and upstream oil & gas. He started his career with Ernst & Young before joining Maybank Investment Bank Berhad in 1996. He subsequently held various senior positions in Carigali Hess Operating Company Sdn Bhd and Sapura Kencana Petroleum Berhad. He then moved to Landmarks Berhad as General Manager, Finance in 2015, a position he held until January 2017.

Mr Henry Chow joined Hume Industries Berhad on 1 February 2017 as Chief Financial Officer.

MR JOONHO CHOI

General Manager, Hume Cement Sdn Bhd | Age 37, Male, Korean

Mr Choi graduated from Michigan State University, United States of America with a Bachelor of Arts degree, major in General Management.

He started his career as Feasibility Analyst with SsangYong Engineering & Construction Co. Ltd. ("SsangYong") in 2010, and his last position being Assistant Manager of SsangYong. In 2013, he joined Hume Roofing Products Sdn Bhd, a member of the Hong Leong Group Malaysia, as General Manager, a position he held until January 2015.

Mr Choi was appointed as General Manager of Hume Cement Sdn Bhd on 20 January 2015.

KEY SENIOR MANAGEMENT
(cont'd)

MR ADEL ABDELMOTALEB GAD

Managing Director, Hume Concrete Sdn Bhd | Age 66, Male, Eyptian

Mr Adel Gad graduated from Ain Shams University, Cairo, Egypt with a Bachelor of Civil Engineering degree. He is a member of the Society Civil Engineer, Cairo, Egypt since 1978 and a professional associate member of Civil Engineer, United Kingdom ("UK") since 1981.

Mr Adel Gad brings with him more than 30 years of professional experience in concrete and precast industry, both locally and internationally. He is known as an expert in the industry, and has completed various large projects and developments in the UK, United Arab Emirates ("UAE"), Saudi Arabia and Qatar. Mr Adel Gad has been a regular guest speaker at various conferences and universities. He has also published a few papers on the research topics in relation to, amongst others, Value Engineering, Design Concept, Achieving High Quality Durable Concrete and Handling Successfully Precast Tunnel Lining Segments and Integrated Traditional and Modern Architectural Design into Precast Systems for both academic and industrial references.

Prior to joining Hume Concrete Sdn Bhd ("HCCT"), Mr Adel Gad was the Managing Director/Partner of Techno Cast Precast, UAE.

Mr Adel Gad was appointed as Managing Director of HCCT on 6 February 2017.

Notes:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Key Senior Management has any family relationship with any Director and/or major shareholder of HIB.

2. **Conflict of Interest**
   None of the Key Senior Management has any conflict of interest with HIB.

3. **Conviction of Offences**
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2017.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Hume Industries Berhad ("HIB" or the "Company"), I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2017 ("FY 2017").

The Malaysian economy experienced a growth of 5.7% in the second half of FY 2017 as compared with 4.0% in the same period of the financial year ended 30 June 2016 ("FY 2016"). The aggregate demand was lifted by private and government consumption which resulted in higher Gross Domestic Product ("GDP"). The construction sector is expected to grow by 8% in 2017, boosted by numerous mega infrastructure projects in the country.

Despite the stronger GDP growth, the operating environment for HIB in FY 2017 was challenging. Demand for cement and concrete had started to slow down due to the completion of mega infrastructure projects such as Mass Rapid Transit ("MRT") whilst at the same time, industry cement production capacity had increased with the addition of 2 new lines, one of which was the new line of Hume Cement Sdn Bhd, a wholly-owned subsidiary of HIB ("Hume Cement Line 2").

Nevertheless, the outlook for the next few years is expected to be positive as demand for cement and concrete products is likely to increase with the commencement of the new mega projects, namely MRT Line 2, Light Rail Transit Line 3 (LRT3), various highways, railways and other development projects.

The Group recorded higher revenue of RM662.7 million in FY 2017 as compared with RM603.3 million in FY 2016. Profit before tax in FY 2017 was RM25.5 million as compared with RM62.8 million in FY 2016. The higher revenue of the Group was mainly attributable to additional sales from Hume Cement Line 2 while the lower profit was mainly attributed to a reduction in both cement and concrete margins arising from higher raw material cost and aggravated by competitive pricing.

The Malaysian government has made clear its focus is to strengthen its fiscal position while ensuring continued support for domestic growth and consumption. In the 2017 Budget, fiscal resources have been strategically poised towards high impact infrastructure projects. In line with the expected higher construction growth, the prospects for the Group's cement and concrete divisions are expected to improve.

On behalf of the Board, I would like to express our sincere thanks and gratitude to all our valued clients, business partners, shareholders, financiers and the authorities for their continuous support and confidence in the Group.

To each and every member of the Board and management team, and to all employees, I wish to express my appreciation for their contribution, dedication and commitment to the Group.

DATUK KWEK LENG SAN
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATION

Hume Industries Berhad ("HIB") is a growing leading solution provider in building material industry and aspires to be an integrated cement-based infrastructure player. HIB provides a broad range of products and services which includes the manufacture and sale of cement and cement related products, and concrete and concrete related products. In June 2016, a new cement production line has been lighted up. With the extended production capacity in cement production, HIB has successfully increased its market share in the financial year ended 30 June 2017 ("FY 2017"), supported by strong distribution channel of our existing four pre-cast concrete plants.

FINANCIAL REVIEW

For the FY 2017, the Group recorded revenue of RM662.7 million and PBT of RM25.5 million as compared with revenue and PBT of RM603.3 million and RM62.8 million respectively for the corresponding period of the financial year ended 30 June 2016 ("FY 2016"). The higher revenue recorded for FY 2017 was due to higher sales volume. The decline in PBT was mainly due to competitive pricing and higher operating expenses.

Revenue from the cement segment was encouraging due to higher cement sales and concrete revenue registered a decline compared to FY 2016, driven by intense competition in the market.

Cement-based industry is a capital intensive business venture. HIB has invested more than RM1 billion in the construction of the cement plant with financing from debt and equity. The Group does not expect to raise further capital requirement in the short to medium term for business operations.

CHALLENGES

Malaysia is currently in the transition from being a developing country towards achieving a developed nation status by year 2020. It is imperative that mega construction developments are of considerable significance to the realisation of this vision. The recent deferment of many mega infrastructure projects saw the cement market consumption took a dip. The strengthening of the United States Dollar against the Ringgit Malaysia has also escalated production cost. Whilst the market conditions for the financial year ending 30 June 2018 are expected to remain resilient, we expect the longer term demand for cement and concrete products to recover with the revival of the delayed mega infrastructure projects. Demand is also expected to increase once the spin-off activities, particularly the housing sector, begin to ramp up. HIB remains optimistic on the foregoing outlook of the construction industry driven by the continuous progress of key infrastructure projects and on-going commercial and residential development. HIB will continue to focus on product quality and provide solutions to customers whilst improving its efficiency in its overall operations.

STRATEGY

Corresponding to the market slowdown and the rising inflation, HIB recognises the need to streamline the operations by imposing various costs down initiatives to stay competitive. As part of the cost optimisation strategy, HIB has explored other alternative raw materials to remain competitive. HIB has positioned itself to take advantage of any upswing in the market once the economic environment improves through consistent engagement with all stakeholders. The concrete division has been operationally revamped to create better efficiency; this includes but not limited to manpower reorganisation, reorganisation of process layout and product innovations. On the other hand, the ready mix arm of HIB will be deployed to set up project plant as a measure to penetrate into downstream opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

PRIORITISING OUR CUSTOMER

HIB is committed to ensure the consistently high performance of its cement and concrete products through research and development by the use of the latest manufacturing technology. Our Research and Development ("R&D") activities are geared strongly towards the market and customers by continuously improving existing product performance and introducing new products range. Moving forward, the main priority is the development of new products which are already in the pipeline so as to enhance our product portfolio in the more demanding industry. However, the R&D work does not end with the product. It also includes providing our customers with competent, professional technical service on the application and optimisation of the products.

DEVELOPING OUR PEOPLE

HIB has an effective Talent Management Programme to manage the hiring of the right talent for the right job. It encompassed management of performance, developing the talent to maximise their potentials and effectively retain them to grow with the company.

Among the Talent Management components, developing the talent to maximise their potentials is the most critical area. We have put in place a structured 18-month Graduate Development Programme, by which a comprehensive programme is drawn up through on-the-job engagements, technical trainings and other challenging job assignments and projects to assess their potentials. Through our regular business plans and Talent Management reviews, we are able to identify and deploy the right talent to take up more responsibilities as part of their planned career progression.

RISKS

Intense competition and raw material availability have always been the most challenging risk factors in the cement industry. Cost needs to be properly controlled and to stay competitive, a cement company needs to explore for cheaper power alternatives, quality limestone reserve and new market opportunities.

Legal, regulatory, and environmental activists have always been raising issues on environmental cultivation and depletion of natural resources due to the quarry activities.

DIVIDEND

The Company declared and paid an interim single tier dividend of 2.0 sen per share for FY 2017.

Dividend payout is one of the important elements considered by the Company in enhancing its shareholder value. Earnings, capital expenditure requirements, borrowings repayment, capital adequacy, dividend yield and other relevant factors are considered by the Board in determining the actual dividend payout.

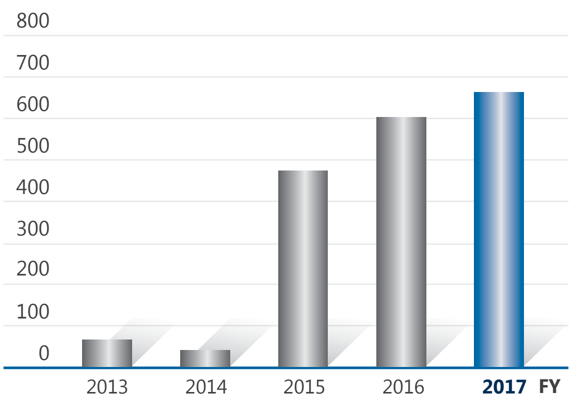
PROSPECTS

HIB sees the challenging market conditions as a temporary slowdown and is confident the Malaysian Government's commitment to large infrastructure projects augurs well for a brighter outlook in the cement industry. As mega construction is the catalyst and driving mechanism in Malaysia's economy, HIB is well positioned to capitalise on upcoming opportunities and to leap ahead when the market recovers.

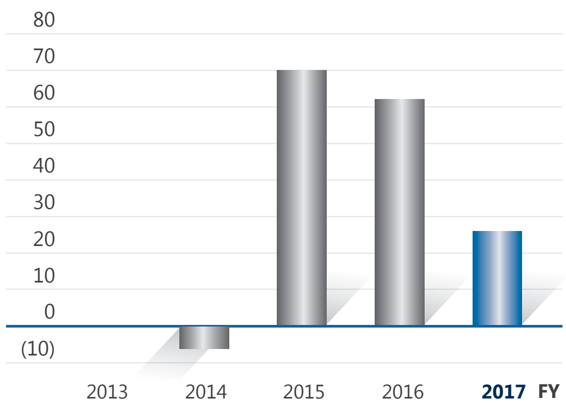
GROUP FINANCIAL HIGHLIGHTS

RM'000	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenue	59,265	40,546	472,772	603,302	662,739
Profit/(Loss) Before Taxation	71	(6,053)	69,381	62,849	25,501
Profit/(Loss) Attributable Owners Of The Company	73	(5,445)	51,998	48,750	18,716
Net Earnings/(Loss) Per Share (sen)	0.1	(17.5)	15.2	10.2	3.9
Net Dividend Per Share (sen)	-	-	3	3	2
Total Equity	23,530	18,079	403,541	435,958	445,089
Total Assets	43,298	31,224	1,172,454	1,559,335	1,565,983
Capital Expenditure	191	550	286,317	358,963	25,536

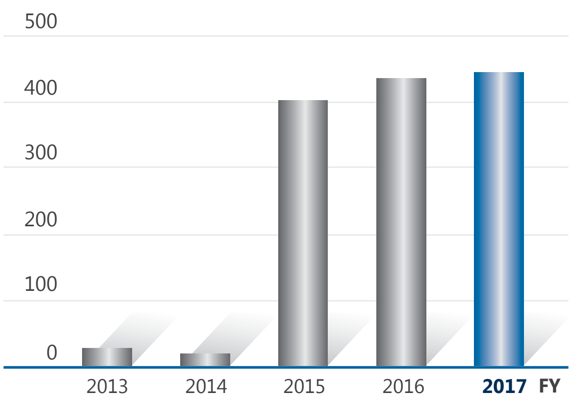
REVENUE
(RM'million)



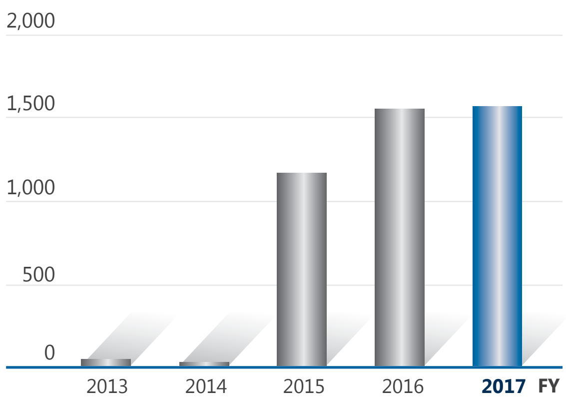
PROFIT BEFORE TAXATION
(RM'million)



TOTAL EQUITY
(RM'million)



TOTAL ASSETS
((RM'million)



SUSTAINABILITY STATEMENT

BUSINESS PHILOSOPHY AND VISION

Hume Industries Berhad and its subsidiaries ("the Group") strives to become a cement and cement related products and concrete and concrete related products market leader and creating sustainable contribution to the economy, environment and society in the environment it operates.

The Group is committed in developing value to its employees, suppliers, customers and stakeholders. Its stringent management methodology conforms to good corporate governance and business ethics. We aim to enhance the quality of life and well-being of people through delivery of excellent products and services developed through proven processes, technology and innovations.

The Group seeks to be recognised as an innovative workplace of choice, and a role model in corporate governance and sustainability. We believe in the value and potential of employees, working together within a constructive, energetic and harmonious atmosphere.

The Group's employees adhere to and comply with the Group's Business Philosophy and the Hong Leong Group Code of Ethics.

The Group has valued the development of employees of diverse ethnicity, culture, and experiences to be committed in responding to market dynamics.

Sustainable Management

Approach

The Group adheres to conducting its business with ethics and responsibility to all stakeholders for sustainable mutual benefits. The Group has set its Sustainable Development Framework in accordance with global practices, covering three dimensions of economy, society and the environment, with corporate governance as an overarching principle. This is to ensure that operations by our business units are aligned. We are dedicated to creating value to the society through its environmentally friendly business operation. We are willing to share knowledge, experiences and success by engaging with all parties such as its relevant businesses throughout upstream and downstream, business organisations, institutes, including social and community-based enterprise.

CORPORATE GOVERNANCE

The Group conducts business with responsibility, transparency and fairness, adhering to the long-standing business philosophy as outlined in the Hong Leong Group Code of Ethics. Corporate governance principles are organisational guidelines that are in line with Bursa Malaysia Corporate Governance Guide. The corporate governance ensures fairness, transparency and value creation for shareholders. Additionally, it provides assurance to all stakeholders and enhancing the Group's competitiveness, thus enabling it to remain relevant in a sustainable manner.

The Group upholds the principles of corporate governance, the Code of Conduct and compliance and adheres to anti-corruption and anti-trust practices. The Board of Directors drives policy, while operationally, the internal audit department supervises all internal control aspects.

