Hume Industries Berhad

A Member of the Hong Leong Group

ANNUAL REPORT **2018**

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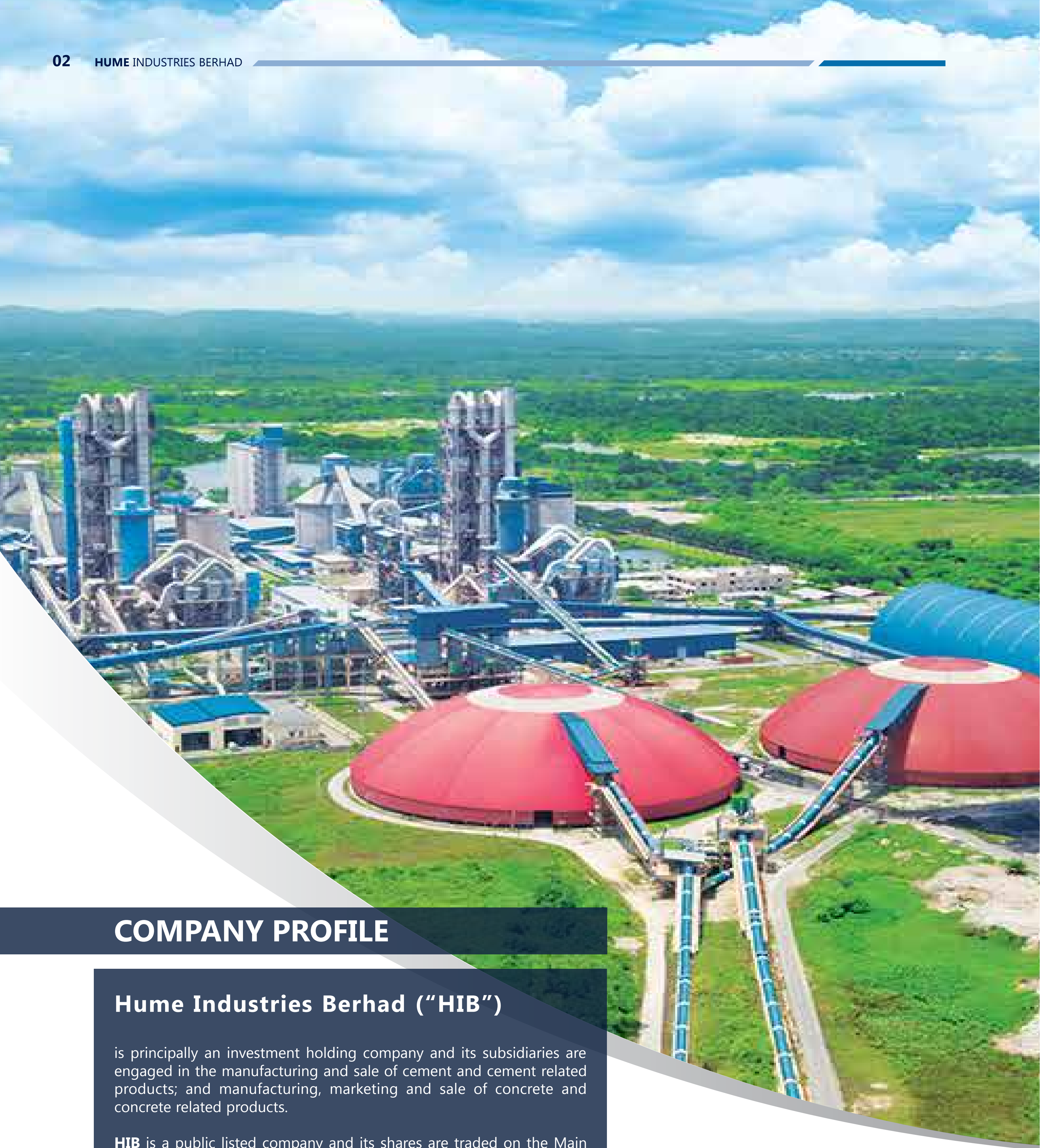


COMPANY PROFILE

Hume Industries Berhad ("HIB")

is principally an investment holding company and its subsidiaries are engaged in the manufacturing and sale of cement and cement related products; and manufacturing, marketing and sale of concrete and concrete related products.

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)

Mr Seow Yoo Lin

YBhg Dato' Ir. Tan Gim Foo

YBhg Datuk Wira Azhar bin Abdul Hamid

Ms Tai Sook Yee

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 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2080 9200
Fax : 03-2080 9238

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-eighth Annual General Meeting of Hume Industries Berhad ("the Company") will be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 24 October 2018 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 2018.

2. To approve the payment of Director fees of RM476,465/- (2017: RM422,000/-) for the financial year ended 30 June 2018 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM24,000/- from the Thirty-eighth Annual General Meeting ("AGM") to the Thirty-ninth AGM of the Company. **Resolution 1**

3. To re-elect the following Directors:

   (a) YBhg Datuk Kwek Leng San **Resolution 2**
   (b) YBhg Datuk Wira Azhar bin Abdul Hamid **Resolution 3**
   (c) Ms Tai Sook Yee. **Resolution 4**

4. To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

SPECIAL BUSINESS

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

5. **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**

6. **Ordinary Resolution**
   - Proposed Renewal Of And New 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 25 September 2018 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;

NOTICE OF ANNUAL GENERAL MEETING
cont'd

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**

7. **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 25 September 2018 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 8**

NOTICE OF ANNUAL GENERAL MEETING
cont'd

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 25 September 2018 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 the 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;

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**

9. 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
25 September 2018

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 16 October 2018 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.*

NOTICE OF ANNUAL GENERAL MEETING
cont'd

3. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.*

4. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*

5. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to a vote by way of a poll.*

Explanatory Notes:

1. Resolution 1 - Director Fees And Other Benefits

   Director Fees of RM476,465/- 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 RM24,000/-.

2. 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 2017 and which will lapse at the conclusion of the Thirty-eighth 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.

3. Resolutions 7 to 9 - Proposed 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 Shareholders' Mandate").

   Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 25 September 2018 which is despatched together with the Company's Annual Report.

NOTICE OF ANNUAL GENERAL MEETING
cont'd

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-eighth 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 shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 2 of the Notice of the Thirty-eighth Annual General Meeting.

BOARD OF DIRECTORS

YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/Non-Independent
Aged 63, 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 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.

MR SEOW YOO LIN

Non-Executive Director/Independent
Aged 62, Male, Malaysian

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

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 an 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 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.

BOARD OF DIRECTORS
cont'd

YBHG DATO' IR. TAN GIM FOO
Non-Executive Director/Independent
Aged 60, 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 had 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 and Nominating Committee of HIB.

YBHG DATUK WIRA AZHAR BIN ABDUL HAMID
Non-Executive Director/Independent
Aged 57, Male, Malaysian

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

Datuk Wira Azhar began his early career in the UK 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 the Chairman of the Nominating Committee of HIB.

Currently, Datuk Wira Azhar is the Chairman of FGV Holdings Berhad and a Director of ICON Offshore Berhad, companies listed on the Main Market of Bursa Securities.

BOARD OF DIRECTORS
cont'd

MS TAI SOOK YEE
Non-Executive Director/Independent
Aged 55, Female, Malaysian

Ms Tai Sook Yee is a member of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountant.

Ms Tai has more than 30 years of experience spanning the profession, governance, corporate, investments, strategies and for most parts of her career leading businesses with wide geographical operations. Ms Tai is culturally attuned as she has worked for family businesses and multi nationals with base in Malaysia and abroad. She has also served on the board of companies listed on the Australian Stock Exchange, during which time she was a member of their sub-committees including as Chairman of their Remuneration and Nomination Committees.

She has more than 15 years of experience leading large industrial groups. She was the Group Managing Director of IMC Industrial Group, a supply chain solutions, with operations spanning across 16 countries and employing approximately 10,000 employees. Prior to this, Ms Tai also headed the Malaysian operation of a global heavy building materials supplier. Currently, she is a member of the senior management team of the IMC Pan Asia Alliance Group.

Ms Tai was appointed to the Board of HIB on 23 January 2018. She is a member of the Board Audit & Risk Management Committee of HIB.

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 2018.

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

KEY SENIOR MANAGEMENT

MR JOONHO CHOI

Executive Director, Hume Industries Berhad
Age 38, Male, Korean

Mr Choi graduated from Michigan State University, the 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.

In 2015, Mr Choi assumed the position of General Manager of Hume Cement Sdn Bhd ("HCMT") and subsequently, promoted as Executive Director of Hume Industries Berhad ("HIB") on 16 April 2018.

MR LAU PING ONG

Chief Financial Officer, Hume Industries Berhad
Age 42, Male, Malaysian

Mr Lau is a member of the Malaysian Institute of Accountants and a Fellow of the Association of Chartered Certified Accountants.

Mr Lau has over 18 years of financial management experience in the building materials industry, out of which 16 years in the cement industry. He started working in an audit firm as a graduate trainee in 1998 before joining Aalborg-RCI White Cement Sdn Bhd as Accountant in 2000. In 2004, he joined Lafarge Malaysia Bhd as Cost Management Accountant in one of its cement plants in Malaysia and subsequently promoted to various senior positions, his last position being as Finance Partner – Aggregates.

He joined Hong Leong Group in 2016 as Financial Controller of Hume Cemboard Industries Sdn Bhd before assuming his current role as Chief Financial Officer of HIB on 24 March 2018.

MR ADEL ABDELMOTALEB GAD

Managing Director, Hume Concrete Sdn Bhd
Age 67, Male, Egyptian

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.

KEY SENIOR MANAGEMENT
cont'd

MR HUGO ENRIQUE LOSADA BARRIOLA
Managing Director, Hume Cement Sdn Bhd
Age 44, Male, Spanish

Mr Hugo Enrique Losada Barriola graduated from Universidad Católica Andrés Bello in Caracas, Venezuela with a Bachelor of Civil Engineering degree. He also holds a Master of Business Administration from Carnegie Mellon University Pittsburgh, Pennsylvania.

Mr Losada Barriola began his career as a Project and Field Engineer in Venezuela. He was with a building materials multinational company CEMEX Group from year 1999 to 2018. He held various senior positions within CEMEX Group across eight countries, including as the Managing Director for CEMEX Thailand and Vice President of Strategic Planning and Administration for CEMEX Philippines. He has been a Director of the Board for various companies in South East Asia including CEMEX Holdings Philippines, a company listed on the Philippines Stock Exchange.

Mr Losada Barriola joined HCMT as its Managing Director on 16 April 2018.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   Mr Joonho Choi is the son-in-law of YBhg Tan Sri Quek Leng Chan, a major shareholder of HIB. Save as disclosed herein, 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 2018.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Hume Industries Berhad (the "Company"), I am pleased to present the Annual Report and Financial Statements of the Group and the Company for the financial year ended 30 June 2018 ("FY2018").

Taking this opportunity, I would like to record a special note of thanks and appreciation to YBhg Dato' Quah Thain Khan who retired as our Group Managing Director on 28 March 2018, for his dedication and commitment to the Group. Our sincere appreciation goes also to YBhg Dato' Rosman bin Abdullah who resigned as a Director of the Company on 30 March 2018 for his past services and contributions to the Group. We wish them well in their future endeavours.

The Board warmly welcomes Ms Tai Sook Yee joining our Board as an Independent Non-Executive Director during the financial year and we look forward to working with her and her contribution to the Group.

For FY2018, the Group recorded lower revenue of RM645.0 million and loss before tax of RM66.8 million as compared with revenue of RM662.7 million and profit before tax of RM25.5 million for the financial year ended 30 June 2017.

The results for FY2018 were affected by intense price competition in the cement segment due to lower demand in the construction sector coincided with expanded capacity in the cement industry.

Lastly, I would like to extend my sincere appreciation to the Board of Directors, our management team and all our employees for their contribution, dedication and commitment to the Group. My sincere appreciation goes also to our valued customers, business associates, shareholders, financiers and the Government for their continuous support and confidence in the Group.

DATUK KWEK LENG SAN
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF GROUP'S BUSINESS AND OPERATION

Hume Industries Berhad ("HIB") is a building materials group of companies, principally involved in the manufacture and sale of cement and pre-cast concrete products businesses. During the financial year ended 30 June 2018 ("FY2018"), the Group exited its interior design fit-out works business and put its focus on growing the building material businesses. After the successful completion of its second cement kiln line in 2016, the Group has established its presence as one of the leading cement manufacturers and building materials group in Malaysia.

GROUP'S FINANCIAL PERFORMANCE

The Group recorded revenue of RM645.0 million for FY2018 against the previous financial year ended 30 June 2017 ("FY2017") of RM662.7 million. The decrease in revenue was mainly due to the exit of the interior design fit-out works business during FY2018. The lower profit margin of our cement business caused by lower selling price of cement products had resulted in a loss before tax of RM66.8 million for FY2018 as compared with a profit before tax of RM25.5 million for FY2017.

CEMENT – OVERVIEW

Since commercial operations in 2012, Hume Cement Sdn Bhd ("Hume Cement") has successfully established itself as one of the key cement manufacturers in Malaysia, with the leading brand, Panda Cement. The market demand growth prior to 2016 has led the Company to invest in a second fully integrated cement production line that commissioned production in June 2016.