TARGET

- To embrace good corporate governance as part of the Group's working culture

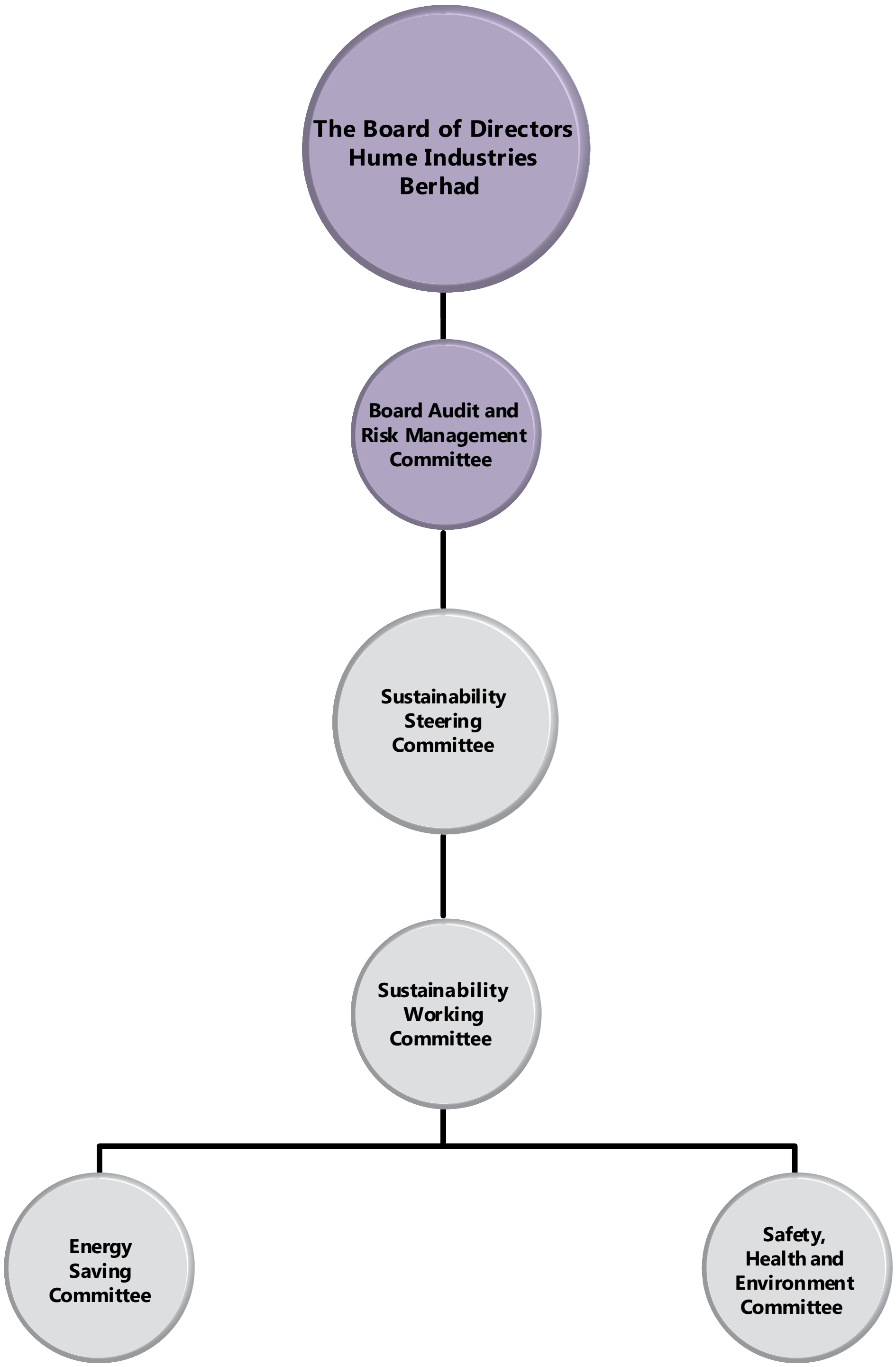
Strategies

1) **Upholding good corporate governance in managing the organisation**
   The Board of Directors plays an instrumental role in corporate governance. The Group organises regular forums to impart knowledge and other topical issues for members of the Board. Directors must demonstrate and set good examples for the management and the workforce in corporate governance and operates within the Hong Leong Group Code of Conduct parameters.

2) **The code of conduct and guidelines for the management, employees and contractors**
   The Board of Directors ensures appropriate guidelines are being adopted, underpinned by the Hong Leong Group Code of Conduct which is regularly updated to reflect changes in laws and policies.

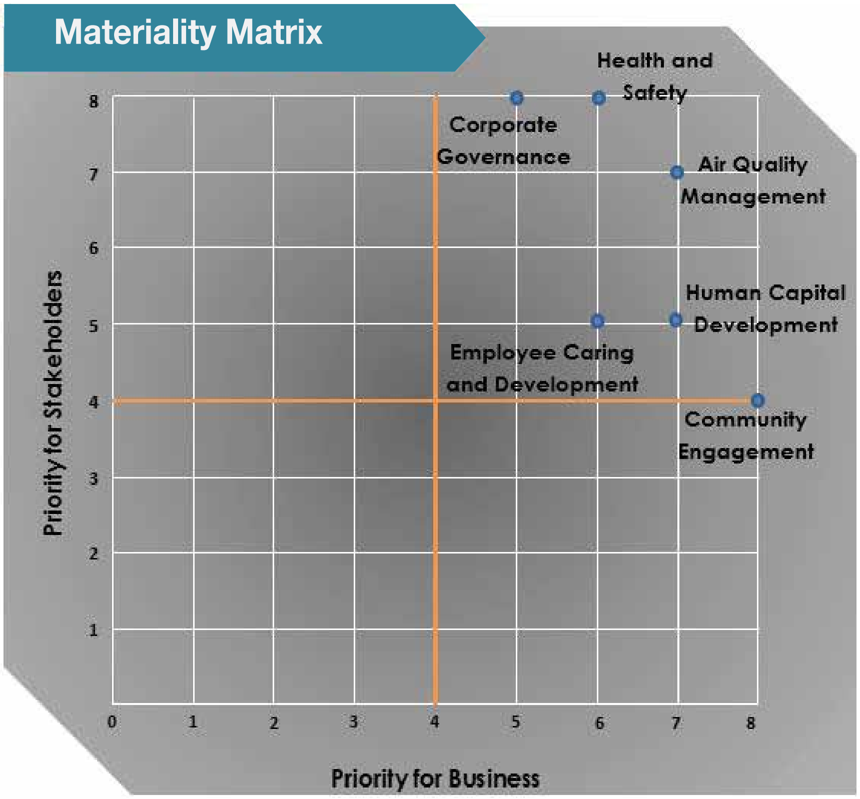
SUSTAINABILITY STATEMENT
(cont'd)

GOVERNANCE STRUCTURE



SUSTAINABILITY STATEMENT
(cont'd)

SUSTAINABILITY HIGHLIGHTS



1
Collect sustainability and information issues across the entire supply chain (raw material sourcing/ production/transport and distribution/ usage of products and services)

2
Assess materiality issues on the basis of impact on stakeholders

3
Assess importance of issues on the basis of impact on the Group

4
Prioritization of material sustainability issues

DUST EMMISSION

2016/17
Particulate Matter:
13 mg/m^3

2015/16
17 mg/m^3

Legal Standard:
50 mg/m^3

AIR QUALITY

2016/17
Ambient Air Readings
116 µg/ m^3

2015/16
116 µg/ m^3

Legal Standard:
Max. 150 µg/ m^3

HEALTH & SAFETY

2016/17
No. of Cases
Injury: 3, Fatality: 0

2015/16
Injury: 3, Fatality: 0

TRAINING

2016/17
Avg Hrs/Employee
19 hrs

2015/16
26 hrs

Management Target:
10 hrs

CO_2 EMMISSION

2016/17
CO_2/Cement mt
0.81

2015/16
0.79

US Cement Industry
Benchmark: 0.97

SUSTAINABILITY STATEMENT
(cont'd)

COMMUNITY ENGAGEMENT

The Group is committed to foster the growth of both economic and social development in all areas where it operates, as well as to prevent environmental impact and recognising the value of resources under the philosophy of "Concern to Social Responsibility." Given that communities are the most important components of society, caring for communities and societies are fundamental features of the Group's approach to sustainable development. The Group has the responsibility of overseeing projects related to communities surrounding manufacturing areas which encompassed supervising corporate social responsibility. Additionally, the Hong Leong Foundation has a key mission in human resources development, equipping people with the competencies and good ethics that will enable them to become forces for national development. The Group responds to community needs and expectations and has set a clear direction for community projects – ensuring the highest levels of efficiency in project implementation and achievement of objectives.

TARGET

- Develop community and society within the vicinity through sustainable growth by leveraging on the Group's competencies to enhance their overall quality of life

2017 PERFORMANCE

Community Assistance

The Group believes in providing assistance through community welfare, partner programmes, and community building funds. These initiatives were spearheaded by the Hong Leong Foundation and have benefited many Malaysian youths.

Creating Job Opportunities

The Group created quality jobs and ensuring the local community benefits from job opportunities offered. The Group prioritises the hiring of qualified local community members to join our workforce. The community is able to enhance their living standards with better job opportunities.

Education Remains Key

Hume Cement Sdn Bhd ("Hume Cement") has embarked on a collaboration with Universiti Tunku Abdul Rahman ("UTAR") as part of the Hume Cement's continuous educational programme for the community. In this regards, the Group has spearheaded various sponsorship initiatives on research studies which have benefited many young aspiring undergraduates.

In aligning to the Hong Leong Group's aspiration in promoting high academic achievers, Hume Cement continues to be the main sponsor for the Book Prize Award by rewarding students with outstanding academic results from the vicinity of Gopeng with book vouchers. This helps to inculcate reading habit amongst the young and upcoming generation. A total of 10 schools were selected and representatives as well as parents were invited to Hume Cement's plant in Gopeng. Heads of Village, representative from the Police Force, Pejabat Pendidikan Daerah and parents of students were also invited to witness the award ceremony.

SUSTAINABILITY STATEMENT
(cont'd)

COMMUNITY ENGAGEMENT *cont'd*

Sharing is Caring

As part of our knowledge sharing effort, plant visits were organised throughout the year with various parties from industry users, universities and professional bodies. This effort is to inculcate values and educate the community on cement manufacturing. This programme has given Hume Cement great opportunity in explaining to the public how carbon footprint was managed and the commitment from Hume Cement on recycling programmes.

Some of the participants from the above programmes were as follows:

Institute/Organisations/Companies:
1. INTI International University Student
2. UTAR Institute Engineer Malaysia Society
3. Institution Engineers Malaysia
4. Sabah Industries Cement
5. Ministry of International Trade and Industry (MITI)
6. Cement and Concrete Association (C&CA)
7. Kementerian Perdagangan Dalam Negeri, Koperasi Dan Kepenggunaan
8. Customers or potential customers

Festive Season Food Donation

In the quest to promote a caring society, Hume Cement has sent despatched food parcels to 25 poor families within the vicinity of Gopeng and Kampar during the Chinese New Year festival.

Hume Cement organised Buka Puasa Dinners with various government agencies and local communities to foster good rapport with the local communities who have supported the company as part of the community development agent. Hume Cement has positioned itself as the household brand that consistently assists those in needs.

Government Agencies involved were Kota Bharu Police Station, Gopeng Fire Station, Kota Bharu Government Health Clinic, Department of Environment, Department of Occupational Safety & Health, Department of Environment, Mineral and Geoscience Department Ipoh and Kampar Land and District Office.

Local Communities involved were Head of Kampar village and PIBG and teachers from SK Kota Bharu.

Hume Cement has also sponsored Kampung Changkat Legong and Kota Bahru for their Hari Raya Buka Puasa celebration and also contributed to the Surau As-Syakirin's renovation to make this year's Raya Celebration even more meaningful to the community.

SUSTAINABILITY STATEMENT
(cont'd)

COMMUNITY ENGAGEMENT *cont'd*

Community Assistance

Various sports activities has been organised as part of the CSR programme of the Group with the aim to increase employee engagement with the community.

Hume Cement has nominated 2 teams and each team consisted of 5 members who represented our charitable organisation, namely "Praise Emmanuel Children's Home". Hume Cement donated a sum of RM 4,000 to the charitable home.

In collaboration with Malaysia Blood Donors Society (Sedarah Malaysia), a blood donation drive was carried out where 7 companies from Hong Leong Manufacturing Group and 3 other companies participated.

Care for Nature, Animal and Wildlife

Littering on beaches can be extremely hazardous to wildlife. With the love for nature and wildlife, Hume Concrete Sdn Bhd's employees formed a team from Kota Kinabalu plant and carried out a beach cleaning event at Pantai Tanjung Lipat, Likas Kota Kinabalu in May 2017.

SUSTAINABILITY STATEMENT
(cont'd)

CARE FOR NATURE, ANIMAL AND WILDLIFE *cont'd*

Hume Cement was one of the cosponsors of National Environmental Day held in University Technology Perak. The purpose of this event is to instil the importance of environmental preservation and cultivating awareness among the community.

Hume Cement has been selected by Perak Department of Environment as an Environmental Strategic Partner since 2013.

Hume Cement has been caring on animal and wildlife conservation and has since participated in animal conservation campaign through donation on a golf event namely "Swing for Strays".

HUMAN CAPITAL DEVELOPMENT

The Management of the Group has placed strong emphasis in developing competencies of employees by utilising Human Resources Development Fund (HRDF) effectively.

TARGET

- To provide an average of 10 training hours per employee per annum
- Enhance technical competencies as well as supervisory and soft skills

Strategies

1) **Training Engagement**
Various in-house and external programmes are being conducted and scheduled to elevate employees' skills and knowledges ranged from work related skills to safety

2) **Employee's Training Needs Analysis**
The training requirements are supported by training needs analysis that is conducted periodically between the Human Resources ("HR") department and the respective line managers.

The Group believes employee satisfaction and engagement have high correlation to customer loyalty and profitability; hence various activities are organised to promote the sense of belonging and nurture engagement amongst the employees.

SUSTAINABILITY STATEMENT
(cont'd)

EMPLOYEE CARING AND DEVELOPMENT

The Group believes the values of the employees and we regard them as the most precious resource which will lead the organisation to success and sustainability of every business and in every region where it operates. The Group takes care of the employees to ensure that we are an organisation of choice which attracts potential job seekers. We have comprehensive performance assessment which recognises accomplishment and identify areas for development to encourage employees to continuously seek improvement. Employees use performance review tools, career development planning and ongoing feedback to set measureable performance targets. The Group has committed to strengthen the capacity and proficiency of our employee in order to stay competitive.

TARGET

- To be a role model in employee learning and development
- An organisation that embraces employees and as a role model with innovations in human resources development that can attract talents

Strategies

1) Build organisation values to attract talented people
We aspire to form an organisation that aspire people to work and able to attract talented and various professional skills people from all level of workforce.

2) Care for employees with inclusiveness and fairness to create bonding
The Group improves human resources management system by promoting quality of life and employee engagement and form an organisational culture that unites employees to bring the organisation towards shared goals and success.

3) Encourage continuous learning and development among employees
The management improves human resources management system by promoting staff learning and development ranging from structured learning to basic management skills to equip identified talents to be responsive to business dynamics.

2017 Performance

Throughout the year, the Group performs new recruitment through the Graduate Development Programme and training for employees. We recruit talented, responsible, dedicated and qualified people to strive in various areas of expertise. In order to stay competitive, we continuously enhance the recruitment message via advertisements, social media, career fairs and other communication media. Newly hired employees will be given induction training on business culture and 5S culture to ensure the understanding amongst all employees are aligned.

The Group acknowledges the importance of coaching young talents as they are our future leaders. Our Graduate Development Programme aims to bring forth learning opportunity for promising graduates to accomplish and contribute to the organisation.

On the other hand, we are moving towards to self-directed development model in which employees and their managers collaborate to determine the most beneficial training programmes and development opportunities. The training includes feedback, coaching and counselling from managers and co-workers. Employees receive on-the job training through exposure to plant operations and actual business commercials.

The Group welcomes every newcomer as family members. They adapt and learn how to work with the Group through a variety of in-house training, which in addition to business content, instil a strong sense of social, environmental responsibility and 5S culture. Throughout their career with the Group, employees have equal opportunity to progress and to move forward in their career path.

HEALTH AND SAFETY

Safety Framework provides the fundamental guideline in ensuring high level of Safety Standards for our employees, contractors and suppliers. At present the Group still monitors work-related accidents and managing all incidents with relevant corrective actions.