CEMENT – PERFORMANCE REVIEW

For FY2018, the local cement market continued to suffer from the prolonged price competition, with lower demand in both the residential and the non-residential market. Over the last 5 years, cement manufacturers in Peninsular Malaysia had added more than 6 million tons of cement production capacity. The lower cement demand coupled with the added capacity had caused the over-capacity issue in the cement industry today. While Hume Cement strived and achieved sales volume growth in FY2018, revenue was however subdued by the lower market selling prices. The sales volume growth increase was contributed by the effort put to expand customer base for industrial users and the success in cement for wall applications market.

The recent Federal Government's decision to review major infrastructure projects would have delayed the cement demand recovery in the next few quarters. To endure the prolonged depressed market condition ahead, Hume Cement focuses to improve its cost competitiveness by increasing alternative fuels substitution levels, reformulating existing products and implementing a comprehensive cost reduction plan on raw materials usage and operating expenses. Anchored on the 5S/Kaizen philosophy as the foundation for its production system, Hume Cement is currently implementing a fully comprehensive productivity improvement system that ensures sustainability in equipment reliability for both present and future.

CONCRETE – OVERVIEW

Hume Concrete Sdn Bhd is one of the pioneers and a leading manufacturer of various pre-cast concrete products in the infrastructure sector. The Company is positioning itself towards a Value Brand Company, to be one of the well-known Industrialised Building Systems ("IBS") Precast Company, striving to provide Value Engineering Products that will enhance value to its customers.

CONCRETE – PERFORMANCE REVIEW

For FY2018, the business suffered from the shortage of foreign workers and intense competition particularly in its standard precast products. Among the regions in Peninsular Malaysia, the Johor region was the area with precast manufacturers mushrooming in the past few years.

The company's focus is moving up the value chain, transforming into manufacturer of value added products like IBS where it has core strength. With this, the company will continue to strengthen the area of Technical Support, providing its technical know-how in IBS by taking the lead role in promoting the value of IBS to the whole Malaysia. It has started a series of seminars to create awareness of Value Engineering on Precast Systems in various regions.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

EMPLOYEES

The Group believes the backbone of the business relies on the organisation's employees. To attract engineering graduates into the Group businesses, the Group has already designed a structured Graduate Development Programme where graduates will be assigned an 18-month comprehensive programme, on-the-job engagements to all its manufacturing facilities.

Training and re-training of existing employees is an ongoing activity to ensure the Group is able to retain the best talent and to equip employees with up-to-date skills to face with competition. Through the regular Talent Management reviews, the Group is able to identify high potentials to take up higher responsibility and an opportunity for career advancement.

RISK

The Group has a structured Risk Management review process where internal and external factors are all thoroughly considered such that to ensure the availability of proven limestone reserve, critical equipment spare parts as well as legal, regulatory and environment requirements are not breached.

The Risk Management adopted by the Group is a continuous exercise to ensure the systematic identification, evaluation and management of risks to minimise their likelihood and consequences of occurrence and to capitalise on opportunities.

DIVIDEND

The Group did not declare any dividend for FY2018.

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

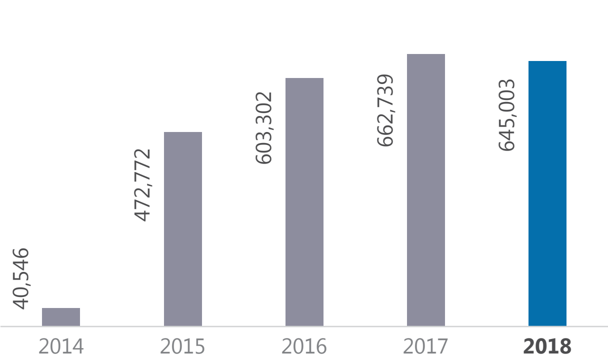
PROSPECTS

The market conditions and the over-capacity in the cement industry will continue to pose a challenging environment for the coming financial year. Nevertheless, the Group will continue to strive for best practices to ensure the cost reduction programme and the business rationalisation plan are effectively implemented. The Group also believes the Malaysia's economy will improve after the Government has completed its own rationalisation study for mega infrastructure projects.

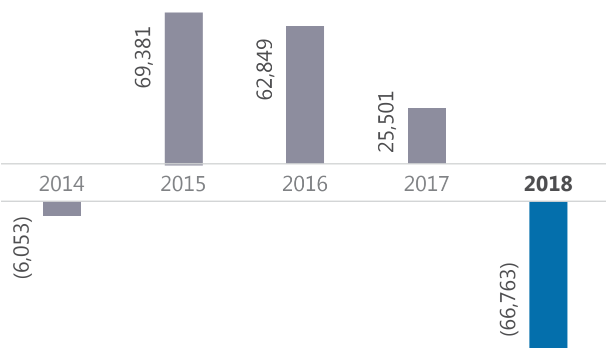
GROUP FINANCIAL HIGHLIGHTS

RM'000	FY 2014	FY 2015	FY 2016	FY 2017	**FY 2018**
Revenue	40,546	472,772	603,302	662,739	**645,003**
Profit/(Loss) Before Taxation	(6,053)	69,381	62,849	25,501	**(66,763)**
Profit/(Loss) Attributable Owners Of The Company	(5,445)	51,998	48,750	18,716	**(54,870)**
Net Earnings/(Loss) Per Share (sen)	(17.5)	15.2	10.2	4.0	**(11.5)**
Net Dividend Per Share (sen)	-	3	3	2	**-**
Total Equity	18,079	403,541	435,958	445,089	**389,900**
Total Assets	31,224	1,172,454	1,559,335	1,565,983	**1,487,348**
Capital Expenditure	550	286,317	358,963	25,536	**13,763**

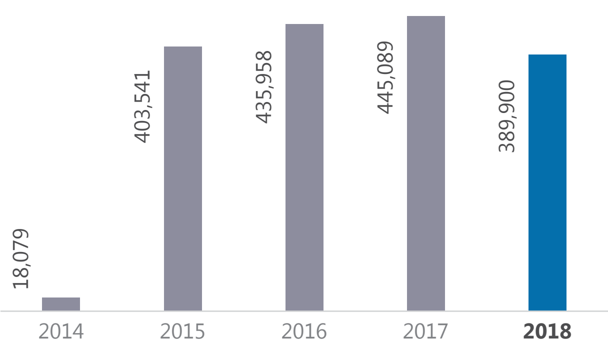
REVENUE
(RM'000)



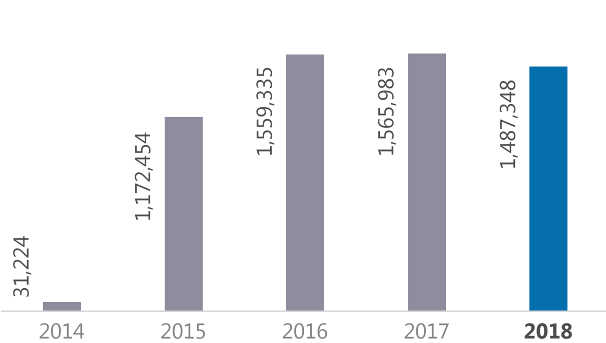
PROFIT/(LOSS) BEFORE TAXATION
(RM'000)



TOTAL EQUITY
(RM'000)



TOTAL ASSETS
(RM'000)



SUSTAINABILITY STATEMENT

BUSINESS PHILOSOPHY AND VISION

Hume Industries Berhad and its subsidiaries ("the Group") strives to become a leading player in the cement and concrete products 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 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 Manufacturing Group Code of Conduct and Ethics.

The Group has valued the development of employees of diverse ethnicity, culture, and experiences, and commitment 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 businesses, both upstream and downstream, business organisations, institutes, including social and community-based enterprises.

CORPORATE GOVERNANCE

The Group conducts business with responsibility, transparency and fairness, adhering to the long-standing business philosophy as outlined in the Hong Leong Manufacturing Group Code of Conduct and Ethics. Corporate governance principles are organisational guidelines that are in line with the Malaysian Code on Corporate Governance. 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 Manufacturing Group Code of Conduct and Ethics parameters.

2. ***The code of conduct and guidelines for the management, employees and contractors***

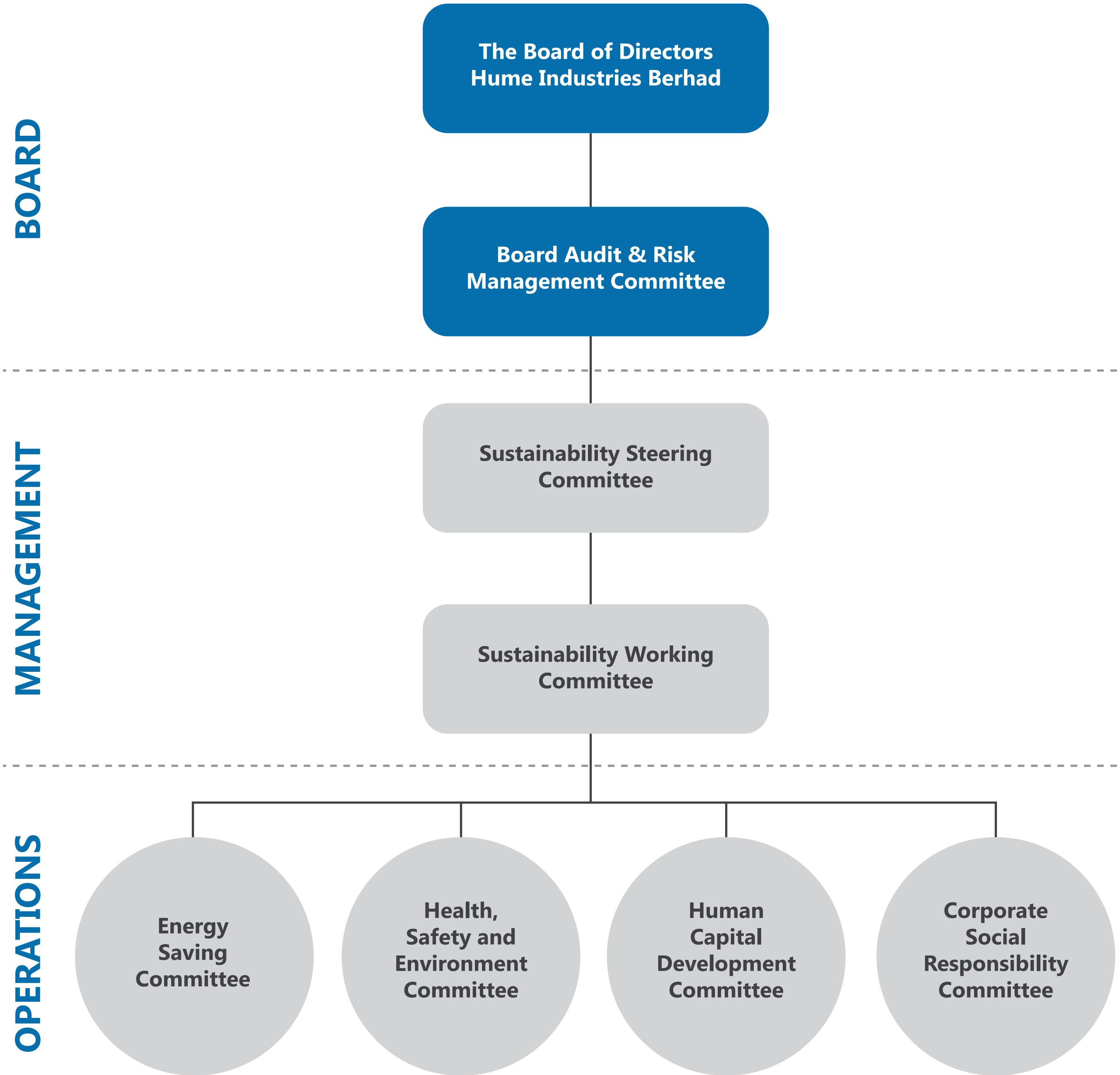
   The Board of Directors ensures appropriate guidelines are being adopted, underpinned by the Hong Leong Manufacturing Group Code of Conduct and Ethics which is regularly updated to reflect changes in laws and policies.

3. ***Increase the working committees***

   The Group has formed 2 new working committees at the operation level by introducing the Human Capital Development Committee and Corporate Social Responsibility ("CSR") Committee to further strengthen the existing team.

SUSTAINABILITY STATEMENT
cont'd

SUSTAINABILITY GOVERNANCE STRUCTURE



SUSTAINABILITY STATEMENT
cont'd

SUSTAINABILITY HIGHLIGHTS

Materiality Matrix

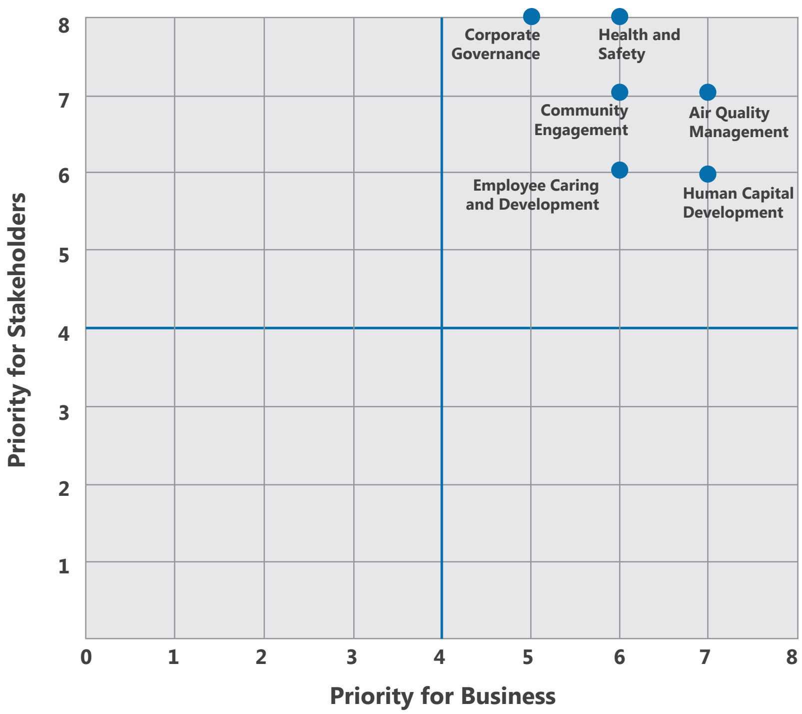


Figure 1: Key Indicators

CO2 EMISSION

CO_2/Cement mt:

FY2018
0.80

FY2017
0.81

US Cement Industry
Benchmark: 0.97

DUST EMISSION

Particulate Matter:

FY2018
13 mg/m³

FY2017
13 mg/m³

Legal Standard:
50 mg/m³

AIR QUALITY

Ambient Air Readings:

FY2018
113 µg/m³

FY2017
116 µg/m³

Legal Standard:
Max. 150 µg/m³

TRAINING

Avg Hrs/Employee:

FY2018
17.0 hrs

FY2017
19.0 hrs

Target:
10.0hrs/Employee

HEALTH & SAFETY

No. of Cases:

FY2018
Injury: 2, Fatality: 0

FY2017
Injury: 3, Fatality: 0

Target:
Zero Fatality, Zero LTI

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.

Collaboration with Universities

Signing Ceremony of Research Agreement

Hume Cement Sdn Bhd ("Hume Cement") and Universiti Tunku Abdul Rahman ("UTAR") have signed a research agreement at UTAR Sungai Long Campus. Signing the agreement on behalf of the parties were Hume Industries Berhad ("HIB"), Executive Director Mr. Joonho Choi and UTAR president Prof Datuk Dr Chuah Hean Teik.

The signing was witnessed by HIB's Head of Human Resources Mr. Lee Swee Chee and UTAR's Institute of Postgraduate Studies and Research Director Prof Dr Faidz Abd Rahman.

HIB's Executive Director thanked UTAR for giving the opportunity to work together. It is a significant milestone for future academic-industry collaboration projects. He hopes to see more outcomes and achievements from our collaboration to help the university, company and the society. "To drive our commitments and our goals, we need knowledgeable and skilful support from external parties and UTAR happens to be an ideal partner for Hume Cement," he said.

The research agreement is to work closely between the two parties to facilitate research and development areas such as innovation and development of new solutions to meet market requirements and to remain relevant in the industry.

Seminar on Innovation & Technology

On 11 August 2017, Hume Concrete Sdn Bhd ("Hume Concrete") organised a seminar on High Value Engineering IBS & General Precast Concrete System for the final year students of the Faculty of Civil Engineering at UNITEN, Bangi, Selangor, where about 100 students attended.

The seminar was also attended by lecturers from the Faculty of Civil Engineering. Our Graduate Engineers and the Sales team were also invited to join the seminar.

Besides sharing his knowledge and experience, Mr Adel, Managing Director of Hume Concrete, also opens the floor for lecturers and students to ask questions and share their views on IBS and precast technology in Malaysia. Hume Concrete also took the opportunity to discuss further activities and collaboration with UNITEN in future.

SUSTAINABILITY STATEMENT
cont'd

COMMUNITY ENGAGEMENT *cont'd*

Collaboration with Universities *cont'd*

Malaysia Concrete Canoe Competition

Do you believe concrete can float? Have you ever seen a canoe made of concrete? HIB; the holding company of Hume Cement and Hume Concrete, is proud to be the Main Sponsor of the Malaysian Concrete Canoe Competition 2017.

The competition creates opportunity for civil engineering students to gain hands-on practical experience by working with innovation in concrete mix design and exert their leadership skills in project management. Also, it will bridge the connections between practitioner and student and industry leaders with raising public awareness of versatility of concrete as the construction material.

The main challenge for the participants was to construct concrete canoes within rules and regulations to pass the test of floating when submerged in the water and to be able to compete in the men's and women's endurance races, men's and women's sprint races and co-ed sprint races, best oral presentation, best final product, endurance races, sprint races, spirit of the completion an most innovative canoe.

The Concrete Canoe made by Hume Cement Panda Blue Ordinary Portland Cement has been awarded by the Malaysia Book of Record holder – as The Longest Concrete Canoe.

Collaboration with Schools

Book Prize Award

Stimulate academic excellence, promotes saving habit, as well as to instil reading habit in school children is the main aspiration of The Hume Cement Book Prize Award. It is an annual event that has been rewarding the academic excellence to primary school students within the Hume Cement Gopeng Plant vicinity.

Students who achieved excellence scores in Mathematics, Science, English and Bahasa Malaysia were being rewarded with prize money and book vouchers.

Gotong-Royong

Gotong-Royong initiative is Hume Cement's regular activity in its operating compound. This initiative is extended to the surrounding community and one of the gotong-royong activities was carried out at Tadika Kemas.

Our employees mingled with children to educate them the importance of cleanliness and good housekeeping to eradicate mosquito aedes that causes dengue fever.

SUSTAINABILITY STATEMENT
cont'd

COMMUNITY ENGAGEMENT *cont'd*

Community Assistance

Blood donation

On 10 August 2017, our team in Sabah organised a blood donation drive. Staff from Unit Tabung Darah Hospital Likas and Hospital Queen Elizabeth came to our plant to help with this initiative.

Cement sponsorship

Hume Cement continues with its cement sponsorship programme especially to its surrounding community.

SMK Idris Shah

Hume Cement extended cement sponsorship to rebuild the school's main entrance, motorcycle parking bay and canteen. With our sponsorship, the school is able to provide a safer and spacious area for teachers and students.

Angkatan Pertahanan Awam

We had also reached out to Angkatan Pertahanan Awam, Kampar. With our cement sponsorship, the place has now been given a new facelift.

Women Aid Organisation ("WAO")

In collaboration with other Hong Leong Manufacturing Group's building materials companies, Hume Cement sponsored cement to upgrade WAO's office renovation as part of Hong Leong Group's joint CSR programme.

Festive Season

In Aid of Lower Income Family

The annual Chinese New Year Do Good Act "In Aid of Lower Income Family" activity is back into action. Partnered with "We Care" team of DEB Group and together with Rukun Tetangga Menglembu Ipoh, this year's distribution has been extended to the underprivileged of Menglembu district.

Donation of goat for Hari Raya Haji

In conjunction with the Hari Raya Haji on 1 September 2017, Hume Cement donated a goat to each of the Head of Village of Kampung Kota Bharu, Kampung Changkat Legong, Kampung Changkat Belulang, Kampung Changkat Tualang for distribution to the less fortunate families within their villages.

SUSTAINABILITY STATEMENT
cont'd

COMMUNITY ENGAGEMENT *cont'd*

Festive Season *cont'd*

"Grant-A-Wish"

In the spirit of the festival of lights, Hume Concrete organised "Grant-A-Wish" event in an attempt to bring light to life of children (orphans) from the child care centre. This event was initiated as part of Hume Concrete's CSR effort to give back to the community by helping the underprivileged, marginalised and disabled people.

Pusat Jagaan Siddharthan was established in Year 2008 which is located at PJ SS3. It is a non-profitable, non-political and non-religious care centre providing vocational training, special education, shelter, food, medication and above all, love and care to orphans and disabled children.

National Environment Day

National Environment Day is an annual event organised by the Department of Environment ("DOE"), Perak. Protecting the environment is one of Hume Cement's priorities for its operation in Gopeng Plant. As the strategic partner of DOE, Hume Cement is a strong supporter of DOE's mission towards creating public awareness for the protection of our environment.

The event was officiated by Y.B. Dato' Dr. Hj. Muhammad Amin Bin Zakaria, Pengerusi Jawatankuasa Pelajaran, Sains, Alam Sekitar dan Teknologi Hijau.

PECH KL Outing

Praise Emmanuel Children's Home is an orphanage home. To fulfil the wish of the children for a city outing by LRT riding, Hume Cement organised the Educational LRT Outing for the children.

The children visited National Museum and KLCC Twin Tower with educational pack programme.

SUSTAINABILITY STATEMENT
cont'd

HUMAN CAPITAL DEVELOPMENT

The Group has placed strong emphasis on competency development 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 knowledge, ranging from work related skills to safety.

2. Employees' 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.

Figure 2: Average Training Hours

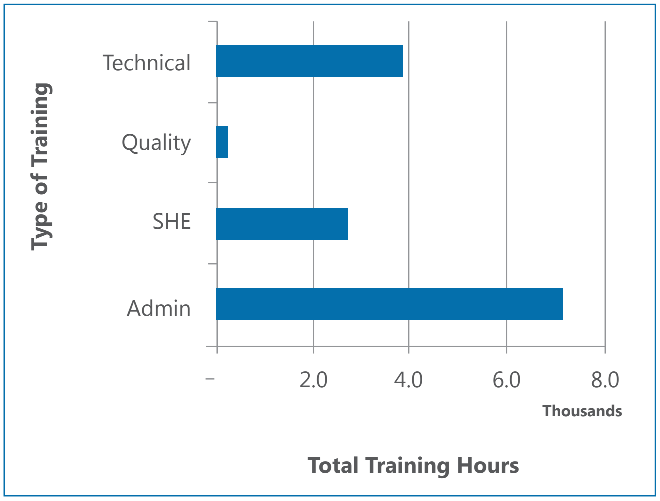
Average Training Hours per Employee

17.0 hours

Target

10.0 hours/Employee

Figure 3: Training Hours



2018 Performance

1. Achieved the target of average training hours per employee.
2. Established Quality Productivity Programs training curriculum. In progress certifying 12 internal trainers to conduct the training programmes.

The Group believes the structured training curriculum and internal trainers approach are more effective and sustainable to instill continuous learning culture in the organisation.

SUSTAINABILITY STATEMENT
cont'd

HUMAN CAPITAL DEVELOPMENT *cont'd*

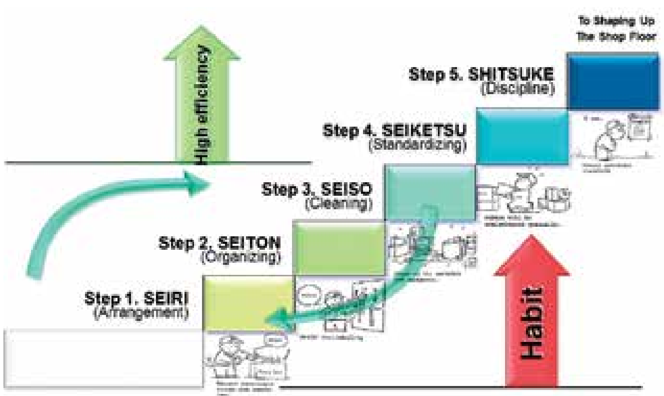
5S Working Culture

5S is a fundamental programme that has proven its effectiveness. It is a systematic approach to organise workplace, maintain rules and standards and sustain discipline to improve the work environment. It is useful not just for improving the physical environment, but improving Total Quality Management (TQM) processes as well.

TARGET

- **To achieve sustainables 5S Working Culture.**
- **To establish a management process for measuring and reviewing the Productivity, Quality, Cost, Delivery, Safety and Morale.**

As part of the Group sustainability approach, we continuously cultivate Cultural transformation, through 5S, with the end in mind of establishing a Defects-Free Production and Process Management System, besides inculcating a healthy, clean, efficient & safe working environment. This will also lead the Group to success and sustainability of every business in every region where it operates from its strong, committed and discipline workforce established.



Strategies

1. Instil Discipline/Self-Control/Compliance Culture

- Conduct Self-Assessment Audit where own self check to ensure compliance & foster ownership.
- Conduct Group Audit to ensure the people, process and system is in place.
- Rewards and Penalty System as part of 'Carrot and Stick' approach for long term cultural transformation.

2. Promote Motivated Workforce

- Kaizen Suggestion System where no one will understand better than the 'Area Owner', thus the Group believes and values the ideas from employees.
- Communication Sessions which to enhance awareness, understanding and alignment of information sharing across the board.

3. Encourage Total Practical Involvement/Teamwork

- Training Programme with Practical – Theory and on-the-job training is always the best approach!
- Continuous Internal Auditors level up to Group level to gain more exposure and experience.
- Conduct Team Building Events to foster stronger teamwork, communication and breakdown the departmental barriers.