TARGET

- To become an Injury and accident free operating plant.
- To cultivate the culture of zero fatality and reduce Loss Time Injury ("LTI") Frequency Rate

Strategies

1) **Assess safety performance**
The Group is committed to having all units achieve a higher level of safety performance assessment evaluation. We aims for a safe working environment within the plant.

2) **Establish safety standards and a safety culture among staff at all levels**
Management must demonstrates leadership and make themselves role models for safety. Safety programmes and briefing were held to instil correct safety procedures within plant operations.

Workplace Safety

Workplace safety is a top priority for the Group. The management has a commitment to all stakeholders that it offers a safe working environment and adequate training for all staff. Total man hours for safety training have almost tripled from the year earlier. These trainings are designed to promote a sense of priority in respect to safety.

The Group engages employees in Safety, Health & Environment Committee to meet up quarterly to discuss on health and safety issues.

In FY 2016/2017, the Group recorded an increase in number of accidents resulting from careless driving among transporters. GPS is installed in the vehicle of the fleet to enable the Logistics Control Centre at the plant to track online real time location of each truck. This is an effort to locate trucks that did not arrive at the destination within the stipulated period.

Hume Cement has promoted Safety, Health and Environmental Day to cultivate safety as part of the work culture. Hume Cement organised a one-day safety and health awareness campaign in the form of interactive forums, safety roadshow, health and safety related briefings, and blood donation to promote awareness.

First Response

Hume Cement embraces the "First Response" programme which intended to provide immediate response to any health and emergency cases in the plant. The management has procured an ambulance equipped with basic facilities to provide immediate response in case of emergency.

Hume Cement has selected 23 employees to attend the Public Service Vehicle (PSV) training to be authorised as ambulance driver. An in-house clinic has been established to compliment the first response programme.

SUSTAINABILITY STATEMENT
(cont'd)

AIR QUALITY MANAGEMENT

Greenhouse Emission

Hume Cement's business is highly energy-dependent, therefore our business is exposed to both energy pricing volatility and limited energy resources. It has been preparing and building resilience to withstand the impact of rapid changes and external factors. Hume Cement continuously seek and source for clean energy, reducing coal dependence and applying the best technology to improve the production processes to enhance energy efficiency and mitigating greenhouse gas (GHG) emission.

TARGET

- Reduce greenhouse emissions per tonne of cement production

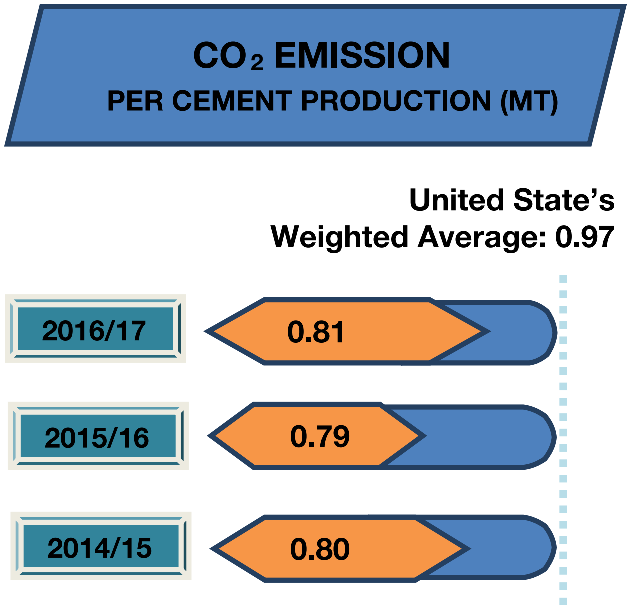
Strategies

1) **Mitigate Impact of Coal Use**
The major source of heat generated for production is through coal. Therefore, it is mandatory to have measures in place to mitigate risk and impact on the communities around us and the environment.

2) **Enhance the Capacity for Alternative Energy**
Research and develop the use of alternative energy for industrial machineries, and seek to increase the share of alternative energy in various ways, including waste to energy, biomass, biogas, solar energy in order to increase the flexibility of fuel types; reduce the use of coal and seek to reduce greenhouse gas emissions.

3) **Increase Energy Efficiency**
Improve or replace equipment for greater energy efficiency. This includes recovering waste heat in the production processes to reduce coal use and greenhouse gas emissions.

4) **Make the Workforce Aware of Energy Use**
Promote and encourage activities to raise awareness about energy usage to our staff by organising activities consistently and regularly across Hume Cement.



** Metric Tons CO_2 / Metric Ton Cement

Dust Management

Based on Environmental Quality (Clean Air) Regulations 2014, Department of Environment ("DOE") Malaysia has set a legal standard for limit value & technical standards (by activity or industry). It is mandatory to industries to install Continues Emission Monitoring System ("CEMS") at plants. This system is equipped with dust and gas analyser to collect dust particles in the air. Thereafter, this will be analysed and transmitted to DOE Putrajaya and DOE Perak. CEMS allows DOE to directly monitor plant emission for:

- Particulate Matter ("PM")
- Nitrogen Dioxide ("NO2")
- Sulphur Dioxide ("SO2")

SUSTAINABILITY STATEMENT
(cont'd)

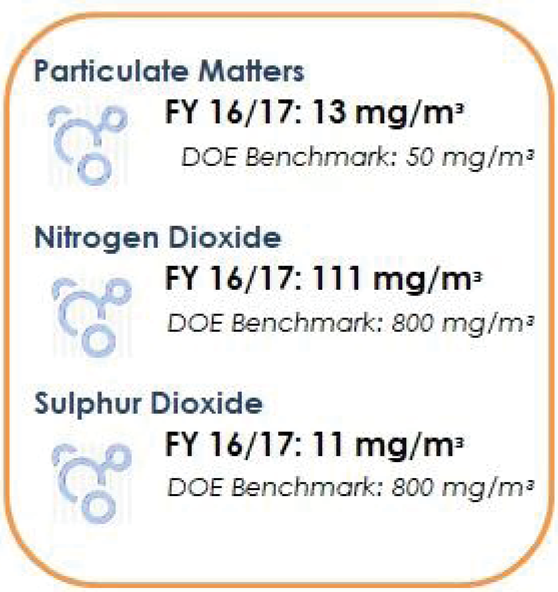
TARGET

- To further reduce the discharge of particle emission

Strategy

Bag Filter System

Hume Cement utilises bag filter to remove particles out of air or gas released from commercial processes.



Ambient Air

We constantly monitor the air quality surrounding our plant. The legal benchmark as stipulated by 'Recommended Malaysia Guidelines' is 150 µg/m³ and Hume Cement is pleased that the current reading surrounding the plant is well within the threshold.

Hume Cement is committed to ensure healthy air quality within the vicinity of the plant operations. Given that the stringent guidelines as depicted in Hume Cement's operating guidelines, the management is committed and will consistently reassure the community that air quality control mechanism will always be of paramount importance.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

"CORPORATE GOVERNANCE IS THE PROCESS AND STRUCTURE USED TO DIRECT AND MANAGE THE BUSINESS AND AFFAIRS OF THE COMPANY TOWARDS ENHANCING BUSINESS PROSPERITY AND CORPORATE ACCOUNTABILITY WITH THE ULTIMATE OBJECTIVE OF REALISING LONG TERM SHAREHOLDER VALUE, WHILST TAKING INTO ACCOUNT THE INTEREST OF OTHER STAKEHOLDERS."

~ Finance Committee on Corporate Governance

The Board of Directors ("Board") has reviewed the manner in which the Malaysian Code on Corporate Governance 2012 ("Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the principles and recommendations as set out in the Code except where otherwise stated.

The Board took cognisance of the new Malaysian Code on Corporate Governance published in April 2017 ("MCCG 2017") which is applicable to annual reports published from 2018 onwards.

A. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference ("TOR") to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed annually by the Board and published on the Company's website at www.humeind.com ("HIB Website"). The last review of the Board Charter was carried out in August 2017. The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

The day-to-day business of the Group is managed by the Group Managing Director ("GMD") who is assisted by the management team. The GMD and his management team are accountable to the Board for the performance of the Group. In addition, the Board delegates certain of its responsibilities to Board Committees, which operate within clearly defined TOR primarily to support the Board in the performance of its duties and responsibilities. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the GMD. This division of responsibilities between the Chairman and the GMD ensures an appropriate balance of roles, responsibilities and accountability.

The Chairman leads the Board and ensures its smooth and effective functioning.

The GMD is responsible for formulating the vision and recommending policies and the strategic direction of the Group for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations of the Group and tracking compliance and business progress.

Independent Non-Executive Directors ("ID" or "IDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of the IDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

A. ROLES AND RESPONSIBILITIES OF THE BOARD *cont'd*

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group takes a progressive approach in integrating sustainability into its businesses as set out in the Sustainability Statement which forms part of the Annual Report.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM") which is available on CCM's website at www.ssm.com.my. In addition, the Group also has a Code of Ethics that sets out sound principles and standards of good practice which are to be observed by the employees. The Group has in place procedures and rules for employees to raise responsibly, in confidence, concerns about serious misconduct and other improprieties which pose financial, legal, reputational or operational risks to the Group.

B. BOARD COMPOSITION

The Board comprises 6 directors, 4 of whom are non-executive and independent. The profiles of the members of the Board are provided in the Annual Report.

The Company is guided by the Policy on Board Composition adopted by the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") ["MMLR"] in determining its board composition. The policy includes the following:

- The Board shall determine the appropriate size of the board to enable an efficient and effective conduct of board deliberation.
- The Board shall have a balance of skills and experience commensurate with the complexity, size, scope and operations of the Company and shall have an appropriate balance of IDs comprising at least half of the board.
- The Board shall also include a balanced composition of executive and non-executive directors.
- Board members should have the ability to commit time and effort to carry out duties and responsibilities effectively.

The Board has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender, ethnicity and age balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

Based on the review of the Board composition in August 2017, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's business. The composition of the Board also fairly reflects the investment of shareholders in the Company. The Board, in its effort to promote board diversity, including gender diversity, will source for suitable women candidates as directors of the Company to be in line with the MCCG 2017.

C. BOARD COMMITTEES

Board Committees have been established by the Board to assist in the effective discharge of its duties.

I Board Audit & Risk Management Committee ("BARMC")

The composition of the BARMC and a summary of its activities are set out in the Board Audit & Risk Management Committee Report in this Annual Report. The TOR of the BARMC are published on the HIB Website.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

C. BOARD COMMITTEES *cont'd*

II Nominating Committee ("NC")

The NC was established on 29 April 2013 and its TOR are published on the HIB Website. The composition of the NC is as follows:

Mr Seow Yoo Lin
Chairman, Independent Non-Executive Director

YBhg Datuk Wira Azhar bin Abdul Hamid
Independent Non-Executive Director

YBhg Datuk Kwek Leng San
Non-Independent Non-Executive Director

The Company has in place the process and procedure for assessment of new appointment, re-election, retention and removal of directors, and the appointment of Board Committee members and chief executive, and the criteria used for such assessments.

The nomination, assessment and approval process for new appointment is as follows:

Identification of candidates	→	Meeting with candidates	→	• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	→	Deliberation by the Board and decision thereof

All candidates to the Board are assessed by the NC prior to their appointments, taking into account, inter-alia, the strategic and effective fit of the candidates for the Board, the overall desired Board composition including Board diversity and the required mix of skills, expertise, knowledge and experience in the industry, market and segment to enhance the Board's overall effectiveness and having regard to the candidates' attributes, qualifications, management, leadership, independence and time commitment, before they are recommended to the Board for approval. The Company has taken steps to build and maintain a pool of potential Board candidates from internal and external introductions, recommendations and director databases in its search for suitable Board candidates.

In the case of chief executive, the NC will take into account the candidate's knowledge and experience in the industry, market and segment.

The assessment for Board Committee appointment will be based on the directors' potential contributions and value-add to the Board Committees with regard to Board Committees' roles and responsibilities.

In addition, a formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, Board Committees as a whole and the contribution and performance of each individual director, Board Committee member, chief executive and the chief financial officer on an annual basis. For newly appointed director/chief executive/chief financial officer, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year of service. The assessments will take into consideration, amongst others, the appropriate skills, experience, soundness of judgment and competencies, independence, attendance and level of participation and contribution at Board and Board Committee meetings. The NC will deliberate on the results of the Board Annual Assessment and submit its recommendation to the Board for consideration and approval. The results of the assessment formed one of the criteria of the NC's recommendation to the Board for the re-election/retention of directors at the annual general meeting ("AGM").

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

C. BOARD COMMITTEES *cont'd*

II Nominating Committee ("NC") *cont'd*

The nomination and approval process for re-election/retention of directors shall be as follows:

• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	→	Deliberation by the Board and decision thereof

For removal of directors, the Company shall carry out such removal in accordance with the provisions of the Companies Act 2016 and any other relevant regulatory requirements. The NC may recommend to the Board the removal of a director who is ineligible, disqualified, incapacitated or who has failed in the discharge of fiduciary duties.

For management succession planning, it has been embedded in the Group's process over the years to continuously identify, groom and develop key talents from within the Group. The Group also has a talent development programme to identify, retain and develop young high potential talents.

The NC meets at least once in each financial year and additional meetings may be called at any time as and when necessary.

The NC met once during the financial year ended 30 June 2017 ("FY 2017") where all the NC members attended.

During the FY 2017, the NC carried out its duties in accordance with its TOR. The NC considered and reviewed the following:

- NC Charter, policies on Board Composition, Independence of Directors, Board Diversity and Directors' Training;
- composition of the Board and Board Committees;
- mix of skills, professional qualification, experience and other qualities of directors including gender, ethnicity and age balance;
- independence of IDs and their tenure;
- trainings undertaken by directors and recommendation of training programmes for directors; and
- re-election, and retention of directors.

Having reviewed the Board composition, the NC was satisfied that the current Board comprises a good mix of skills and that the current size and composition of the Board are appropriate and effective in discharging its functions. The NC took cognisance of the merits of Board diversity, including women representation on the Board. The NC will source for suitable women candidates as directors of the Company to be in line with the MCCG 2017.

The NC has also evaluated the performance of the Board, Board Committees, each individual director and each Board Committee member, benchmarking against their respective TOR and Assessment Criteria, and through the annual assessment conducted during FY 2017. The NC was satisfied that they have continued to operate effectively in discharging their duties and responsibilities. They have also fulfilled their responsibilities and are suitably qualified to hold their positions.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

C. BOARD COMMITTEES *cont'd*

III Remuneration Committee ("RC")

The Company does not have a RC. The Board is of the view that it is not necessary for the Company to establish a RC for the time being given the current size of the Board. The Board as a whole functions as the RC.

The Group's remuneration scheme for executive directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of non-executive directors reflects the scope of responsibilities and commitment level of responsibilities undertaken by them.

The remuneration packages of executive directors are reviewed by the entire Board, with the presence of a majority of non-executive directors. The executive director concerned shall not participate in the deliberations and shall vacate the meeting room during deliberations of his remuneration package.

The Board, in assessing and reviewing the remuneration packages of executive directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

The fees of directors are recommended and endorsed by the Board for approval by the shareholders of the Company at its AGM.

The aggregate remuneration of directors for FY 2017 is as follows:

	Fees (RM)		Remuneration & Other Benefits (RM)		Total (RM)	
	Company	**Group**	**Company**	**Group**	**Company**	**Group**
Executive Directors	–	–	–	1,646,881	–	1,646,881
Non-Executive Director	422,000	422,000	–	–	422,000	422,000

The number of directors whose remuneration falls into the following bands is as follows:

Range Of Remuneration (RM)	**Executive**		**Non-Executive**	
	Company	**Group**	**Company**	**Group**
50,000 and below	–	–	–	–
50,001 – 100,000	–	–	1	1
100,001 – 150,000	–	–	3	3
150,001 – 1,600,000	–	–	–	–
1,600,001 – 1,650,000	–	1	–	–

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

D. INDEPENDENCE

The Board takes cognisance of Recommendations 3.2 and 3.3 of the Code. Recommendation 3.2 states that the tenure of an ID should not exceed a cumulative term of 9 years and upon completion of the 9 years, an ID may continue to serve on the Board subject to the director's re-designation as a non-independent director. Recommendation 3.3 states that in the event the Company wishes to retain an ID who has served a cumulative term of 9 years and above, shareholders' approval shall be sought at the AGM every year, with justifications, in accordance with the Code.