4. Management Commitment

- Management Genba Walk/Spot Audit – Simple 'health check' approach from senior management to understand the shop floor better.
- Management Gotong-Royong – Lead by Example approach from management team.
- Management Benchmarking Visits – Knowledge sharing/Share Learning visits to inculcate values and approach.

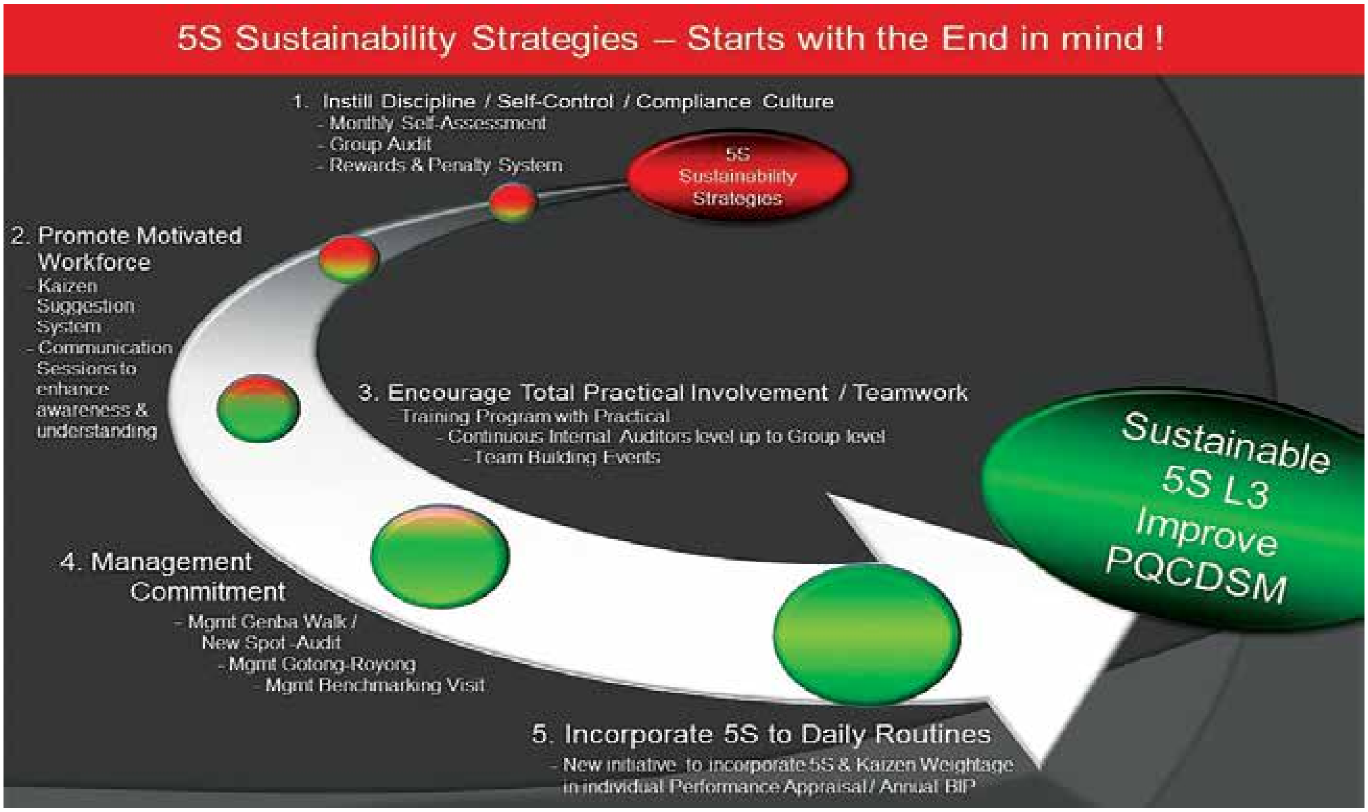
SUSTAINABILITY STATEMENT
cont'd

HUMAN CAPITAL DEVELOPMENT *cont'd*

5S Working Culture *cont'd*

5. Incorporate 5S into Daily Routines

New initiative to incorporate 5S and Kaizen weightage into individual Performance Appraisal/Annual BIP (Bonus Increment Promotion) – To cultivate and build long term 'ownership' for cultural transformation sustainability.



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 attract 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.

2018 Performance

1. CSR activities for internal and external communities were implemented with active participation of the staff. This is to promote inclusiveness and caring employee culture. CSR activities such as Sports Games, Blood donation, Organ Donation Talk, Major festive hamper donation and yearly "Book Prize" to reward and motivate primary school children to pursue good academic result.

2. The Group acknowledges the importance of developing and coaching young talent to be our future leaders. As such, we continue with the yearly Graduate Development Programme (GDP) and 5 graduates were recruited.

HEALTH AND SAFETY

Health and 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 zero Loss Time Injury ("LTI") Frequency Rate.**

SUSTAINABILITY STATEMENT
cont'd

HEALTH AND SAFETY *cont'd*

Strategies

1. ***Assess safety performance***

   - To have all units achieve a higher level of safety performance assessment evaluation
   - To cultivate safe working environment within the plant

2. ***Training & Toolbox Talk***

   - Health, Safety and Environment ("HSE") induction training for all new staff
   - Continues with HSE Training to ensure understanding and promotes staff awareness

3. ***Establish safety standards and a safety culture among staff at all levels***

   - Management demonstrates leadership & role models for safety
   - Safety programmes and briefing on safety procedures within plant operations

4. ***5S Culture***

   - Cultivate 5S behavioural in daily operations
   - To identify any safety issue and report it to relevant person through red tag programme

Workplace Safety

The Group engages employees in the HSE Committee every quarter to discuss on health and safety issues. Hume Concrete, Kuantan attended external Hazard Identification, Risk Assessment & Risk Control ("HIRARC") training and latest risk assessment was updated and submitted to Jabatan Keselamatan Dan Kesihatan Pekerjaan Malaysia ("JKKP"). Risks were analysed into various categories and follow through actions were being deployed to administer such risks.

Health, Safety and Environment Awareness Week

The HSE week is a yearly event organised by Hume Cement that involves all staff participation.

The primary aim of Safety Week is to inculcate and promote safety culture at workplace and also outside of workplace, for instance, on the road. Awareness on safety procedure, emergency evacuation, First Aid Training highlights the importance of planning ahead.

In conjunction with the event, a series of activities were included, inter alia Blood Donation Campaign and an awareness Booth by the Royal Malaysian Police.

Defensive Driving Training for tanker drivers

As operators and drivers of heavy vehicles such as tanker trucks, we have a professional responsibility to the public as well as ourselves, to exercise extra care when driving such vehicles on the road.

Hume Cement has rolled out the Defensive Driving Training for tanker drivers with the aim to train 200 drivers. As professionally-trained and qualified drivers, we need to anticipate the behaviour of other road users and take preventive measures to avoid accidents. Defensive driving skills are the first line of defence towards preventing road accidents.

SUSTAINABILITY STATEMENT
cont'd

AIR QUALITY MANAGEMENT

Greenhouse Emission

Hume Cement business is highly energy-dependent, therefore our business is exposed to both energy pricing volatility and limited energy resources. Hume Cement continuously seeks and sources for clean energy, reducing coal dependence and applying the best practices to improve the production processes to enhance energy efficiencies and mitigate greenhouse gas (GHG) emissions.

TARGET

Reduce greenhouse gas 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 Sources of Energy***

   Research and develop the use of alternative energy sources for industrial machineries, and seek to increase the share of alternative fuels in various ways, including waste to energy, biomass, biogas and solid recovered fuels in order to increase the flexibility of fuel types; reduce the use of coal and seek to reduce greenhouse gas emissions.

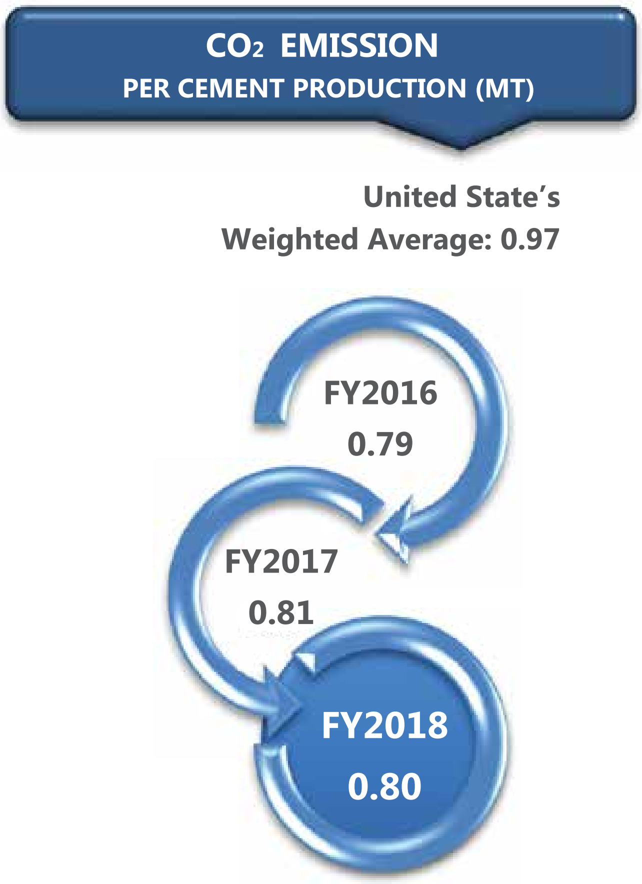
3. ***Increase Energy Efficiencies***

   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. ***Energy Awareness Campaigns***

   Promote and encourage activities to raise awareness about energy usage to our staff by organising activities consistently and regularly across Hume Cement.

Figure 4: CO_2 Emission



SUSTAINABILITY STATEMENT
cont'd

AIR QUALITY MANAGEMENT *cont'd*

Dust Management

Based on the Environmental Quality (Clean Air) Regulations 2014, DOE Malaysia has set a legal standard for emission limits and technical standards (by activity or industry). It is mandatory for industries to install Continuous Emissions Monitoring System ("CEMS") at the main stack for real time monitoring. This system is equipped with a gas analyser to continuously measure dust particles and emission concentrations released to the atmosphere while thereafter, transmitted directly to DOE Putrajaya and DOE Perak. CEMS allows DOE to directly monitor plant emissions for:

- Particulate Matter ("PM")
- Sulphur Dioxide ("SO_2")
- Nitrogen Dioxide ("NO_2")

TARGET

To further reduce the discharge of particulates.

Figure 5: Environmental Readings

Particulate Matters	Sulphur Dioxide	Nitrogen Dioxide
FY2018:	**FY2018:**	**FY2018:**
13 mg/m³	**11 mg/m³**	**278 mg/m³**
FY2017:	FY2017:	FY2017:
13 mg/m³	11 mg/m³	111 mg/m³
DOE Benchmark:	DOE Benchmark:	DOE Benchmark:
50 mg/m³	800 mg/m³	800 mg/m³

Strategies

Bag Filter System

Hume Cement adopts bag filters with collection efficiencies of up to 99.9% to remove particulates out of the gases released from the commercial processes. We are the industry trendsetter in implementing latest technologies, giving us the competitive advantage over the much older Electrostatic Precipitator (ESP) models currently employed by the industry.

FORGING AHEAD

The Group believes in sustainable management in its business strategy and is one of the key drivers for sustaining future business expansion and profitability. We aim to continue to strive for a better performance indicator by covering three dimensions of economy, society and the environment as carried out in 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, 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") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which supports the three key principles of the Malaysian Code on Corporate Governance ("MCCG"), namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2018 of the Company in relation to this statement is published on the Company's website, www.humeind.com ("Website").

BOARD LEADERSHIP AND EFFECTIVENESS

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 has 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 Website. 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.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions, internal controls and risk management to the Board Audit & Risk Management Committee ("BARMC"). The Nominating Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and chief executive appointments and/or re-elections, and assess and evaluate the performance of the Board, Board Committees and Chief Financial Officer ("CFO"). 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

A. Roles And Responsibilities Of The Board *cont'd*

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 IDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

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, which has been adopted by the Board and published on the Website.

B. Board Composition

The Board currently comprises five (5) Directors, four (4) of whom are IDs. The profiles of the members of the Board are set out in the Annual Report.

The Company is guided by the Policy on Board Composition adopted by the Company and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") 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 to 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 include a balanced composition of executive and non-executive directors.
- Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Company 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. In an effort to encourage women participation on the Board, Ms Tai Sook Yee was appointed as a Director of the Company during the financial year ("FY") ended 30 June 2018 ("FY 2018"). The Board will continue to work towards increasing women participation on the Board.

Based on the review of the Board composition in August 2018, 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 strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees

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

- BARMC

  The composition of the BARMC and a summary of its activities in the discharge of its functions and duties for the FY are set out in the Board Audit & Risk Management Committee Report in this Annual Report.

  The TOR of the BARMC are published on the Website.

- NC

  The NC was established on 29 April 2013. The NC has been re-constituted as follows:

  YBhg Datuk Wira Azhar bin Abdul Hamid
  Chairman, Independent Non-Executive Director
  (Redesignated as Chairman on 30 March 2018)

  YBhg Dato' Ir. Tan Gim Foo
  Independent Non-Executive Director
  (Appointed on 30 March 2018)

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

  Mr Seow Yoo Lin
  Independent Non-Executive Director
  (Resigned on 30 March 2018)

  The TOR of the NC are published on the Website.

  (i) New Appointments

  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 maintains a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases in its search for suitable Board candidates.

  In evaluating any new appointment of senior management, the Company is guided by the Hong Leong Group Recruitment Policy where all potential candidates are given equal opportunity regardless of gender, race, and religion and/or whether or not one has disability, and senior management positions are awarded based on qualifications, experience and potential.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

- NC *cont'd*

(ii) Re-election/Retention

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

The Chairman, Directors and chief executive will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations, time commitment as well as the Annual Board Assessment (as defined below) results, contributions during the term of office, attendance at Board meetings, and for IDs, their continued independence.

(iii) Removal

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.

(iv) Board Committee Appointments

The nomination, assessment and approval process for appointments to Board Committees ("Board Committee Appointments") is as follows:

Identification of directors for Board Committees	→	• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	→	Deliberation by the Board and decision thereof

The assessment for Board Committee Appointments 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 chief financial officer on an annual basis ("Annual Board Assessment"). For newly appointed chairman, directors, chief executive and chief financial officer, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year of service.

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 FY and additional meetings may be called at any time as and when necessary.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

- NC *cont'd*

  The NC met three (3) times during the FY 2018 where all the NC members attended. Recommendations and decisions were also taken by way of Circular Resolutions.

  The NC carried out its duties in accordance with its TOR during FY 2018. The NC considered and reviewed the following:

  - revised NC Charter, revised Process and Procedure of Assessment for New Appointment, Re-Election or Retention of Directors or Chief Executive and Removal of Directors and revised 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
  - appointment and re-election 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 gender, ethnicity and age balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

  The NC has also evaluated the performance of the Board, Board Committees, each individual director, and each Board Committee member, benchmarking their respective TOR and assessment criteria, and through the annual assessment conducted during FY 2018. 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.

- 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.

D. Remuneration

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 undertaken by them.

The remuneration packages of executive directors are reviewed by the entire Board. Executive directors shall not participate in the deliberations and shall vacate the meeting room during deliberations of their remuneration packages. 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 Annual General Meeting ("AGM").

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

D. Remuneration *cont'd*

The detailed remuneration of each director is set out in the CG Report which is published on the Website.

Hong Leong Manufacturing Group adopts Hong Leong Group's total compensation philosophy which promotes high performing culture, alignment of corporate values and vertical and horizontal equity. The rewards strategy focuses on providing a competitive remuneration and benefits package, as well as ample career progression opportunities for employees.

The company's rewards framework focuses on a balanced and right pay mix to achieve the desired long term business performance. The framework includes base pay, cash allowances; performance based variable pay, long term incentives, benefits and other employees' programmes.

The rewards framework ensures that employees are paid competitively against the industry and talent market the company is operating in; delivered via a combination of cash and non-cash elements such as shares or share-linked instruments.

Key performance indicators and key results areas of employees are measured and tracked diligently to ensure strong alignment of employee output to the overall business strategy and direction of the company.

E. Independence

The Board takes cognisance of the provisions of the MCCG, which states that the tenure of an independent director should not exceed a cumulative term of 9 years and upon completion of the 9 years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. It further states that in the event the Board wishes to retain an independent director who has served a cumulative term of 9 years and above, shareholders' approval shall be annually sought with justification. In the event the Board wishes to retain an independent director who has served a cumulative term of 12 years and above, shareholders' approval shall be annually sought through a two-tier voting process.

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, that the IDs have continued to bring independent and objective judgment to Board deliberations and decision making.

Currently, the tenure of all the IDs on the Board does not exceed 9 years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

F. 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. The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 50% of Board meetings held in each FY pursuant to the MMLR.

All Board members are supplied with information in a timely manner. The Company has moved towards electronic Board reports. Board reports are circulated electronically prior to 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. The Company Secretaries attend programmes and seminars to keep abreast with, inter alia, regulatory requirements, company law and CG.

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.

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 four (4) times for FY 2018 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	4/4
Mr Seow Yoo Lin	4/4
YBhg Dato' Ir. Tan Gim Foo	4/4
YBhg Datuk Wira Azhar bin Abdul Hamid	3/4
Ms Tai Sook Yee *(Appointed on 23 January 2018)*	2/2*
YBhg Dato' Quah Thain Khan *(Retired on 28 March 2018)*	3/3*
YBhg Dato' Rosman bin Abdullah *(Resigned on 30 March 2018)*	3/3*

* *Reflects the attendance and the number of meetings held during the period the Director held office.*

The Company recognises the importance of continuous professional development and training for its Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

F. Commitment *cont'd*

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 business of the Company, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' 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 CG, finance, legal, risk management, information technology, cyber security, internal control and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During FY 2018, the Directors received regular briefings and updates on the Group's businesses, strategies, operations, risk management and compliance, internal controls, CG, 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.

During FY 2018, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- MCCG Update and Cyber Security Awareness Session
- Digital Transformation and Impact to Businesses
- Journey Toward Industry 4.0
- Fintech: Opportunities for the Financial Services Industry in Malaysia
- Fraud Risk Management Workshop
- Bitcoin and Cryptocurrency
- Integrating and Innovation Mindset with Effective Governance
- KPMG Tax Summit 2017
- Leveraging Technology for Growth
- The CG Breakfast Series for Directors – Leading Change @ The Brain
- The CG Breakfast Series – Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability
- CITP Initiative on Safety (CIDB)
- 2018 Budget: Implications to the Malaysian Economy and Capital Market
- CG Breakfast Series Entitled: Integrating an Innovation Mindset with Effective Governance
- Case Study Workshop for Independent Directors
- PIPOC 2017
- MICG Half-Day Seminar On Governance Or Lack Of It
- Invest Malaysia 2018
- POC 2018 Conference
- Malaysia-Sweden Sustainable Plantation Industry Day 2018
- Property Developers: Impact of Abolishment of Goods and Services Tax on Profitability and Compliance

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

G. Strengthening CG Culture

- **Code of Conduct and Ethics**

  The Group is committed to good business ethics and integrity as set out in the Hong Leong Manufacturing Group Code of Conduct and Ethics ("Code"). To this, the Group commits to a high standard of professionalism and ethics in the conduct of our business and professional activities.

  The Code is applicable to:

  - all employees who work in the Group across the jurisdictions in which we operate – including but not limited to permanent, part-time and temporary employees; and
  - any other persons permitted to perform duties or functions within the Group – including but not limited to vendors, service providers, contractors, secondees, interns, industrial attachment and agency staff.

- **Whistleblowing Policy**

  A Whistleblowing Policy has also been established by the Company and it provides a structured channel for all employees of the Group to report any concern on any improper conduct or wrongful act committed within the Group. The Whistleblowing Policy is published on the Website.

  The Board has identified the Chairman of the BARMC to whom reports of any such concerns may be conveyed.

EFFECTIVE AUDIT AND RISK MANAGEMENT

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 ("IAD") 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 has a fiduciary responsibility to ensure 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 integrity of financial statements with the assistance of the external auditors.

II. Directors' Responsibility In Financial Reporting

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

The Directors of the Company are satisfied that the financial statements of the Group and of the Company for FY 2018 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

III. Risk Management and Internal Control

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

- 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 IAD in this role.

- Risk Management Framework

  For FY 2018, management has structured the risk management framework using 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.

  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.

- 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

III. Risk Management and Internal Control *cont'd*

- System of Internal Controls *cont'd*

  - 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 IAD 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 2018 cover logistics and distribution management, scrap and waste management; order bank and product costing management; weighbridge operations and quarry management.
  - 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 CFO and chief executives of the respective operating company 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.

- 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 Audit and Assurance Practice Guide ("AAPG") 3, (previously Recommended Practice Guide 5 (Revised 2015)), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the 2018 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. AAPG 3 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 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

III. Risk Management and Internal Control *cont'd*

- 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.

IV. 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 MIA, Messrs KPMG PLT rotates 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 2018, the BARMC members 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.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

A. 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 Website after release to Bursa.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

B. Shareholders

I. Dialogue between Companies 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 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.

Shareholders can access for information at the Website which includes the Board Charter, TORs of Board Committees, corporate information, announcements/press releases/briefings, financial information, products information and investor relations. A summary of the key pertinent matters discussed at the AGM is published on the 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 Lau Ping Ong
Tel No.	:	03-7866 9000
Fax No.	:	03-7866 9009
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.

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.

At the last AGM held on 25 October 2017 of which five (5) out of six (6) Directors attended, the Company adopted electronic voting for the conduct of poll on all resolutions.

This Corporate Governance Overview Statement, 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

The Committee has been re-constituted as follows:

Mr Seow Yoo Lin
Chairman, Independent Non-Executive Director
(Redesignated as Chairman on 30 March 2018)

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

Ms Tai Sook Yee
Independent Non-Executive Director
(Appointed on 30 March 2018)

YBhg Dato' Rosman bin Abdullah
Independent Non-Executive Director
(Resigned on 30 March 2018)

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 four (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.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
cont'd

MEETINGS *cont'd*

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.

Two (2) members of the Committee, who shall be independent, shall constitute a quorum and the majority of members present must be independent directors.

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.

ACTIVITIES

An annual assessment on the performance and effectiveness of the Committee and each of its members for the financial year ended 30 June 2018 ("FY 2018") 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 2018, four (4) Committee meetings were held and the attendance of the Committee members was as follows:

Members	Attendance
Mr Seow Yoo Lin	4/4
YBhg Dato' Ir. Tan Gim Foo	4/4
Ms Tai Sook Yee *(Appointed on 30 March 2018)*	1/1*
YBhg Dato' Rosman bin Abdullah *(Resigned on 30 March 2018)*	3/3*

* *Reflects the attendance and the number of meetings held during the period the Committee member held office.*

The Committee carried out the following key activities during FY 2018:

- 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 two (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 2018 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 potential Key Audit Matters and other significant 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 auditors' independence or objectivity. Details of non-audit fees incurred by the Group for FY 2018 are stated in the Notes to the Financial Statements.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
cont'd

ACTIVITIES *cont'd*

- 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.
- Reviewed and approved the Internal Audit Policy Manual.
- Met with the internal auditors and approved the annual audit plan and also reviewed the internal audit findings and recommendations.
- 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.
- Reviewed and recommended to the Board for approval the appointment of Chairman and a member of the Committee.
- Recommended to the Board for approval the appointment of a new risk manager.

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 eight (8) staff in the IA Department during FY 2018 and the total cost incurred by the IA Department amounted to RM 1,625,538.

The IA Department, led by the Head of IA, reports to the Committee which has the authority to decide, among others, the appointment and removal; scope of work; and performance evaluation of the internal audit function. Mr Teh Boon Ang is Head of IA since 1 July 2017. Mr Teh holds the qualifications of Master of Criminal Justice, Advanced Diploma in Commerce, and is a Professional Member of the Institute of Internal Auditors Malaysia, Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators, and Certified Fraud Examiner from the Association of Certified Fraud Examiners, USA. 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.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
cont'd

INTERNAL AUDIT ("IA") *cont'd*

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 on the performance of the IA Department for FY 2018 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 has 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 2018 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 2018

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the significant subsidiaries consist of manufacturing and sale of cement and cement related products, and manufacturing, marketing and sale of concrete and concrete related products as disclosed in Note 3 to the financial statements.

There has been no significant change in the nature of these activities during the financial year except as disclosed in Note 3 to the financial statements.

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 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
(Loss)/Profit for the year attributable to owners of the Company	(54,870)	60

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

No dividend was paid during the financial year and the Directors do not recommend a final dividend for the financial year ended 30 June 2018.

DIRECTORS' REPORT

for the financial year ended 30 June 2018
cont'd

DIRECTORS OF THE COMPANY

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

YBhg Datuk Kwek Leng San, Chairman
Mr Seow Yoo Lin
YBhg Dato' Ir. Tan Gim Foo
YBhg Datuk Wira Azhar bin Abdul Hamid
Ms Tai Sook Yee (Appointed on 23 January 2018)
YBhg Dato' Quah Thain Khan, Group Managing Director (Retired on 28 March 2018)
YBhg Dato' Rosman bin Abdullah (Resigned on 30 March 2018)

The Directors' name and their remuneration details are set out in the subsidiaries' financial statements and the said names and details are deemed incorporated herein by such reference and made a part thereof.

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 2018 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			
	Nominal value per share	**At 1.7.2017**	**Acquired**	**Sold**	**At 30.6.2018**
Shareholdings in which Director has 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$0.50	209,120	-	-	**209,120**
The Rank Group Plc	GBP13$^{8/9}$p	45,800	-	-	**45,800**
Hume Industries Berhad	(1)	3,921,600	-	-	**3,921,600**
Shareholdings in which Director has indirect interest					
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP13$^{8/9}$p	10,661 (2)	-	-	**10,661 (2)**

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

DIRECTORS' REPORT

for the financial year ended 30 June 2018
cont'd

DIRECTORS' 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, remuneration, other benefits and benefits-in-kind included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 24.2 to 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.

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 issue of shares and debentures of the Company 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 (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.