The Company has in place, an Independence of Directors Policy ("ID Policy") which sets out the criteria for assessing the independence of IDs. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops. In addition, the ID Policy states that the Company shall seek shareholders' approval at the AGM every year to retain IDs who have served on the Board for a period of 9 years continuously or more as IDs, with justifications and subject to favourable assessment of the NC and the Board.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Although a longer tenure of directorship may be perceived as relevant to the determination of a director's independence, the Board recognises that an individual's independence should not be determined solely based on tenure of service. Further, the continued tenure of directorship brings considerable stability to the Board, and the Company benefits from directors who have, over time, gained valuable insight into the Group, its market and the industry.

The IDs have declared their independence and the NC and the Board have determined, at the annual assessment carried out, the IDs, including YBhg Dato' Rosman bin Abdullah who has served on the Board for a period of 9 years continuously or more as an ID, remain objective and have continued to bring independent and objective judgment to Board deliberations and decision-making. At the coming AGM, the Company will seek shareholders' approval to retain YBhg Dato' Rosman bin Abdullah as an ID. Justifications for his retention are set out in the explanatory notes of the Notice of AGM.

E. COMMITMENT

The directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, directors are required to comply with the restrictions on the number of directorships in public listed companies. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Directors are required to attend at least 50% of Board meetings pursuant to the MMLR.

The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an adhoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions.

The Company has moved towards electronic Board reports. Board reports are circulated electronically prior to the Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and of the Group and management's proposals which require the approval of the Board.

All directors have access to the advice and services of qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 235 of the Companies Act 2016 and they are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). The Company Secretaries support the effective functioning of the Board, provide advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitate effective information flow amongst the Board, Board Committees and senior management. All directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman of the Company.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

E. COMMITMENT *cont'd*

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretaries accordingly. Any director who has an interest in the subject matter to be deliberated shall abstain from deliberating and voting on the same during the meetings.

The Board met 4 times during FY 2017.

Details of attendance of each director are as follows:

Directors	**Attendance**
YBhg Datuk Kwek Leng San	4/4
YBhg Dato' Quah Thain Khan	4/4
YBhg Dato' Rosman bin Abdullah	4/4
Mr Seow Yoo Lin	4/4
YBhg Dato' Ir. Tan Gim Foo	4/4
YBhg Datuk Wira Azhar bin Abdul Hamid	4/4

The Board recognises the importance of continuous professional development and training for directors.

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for directors of the Company. The Induction Programme which includes visits to the Group's various business operations and meetings with senior management is organised for newly appointed directors to assist them to familiarise and to get acquainted with the Group's businesses. The CPD encompasses areas related to the industry or businesses of the Group, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' continuing training programmes.

All directors of the Company have completed the Mandatory Accreditation Programme.

The Company regularly organises in-house programmes, briefings and updates by its in-house professionals. The directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

In assessing the training needs of directors, upon recommendation by the NC, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management, information technology, internal control and/or statutory/ regulatory compliance, be recommended and arranged for the directors to enhance their contributions to the Board.

During FY 2017, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal control, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Company also organised in-house programmes for its directors and senior management.

The directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as directors.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

E. COMMITMENT *cont'd*

During FY 2017, all the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- 4th Industrial Revolution: Impact And Opportunities For Manufacturing And Financial Services
- Changes Affecting Directors Under The Companies Act 2016: What Every Director Needs To Know
- Leadership Excellence From The Chair
- Role of Chairman & Independence Directors
- The Companies Act 2016 - Part 1 : Overview of Key Changes and Part 2 : Revamped Governance Framework - What Directors & Management Need To Know
- Assessment of the Board, Board Committees and Individual Directors – Taking Stock Of Performance
- Effective Board Evaluation
- FinTech : Business Opportunity or Disruptor?
- FinTech Impact on Financial Institutions
- Breakfast Talk on CG Watch 2016 - Ecosystems Matter
- Sustainability Engagement Series for Directors/Chief Executives Officers 2017
- Efficient Inefficiency : Making Boards Effective in a Changing World
- Compliance Conference 2017
- Bursa Malaysia's Sustainability Forum 2017 : "The Velocity of Global Change & Sustainability – The New Business Model"
- FIDE Core Programme : Module A (Final Session)
- FIDE Core Programme : Module B
- Companies Act 2016 and Its Implications to Directors
- The New Malaysian Code on Corporate Governance – How To Walk The Talk?
- 2nd Distinguished Board Leadership Series & 6th Annual General Meeting.

F. ACCOUNTABILITY AND AUDIT

The financial reporting and internal control system of the Group is overseen by the BARMC which comprises all IDs. The primary responsibilities of the BARMC are set out in the Board Audit & Risk Management Committee Report.

The BARMC is supported by the Internal Audit Department whose principal responsibilities are to conduct risk-based audits to ensure that adequate and effective controls are in place to mitigate risks; operational audits to identify opportunities for operational improvement; and also ensure compliance with standard operating procedures of the Group. Investigation or special review will be carried out at the request of the BARMC and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

I Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC which assesses the financial statements with the assistance of the external auditors.

II Risk Management and Internal Control

The Statement on Risk Management and Internal Control ("SORMIC") as detailed under Paragraph I of this Statement provides an overview of the system of internal controls and risk management framework of the Group.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

F. ACCOUNTABILITY AND AUDIT *cont'd*

III Relationship with Auditors

The Board, through the BARMC, maintains a formal and transparent professional relationship with the external auditors, Messrs KPMG PLT. The appointment of external auditors is recommended by the BARMC which determines the remuneration of the external auditors. The BARMC reviews the performance, suitability, independence and objectivity of the external auditors annually. The BARMC also reviews the nature and fees of non-audit services provided by the external auditors in assessing the independence of the external auditors. In accordance with the Malaysian Institute of Accountants ("MIA"), Messrs KPMG PLT rotate its Engagement Partner and Concurring Partner once every 5 years to ensure objectivity, independence and integrity of the audit opinions.

The external auditors meet with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit, including key audit matters, as well as the management letter after the conclusion of the audit.

At least twice a year, the BARMC will have a separate session with the external auditors without the presence of senior management.

For FY 2017, the BARMC members together with the Chief Financial Officer ("CFO") undertook an annual assessment on the performance, suitability, independence and objectivity of the external auditors. No major concerns were noted from the results of the assessment. The external auditors also gave their assurance confirming their independence and objectivity throughout the conduct of the audit engagement and the internal processes undertaken by them to determine their independence.

G. DISCLOSURE

The Company has in place a corporate disclosure policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the HIB Website after release to Bursa.

H. SHAREHOLDERS

I Dialogue with Shareholders and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the Annual Reports, circulars to shareholders, quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the HIB Website, Bursa's website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate in general meetings either in person, by corporate representative, by proxy or by attorney.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

H. SHAREHOLDERS *cont'd*

I Dialogue with Shareholders and Investors *cont'd*

Shareholders can access for information at the HIB Website, which includes the Board Charter, TOR of Board Committees, corporate information, announcements/press releases/briefings, investor briefings, financial information, products information and investor relations. A summary of the key pertinent matters discussed at the AGM is published on the HIB Website.

In addition, shareholders and investors can have a channel of communication with the CFO to direct queries and provide feedback to the Group.

Queries may be conveyed to the following person:

Name	:	Mr Henry Chow Tiam Chye
Tel No.	:	03-7782 9300
Fax No.	:	03-7783 6300
Email address	:	IRelations@humeind.com

II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM. 5 out of 6 directors including the GMD have attended the last AGM held on 25 October 2016.

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at general meetings will be put to a vote by way of a poll and the voting results will be announced at the meetings and through Bursa.

I. SORMIC

The responsibility of the Board

The Board recognises its overall responsibility for the adequacy and effectiveness of the Group's system of internal controls and risk management framework to safeguard shareholders' investment and the Group's assets. The Board adopts MS ISO 31000: 2010 as its risk management framework.

Accordingly, the Board has entrusted the BARMC to provide oversight of the system of internal controls and risk management framework. The BARMC is assisted by the Group's Internal Audit Department in this role.

The Risk Management Framework

For FY 2017, management has complied with the risk management framework in accordance with MS ISO 31000: 2010. Based on the framework, management has carried out the following:

- establish the context of risk in relation to the Group's risk appetite, i.e. how risks are perceived and the levels at which they are acceptable or otherwise;
- identify risks in relation to the objectives of every business function of the Group's operating companies;
- identify emerging risks faced by the Group in the operating environment of its various industries;
- assess the likelihood and impact of such risks identified, using qualitative and also quantitative measures where applicable, to determine the risk level, i.e. "Severe", "Major", "Significant", "Minor" or "Trivial";
- evaluate the severity of the risks and their treatment options to set priority of management's attention and devise appropriate actions to avoid, share, retain or mitigate risks within reasonable timeframes; and
- record the details of risks and treatment plans in the risk registers and present to the BARMC quarterly to review the adequacy and effectiveness of the risk management measures.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

I. SORMIC *cont'd*

The Risk Management Framework *cont'd*

Further, on an on-going basis, each operating company's chief executive and authorised risk owners have clear accountabilities to:

- monitor its existing risks, identify emerging risks and update the enterprise-wide risk registers;
- maintain the adequacy, effectiveness and relevance of action plans and control systems to manage risks; and
- prepare risk management report on a quarterly basis for reporting to the BARMC.

The System of Internal Controls

The key elements of the Group's system of internal controls are described below:

- A management structure exists with clearly defined delegation of responsibilities to the management of the Group's operating companies, including authorisation levels for all aspects of the business and operations. The management of the Group's operating companies own and manage risks and they are responsible for implementing controls to mitigate the risks pertaining to all aspects of the business and operations.
- Documented corporate policies and procedures covering various aspects of the business and operations of the Group.
- Promotion of a strong internal control culture through the Group's values and ethics and also the "tone at the top".
- Diligent review of the quarterly financial results and reports and identifying the reasons for any unusual variances.
- Internal control assurance activities such as self-audits and completion of internal control questionnaires undertaken by management of the operating companies. These activities are part of the Group's risk & control assurance framework; provide the breadth in risk and control assurance; and demonstrate management's commitment to effective risk management.
- Risk-based internal audits carried out by the Group's Internal Audit Department focusing on key risk areas which are selected from the Group's audit universe. The key risk areas are documented in the annual audit plan which is approved by the BARMC. The risk-based internal audits in FY 2017 cover repair and maintenance, capital expenditure, sales and marketing, and payroll.
- Quarterly reporting to the BARMC on the results of control assurance and audit activities and also the management of risks throughout the Group.

Management and Decision-Making Processes

The internal control and risk management processes of the Group are in place for the year under review and up to the date of approval of the SORMIC for inclusion in the annual report; and reviewed quarterly by the BARMC. The BARMC reviews the principal risks, significant audit observations and/or areas for improvement and ascertains that appropriate remedial actions or improvements are taken by the management of the Group's operating companies. These processes are intended to manage and not expected to eliminate all risks of failure to achieve business objectives. Accordingly, they can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

The Board has received assurance from the GMD and CFO that the Group's system of internal controls and risk management framework are operating adequately and effectively, in all material aspects, based on the internal control system and risk management framework of the Group.

I. SORMIC *cont'd*

Review of the SORMIC by External Auditors

Pursuant to paragraph 15.23 of the MMLR, the external auditors have reviewed the SORMIC pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised) issued by the MIA for inclusion in the 2017 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the SORMIC is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the SORMIC factually inaccurate. RPG 5 (Revised) does not require the external auditors to consider whether the SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The Board's Opinion

The Board, through the BARMC, is of the view that the Group's risk management framework and system of internal controls are adequate and effective in safeguarding the shareholders' investments and the Group's assets.

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of the financial performance and cash flows of the Group and of the Company for the financial year.

The directors of the Company are satisfied that the financial statements of the Group and of the Company for FY 2017 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

This Statement on Corporate Governance, Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

The Board Audit & Risk Management Committee ("the Committee") of Hume Industries Berhad ("HIB" or "the Company") has been established since 20 October 1997.

COMPOSITION

YBhg Dato' Rosman bin Abdullah
Chairman, Independent Non-Executive Director

Mr Seow Yoo Lin
Independent Non-Executive Director

YBhg Dato' Ir. Tan Gim Foo
Independent Non-Executive Director

SECRETARY

The Secretary to the Committee is Ms Joanne Leong Wei Yin who is the Company Secretary of HIB.

AUTHORITY

The Committee is authorised by the Board of Directors ("Board") to review any activity of the Group within its Terms of Reference, details of which are available on the Company's website at www.humeind.com. The Committee is authorised to seek any information it requires from any director or member of management and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

MEETINGS

The Committee meets at least 4 times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The head of finance, head of internal audit, risk manager, Group Managing Director and senior management may attend Committee meetings, on the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

Issues raised, discussions, deliberations, decisions and conclusions made at the Committee meetings are recorded in the minutes of the Committee meetings. Where the Committee is considering a matter in which a Committee member has an interest, such member abstains from reviewing and deliberating on the subject matter.

2 members of the Committee, who shall be independent, shall constitute a quorum.

After each Committee meeting, the Chairman of the Committee shall report and update the Board on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
(cont'd)

ACTIVITIES

An annual assessment on the performance and effectiveness of the Committee and each of its members for the financial year ended 30 June 2017 ("FY 2017") was carried out by the Nominating Committee ("NC"). The NC and the Board are satisfied that the Committee and its members had carried out their duties in accordance with the Committee's Terms of Reference.

During FY 2017, 4 Committee meetings were held and the attendance of the Committee members was as follows:

Members	**Attendance**
YBhg Dato' Rosman bin Abdullah	4/4
Mr Seow Yoo Lin	4/4
YBhg Dato' Ir. Tan Gim Foo	4/4

The Committee carried out the following key activities during FY 2017:

- Reviewed the quarterly reports and annual financial statements of the Group prior to submission to the Board for consideration and approval.
- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Charter and Internal Audit Charter.
- Held 2 separate sessions with the external auditors without the presence of senior management. During the separate sessions, no critical issues were raised and the external auditors conveyed that they had been maintaining a cordial Auditor-Client relationship.
- Met with the external auditors and discussed the audit plan 2017 on the nature and scope of the audit, considered significant changes in accounting and auditing issues, where relevant, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards.
- Discussed with the external auditors the mock Auditors' Report with potential key audit matters identified by the external auditors.
- Reviewed and recommended to the Board for approval the audit fees and non-audit fees payable to the external auditors in respect of services provided to the Group. It also reviewed the provision of non-audit services by the external auditors to ascertain whether such provision of services would impair the external auditor's independence or objectivity. Details of non-audit fees incurred by the Group for FY 2017 are stated in the Notes to the Financial Statements.
- Assessed the performance, suitability, independence and objectivity of the external auditors, taking into consideration factors such as quality of service, adequacy of experience and resources of the firm and the professional staff assigned to the audit, and communication and interaction, and made recommendation to the Board for shareholders' approval on the re-appointment of the external auditors.
- Reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.
- Met with the internal auditors and approved the annual audit plan and also reviewed the internal audit findings and recommendations.
- Recommended to the Board the appointment of a new Head of Internal Audit.
- Assessed the performance of the internal audit function as well as the adequacy and competency of internal audit resources.
- Reviewed the Policy and Procedure of Recurrent Related Party Transactions and various recurrent related party transactions ("RRPT") carried out by the Group.
- Reviewed the proposed mandate for RRPT with various related parties prior to Board's recommendation for shareholders' approval.
- Reviewed the Statement on Risk Management and Internal Control ("SORMIC") of the Group, and received the report of the external auditors in respect of their review on the SORMIC prior to Board's approval for inclusion in the Company's Annual Report.
- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Report for inclusion in the Company's Annual Report.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
(cont'd)

INTERNAL AUDIT ("IA")

The IA function is carried out in-house by the IA Department of HLMG Management Co Sdn Bhd ("HLMGMC"), a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group. There were 10 staff in the IA Department during FY 2017 and the total cost incurred by the IA Department amounted to RM2,175,105.

The IA Department, led by the Head of IA, reports to the Committee which has the authority to decide, amongst others, the appointment and removal; scope of work; and performance evaluation of the IA function. Mr Teh Boon Ang was appointed as the Head of IA on 1 July 2017 replacing Mr Norman Zacharias Chong who was the Head of IA during FY 2017. Mr Teh holds the qualifications of Master of Criminal Justice, Advanced Diploma in Commerce, and is an Associate Member of the Institute of Chartered Secretaries & Administrators, The Institute of Internal Auditors Malaysia and The Association of Certified Fraud Examiners. The Committee is satisfied that the Head of IA has the relevant experience and sufficient standing and authority to discharge his duties as Head of IA.

The IA Department supports the Committee in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Group. The IA Department also challenges and adds value to the efficiency, effectiveness and economy of operating companies' operations; usage of assets and resources; and the integrity of management information systems. In doing so, the IA function is performed with impartiality, proficiency and due professional care.

All the IA personnel had declared to the Committee that they are free from any relationships or conflicts of interest which would impair their impartiality or objectivity. The Committee had undertaken an assessment of the performance of the IA Department for FY 2017 whereby it is satisfied with the performance of the IA Department. The Committee had also reviewed the IA Department's resources, in particular the qualifications, experience and designations of all the IA personnel. As their continuous professional development, the IA personnel had kept abreast with developments in the profession, industry and regulations by attending internal and external training courses. The Committee is hence satisfied with the competency of the IA Department and that it had adequate resources to carry out its functions.

The annual audit plan prepared by the IA Department is submitted to the Committee for review and approval. Internal audits are carried out as per the approved annual audit plan. IA reports are discussed and issued to management for their feedback and to formulate action plans with target implementation dates for improvements. Any resulting salient control concerns are reviewed by the Committee, and the implementation status of audit recommendations are monitored and reported to the Committee on a quarterly basis. The areas of IA's review during FY 2017 are described in the SORMIC.

The IA Department also facilitates the maintenance of the risk management framework of the Group on an on-going basis.

The IA Department applies appropriate auditing standards in assessing the integrity and effectiveness of internal controls and compliance with the established policies and procedures; and is committed to continuously monitoring and improving the internal audit function.

This Board Audit & Risk Management Committee Report is made in accordance with the resolution of the Board of Directors.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
for the financial year ended 30 June 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are as stated in Note 3 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company during the financial year and until the date of this report.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 3 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	18,716	9,859

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in Note 12 and Note 21 to the financial statements.

DIVIDEND

Since the end of the previous financial year, the Company paid an interim single tier dividend of 2.0 sen per share amounting to RM9,581,876 in respect of the financial year ended 30 June 2017 on 31 May 2017.

The Directors do not recommend a final dividend for the financial year ended 30 June 2017.

DIRECTORS' REPORT
for the financial year ended 30 June 2017
(cont'd)

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

YBhg Datuk Kwek Leng San, Chairman
YBhg Dato' Quah Thain Khan, Group Managing Director
YBhg Dato' Rosman bin Abdullah
Mr Seow Yoo Lin
YBhg Dato' Ir. Tan Gim Foo
YBhg Datuk Wira Azhar bin Abdul Hamid

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who have beneficial interests in the ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, are as follows:

		Number of ordinary shares/ordinary shares received# or to be received* arising from vesting of share grant			
	Nominal value per share	**At 1.7.2016**	**Acquired**	**Sold**	**At 30.6.2017**
Shareholdings in which Directors have direct interests					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	(1)	160,895	–	–	**160,895**
Hong Leong Industries Berhad	(1)	2,300,000	–	–	**2,300,000**
Malaysian Pacific Industries Berhad	(1)	1,260,000	–	–	**1,260,000**
Hong Leong Bank Berhad	(1)	536,000	–	–	**536,000**
Hong Leong Financial Group Berhad	(1)	654,000	–	–	**654,000**
Guoco Group Limited	US$0.50	209,120	–	–	**209,120**
The Rank Group Plc	GBP13 8/9p	45,800	–	–	**45,800**
Hume Industries Berhad	(1)	3,501,600	420,000#	–	**3,921,600**
		420,000*	–	420,000(2)	**–**
Interest of YBhg Dato' Quah Thain Khan in:					
Hume Industries Berhad	(1)	975,000	525,000#	–	**1,500,000**
		525,000*	–	525,000(2)	**–**

DIRECTORS' REPORT
for the financial year ended 30 June 2017
(cont'd)

DIRECTORS' INTERESTS *cont'd*

	Nominal value per share	Number of ordinary shares/ordinary shares received# or to be received* arising from vesting of share grant At 1.7.2016	Acquired	Sold	At 30.6.2017
Shareholdings in which Director has indirect interest					
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP13 8/9p	10,661(3)	–	–	**10,661(3)**

Legend:
(1) *Concept of par value was abolished with effect from 31 January 2017 pursuant to the Companies Act 2016.*
(2) *Shares vested.*
(3) *Interest pursuant to Section 59(11)(c) of the Companies Act 2016 in shares held by a family member.*

DIRECTOR FEES AND OTHER BENEFITS

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than fees and benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of full-time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for YBhg Dato' Rosman Bin Abdullah who may be deemed to derive a benefit in respect of those trading transactions, contracts and agreements between related corporations and corporations in which YBhg Dato' Rosman Bin Abdullah is deemed to have interests.

The fees and other benefits in cash and/or in kind of the Directors of the Company are disclosed in Note 24 to the financial statements whilst the fees and other benefits of the Directors of the Company's subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

There were no arrangements during and at the end of the financial year which has the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued shares capital of the Company and the Company has not issued any debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of Hong Leong Manufacturing Group Sdn Bhd, together with its subsidiaries and an associated company (the "Group", which includes Hume Industries Berhad and its subsidiaries and where applicable, associated companies) are covered under the Directors' and Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Group was RM10 million. The total amount of premium paid for the Directors' and Officers' Liability Insurance by the Group was RM43,663 and the apportioned amount of the said premium paid by the Company was RM3,497.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts; and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent; or

ii) that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT
for the financial year ended 30 June 2017
(cont'd)

OTHER STATUTORY INFORMATION *cont'd*

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 18 to the financial statements.

On behalf of the Board,

Dato' Quah Thain Khan

Dato' Rosman Bin Abdullah

24 August 2017

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Assets					
Property, plant and equipment	4	**1,120,489**	1,149,480	**7**	9
Investments in subsidiary companies	5	**–**	–	**607,914**	607,914
Deferred tax assets	6	**11,783**	9,657	**–**	–
Tax credit receivable	7	**156,146**	72,302	**–**	–
Total non-current assets		**1,288,418**	1,231,439	**607,921**	607,923
Inventories	8	**87,716**	80,334	**–**	–
Trade and other receivables, including derivatives	9	**86,134**	74,052	**35**	34
Current tax assets		**1,522**	763	**–**	–
Cash and cash equivalents	10	**102,193**	172,747	**127**	6,873
Total current assets		**277,565**	327,896	**162**	6,907
Total assets		**1,565,983**	1,559,335	**608,083**	614,830
Equity					
Share capital	11	**479,094**	479,094	**479,094**	479,094
Reserves	12	**(34,005)**	(43,136)	**839**	562
Total equity attributable to owners of the Company		**445,089**	435,958	**479,933**	479,656
Liabilities					
Loans and borrowings	13	**354,594**	371,718	**–**	–
Deferred tax liabilities	6	**65,940**	57,018	**–**	–
Deferred income	14	**132,673**	58,040	**–**	–
Employee benefits	15(a)	**527**	896	**–**	–
Total non-current liabilities		**553,734**	487,672	**–**	–
Trade and other payables, including derivatives	16	**152,029**	168,414	**620**	534
Loans and borrowings	13	**407,314**	463,636	**127,530**	134,640
Deferred income	14	**7,817**	3,627	**–**	–
Current tax liabilities		**–**	28	**–**	–
Total current liabilities		**567,160**	635,705	**128,150**	135,174
Total liabilities		**1,120,894**	1,123,377	**128,150**	135,174
Total equity and liabilities		**1,565,983**	1,559,335	**608,083**	614,830

The notes on pages 57 to 103 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	17	**662,739**	603,302	**10,676**	17,064
Cost of goods sold		**(484,479)**	(413,725)	**–**	–
Contract cost		**(1,698)**	(4,822)	**–**	–
Gross profit		**176,562**	184,755	**10,676**	17,064
Distribution expenses		**(110,406)**	(84,038)	**–**	–
Administration expenses		**(35,847)**	(37,072)	**(1,950)**	(2,160)
Other operating expenses		**(5,952)**	(6,886)	**(4)**	(10)
Other operating income		**18,933**	21,788	**11**	11
Results from operations		**43,290**	78,547	**8,733**	14,905
Interest income		**1,044**	1,074	**6,755**	12
Finance costs		**(18,833)**	(16,772)	**(5,499)**	(121)
Profit before taxation	18	**25,501**	62,849	**9,989**	14,796
Taxation	19	**(6,785)**	(14,099)	**(130)**	(7)
Profit for the year attributable to owners of the Company		**18,716**	48,750	**9,859**	14,789
Basic earnings per ordinary share (sen)	20	**3.91**	10.18		
Profit for the year		**18,716**	48,750	**9,859**	14,789
Other comprehensive (expense) /income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		**(3)**	10	**–**	–
Cash flow hedge		**–**	(1,970)	**–**	–
Total other comprehensive expense for the year	21	**(3)**	(1,960)	**–**	–
Total comprehensive income for the year attributable to owners of the Company		**18,713**	46,790	**9,859**	14,789

The notes on pages 57 to 103 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 30 June 2017

Group	Share capital RM'000	Translation reserve RM'000	Hedging reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 July 2015	479,094	54	1,970	(77,577)	403,541
Profit for the year	–	–	–	48,750	48,750
Other comprehensive income/(expense)					
- Foreign currency translation differences for foreign operations	–	10	–	–	10
- Cash flow hedge	–	–	(1,970)	–	(1,970)
Total comprehensive income/ (expense) for the year	–	10	(1,970)	48,750	46,790
Contributions by and distribution to owners of the Company					
Dividends (Note 22)	–	–	–	(14,373)	(14,373)
Total transaction with owners of the Company	–	–	–	(14,373)	(14,373)
At 30 June 2016/1 July 2016	479,094	64	–	(43,200)	435,958
Profit for the year	–	–	–	18,716	18,716
Other comprehensive expense					
- Foreign currency translation differences for foreign operations	–	(3)	–	–	(3)
Total comprehensive income/ (expense) for the year	–	(3)	–	18,716	18,713
Contributions by and distribution to owners of the Company					
Dividends (Note 22)	–	–	–	(9,582)	(9,582)
Total transaction with owners of the Company	–	–	–	(9,582)	(9,582)
At 30 June 2017	**479,094**	**61**	**–**	**(34,066)**	**445,089**
	Note 11	Note 12		Note 12	

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2017
(cont'd)

Company	Share capital RM'000	Retained earnings RM'000	Total equity RM'000
At 1 July 2015	479,094	146	479,240
Profit and total comprehensive income for the year	–	14,789	14,789
Contributions by and distributions to owners of the Company			
Dividends (Note 22)	–	(14,373)	(14,373)
Total transaction with owners of the Company	–	(14,373)	(14,373)
At 30 June 2016/1 July 2016	479,094	562	479,656
Profit and total comprehensive income for the year	–	9,859	9,859
Contributions by and distributions to owners of the Company			
Dividends (Note 22)	–	(9,582)	(9,582)
Total transaction with owners of the Company	–	(9,582)	(9,582)
At 30 June 2017	**479,094**	**839**	**479,933**
	Note 11	Note 12	

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities				
Profit before taxation	**25,501**	62,849	**9,989**	14,796
Adjustments for:				
Amortisation of deferred income	**(5,020)**	(3,624)	**–**	–
Depreciation of property, plant and equipment	**49,703**	37,759	**2**	2
Dividend income	**(668)**	(885)	**(10,676)**	(17,064)
Fair value (gain)/loss on derivative instruments	**(206)**	854	**–**	–
Fair value (gain)/loss on financial instruments designated as hedge instruments	**(13)**	294	**–**	–
Finance costs	**18,833**	16,772	**5,499**	121
Gain on disposal of property, plant and equipment	**(35)**	(51)	**–**	–
Interest income	**(1,044)**	(1,074)	**(6,755)**	(12)
Property, plant and equipment written off	**4,238**	1,209	**–**	–
Reversal of provision for retirement benefits	**(369)**	(232)	**–**	–
Unrealised loss/(gain) on foreign exchange	**941**	(2,834)	**–**	–
Operating profit/(loss) before working capital changes	**91,861**	111,037	**(1,941)**	(2,157)
Inventories	**(7,382)**	9,201	**–**	–
Trade and other receivables	**(12,083)**	42,617	**(1)**	–
Trade and other payables	**(16,624)**	(61,600)	**86**	158
Cash generated from/(used in) operations	**55,772**	101,255	**(1,856)**	(1,999)
Taxation paid	**(776)**	(1,583)	**(130)**	(7)
Interest income received	**1,044**	1,074	**6,755**	12
Finance costs paid	**(18,833)**	(16,772)	**(5,499)**	(121)
Dividend received				
- Subsidiary companies	**–**	–	**10,485**	19,746
- Other investments	**668**	885	**191**	218
Net cash generated from operating activities	**37,875**	84,859	**9,946**	17,849

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2017
(cont'd)

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Cash flows from investing activities				
Additional investment in subsidiary company	**–**	–	**–**	(135,000)
Proceeds from disposal of property, plant and equipment	**621**	83	**–**	–
Acquisition of property, plant and equipment	**(25,536)**	(358,963)	**–**	(4)
Net cash used in investing activities	**(24,915)**	(358,880)	**–**	(135,004)
Cash flows from financing activities				
Dividends paid to owners of the Company	**(9,582)**	(14,373)	**(9,582)**	(14,373)
Drawdown of borrowings	**952,322**	1,045,645	**127,530**	134,640
Repayment of borrowings	**(1,026,251)**	(636,864)	**(134,640)**	–
Net cash (used in)/generated from financing activities	**(83,511)**	394,408	**(16,692)**	120,267
Net change in cash and cash equivalents	**(70,551)**	120,387	**(6,746)**	3,112
Effect of exchange rate fluctuations on cash held	**(3)**	10	**–**	–
Cash and cash equivalents at 1 July 2016/2015	**172,747**	52,350	**6,873**	3,761
Cash and cash equivalents at 30 June	**102,193**	172,747	**127**	6,873

Cash and cash equivalents

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

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Deposits with licensed banks	**53,012**	152,770	**–**	6,840
Cash and bank balances	**49,181**	19,977	**127**	33
	102,193	172,747	**127**	6,873

The notes on pages 57 to 103 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Hume Industries Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur.

Principal place of business
Level 6, Bangunan PanGlobal
No.1A, Jalan Tandang
46050 Petaling Jaya
Selangor Darul Ehsan.

The immediate and ultimate holding companies are Hong Leong Manufacturing Group Sdn Bhd and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as "the Group"). The financial statements of the Company as at and for the financial year ended 30 June 2017 do not include other entities.

The Company is an investment holding company, whilst the principal activities of the subsidiary companies are as stated in Note 3 to the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 24 August 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost basis, other than as those disclosed in Note 2.2 to the financial statements.