DIRECTORS' REPORT

for the financial year ended 30 June 2018
cont'd

OTHER STATUTORY INFORMATION *cont'd*

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.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2018 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, 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,

Datuk Kwek Leng San

Seow Yoo Lin

29 August 2018

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Property, plant and equipment	4	**1,064,792**	1,120,489	**5**	7
Investments in subsidiary companies	5	**-**	-	**607,914**	607,914
Deferred tax assets	6	**13,460**	11,783	**-**	-
Tax credit receivable	7	**156,146**	156,146	**-**	-
Total non-current assets		**1,234,398**	1,288,418	**607,919**	607,921
Inventories	8	**100,699**	87,716	**-**	-
Trade and other receivables, including derivatives	9	**76,171**	86,134	**16**	35
Current tax assets		**2,824**	1,522	**-**	-
Cash and cash equivalents	10	**73,256**	102,193	**2,691**	127
Total current assets		**252,950**	277,565	**2,707**	162
Total assets		**1,487,348**	1,565,983	**610,626**	608,083
Equity					
Share capital	11	**479,094**	479,094	**479,094**	479,094
Reserves	12	**(89,194)**	(34,005)	**899**	839
Total equity attributable to owners of the Company		**389,900**	445,089	**479,993**	479,933
Liabilities					
Loans and borrowings	13	**235,277**	354,594	**-**	-
Deferred tax liabilities	6	**56,893**	65,940	**-**	-
Deferred income	14	**124,856**	132,673	**-**	-
Employee benefits	15(a)	**422**	527	**-**	-
Total non-current liabilities		**417,448**	553,734	**-**	-
Trade and other payables, including derivatives	16	**167,538**	152,029	**609**	620
Loans and borrowings	13	**504,645**	407,314	**130,024**	127,530
Deferred income	14	**7,817**	7,817	**-**	-
Total current liabilities		**680,000**	567,160	**130,633**	128,150
Total liabilities		**1,097,448**	1,120,894	**130,633**	128,150
Total equity and liabilities		**1,487,348**	1,565,983	**610,626**	608,083

The notes on pages 60 to 111 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	17	**645,003**	662,739	**28**	10,676
Cost of goods sold		**(540,617)**	(484,479)	**-**	-
Contract cost		**-**	(1,698)	**-**	-
Gross profit		**104,386**	176,562	**28**	10,676
Distribution expenses		**(123,056)**	(110,406)	**-**	-
Administrative expenses		**(32,311)**	(35,847)	**(1,880)**	(1,950)
Other operating expenses		**(4,034)**	(5,952)	**(1)**	(4)
Other operating income		**18,434**	18,933	**1**	11
Results from operations		**(36,581)**	43,290	**(1,852)**	8,733
Interest income		**1,072**	1,044	**6,764**	6,755
Finance costs		**(31,254)**	(18,833)	**(4,731)**	(5,499)
(Loss)/Profit before taxation	18	**(66,763)**	25,501	**181**	9,989
Taxation	19	**11,893**	(6,785)	**(121)**	(130)
(Loss)/Profit for the year attributable to owners of the Company		**(54,870)**	18,716	**60**	9,859
Basic (loss)/earnings per ordinary share (sen)	20	**(11.45)**	3.91		
(Loss)/Profit for the year		**(54,870)**	18,716	**60**	9,859
Other comprehensive expense, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		**(40)**	(3)	**-**	-
Total other comprehensive expense for the year	21	**(40)**	(3)	**-**	-
Total comprehensive (expense)/ income for the year attributable to owners of the Company		**(54,910)**	18,713	**60**	9,859

The notes on pages 60 to 111 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2018

Group	Share capital RM'000	Exchange fluctuation reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 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 (expense)/ income 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 2017/1 July 2017	479,094	61	(34,066)	445,089
Loss for the year	-	-	(54,870)	(54,870)
Other comprehensive expense				
- Foreign currency translation differences for foreign operations	-	(40)	-	(40)
Total comprehensive expense for the year	-	(40)	(54,870)	(54,910)
Effect arising from liquidation of a subsidiary	-	-	(279)	(279)
At 30 June 2018	**479,094**	**21**	**(89,215)**	**389,900**
	Note 11	Note 12	Note 12	

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2018
cont'd

Company	Share capital RM'000	Retained earnings RM'000	Total equity RM'000
At 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 2017/1 July 2017	479,094	839	479,933
Profit and total comprehensive income for the year	-	60	60
At 30 June 2018	**479,094**	**899**	**479,993**
	Note 11	Note 12	

The notes on pages 60 to 111 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2018

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
(Loss)/Profit before taxation	**(66,763)**	25,501	**181**	9,989
Adjustments for:				
Amortisation of deferred income	**(7,817)**	(5,020)	**-**	-
Depreciation of property, plant and equipment	**67,017**	49,703	**2**	2
Dividend income	**(535)**	(668)	**(28)**	(10,676)
Fair value gain on derivative instruments	**(66)**	(206)	**-**	-
Fair value gain on financial instruments designated as hedge instruments	**(173)**	(13)	**-**	-
Gain on liquidation of a subsidiary	**(279)**	-	**-**	-
Finance costs	**31,254**	18,833	**4,731**	5,499
Gain on disposal of property, plant and equipment	**(182)**	(35)	**-**	-
Interest income	**(1,072)**	(1,044)	**(6,764)**	(6,755)
Property, plant and equipment written off	**1,950**	4,238	**-**	-
Reversal of provision for retirement benefits	**(105)**	(369)	**-**	-
Unrealised (gain)/loss on foreign exchange	**(1,662)**	941	**-**	-
Operating profit/(loss) before working capital changes	**21,567**	91,861	**(1,878)**	(1,941)
Inventories	**(12,983)**	(7,382)	**-**	-
Trade and other receivables	**10,136**	(12,083)	**18**	(1)
Trade and other payables	**16,574**	(16,624)	**(10)**	86
Cash generated from/(used in) operations	**35,294**	55,772	**(1,870)**	(1,856)
Taxation paid	**(133)**	(776)	**(121)**	(130)
Interest income received	**1,072**	1,044	**6,764**	6,755
Finance costs paid	**(31,254)**	(18,833)	**(4,731)**	(5,499)
Dividend received				
- Subsidiary companies	**-**	-	**-**	10,485
- Other investments	**535**	668	**28**	191
Net cash generated from operating activities	**5,514**	37,875	**70**	9,946

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2018
cont'd

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	**675**	621	**-**	-
Acquisition of property, plant and equipment	**(13,763)**	(25,536)	**-**	-
Net cash used in investing activities	**(13,088)**	(24,915)	**-**	-
Cash flows from financing activities				
Dividends paid to owners of the Company	**-**	(9,582)	**-**	(9,582)
Drawdown of borrowings	**890,144**	952,322	**118,378**	127,530
Repayment of borrowings	**(911,467)**	(1,026,251)	**(115,884)**	(134,640)
Net cash (used in)/generated from financing activities	**(21,323)**	(83,511)	**2,494**	(16,692)
Net change in cash and cash equivalents	**(28,897)**	(70,551)	**2,564**	(6,746)
Effect of exchange rate fluctuations on cash held	**(40)**	(3)	**-**	-
Cash and cash equivalents at 1 July 2017/2016	**102,193**	172,747	**127**	6,873
Cash and cash equivalents at 30 June	**73,256**	102,193	**2,691**	127

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	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits with licensed banks	**46,446**	53,012	**2,653**	-
Cash and bank balances	**26,810**	49,181	**38**	127
	73,256	102,193	**2,691**	127

The notes on pages 60 to 111 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 31, Menara Hong Leong
No. 6, Jalan Damanlela,
Bukit Damansara,
50490 Kuala Lumpur.

Principal place of business
Level 5, Block D,
15A, Jalan 51A/219,
46100 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 2018 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 2018 do not include other entities.

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

The financial statements were approved and authorised for issue by the Board of Directors on 29 August 2018.

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.

The financial statements have been prepared on a going concern basis. The Directors have considered the available credit facilities and future profitability of the Group and the Company in determining the appropriateness of the going concern basis for the preparation of financial statements of the Group and the Company.

There are no other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than as disclosed in the following notes:

Note 7 – Tax credit receivable
Note 9 – Trade and other receivables, including derivatives and Note 27 – Changes in accounting policy

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.1 Basis of preparation *cont'd*

The management applied new judgements to determine that financial instruments of the Group and the Company are recognised and measured in accordance to the early adoption of accounting standard, MFRS 9 as described in Note 2.2(c). The carrying amounts of trade and other receivables, including derivatives are shown in Note 9. The new accounting policy is shown in Notes 2.2(c) and 2.2(h). The change in accounting policy is shown in Note 27.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(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.

(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 financial asset categorised at fair value through other comprehensive income (in the previous financial year, it is accounted 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 financial assets categorised as equity instruments designated upon initial recognition (available-for-sale equity instruments in the previous financial year) 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 exchange fluctuation reserve in equity.

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

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.

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve ("EFR") 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 EFR 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

During the year, the Group and the Company early adopted MFRS 9, *Financial Instruments* which replaces MFRS 139, *Financial Instruments: Recognition and Measurement*.

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives. The effect of the change in accounting policies are disclosed in Note 27 to the financial statements.

(i) Initial recognition and measurement

Current financial year

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.

Financial asset (unless it is a trade receivable without significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a financing component is initially measured at the transaction price.

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*

(i) **Initial recognition and measurement** *cont'd*

Previous financial year

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.

Financial instrument was 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

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(b) Fair value through other comprehensive income

I. **Debt investments**

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to 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*

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

Financial assets *cont'd*

Current financial year *cont'd*

(b) Fair value through other comprehensive income *cont'd*

II. Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through comprehensive income, are subject to impairment assessment (see Note 2.2(h)(i)).

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139 as follows:

(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.

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*

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

Financial assets *cont'd*

Previous financial year *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

Current financial year

All financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost.

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income, unless the treatment of the effect of changes in the own credit risk would create or enlarge an accounting mismatch, and remaining amount of the change in fair value in the profit or loss.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses is also recognised in the 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*

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

Financial liabilities *cont'd*

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were 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 of financial assets is recognised and derecognised, as applicable, using trade date accounting or settlement date in the current year.

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.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the entity, and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the entity.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

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

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

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 on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group or the Company has elected to present the subsequent changes in fair value of the investment in equity in other comprehensive income).

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

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 all, or a component of, 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 accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging; they are recognised in other comprehensive income and accumulated in a cost of hedging reserve as a separate component within equity.

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 *cont'd*

Cash flow hedge *cont'd*

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect 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 hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

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

(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.

(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.

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*

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(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 in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(h) Impairment

During the year, the Group and the Company early adopted MFRS 9, *Financial Instruments* which replaces MFRS 139, *Financial Instruments: Recognition and Measurement*.

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives. The effect of the change in accounting policies are disclosed in Note 27 to the financial statements.

(i) Financial assets

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost or fair value through other comprehensive income, except for investments in equity instruments and interests in subsidiaries.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured as 12 month expected credit loss.

Loss allowances for trade receivable are always measured at an amount equal to lifetime expected credit loss.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 months expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

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*

Current financial year *cont'd*

Expected credit losses are a probability-weighted estimate of credit losses. The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.

Previous financial year

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.

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.

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*

(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.

(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.

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

(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. 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'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").

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.

Presently, the Company has not purchased any ESS Trust Shares from the open market.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(k) Provisions

A provision is recognised if, as a result of a past event, the Group or the Company 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(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.

(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 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 (other than investment tax credits) 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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(n) Taxation *cont'd*

The Group and the Company regard 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 to the profit or loss as other income over the estimated remaining useful lives of the assets concerned.

(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) 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 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.

(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 financial statements of the Group and the Company have been prepared in accordance with MFRS, IFRS and the requirements of the Companies Act 2016 in Malaysia.

The Group and the Company have early adopted MFRS 9, *Financial Instruments* for the financial year ended 30 June 2018. This standard replaces MFRS 139, *Financial Instruments: Recognition and Measurement*. The financial impacts of the early adoption of MFRS 9 during the current financial year ended are as disclosed in Note 27 to the financial statements.

The following are accounting standards, amendments and interpretations 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 2018

- 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 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- 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*

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefit (Plan Amendments, Curtailment or Settlement)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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 annual periods beginning on or after 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 2018 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018; except for amendments and interpretations which are not applicable to the Group and the Company; and

- from the annual period beginning on 1 July 2019 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2019; except for amendments and interpretations which are not applicable to the Group and the Company.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes,* IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group and the Company have assessed that the financial impact that may arise from the adoption of MFRS 15 is not material.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance *cont'd*

(ii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are assessing the financial impact that may arise from the adoption of MFRS 16.