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of the Company and all values are rounded to the nearest thousand ("RM'000"), unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for on the date of acquisition. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the end of the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 July 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(b) Foreign currency *cont'd*

(ii) Operations denominated in functional currencies other than Ringgit Malaysia *cont'd*

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement *cont'd*

Financial assets *cont'd*

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2.2(h)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

(iv) Hedge accounting

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit or loss. The gain or loss on the hedged item, except for hedge item categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in profit or loss. For a hedge item categorised as available-for-sale, the fair value gain or loss attributable to the hedge risk is recognised in profit or loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the control of the asset is not retained or substantially all of the risks and rewards of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less any accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after making proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" or "other operating expenses" respectively in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(d) Property, plant and equipment *cont'd*

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	Over period of lease
Buildings	Lease period or 50 years, whichever is shorter
Plant and machinery	4 – 45 years
Office equipment, fittings, software, spare parts and motor vehicles	5 – 20 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Leased assets *cont'd*

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases except for property interest held under operating lease, and the leased assets are not recognised on the statements of financial position.

Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value.

(h) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(h) Impairment *cont'd*

(i) Financial assets *cont'd*

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(i) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(j) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Defined benefit plans

The Group operates an unfunded defined benefit scheme for the eligible employees. The present value of the defined benefit obligation as required by MFRS 119, Employee Benefits has not been used in deriving the provision, as the amount involved is not material to the Group and the Company. Accordingly, no further disclosure as required by the standard is made.

(iii) Share-based payments

The Group operates an equity-settled, share-based compensation plan for the employees of the Group under the Hume Industries Berhad ("HIB")'s Executive Share Scheme ("ESS").

In connection with the ESS, a trust has been set up and is administered by an appointed trustee ("ESS Trust"). The trustee will be entitled, from time to time, to accept advances from the Group, upon such terms and conditions as the Group and the trustee may agree, to purchase the ordinary shares of the Company from the open market for the ESS Trust ("Trust Shares").

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Employee benefits *cont'd*

(iii) Share-based payments *cont'd*

The fair value of the share options or grant offers granted to employees is recognised as an employment cost with a corresponding increase in the executive share scheme reserve over the vesting period. When the share options are exercised or grant offers are completed, the amount from the executive share scheme reserve is transferred to retained earnings as applicable. When the share options not exercised or grant offers not completed are expired, the amount from the executive share scheme reserve is transferred to retained earnings.

The fair value of the share options or grant offers is measured using Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The ESS Trusts shares are consolidated into the Group's consolidated financial statements as a deduction from equity and classified as reserves for own shares. Dividends received by the ESS Trusts are eliminated against the Company's dividend payment.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(l) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(l) Revenue and other income *cont'd*

(ii) Contract revenue

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

The stage of completion is assessed by reference to completion of a physical proportion of the contract work. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the profit or loss.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(m) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(n) Taxation

Taxation comprises current and deferred taxation. Current taxation and deferred taxation are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current taxation is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred taxation is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred taxation is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

The Group and the Company regard the unutilised investment tax allowance and reinvestment allowance as investment tax credits ("ITCs") and these ITCs are recognised using accounting treatment similar to that of a government grant. Unutilised investment tax allowance and reinvestment allowance to the extent that it is probable that the future taxable profit will be available against which the unutilised investment tax allowance and reinvestment allowance can be utilised is recognised as a tax credit receivable with a corresponding deferred income.

The tax credit receivable will be charged out to the profit or loss based on the utilisation of investment tax allowance and reinvestment allowance in each financial period. Deferred income, on the other hand, will be amortised over the estimated remaining useful lives of the assets concerned.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(o) Earnings per ordinary share

The Group presents basic earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(q) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(r) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(r) Fair value measurement *cont'd*

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2.3 Statement of compliance

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, *Interpretations and amendments effective for annual periods beginning on or after 1 January 2017*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, *Interpretations and amendments effective for annual periods beginning on or after 1 January 2018*
- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance *cont'd*

MFRSs, *Interpretations and amendments effective for annual periods beginning on or after 1 January 2019*
- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

MFRSs, *Interpretations and amendments effective for annual periods beginning on or after 1 January 2021*
- MFRS 17, *Insurance Contracts*

MFRSs, *Interpretations and amendments effective for a date yet to be confirmed*
- Amendments to MFRS 10, *Consolidated Financial Statements and* MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned applicable accounting standards, amendments and interpretations:

- from the annual period beginning on 1 July 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017;

- from the annual period beginning on 1 July 2018 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018;

- from the annual period beginning on 1 July 2019 for those accounting standard and interpretation that are effective for annual periods beginning on or after 1 January 2019; and

- from the annual period beginning on 1 July 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of the aforesaid accounting standards, amendments and interpretations.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

3. COMPANIES IN THE GROUP

The principal activities of the companies in the Group, their country of incorporation and the effective interest of Hume Industries Berhad are shown below:

Name of company	Country of incorporation	Effective interest 2017	Effective interest 2016	Principal activities
Subsidiary companies		**%**	**%**	
Hume Cement Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of cement and cement related products
Hume Concrete Sdn Bhd	Malaysia	**100**	100	Manufacture, marketing and sale of concrete and concrete related products and investment holding
• Hume Concrete (EM) Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of concrete and concrete related products
• Hume Concrete Marketing Sdn Bhd	Malaysia	**100**	100	Ceased operation
• Hume Concrete Products Research Centre Sdn Bhd	Malaysia	**100**	100	Research and development of concrete and cement products
• Hume Concrete Singapore Pte Ltd	Singapore	**100**	100	Dormant
Hume RMX Sdn Bhd	Malaysia	**100**	100	Dormant
Hume Furniture Industries Sdn Bhd	Malaysia	**100**	100	Interior design fit-out works and investment holding
• Top Master Construction (Philippines), Inc.*	Philippines	**100**	100	Dormant

Notes:
• Sub-subsidiary companies.
* The financial statements of this subsidiary company is not audited by member firms of KPMG International.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipments, fittings, software, spare parts and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost						
At 1 July 2015	50,394	75,010	587,507	34,565	275,780	1,023,256
Additions	–	340	7,847	5,987	344,789	358,963
Disposal	–	–	(56)	(1,215)	–	(1,271)
Written off	–	–	–	(1,710)	–	(1,710)
Reclassification	–	–	142	2	(144)	–
At 30 June 2016/1 July 2016	50,394	75,350	595,440	37,629	620,425	1,379,238
Additions	–	216	2,310	6,796	16,214	25,536
Disposal	–	–	(12,352)	(2)	–	(12,354)
Written off	–	(92)	(1,062)	(4,469)	–	(5,623)
Reclassification	–	16,307	619,705	–	(636,012)	–
At 30 June 2017	**50,394**	**91,781**	**1,204,041**	**39,954**	**627**	**1,386,797**
Accumulated depreciation						
At 1 July 2015	8,411	29,573	143,323	12,432	–	193,739
Charge for the year	997	1,566	29,462	5,734	–	37,759
Disposal	–	–	(56)	(1,183)	–	(1,239)
Written off	–	–	–	(501)	–	(501)
At 30 June 2016/1 July 2016	9,408	31,139	172,729	16,482	–	229,758
Charge for the year	1,001	1,710	40,898	6,094	–	49,703
Disposal	–	–	(11,766)	(2)	–	(11,768)
Written off	–	(48)	(944)	(393)	–	(1,385)
At 30 June 2017	**10,409**	**32,801**	**200,917**	**22,181**	**–**	**266,308**
Carrying amounts						
At 1 July 2015	41,983	45,437	444,184	22,133	275,780	829,517
At 30 June 2016/1 July 2016	40,986	44,211	422,711	21,147	620,425	1,149,480
At 30 June 2017	**39,985**	**58,980**	**1,003,124**	**17,773**	**627**	**1,120,489**

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

During the financial year, finance costs from bank borrowings amounted to RM12,060,000 (2016: RM12,775,000) was capitalised in the property, plant and equipment.

During the financial year, the finance costs from bank borrowings is repayable on a monthly basis at a rate of 2.29% - 4.50% (2016: 1.69% - 4.62%).

Company	**Office equipment RM'000**
Cost	
At 1 July 2015	7
Addition	4
At 30 June 2016/1 July 2016/ 30 June 2017	**11**
Accumulated depreciation	
At 1 July 2015	–
Charge for the year	2
At 30 June 2016/1 July 2016	2
Charge for the year	2
At 30 June 2017	**4**
Carrying amounts	
At 1 July 2015	7
At 30 June 2016/1 July 2016	9
At 30 June 2017	**7**

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

5. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2017 RM'000	2016 RM'000
At cost		
Unquoted shares	**504,910**	504,910
Redeemable Convertible Unsecured Loan Stock	**135,000**	135,000
Less: Accumulated impairment loss	**(31,996)**	(31,996)
	607,914	607,914

Impairment losses are recognised based on the excess of carrying amount over its recoverable amounts, which is determined based on either the fair value of the net assets of the subsidiary companies or the recoverable amount of the cash-generating unit based on value in use and the fair value less costs of disposal whichever is higher.

The subsidiary companies and their principal activities are disclosed in Note 3 to the financial statements.

6. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Property, plant and equipment	**–**	–	**(76,732)**	(71,038)	**(76,732)**	(71,038)
Other deductible temporary differences	**5,861**	8,916	**–**	–	**5,861**	8,916
Tax losses carry forward	**14,928**	12,979	**–**	–	**14,928**	12,979
Unabsorbed capital allowances	**200**	1,566	**–**	–	**200**	1,566
Other items	**2,628**	234	**(1,042)**	(18)	**1,586**	216
Deferred assets/(liabilities)	**23,617**	23,695	**(77,774)**	(71,056)	**(54,157)**	(47,361)
Set off of tax	**(11,834)**	(14,038)	**11,834**	14,038	**–**	–
Net tax assets/(liabilities)	**11,783**	9,657	**(65,940)**	(57,018)	**(54,157)**	(47,361)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

6. DEFERRED TAX ASSETS/(LIABILITIES) *cont'd*

Movement in temporary differences during the year

Group	At 1.7.2015 RM'000	Recognised in profit of or loss (Note 19) RM'000	Recognised in other comprehensive income (Note 21) RM'000	At 30.6.2016/ 1.7.2016 RM'000	Recognised in profit or loss (Note 19) RM'000	At 30.6.2017 RM'000
Property, plant and equipment	(56,151)	(14,887)	–	(71,038)	(5,694)	**(76,732)**
Other deductible temporary differences	9,469	(553)	–	8,916	(3,055)	**5,861**
Tax losses carry forward	12,013	966	–	12,979	1,949	**14,928**
Unabsorbed capital allowances	13	1,553	–	1,566	(1,366)	**200**
Other items	(61)	(380)	657	216	1,370	**1,586**
	(34,717)	(13,301)	657	(47,361)	(6,796)	**(54,157)**

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

7. TAX CREDIT RECEIVABLE

This represents unutilised investment tax allowance and reinvestment allowance recognised. The Group considered that it is probable that future taxable profits will be available against which the tax benefit can be utilised.

8. INVENTORIES

	Group	
	2017 RM'000	**2016 RM'000**
Raw materials, consumables and engineering spares	**45,134**	50,963
Work-in-progress	**324**	1,079
Finished goods	**42,258**	28,292
	87,716	80,334
Recognised in profit or loss:		
Inventories recognised as cost of goods sold/contract cost	**352,864**	330,456
Inventories written down	**3,284**	3,692
	356,148	334,148

9. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Trade					
Trade receivables					
- Third parties		**60,628**	60,792	**–**	–
- Related companies	9.1	**16,190**	9,598	**–**	–
		76,818	70,390	**–**	–
Less: Allowance for impairment losses		**(1,237)**	(1,695)	**–**	–
		75,581	68,695	**–**	–
Non-trade					
Other receivables		**1,523**	752	**15**	1
Deposits		**1,022**	1,076	**2**	12
Prepayments		**7,993**	3,529	**18**	21
Derivative used for hedging					
- forward exchange contract	16.4	**15**	–	**–**	–
		10,553	5,357	**35**	34
		86,134	74,052	**35**	34

Note 9.1
The amounts due from related companies are subject to the normal trade terms.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks	**53,012**	152,770	**–**	6,840
Cash and bank balances	**49,181**	19,977	**127**	33
	102,193	172,747	**127**	6,873

Included in the cash and cash equivalents are the following balances placed with a related company arising from normal business transactions:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits with licensed banks	**48,790**	150,453	**–**	6,840
Cash and bank balances	**17,739**	10,139	**123**	28
	66,529	160,592	**123**	6,868

11. SHARE CAPITAL

	Group and Company			
	No. of shares 2017 '000	Amount 2017 RM'000	No. of shares 2016 '000	Amount 2016 RM'000
Issued ordinary shares:				
At 1 July/30 June	**479,094**	**479,094**	479,094	479,094

12. RESERVES

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Translation reserve	12.1	**61**	64	**–**	–
(Accumulated losses)/ Retained earnings		**(34,066)**	(43,200)	**839**	562
		(34,005)	(43,136)	**839**	562

Note 12.1
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

13. LOANS AND BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
(Unsecured)				
Term loans	**354,594**	371,718	**–**	–
Current				
(Secured)				
Term loans	**–**	1,000	**–**	–
Bankers acceptances	**–**	960	**–**	–
	–	1,960	**–**	–
(Unsecured)				
Term loans	**234,082**	134,640	**115,884**	134,640
Bankers acceptances	**34,307**	26,666	**–**	–
Revolving credit	**138,925**	300,370	**11,646**	–
	407,314	461,676	**127,530**	134,640
	407,314	463,636	**127,530**	134,640
	761,908	835,354	**127,530**	134,640

14. DEFERRED INCOME

	Group	
	2017 RM'000	2016 RM'000
Non-current		
Investment tax allowance	**54,416**	58,040
Reinvestment allowance	**78,257**	–
	132,673	58,040
Current		
Investment tax allowance	**3,627**	3,627
Reinvestment allowance	**4,190**	–
	7,817	3,627
	140,490	61,667

The tax benefits arising from investment tax allowance and reinvestment allowance are being amortised over the estimated useful lives of the underlying plant and equipment for which investment tax allowance and reinvestment allowance were claimed. During the financial year, a total of RM5,020,000 (2016: RM3,624,000) has been amortised and recognised as other operating income in profit or loss of the Group.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

15. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group	
	2017 **RM'000**	**2016** **RM'000**
At 1 July 2016/2015	**896**	1,128
Reversal of provision	**(369)**	(232)
At 30 June	**527**	896

(b) Share-based payments

The Company has, on 12 November 2014 ("Effective Date"), implemented an Executive Share Scheme ("ESS") comprising an executive share option scheme ("ESOS") and an executive share grant scheme ("ESGS") of up to 10% of the issued ordinary shares capital of the Company for the benefit of eligible executives. The ESS will be in force for a period of 10 years from the Effective Date.

The main features of the ESS are, inter alia, as follows:

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors of the Group. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options or grants.

2. The aggregate number of shares comprised in:

   (i) exercised options;
   (ii) unexercised options;
   (iii) unexpired option offers and unexpired grant offers pending acceptances by the eligible executives;
   (iv) outstanding grants;
   (v) completed grants; and
   (vi) exercised options, unexercised options, outstanding grants, completed grants and unexpired offers pending acceptances, under any other executive share schemes established by the Company which are still subsisting,

   shall not exceed 10% of the issued ordinary share capital of the Company at any one time ("Maximum Aggregate").

3. The option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

4. The exercise of the options or vesting of shares may, at the absolute discretion of the Board, be satisfied by way of issuance of new ordinary shares in the Company (unless otherwise adjusted); transfer of existing shares, or a combination of both issuance of new shares and transfer of existing shares.

5. At any point in time during the existence of the ESS, the allocation to an eligible executive who, either singly or collectively through persons connected with the eligible executive, holds 20% or more of the issued ordinary share capital of the Company, must not exceed 10% of the Maximum Aggregate.

6. The option offered to an option holder under the ESOS is exercisable by the option holder or the shares to be vested to a grant holder under the ESGS will be vested to the grant holder only during his employment or directorship with the Group and within the option exercise period of the ESOS, subject to any maximum limit as may be determined by the Board under the By-Laws of the ESS.

   Since the commencement of the ESS, the were no shares or options granted.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Trade					
Trade payables					
- Third parties		**118,657**	76,065	**–**	–
- Related companies	16.1	**869**	1,610	**–**	–
		119,526	77,675	**–**	–
Non-trade					
Amount due to related companies	16.2	**120**	–	**–**	–
Other payables	16.3	**17,053**	71,930	**–**	–
Accrued expenses		**15,264**	18,469	**620**	534
Derivative used for hedging					
- forward exchange contract	16.4	**–**	68	**–**	–
Derivative held for trading at fair value through profit or loss					
- interest rate swap	16.5	**66**	272	**–**	–
		32,503	90,739	**620**	534
		152,029	168,414	**620**	534

Note 16.1
The amounts due to related companies are subject to the normal trade terms.

Note 16.2
The amounts due to related companies are unsecured, interest free and repayable on demand.

Note 16.3
Included in other payables are amounts owing to the contractor for the construction of the new cement plant amounting to RM2,361,364 (2016: RM62,801,828).

Note 16.4
The total notional value of the forward exchange contracts as at 30 June 2017 was RM7,128,000 (2016: RM20,674,000).

Note 16.5
The total notional value of the interest rate swap as at 30 June 2017 was RM100,000,000 (2016: RM100,000,000).

17. REVENUE

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Sales of goods	**622,959**	596,287	**–**	–
Contract revenue	**39,512**	6,748	**–**	–
Dividend income	**268**	267	**10,676**	17,064
	662,739	603,302	**10,676**	17,064

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

18. PROFIT BEFORE TAXATION

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
Statutory audit				
- Holding company's auditors	**279**	263	**38**	33
- Other auditors	**4**	4	**–**	–
Other services				
- Holding company's auditors	**14**	14	**8**	8
Dividend income				
- Unquoted subsidiary companies	**–**	–	**(10,485)**	(16,846)
- Other investments	**(668)**	(885)	**(191)**	(218)
Fair value (gain)/loss on derivative instrument	**(206)**	854	**–**	–
Fair value (gain)/loss on financial instruments designated as hedge instruments	**(13)**	294	**–**	–
Gain on disposal of property, plant and equipment	**(35)**	(51)	**–**	–
Loss/(Gain) on foreign exchange				
- Realised	**2,230**	(3,850)	**–**	–
- Unrealised	**941**	(2,834)	**–**	–
Personnel expenses:				
- Wages, salaries and others	**39,789**	20,803	**–**	–
- Contribution to Employees Provident Fund	**4,081**	2,026	**–**	–
Property, plant and equipment written off	**4,238**	1,209	**–**	–
Rental expense in respect of:				
- Premises	**955**	945	**13**	13
- Equipment	**7,711**	3,400	**–**	–
(Reversal of)/Impairment loss on trade receivables (net)	**(458)**	1,372	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

19. TAXATION

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Current taxation				
Malaysian				
- Current year	**491**	1,140	**129**	5
- Prior years	**(502)**	(342)	**1**	2
	(11)	798	**130**	7
Deferred taxation				
- Current year	**6,579**	16,477	**–**	–
- Prior years	**217**	(3,176)	**–**	–
	6,796	13,301	**–**	–
	6,785	14,099	**130**	7

The reconciliation of income tax applicable to profit before taxation at the statutory income tax rate to income tax at the effective tax rate of the Group and of the Company are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Profit before taxation	**25,501**	62,849	**9,989**	14,796
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	**6,120**	15,084	**2,397**	3,551
Non-deductible expenses	**3,953**	5,104	**1,914**	549
Non-taxable income	**(3,003)**	(2,571)	**(4,182)**	(4,095)
	7,070	17,617	**129**	5
(Over)/Under provision in prior years	**(285)**	(3,518)	**1**	2
	6,785	14,099	**130**	7

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

20. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM18,716,000 (2016: RM48,750,000) by the weighted average number of ordinary shares outstanding during the financial year of 479,093,800 (2016: 479,093,800) as follows:

Weighted average number of ordinary shares:

	2017 '000	**2016 '000**
Weighted average number of ordinary shares	**479,094**	479,094
Basic earnings per ordinary share (sen)	**3.91**	10.18

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the current and previous financial year as there are no dilutive potential ordinary shares.

21. OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR

2017	**Before Tax RM'000**	**Tax benefit RM'000**	**Net of tax RM'000**
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations			
- Loss arising during the year	**(3)**	**–**	**(3)**
	(3)	**–**	**(3)**
2016			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Loss arising during the year	(68)	16	(52)
- Reclassification adjustments for gain included in profit or loss	(2,630)	658	(1,972)
- Loss capitalised to initial carrying amount of hedge items	71	(17)	54
	(2,627)	657	(1,970)
Foreign currency translation differences for foreign operations			
- Gain arising during the year	10	–	10
	(2,617)	657	(1,960)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

22. DIVIDENDS

	Group and Company 2017 RM'000	2016 RM'000
Interim single tier		
2.0 sen per share (2016: 3.0 sen)	**9,582**	14,373

23. OPERATING SEGMENTS

The Board of Directors reviews internal management reports at least on a quarterly basis. Operating segments are components in which separate financial information that is available and is evaluated regularly by the Board of Directors on resources allocation and in assessing performance. The Group has identified the business of construction materials includes the manufacture and sale of cement, concrete and related products as its sole operating segment.

Other non-reportable segments comprise operations relating to the interior design fit-out works, and investment holding. These segments did not meet the quantitative thresholds for reporting segments.

Segment profit

Performance is measured based on segment profit before interest income, finance cost and taxation as included in the internal management reports that are reviewed by the Board of Directors.

Segment assets

Segment assets information is not presented to the Board of Directors and hence, no disclosure is made on the segment asset.

Segment liabilities

Segment liabilities information is not presented to the Board of Directors and hence, no disclosure is made on the segment liabilities.

	Construction materials 2017 RM'000	2016 RM'000
Reportable segment profit	**45,133**	84,952
Included in the measure of segment profit are:		
Revenue from external customers	**613,304**	587,740
Depreciation	**(49,703)**	(37,244)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

23. OPERATING SEGMENTS *cont'd*

Reconciliation of reportable segment profit

	2017 RM'000	2016 RM'000
Profit		
Reportable segment	**45,133**	84,952
Non-reportable segment	**(1,843)**	(6,405)
Interest income	**1,044**	1,074
Finance costs	**(18,833)**	(16,772)
Consolidated profit before taxation	**25,501**	62,849

	2017 External revenue RM'000	2017 Depreciation and amortisation RM'000	2016 External revenue RM'000	2016 Depreciation and amortisation RM'000
Reportable segments	**613,304**	**49,266**	587,740	37,244
Non-reportable segments	**49,435**	**437**	15,562	515
Total	**662,739**	**49,703**	603,302	37,759

Geographical information

Revenue of the Group by geographical locations of the customers is as follows:

	Revenue 2017 RM'000	Revenue 2016 RM'000
Malaysia	**612,638**	579,616
Europe	**8,507**	6,286
Others	**41,594**	17,400
	662,739	603,302

Non-current assets of the Group are maintained within Malaysia as at the end of the current and previous financial year.

Major customer

During the financial year, revenue from two customers (2016: two customers) amounted to RM142,761,000 (2016: RM157,629,000) contributed to more than 10% of the Group's revenue.

24. RELATED PARTIES

24.1 The Group has related party transactions with corporations which are related to the Directors and/or major shareholders of the Company and/or related corporations and/or persons connected with them as follows:

i. Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company through Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company, and a Director and a major shareholder of HLMG and HLCM. YBhg Datuk Kwek Leng San is a Director of the Company, HLMG and HLCM, and a shareholder of the Company and HLCM. Mr Kwek Leng Beng is a director of HLCM and a major shareholder of the Company and HLCM. Mr Kwek Leng Kee is a major shareholder of the Company and HLCM. Mr Quek Leng Chye is a past major shareholder of the Company and HLCM. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Kee and Mr Kwek Leng Beng;

ii. Tasek Corporation Berhad ("Tasek") is a person connected with Mr Kwek Leng Kee and Mr Kwek Leng Beng, both major shareholders of the Company. YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company and a past major shareholder of Tasek. Mr Quek Leng Chye is a past major shareholder of the Company and Tasek.

iii. Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") is a person connected with Mr Kwek Leng Kee and Mr Kwek Leng Beng, both major shareholders of the Company. YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company and a past major shareholder of Hong Bee Hardware. Mr Quek Leng Chye is a past major shareholder of the Company and Hong Bee Hardware.

iv. HLMG Management Co Sdn Bhd ("HLMGMC") and GuoLine Intellectual Assets Limited ("GIAL") are subsidiaries of HLCM; and

v. Guardian Security Consultants Sdn Bhd ("GSC") is an indirect associate of HLCM.

Significant transactions with related parties are as follows:

			Group	
Transaction		**Related party**	**2017 RM'000**	**2016 RM'000**
a)	Rental of shared office space	HLMGMC	**13**	13
b)	Receipt of security guard services	GSC	**372**	249
c)	Receipt of group management and/ or support services	Subsidiaries of HLCM	**6,473**	7,386
d)	Payment for usage of the Hong Leong logo and trademark	GIAL	**13**	8
e)	Purchase of goods	Subsidiaries of HLCM	**14,602**	21,316
		Hong Bee Hardware	**1,284**	3,085
		Tasek	**–**	1,904
f)	Sale of goods	Subsidiaries of HLCM	**92,667**	80,335
		Hong Bee Hardware	**15,780**	11,310
		Tasek	**3,673**	–

Significant balances with related parties at the reporting date are disclosed in Note 9 and Note 16 to the financial statements.

The above transactions have been carried out on commercial terms consistent with the usual business practices and policies of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

24. RELATED PARTIES *cont'd*

24.2 Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group.

The fees, remuneration and other benefits of the Directors of the Group and the Company are as follows:

	Note	Group		Company	
		2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Executive Directors					
Remuneration and other benefits	24.2.1	**1,613**	2,320	**–**	–
Non-Executive Directors					
Fees		**422**	422	**422**	422

24.2.1 The estimated monetary value of Executive Directors' benefits-in-kind of the Group is RM33,650 (2016: RM31,150).

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"); and
(c) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R/FL RM'000	FVTPL RM'000	Derivative used for hedging RM'000
2017				
Financial assets				
Group				
Trade and other receivables, including derivatives (excluding prepayments)	**78,141**	**78,126**	**–**	**15**
Cash and cash equivalents	**102,193**	**102,193**	**–**	**–**
	180,334	**180,319**	**–**	**15**
Company				
Trade and other receivables (excluding prepayments)	**17**	**17**	**–**	**–**
Cash and cash equivalents	**127**	**127**	**–**	**–**
	144	**144**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

25. FINANCIAL INSTRUMENTS *cont'd*

25.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	L&R/FL RM'000	FVTPL RM'000	Derivative used for hedging RM'000
2017				
Financial liabilities				
Group				
Loans and borrowings	**761,908**	**761,908**	**–**	**–**
Trade and other payables, including derivatives	**152,029**	**151,963**	**66**	**–**
	913,937	**913,871**	**66**	**–**
Company				
Loans and borrowings	**127,530**	**127,530**	**–**	**–**
Trade and other payables	**620**	**620**	**–**	**–**
	128,150	**128,150**	**–**	**–**
2016				
Financial assets				
Group				
Trade and other receivables, including derivatives (excluding prepayments)	70,523	70,523	–	–
Cash and cash equivalents	172,747	172,747	–	–
	243,270	243,270	–	–
Company				
Trade and other receivables (excluding prepayments)	13	13	–	–
Cash and cash equivalents	6,873	6,873	–	–
	6,886	6,886	–	–
Financial liabilities				
Group				
Loans and borrowings	835,354	835,354	–	–
Trade and other payables, including derivatives	168,414	168,074	272	68
	1,003,768	1,003,428	272	68
Company				
Loans and borrowings	134,640	134,640	–	–
Trade and other payables	534	534	–	–
	135,174	135,174	–	–

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

25. FINANCIAL INSTRUMENTS *cont'd*

25.2 Net gains and losses arising from financial instrument

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Net (losses)/gains on:				
Loans and receivables	**1,363**	1,860	**6,946**	231
Fair value through profit or loss	**206**	(854)	**–**	–
Derivative used for hedging	**13**	(294)	**–**	–
Other liabilities	**(22,307)**	(11,362)	**(5,499)**	(121)
	(20,725)	(10,650)	**1,447**	110

25.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

As at the end of the reporting period, there were no significant concentrations of credit risk other than one customer which represented 10% (2016: one customer - 10%) of trade receivables. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial asset.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually.

25. FINANCIAL INSTRUMENTS *cont'd*

25.4 Credit risk *cont'd*

Receivables *cont'd*

Exposure to credit risk, credit quality and collateral cont'd

The exposure of credit risk for trade receivables, net of allowance for impairment losses, as at the end of the reporting period by geographic region was:

	Group	
	2017 RM'000	2016 RM'000
Malaysia	**75,549**	65,237
Others	**32**	3,458
	75,581	68,695

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2017			
Not past due	**53,512**	**–**	**53,512**
Past due 1 - 30 days	**10,568**	**–**	**10,568**
Past due 31 days to 120 days	**9,117**	**(370)**	**8,747**
Past due more than 120 days	**3,621**	**(867)**	**2,754**
	76,818	**(1,237)**	**75,581**
2016			
Not past due	49,354	–	49,354
Past due 1 - 30 days	10,843	–	10,843
Past due 31 days to 120 days	7,184	(1,121)	6,063
Past due more than 120 days	3,009	(574)	2,435
	70,390	(1,695)	68,695

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

25. FINANCIAL INSTRUMENTS *cont'd*

25.4 Credit risk *cont'd*

Receivables *cont'd*

Impairment losses cont'd

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2017 RM'000	**2016 RM'000**
At 1 July 2016/2015	**1,695**	1,544
Impairment loss recognised	**1,198**	1,372
Reversal of impairment loss	**(1,656)**	–
Written off	**–**	(1,221)
At 30 June	**1,237**	1,695

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group's and Company's short term deposits are placed as fixed rate investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents are placed with reputable financial institutions.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that cash and cash equivalents were not recoverable.

25. FINANCIAL INSTRUMENTS *cont'd*

25.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company actively manage its operating cash flows and the availability of fundings so as to ensure that all repayments and funding needs are met. As part of its overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash to meet their working capital requirements.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000
2017					
Group					
Non-derivative financial liabilities					
Trade and other payables	**151,963**	**–**	**151,963**	**151,963**	**–**
Loans and borrowings	**761,908**	**2.2 - 4.5**	**816,127**	**431,799**	**384,328**
	913,871		**968,090**	**583,762**	**384,328**
Derivative financial liabilities					
Interest rate swap (net settled)	**66**	**–**	**66**	**66**	**–**
Company					
Non-derivative financial liabilities					
Trade and other payables	**620**	**–**	**620**	**620**	**–**
Loans and borrowings	**127,530**	**3.5 - 4.3**	**132,057**	**132,057**	**–**
	128,150		**132,677**	**132,677**	**–**

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

25. FINANCIAL INSTRUMENTS *cont'd*

25.5 Liquidity risk *cont'd*

Maturity analysis cont'd

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000
2016					
Group					
Non-derivative financial liabilities					
Trade and other payables	168,074	–	168,074	168,074	–
Loans and borrowings	835,354	1.7 – 4.6	881,823	469,156	412,667
	1,003,428		1,049,897	637,230	412,667
Derivative financial liabilities					
Forward exchange contract (gross settled)					
- Outflow	20,742	–	20,742	20,742	–
- Inflow	(20,674)	–	(20,674)	(20,674)	–
	68		68	68	–
Interest rate swap (net settled)	272	–	272	272	–
	340		340	340	–
Company					
Non-derivative financial liabilities					
Trade and other payables	534	–	534	534	–
Loans and borrowings	134,640	4.1	140,160	140,160	–
	135,174		140,694	140,694	–

25.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

25.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily U.S. Dollar ("USD").