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		Principal activities
		2018	2017	
Subsidiaries		%	%	
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.
• Flynex Sdn. Bhd. (formerly known as Hume Concrete Marketing Sdn. Bhd.)	Malaysia	**100**	100	In member's voluntary liquidation.
• Hume Concrete Products Research Centre Sdn. Bhd.	Malaysia	**100**	100	Ceased operation.
• Hume Concrete Singapore Pte. Ltd.	Singapore	**100**	100	Dormant.
Hume RMX Sdn. Bhd.	Malaysia	**100**	100	Dormant.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. COMPANIES IN THE GROUP *cont'd*

Name of company	Country of incorporation	Effective interest 2018	Effective interest 2017	Principal activities
Subsidiaries		**%**	**%**	
Hume RMC Sdn. Bhd. (formerly known as Hume Furniture Industries Sdn. Bhd.)	**Malaysia**	**100**	100	Investment holding. Ceased interior design fit-out operations during the financial year.
• 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.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, fittings, software, spare parts and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost						
At 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/ 1 July 2017	50,394	91,781	1,204,041	39,954	627	1,386,797
Additions	-	1,629	3,382	5,513	3,239	13,763
Disposal	(3)	-	-	(2,829)	-	(2,832)
Written off	-	(933)	(101)	(4,094)	-	(5,128)
Reclassification	-	-	656	3,035	(3,691)	-
At 30 June 2018	**50,391**	**92,477**	**1,207,978**	**41,579**	**175**	**1,392,600**

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

Group *cont'd*	**Leasehold land** RM'000	**Buildings** RM'000	**Plant and machinery** RM'000	**Office equipment, fittings, software, spare parts and motor vehicles** RM'000	**Capital work-in-progress** RM'000	**Total** RM'000
At 1 July 2016						
Accumulated depreciation	9,408	31,095	172,611	16,452	-	229,566
Accumulated impairment	-	44	118	30	-	192
	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/ 1 July 2017						
Accumulated depreciation	10,409	32,757	200,799	22,151	-	266,116
Accumulated impairment	-	44	118	30	-	192
	10,409	32,801	200,917	22,181	-	266,308
Charge for the year	1,000	2,167	58,280	5,570	-	67,017
Disposal	(2)	-	-	(2,337)	-	(2,339)
Written off	-	(639)	(43)	(2,496)	-	(3,178)
At 30 June 2018						
Accumulated depreciation	**11,407**	**34,285**	**259,036**	**22,888**	**-**	**327,616**
Accumulated impairment	**-**	**44**	**118**	**30**	**-**	**192**
	11,407	**34,329**	**259,154**	**22,918**	**-**	**327,808**
Carrying amounts						
At 1 July 2016	40,986	44,211	422,711	21,147	620,425	1,149,480
At 30 June 2017/ 1 July 2017	39,985	58,980	1,003,124	17,773	627	1,120,489
At 30 June 2018	**38,984**	**58,148**	**948,824**	**18,661**	**175**	**1,064,792**

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 Nil (2017: RM12,060,000) 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 Nil (2017: 2.29% - 4.50%).

Company	**Office equipment RM'000**
Cost	
At 1 July 2016/30 June 2017/1 July 2017/30 June 2018	**11**
Accumulated depreciation	
At 1 July 2016	2
Charge for the year	2
At 30 June 2017/1 July 2017	4
Charge for the year	2
At 30 June 2018	**6**
Carrying amounts	
At 1 July 2016	9
At 30 June 2017/1 July 2017	7
At 30 June 2018	**5**

5. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2018 RM'000	**2017 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 recoverable amount, 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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

6. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**-**	-	**(153,427)**	(76,732)	**(153,427)**	(76,732)
Unabsorbed capital allowances	**87,916**	200	**-**	-	**87,916**	200
Other deductible temporary differences	**12,335**	5,861	**-**	-	**12,335**	5,861
Tax losses carry forward	**13,994**	14,928	**-**	-	**13,994**	14,928
Other items	**257**	2,628	**(4,508)**	(1,042)	**(4,251)**	1,586
Tax assets/(liabilities)	**114,502**	23,617	**(157,935)**	(77,774)	**(43,433)**	(54,157)
Set off of tax	**(101,042)**	(11,834)	**101,042**	11,834	**-**	-
Net tax assets/ (liabilities)	**13,460**	11,783	**(56,893)**	(65,940)	**(43,433)**	(54,157)

Movement in temporary differences during the year

Group	**At 1.7.2016 RM'000**	**Recognised in profit or loss (Note 19) RM'000**	**At 30.6.2017/ 1.7.2017 RM'000**	**Recognised in profit or loss (Note 19) RM'000**	**At 30.6.2018 RM'000**
Property, plant and equipment	(71,038)	(5,694)	(76,732)	(76,695)	**(153,427)**
Unabsorbed capital allowances	1,566	(1,366)	200	87,716	**87,916**
Other deductible temporary differences	8,916	(3,055)	5,861	6,474	**12,335**
Tax losses carry forward	12,979	1,949	14,928	(934)	**13,994**
Other items	216	1,370	1,586	(5,837)	**(4,251)**
	(47,361)	(6,796)	(54,157)	10,724	**(43,433)**

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	
	2018	**2017**
	RM'000	**RM'000**
Raw materials, consumables and engineering spares	**69,335**	45,134
Work-in-progress	**805**	324
Finished goods	**30,559**	42,258
	100,699	87,716
Recognised in profit or loss:		
Inventories recognised as cost of goods sold/contract cost	**378,567**	352,864
Inventories written down	**269**	3,284
	378,836	356,148

9. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	**2018**	**2017**	**2018**	**2017**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Trade					
Trade receivables					
- Third parties		**48,753**	60,628	**-**	-
- Related companies	9.1	**13,727**	16,190	**-**	-
		62,480	76,818	**-**	-
Less: Allowance for impairment losses		**(2,095)**	(1,237)	**-**	-
		60,385	75,581	**-**	-
Non-trade					
Other receivables		**6,844**	1,523	**-**	15
Deposits		**399**	1,022	**2**	2
Prepayments		**8,355**	7,993	**14**	18
Derivative used for hedging					
- forward exchange contract	9.2	**188**	15	**-**	-
		15,786	10,553	**16**	35
		76,171	86,134	**16**	35

NOTES TO THE FINANCIAL STATEMENTS
cont'd

9. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES *cont'd*

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

Note 9.2
The total notional value of the forward exchange contracts as at 30 June 2018 was RM18,836,000 (2017: RM7,128,000).

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	**46,446**	53,012	**2,653**	-
Cash and bank balances	**26,810**	49,181	**38**	127
	73,256	102,193	**2,691**	127

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	**46,446**	48,790	**2,653**	-
Cash and bank balances	**26,024**	17,739	**34**	123
	72,470	66,529	**2,687**	123

11. SHARE CAPITAL

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2018	2018	2017	2017
	'000	RM'000	'000	RM'000
Issued ordinary shares:				
At 1 July/30 June	**479,094**	**479,094**	479,094	479,094

NOTES TO THE FINANCIAL STATEMENTS
cont'd

12. RESERVES

	Note	Group		Company	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
Exchange fluctuation reserve	12.1	**21**	61	**-**	-
(Accumulated losses)/Retained earnings		**(89,215)**	(34,066)	**899**	839
		(89,194)	(34,005)	**899**	839

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

13. LOANS AND BORROWINGS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-current (Unsecured)				
Term loans	**235,277**	354,594	**-**	-
Current (Unsecured)				
Term loans	**226,017**	234,082	**108,378**	115,884
Bankers acceptances	**18,924**	34,307	**-**	-
Revolving credit	**259,704**	138,925	**21,646**	11,646
	504,645	407,314	**130,024**	127,530
	739,922	761,908	**130,024**	127,530

NOTES TO THE FINANCIAL STATEMENTS
cont'd

13. LOANS AND BORROWINGS *cont'd*

(a) Reconciliation of movement of liabilities to cash flow arising from financing activities.

Group	2017	Net changes from financing cash flows Drawdown	Repayment	Foreign exchange movement	2018
	RM'000	RM'000	RM'000	RM'000	RM'000
Term loans	588,676	108,378	(235,097)	(663)	**461,294**
Bankers acceptances	34,307	410,866	(426,249)	-	**18,924**
Revolving credit	138,925	370,900	(250,121)	-	**259,704**
	761,908	890,144	(911,467)	(663)	**739,922**
Company					
Term loans	115,884	108,378	(115,884)	-	**108,378**
Revolving credit	11,646	10,000	-	-	**21,646**
	127,530	118,378	(115,884)	-	**130,024**

14. DEFERRED INCOME

	Group 2018	2017
	RM'000	RM'000
Non-current		
Investment tax allowance	**50,789**	54,416
Reinvestment allowance	**74,067**	78,257
	124,856	132,673
Current		
Investment tax allowance	**3,627**	3,627
Reinvestment allowance	**4,190**	4,190
	7,817	7,817
	132,673	140,490

NOTES TO THE FINANCIAL STATEMENTS
cont'd

14. DEFERRED INCOME *cont'd*

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 RM7,817,000 (2017: RM5,020,000) has been amortised and recognised as other operating income in profit or loss of the Group.

15. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group	
	2018	**2017**
	RM'000	**RM'000**
At 1 July 2017/2016	**527**	896
Reversal of provision	**(105)**	(369)
At 30 June	**422**	527

(b) Executive Share Scheme ("ESS")

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 total number of issued ordinary shares 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 total number of issued ordinary shares (excluding treasury shares) 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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

15. EMPLOYEE BENEFITS *cont'd*

(b) Executive Share Scheme ("ESS") *cont'd*

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 new shares and 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 total number of issued ordinary shares (excluding treasury shares) 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 Bye-Laws of the ESS.

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

16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade					
Trade payables					
- Third parties		**136,403**	118,657	**-**	-
- Related companies	16.1	**1,361**	869	**-**	-
		137,764	119,526	**-**	-
Non-trade					
Amount due to related companies	16.2	**7**	120	**-**	-
Other payables		**10,725**	17,053	**-**	-
Accrued expenses		**19,042**	15,264	**609**	620
Derivative held for trading at fair value through profit or loss - interest rate swap	16.3	**-**	66	**-**	-
		29,774	32,503	**609**	620
		167,538	152,029	**609**	620

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

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

Note 16.3
The total notional value of the interest rate swap as at 30 June 2018 was Nil (2017: RM100,000,000).

NOTES TO THE FINANCIAL STATEMENTS
cont'd

17. REVENUE

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of goods	**631,866**	622,959	**-**	-
Contract revenue	**13,109**	39,512	**-**	-
Dividend income	**28**	268	**28**	10,676
	645,003	662,739	**28**	10,676

18. (LOSS)/PROFIT BEFORE TAXATION

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/Profit before taxation is arrived at after charging/ (crediting):				
Auditors' remuneration				
Statutory audit				
- Holding company's auditors	**246**	279	**41**	38
- Other auditors	**-**	4	**-**	-
Other services				
- Holding company's auditors	**4**	14	**4**	8
Dividend income				
- Unquoted subsidiary companies	**-**	-	**-**	(10,485)
- Other investments	**(535)**	(668)	**(28)**	(191)
Fair value gain on derivative instrument	**(66)**	(206)	**-**	-
Fair value gain on financial instruments designated as hedge instruments	**(173)**	(13)	**-**	-
Gain on liquidation of a subsidiary	**(279)**	-	**-**	-
Gain on disposal of property, plant and equipment	**(182)**	(35)	**-**	-
Loss/(Gain) on foreign exchange				
- Realised	**1,300**	2,230	**-**	-
- Unrealised	**(1,662)**	941	**-**	-
Personnel expenses (including Directors of the Company):				
- Wages, salaries and others	**46,127**	39,789	**-**	-
- Contribution to Employees Provident Fund	**4,344**	4,081	**-**	-
Property, plant and equipment written off	**1,950**	4,238	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

18. (LOSS)/PROFIT BEFORE TAXATION *cont'd*

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Rental expense in respect of:				
- Premises	**1,038**	955	**13**	13
- Equipment	**8,602**	7,711	**-**	-
Reversal of impairment loss on trade receivables (net)	**-**	(458)	**-**	-
Impairment loss on trade receivables (net)	**858**	-	**-**	-

19. TAXATION

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current taxation				
Malaysian				
- Current year	**(1,156)**	491	**107**	129
- Prior years	**(13)**	(502)	**14**	1
	(1,169)	(11)	**121**	130
Deferred taxation				
- Current year	**(16,099)**	6,579	**-**	-
- Prior years	**5,375**	217	**-**	-
	(10,724)	6,796	**-**	-
	(11,893)	6,785	**121**	130

NOTES TO THE FINANCIAL STATEMENTS
cont'd

19. TAXATION *cont'd*

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	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/Profit before taxation	**(66,763)**	25,501	**181**	9,989
Taxation at Malaysian statutory tax rate of 24%	**(16,023)**	6,120	**43**	2,397
Non-deductible expenses	**877**	3,953	**70**	1,914
Non-taxable income	**(2,109)**	(3,003)	**(6)**	(4,182)
	(17,255)	7,070	**107**	129
Under/(Over) provision in prior years	**5,362**	(285)	**14**	1
	(11,893)	6,785	**121**	130

20. EARNINGS PER ORDINARY SHARE

Basic (loss)/earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's loss for the year attributable to owners of the Company of RM54,870,000 (2017: profit of RM18,716,000) by the weighted average number of ordinary shares outstanding during the financial year of 479,093,800 (2017: 479,093,800) as follows:

Weighted average number of ordinary shares:

	2018	**2017**
	'000	**'000**
Weighted average number of ordinary shares	**479,094**	479,094
Basic (loss)/earnings per ordinary share (sen)	**(11.45)**	3.91

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.