25. FINANCIAL INSTRUMENTS *cont'd*

25.6 Market risk *cont'd*

25.6.1 Currency risk *cont'd*

Risk management objectives, policies and processes for managing the risk

Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, on a case by case basis.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the respective functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in USD	
	2017	**2016**
	RM'000	**RM'000**
Group		
Trade receivables	**56**	815
Trade and other payables	**(25,309)**	(52,143)
	(25,253)	(51,328)

Currency risk sensitivity analysis

A 5% strengthening of the Ringgit Malaysia against USD at the end of the reporting period would have increased profit before taxation of the Group by RM1,263,000 (2016: RM2,566,000). A 5% weakening of Ringgit Malaysia against USD at the end of the reporting period would have equal but opposite effect on profit or loss. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

25.6.2 Interest rate risk

The Group and the Company manage its interest rate exposure by maintaining available lines of fixed and floating rate borrowings.

Risk management objectives, policies and processes for managing the risk

The Group entered into interest rate swap with a total notional contract amount of RM100,000,000 (2016: RM100,000,000) in order to achieve an approximate mix of fixed and floating rate exposure within the Group's policy. As at 30 June 2017, the swap matured 1 year before the maturity of the floating rate bank borrowings and has fixed swap rate of 3.600% and 3.615% (2016: 3.600% and 3.615%) per annum, respectively.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

25. FINANCIAL INSTRUMENTS *cont'd*

25.6 Market risk *cont'd*

25.6.2 Interest rate risk *cont'd*

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Fixed rate instruments				
Financial assets	**53,012**	152,770	**–**	6,840
Financial liabilities	**(115,884)**	(161,306)	**(115,884)**	(134,640)
	(62,872)	(8,536)	**(115,884)**	(127,800)
Floating rate instruments				
Financial liabilities	**(646,024)**	(674,048)	**(11,646)**	–

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 50 basis points ("bp") in interest rates at the end of the reporting period would have decrease the profit before taxation of the Group by RM3,230,000 (2016: RM3,370,000). A decrease of 50bp in interest rates would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables remain constant.

25.7 Hedging activities

25.7.1 Cash flow hedge

The Group has entered into a number of forward exchange contracts to hedge the cash flow risk in relation to the variation of cash flows arising from purchase of raw materials and plant and equipment. These forward exchange contracts have a total notional amount of USD1,664,000 (2016: USD5,118,000) and all of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

25. FINANCIAL INSTRUMENTS *cont'd*

25.7 Hedging activities *cont'd*

25.7.1 Cash flow hedge *cont'd*

The following table indicates the periods in which the cash flows associated with the forward foreign currency exchange contracts are expected to occur and affect profit or loss:

Group	Carrying amount RM'000	Expected cash flow RM'000	Under 1 year RM'000
2017			
Forward exchange contracts	**15**	**15**	**15**
2016			
Forward exchange contracts	68	68	68

During the financial year, Nil (2016: a loss of RM2,627,000) was recognised in other comprehensive income, Nil (2016: RM71,000) was capitalised to increase the initial carrying amount of property, plant and equipment and Nil (2016: RM2,630,000) was reclassified from equity to profit or loss as other operating income.

Ineffectiveness gain amounting to RM13,000 (2016: Nil) was recognised in profit or loss during the financial year in respect of the hedge.

25.8 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments. Accordingly, the fair values and fair values hierarchy levels have not been presented for these instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

25. FINANCIAL INSTRUMENTS *cont'd*

25.8 Fair value information *cont'd*

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value RM'000	Carrying amount RM'000
Group										
2017										
Financial assets										
Forward exchange contracts	**–**	**15**	**–**	**15**	**–**	**–**	**–**	**–**	**15**	**15**
Financial liabilities										
Interest rate swap	**–**	**66**	**–**	**66**	**–**	**–**	**–**	**–**	**66**	**66**
Term loans	**–**	**–**	**–**	**–**	**–**	**–**	**354,594**	**354,594**	**354,594**	**354,594**
	–	**66**	**–**	**66**	**–**	**–**	**354,594**	**354,594**	**354,660**	**354,660**
2016										
Financial liabilities										
Forward exchange contracts	–	68	–	68	–	–	–	–	68	68
Interest rate swap	–	272	–	272	–	–	–	–	272	272
Term loans	–	–	–	–	–	–	371,718	371,718	371,718	371,718
	–	340	–	340	–	–	371,718	371,718	372,058	372,058

25. FINANCIAL INSTRUMENTS *cont'd*

25.8 Fair value information *cont'd*

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of derivatives are obtained from observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2016: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

In respect of financial instruments not carried at fair value, the fair value is derived based on the discounted cash flow valuation method.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

26. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors', creditors' and market's confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio.

The debt-to-equity ratios at 30 June 2017 and 30 June 2016 were as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Total loans and borrowings	**761,908**	835,354
Less: Cash and cash equivalents	**(102,193)**	(172,747)
Net debt	**659,715**	662,607
Total equity	**445,089**	435,958
Debt-to-equity ratios	**1.48**	1.52

NOTES TO THE FINANCIAL STATEMENTS
(cont'd)

27. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the (accumulated losses)/retained earnings of the Group and of the Company as at 30 June 2017, into realised and unrealised profits/(losses) are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Total (accumulated losses)/retained earnings of the Company and its subsidiaries				
- realised	**234,740**	215,655	**839**	562
- unrealised	**(59,997)**	(50,046)	**–**	–
	174,743	165,609	**839**	562
Less: Consolidation adjustments	**(208,809)**	(208,809)	**–**	–
Total (accumulated losses)/retained earnings	**(34,066)**	(43,200)	**839**	562

The determination of realised and unrealised profits/(losses) is based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 51 to 102 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2017 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 27 on page 103 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Dato' Quah Thain Khan

Dato' Rosman bin Abdullah

24 August 2017

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Henry Chow Tiam Chye, the person primarily responsible for the financial management of Hume Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 51 to 103 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Henry Chow Tiam Chye at Kuala Lumpur in the Federal Territory on 24 August 2017.

Henry Chow Tiam Chye

Before me:

Mohan A.S. Maniam
Commissioner For Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of Hume Industries Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hume Industries Berhad, which comprise the statements of financial position as at 30 June 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 102.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

to the members of Hume Industries Berhad
(cont'd)

Key Audit Matters *cont'd*

1. Recognition of tax credit receivable

Refer to Note 7 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Group recognised RM156 million of tax credit receivable as at the end of the current financial year. As disclosed in Note 7 to the financial statements, the tax credit receivable were mainly related to a subsidiary's unutilised investment tax allowance and reinvestment allowance of RM156 million. This was a key audit matter due to the degree of management judgement involved in determining that it is probable that the subsidiary will have sufficient future taxable profits to utilise the tax benefits therefrom. Changes in judgements and the unpredictability of future events could impact on the amount of tax credit receivable recognised by the Group.	Our audit procedures included, among others: • We evaluated the availability of future taxable profits against which the tax benefits can be utilised, and in doing so, we challenged the management over the key assumptions used. • We considered the adequacy of the disclosures made in the financial statements regarding key judgements and assumptions used.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

INDEPENDENT AUDITORS' REPORT

to the members of Hume Industries Berhad
(cont'd)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

to the members of Hume Industries Berhad
(cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 3 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 27 on page 103 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chong Chen Kian
Approval Number: 3232/02/18(J)
Chartered Accountant

Petaling Jaya, Selangor

24 August 2017

OTHER INFORMATION

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2017

Location	Tenure	Existing use	Year of last Revaluation / Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2017 (RM'000)
Lot 5777 Mukim Setul, Nilai Industrial Estate Negeri Sembilan Darul Khusus	Leasehold 60 years expiring 2046	Industrial land with office and factory buildings	1991	602,206	21	7,461
PT11979 & Lot 2353 Beranang Industrial Estate Selangor Darul Ehsan	Leasehold 99 years expiring 2085	Industrial land with office and factory buildings	1982	1,928,421	29	7,176
Lot 2407, Mukim 1, Prai Industrial Estate, Pulau Pinang	Leasehold 60 years expiring 2035	Industrial land with office and factory buildings	1982	653,400	40	2,532
Lot 244, Pasir Gudang Industrial Estate, Johor Bahru, Johor Darul Takzim	Leasehold 60 years expiring 2045	Industrial land with office and factory buildings	1985	609,840	30	3,752
Lot 46, Semambu Industrial Estate, Kuantan Pahang Darul Makmur	Leasehold 66 years expiring 2041	Industrial land with office and factory buildings	1982	522,720	40	675
Lot 16280925 and 17514395 Tuaran Road, Kota Kinabalu, Sabah *	Leasehold 60 years expiring 2024/2028	Industrial land with office, store and factory buildings	1982	302,742	47/51	847
Lot 300254, 300255, 300256 Mukim Teja, Kampar, Perak	Leasehold 99 years expiring 2057/2096	Quarry and cement plant	2013	29,155,060	3	76,522

* The approval of the Securities Commission ("SC") in respect of the Company's acquisitions of the entire equity interests in Hume Concrete Sdn Bhd ("Hume Concrete") and Hume Cement Sdn Bhd, which were completed on 20 October 2014, was subject to the remaining outstanding condition whereby the Company was to obtain the occupational certificate ("OC") for the industrial land with a double-storey detached office, 15 single-storey detached factory buildings and 15 open storage yards bearing postal address 5th Mile, Jalan Tuaran, 88300 Kota Kinabalu, Sabah ("Tuaran Plant") owned by Hume Concrete Group within 24 months from 28 April 2014, being the date of the SC's approval letter.

The SC had, via its letter dated 4 May 2016, noted the necessary steps taken by the Company to resolve the non-compliances. In view thereof, the Company is no longer required to observe the stipulated time frame in resolving the condition imposed on the said property but instead, the Company is to continue to pursue the matter with the relevant authorities. The Company is also to disclose the efforts taken and status of compliance of the outstanding issues in its annual report until such time the non-compliances are resolved and to update SC of such disclosure. On 23 September 2016, the Company received Kota Kinabalu City Hall's letter dated 13 September 2016 allowing the Company's application but subject to certain pre-conditions to be fulfilled. The company has done all the necessary to fulfill such conditions and is pending Kota Kinabalu City Hall's approval.

OTHER INFORMATION
(cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2017

Class of Shares : Ordinary shares
Voting Rights : 1 vote for each share held

Distribution Schedule Of Shareholders As At 30 August 2017

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	620	12.73	17,844	0.00
100 – 1,000	1,156	23.74	722,711	0.15
1,001 – 10,000	2,285	46.93	8,589,292	1.79
10,001 – 100,000	676	13.89	19,461,530	4.06
100,001 – less than 5% of issued shares	131	2.69	107,155,272	22.37
5% and above of issued shares	1	0.02	343,147,151	71.63
	4,869	100.00	479,093,800	100.00

List Of Thirty Largest Shareholders As At 30 August 2017

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Manufacturing Group Sdn Bhd	343,147,151	71.63
2.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (ESOS)	9,674,783	2.02
3.	AmanahRaya Trustees Berhad - Public Smallcap Fund	8,860,243	1.85
4.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	8,040,500	1.68
5.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	6,136,316	1.28
6.	AMSEC Nominees (Tempatan) Sdn Bhd - AmBank (M) Berhad (Hedging)	4,864,100	1.01
7.	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	3,982,900	0.83
8.	AmanahRaya Trustees Berhad - Public Strategic Smallcap Fund	3,458,200	0.72
9.	Assets Nominees (Tempatan) Sdn Bhd - Soft Portfolio Sdn Bhd	2,712,960	0.57
10.	AmanahRaya Trustees Berhad - Public Dividend Select Fund	2,327,000	0.49
11.	Hong Bee Hardware Company, Sdn Berhad	2,185,879	0.46
12.	AmanahRaya Trustees Berhad - Public Ittikal Sequel Fund	2,141,100	0.45

OTHER INFORMATION
(cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2017 *cont'd*

List Of Thirty Largest Shareholders As At 30 August 2017 *cont'd*

	Name of Shareholders	No. of Shares	%
13.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	2,121,120	0.44
14.	Grandeur Holdings Sdn Bhd	2,052,000	0.43
15.	YBhg Datuk Kwek Leng San	1,977,600	0.41
16.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank N.A Singapore (UBP SG2)	1,944,000	0.41
17.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Malaysian ESG Opportunity Fund	1,624,600	0.34
18.	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Islamic Trustee Berhad for Pacific Dana Aman (3717 TRO1)	1,600,100	0.33
19.	YBhg Dato' Quah Thain Khan	1,500,000	0.31
20.	CIMB Commerce Trustee Berhad - Public Focus Select Fund	1,490,500	0.31
21.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Industries Berhad	1,469,982	0.31
22.	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Commerce Trustee Berhad – Hong Leong Strategic Opportunity Fund	1,455,700	0.30
23.	AmanahRaya Trustees Berhad - Public Islamic Treasures Growth Fund	1,416,400	0.29
24.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chut Nyak Isham Bin Nyak Ariff	1,378,728	0.29
25.	Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	1,306,451	0.27
26.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	1,204,000	0.25
27.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tang Hong Cheong (029)	1,200,000	0.25
28.	AMSEC Nominees (Tempatan) Sdn Bhd - MTrustee Berhad for Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	940,400	0.20
29.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for RHB Equity Trust	930,000	0.19
30.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Chen Yue	904,276	0.19
		424,046,989	88.51

OTHER INFORMATION
(cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2017 *cont'd*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2017 are as follows:

Name of Shareholders	Direct Interest No. of shares	%	Indirect Interest No. of shares	%
1. Hong Leong Manufacturing Group Sdn Bhd	343,147,151	71.62	1,469,982	0.31@
2. Hong Leong Company (Malaysia) Berhad ("HLCM")	–	–	346,708,698	72.37@
3. HL Holdings Sdn Bhd	–	–	346,708,698	72.37#
4. Tan Sri Quek Leng Chan	–	–	350,231,658	73.10**
5. Hong Realty (Private) Limited	–	–	348,894,577	72.82*
6. Hong Leong Investment Holdings Pte Ltd	–	–	348,894,577	72.82*
7. Kwek Holdings Pte Ltd	–	–	348,894,577	72.82*
8. Kwek Leng Beng	–	–	348,894,577	72.82*
9. Davos Investment Holdings Private Limited	–	–	348,894,577	72.82*
10. Kwek Leng Kee	–	–	348,894,577	72.82*

Notes:

@ *Held through subsidiary(ies).*
# *Held through HLCM.*
* *Held through HLCM and a company in which the substantial shareholder has interest.*
** *Held through HLCM and companies in which Tan Sri Quek Leng Chan and his children have interests.*

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2017

Subsequent to the financial year end, there was no change, as at 30 August 2017, to the Directors' interests in the ordinary shares of the Company and/or its related corporations, appearing in the Directors' Report on pages 47 to 48 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

4. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Hume Industries Berhad (62227-X)
A Member of the Hong Leong Group

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 Thirty-seventh Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 25 October 2017 at 10.00 a.m. and at any adjournment thereof.

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

	RESOLUTIONS	**FOR**	**AGAINST**
1.	To approve the payment of Director fees and Directors' Other Benefits		
2.	To re-elect YBhg Dato' Quah Thain Khan as a Director		
3.	To re-elect YBhg Dato' Ir. Tan Gim Foo as a Director		
4.	To re-appoint Messrs KPMG PLT as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
5.	To approve YBhg Dato' Rosman bin Abdullah to continue in office as an Independent Non-Executive Director		
6.	To approve the ordinary resolution on authority to Directors to allot shares		
7.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
8.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH		
9.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Bee Hardware Company, Sdn Berhad		
10.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Putrajaya Perdana Berhad and its subsidiaries		

Dated this ____________ day of ______________________ 2017

______________________ 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 19 October 2017 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 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 proportions 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 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than twenty-four (24) 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, all resolutions set out in the Notice of the Thirty-seventh Annual General Meeting will be put to a vote by way of a poll.*

Please fold here

Affix
Stamp

The Company Secretaries
Hume Industries Berhad (62227-X)
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Malaysia

Please fold here

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