NOTES TO THE FINANCIAL STATEMENTS
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21. OTHER COMPREHENSIVE EXPENSE FOR THE YEAR

	Before tax RM'000	Tax benefit RM'000	Net of tax RM'000
2018			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	**(40)**	**-**	**(40)**
	(40)	**-**	**(40)**
2017			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(3)	-	(3)
	(3)	-	(3)

22. DIVIDENDS

	Group and Company	
	2018 RM'000	2017 RM'000
Interim single tier		
Nil (2017: 2.0 sen per share single tier)	**-**	9,582

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.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

23. OPERATING SEGMENTS *cont'd*

	Construction materials	
	2018	**2017**
	RM'000	**RM'000**
Reportable segment (loss)/profit	**(31,782)**	45,133
Included in the measure of segment profit are:		
Revenue from external customers	**631,643**	613,304
Depreciation	**(66,742)**	(49,266)

Reconciliation of reportable segment (loss)/profit

	2018	**2017**
	RM'000	**RM'000**
(Loss)/Profit		
Reportable segment	**(31,782)**	45,133
Non-reportable segment	**(4,799)**	(1,843)
Interest income	**1,072**	1,044
Finance costs	**(31,254)**	(18,833)
Consolidated (loss)/profit before taxation	**(66,763)**	25,501

	2018		**2017**	
	External revenue	**Depreciation and amortisation**	**External revenue**	**Depreciation and amortisation**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Reportable segments	**631,643**	**66,742**	613,304	49,266
Non-reportable segments	**13,360**	**275**	49,435	437
Total	**645,003**	**67,017**	662,739	49,703

NOTES TO THE FINANCIAL STATEMENTS
cont'd

23. OPERATING SEGMENTS *cont'd*

Geographical information

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

	Revenue	
	2018	**2017**
	RM'000	**RM'000**
Malaysia	**596,691**	612,638
Europe	**-**	8,507
Others	**48,312**	41,594
	645,003	662,739

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, there was no revenue from any customer that 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. YBhg Tan Sri Quek Leng Chan and YBhg Datuk Kwek Leng San 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.

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.

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

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

vi. HLMG PJ City Sdn Bhd ("HLMG PJ City") and HLMG Realty Sdn Bhd ("HLMG Realty") are subsidiaries of HLCM.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. RELATED PARTIES *cont'd*

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: *cont'd*

Significant transactions with related parties are as follows:

			Group	
			2018	**2017**
Transaction		**Related party**	**RM'000**	**RM'000**
a)	Rental of shared office space	HLMGMC	**13**	13
b)	Rental of office	HLMG PJ City	**454**	-
		HLMG Realty	**245**	-
c)	Receipt of security guard services	GSC	**394**	372
d)	Receipt of group management and/ or support services	Subsidiaries of HLCM	**4,664**	6,473
e)	Payment for usage of the Hong Leong logo and trademark	GIAL	**20**	13
f)	Purchase of goods	Subsidiaries of HLCM	**14,275**	14,602
		Hong Bee Hardware	**2,095**	1,284
g)	Sale of goods	Subsidiaries of HLCM	**76,121**	92,667
		Hong Bee Hardware	**19,726**	15,780
		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 were based on terms which have been established on negotiated basis consistent with the usual business practices and policies of the Group and of the Company.

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 includes all the Directors of the Company.

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors				
Remuneration and other benefits	**1,328**	1,613	**-**	-
Non-Executive Directors				
Fees*	**476**	422	**476**	422

* This includes fee for a Director which has been assigned in favour of the Company where the Director is appointed.

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 includes all the Directors of the Company. *cont'd*

The estimated monetary value of benefit-in-kind of the Directors of the Company are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors	**29**	34	**-**	-

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows:

(a) Financial assets measured at amortised cost ("FAAC"); and
(b) Financial liabilities measured at amortised cost ("FLAC").

	Carrying amount	FAAC/ FLAC	Derivative used for hedging
	RM'000	**RM'000**	**RM'000**
2018			
Financial assets			
Group			
Trade and other receivables, including derivatives (excluding prepayments)	**67,816**	**67,628**	**188**
Cash and cash equivalents	**73,256**	**73,256**	**-**
	141,072	**140,884**	**188**
Company			
Trade and other receivables (excluding prepayments)	**2**	**2**	**-**
Cash and cash equivalents	**2,691**	**2,691**	**-**
	2,693	**2,693**	**-**

NOTES TO THE FINANCIAL STATEMENTS
cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

25.1 Categories of financial instruments *cont'd*

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows: *cont'd*

	Carrying amount RM'000	FAAC/ FLAC RM'000	Derivative used for hedging RM'000
Financial liabilities			
Group			
Loans and borrowings	**739,922**	739,922	-
Trade and other payables	**167,538**	167,538	-
	907,460	907,460	-
Company			
Loans and borrowings	**130,024**	130,024	-
Trade and other payables	**609**	609	-
	130,633	130,633	-

The table below provides an analysis of financial instruments categorised under MFRS 139 as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"); and
(c) Other 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*

The table below provides an analysis of financial instruments categorised under MFRS 139 as follows: *cont'd*

	Carrying amount RM'000	L&R/ FL RM'000	FVTPL RM'000	Derivative used for hedging RM'000
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	-	-

25.2 Net gains and losses arising from financial instrument

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Net (losses)/gains on:				
Fair value through profit or loss	**66**	206	**-**	-
Financial assets measured at amortised cost	**(2,217)**	-	**6,792**	-
Financial liabilities measured at amortised cost	**(27,926)**	-	**(4,731)**	-
Other financial liabilities measured at amortised cost	**-**	(22,307)	**-**	(5,499)
Loans and receivables	**-**	1,363	**-**	6,946
Derivative used for hedging	**173**	13	**-**	-
	(29,904)	(20,725)	**2,061**	1,447

NOTES TO THE FINANCIAL STATEMENTS
cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

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, short term deposit and bank balances and outstanding forward exchange contracts.

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% (2017: 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.

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	
	2018	**2017**
	RM'000	**RM'000**
Malaysia	**60,385**	75,549
Others	**-**	32
	60,385	75,581

NOTES TO THE FINANCIAL STATEMENTS
cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

25.4 Credit risk *cont'd*

Expected credit loss ("ECL") assessment for trade receivables as at 1 July 2017 and 30 June 2018

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers.

To measure the expected credit losses, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2018.

Group	Gross RM'000	Loss allowance RM'000	Net RM'000
Current (not past due)	48,182	-	48,182
Past due 0 – 31 days	6,392	-	6,392
Past due 31 – 60 days	4,204	-	4,204
Past due 61 – 90 days	808	(196)	612
Past due more than 90 days	2,894	(1,899)	995
	62,480	(2,095)	60,385

Comparative under MFRS 139, Financial Instruments

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the aging of trade receivables that were past due but not impaired as at 30 June 2017 is as follows:

	Gross RM'000	Collective 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 – 120 days	9,117	(370)	8,747
Past due more than 120 days	3,621	(867)	2,754
	76,818	(1,237)	75,581

NOTES TO THE FINANCIAL STATEMENTS
cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

25.4 Credit risk *cont'd*

Movements in the allowance for impairment in respect of trade receivables

On the date of initial application of MFRS 9, there was no adjustment on the ending balance of the allowance for impairment reported under the previous MFRS 139 to the opening balance of the allowance for impairment determined in accordance with MFRS 9.

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

Group	MFRS 9 2018 RM'000	MFRS 139 2017 RM'000
Balance at 1 July per 2017/2016	**1,237**	1,695
Net measurement of loss allowance	**858**	(458)
Balance at 30 June	**2,095**	1,237

The allowance account in respect of 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 trade receivable directly.

Comparative amounts for 2017 represent the allowance account for impairment losses under MFRS 139, *Financial Instruments*.

Expected credit loss of other receivables

Expected credit loss of other receivable is determined individually after considering the financial strength of the other receivable. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

Short term deposit and bank balances and outstanding forward exchange contract

Short term deposit and bank balances are placed and forward exchange contracts are entered into with licensed banks with good credit rating. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

25.5 Liquidity risk

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

The Group and the Company actively manage their operating cash flows and the availability of funding 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.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

25.5 Liquidity risk *cont'd*

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
2018					
Group					
Non-derivative financial liabilities					
Trade and other payables	**167,538**	**-**	**167,538**	**167,538**	**-**
Loans and borrowings	**739,922**	**3.9 - 4.7**	**773,988**	**523,883**	**250,105**
	907,460		**941,526**	**691,421**	**250,105**
Company					
Non-derivative financial liabilities					
Trade and other payables	**609**	**-**	**609**	**609**	**-**
Loans and borrowings	**130,024**	**3.9 - 4.6**	**134,434**	**134,434**	**-**
	130,633		**135,043**	**135,043**	**-**
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*

25.6 Market risk *cont'd*

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").

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	
	2018	**2017**
	RM'000	**RM'000**
Group		
Trade receivables	**-**	56
Trade and other payables	**(26,120)**	(25,309)
	(26,120)	(25,253)

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 RM1,306,000 (2017: RM1,263,000). 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

In the previous year, the Group entered into interest rate swap with a total notional contract amount of RM100,000,000 in order to achieve an approximate mix of fixed and floating rate exposure within the Group's policy. The swap had fixed swap rate of 3.600% and 3.615% per annum.

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 were:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Deposits with licensed banks	**46,446**	53,012	**2,653**	-
Loans and borrowings	**(108,378)**	(115,884)	**(108,378)**	(115,884)
	(61,932)	(62,872)	**(105,725)**	(115,884)
Floating rate instruments				
Loans and borrowings	**(631,544)**	(646,024)	**(21,646)**	(11,646)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives as hedging instruments under a fair value hedged 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") (2017: 50 bp) in interest rates at the end of the reporting period would have decreased the profit before taxation of the Group and the Company by RM3,158,000 and RM108,000 respectively (2017: RM3,230,000 and RM58,000 respectively). A decrease of 50 bp in interest rates would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables remained constant.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

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 variations of cash flows arising from purchase of raw materials. These forward exchange contracts have a total notional amount of USD4,708,000 (2017: USD1,664,000) and all of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

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
2018			
Forward exchange contracts	**188**	**188**	**188**
2017			
Forward exchange contracts	15	15	15

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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
2018										
Financial assets										
Forward exchange contracts	**-**	**188**	**-**	**188**	**-**	**-**	**-**	**-**	**188**	**188**
Financial liabilities										
Term loans	**-**	**-**	**-**	**-**	**-**	**-**	**235,277**	**235,277**	**235,277**	**235,277**
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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

25. FINANCIAL INSTRUMENTS *cont'd*

25.8 Fair value information *cont'd*

Level 2 fair value

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.

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.

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 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 are as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
Total loans and borrowings	**739,922**	761,908
Less: Cash and cash equivalents	**(73,256)**	(102,193)
Net debt	**666,666**	659,715
Total equity	**389,900**	445,089
Debt-to-equity ratio	**1.71**	1.48

NOTES TO THE FINANCIAL STATEMENTS
cont'd

27. CHANGES IN ACCOUNTING POLICIES

Classification of financial assets and financial liabilities upon early adoption of MFRS 9

The following table shows the previous measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and Company's financial assets and financial liabilities as at 1 July 2017 based on the business model assessment done.

Notes	Financial assets	Classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM'000	Carrying amount under MFRS 9 RM'000
Group					
9	Trade and other receivables, including derivatives (excluding prepayments)	Loans and receivables	Amortised cost	78,141	78,141
10	Cash and cash equivalents	Loans and receivables	Amortised cost	102,193	102,193
	Total financial assets			180,334	180,334
Company					
9	Trade and other receivables (excluding prepayments)	Loans and receivables	Amortised cost	17	17
10	Cash and cash equivalents	Loans and receivables	Amortised cost	127	127
	Total financial assets			144	144
Group					
13	Loans and borrowings	Other financial liabilities	Financial liabilities measured at amortised cost	761,908	761,908
16	Trade and other payables, including derivatives	Other financial liabilities	Financial liabilities measured at amortised cost	152,029	152,029
	Total financial liabilities			913,937	913,937
Company					
13	Loans and borrowings	Other financial liabilities	Financial liabilities measured at amortised cost	127,530	127,530
16	Trade and other payables, including derivatives	Other financial liabilities	Financial liabilities measured at amortised cost	620	620
	Total financial liabilities			128,150	128,150

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 54 to 111 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 2018 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Datuk Kwek Leng San
Director

Seow Yoo Lin
Director

29 August 2018

STATUTORY DECLARATION

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

I, Lau Ping Ong, the officer primarily responsible for the financial management of Hume Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 111 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 Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lau Ping Ong, MIA CA 20235, at Kuala Lumpur in the Federal Territory on 29 August 2018.

Lau Ping Ong

Before me:

Mohan A.S. Moniam
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 2018 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 54 to 111.

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 2018 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.

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 was 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: • 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; and • Assessed the adequacy of the disclosures made in the financial statements regarding key judgements and assumptions used.

INDEPENDENT AUDITORS' REPORT

to the members of Hume Industries Berhad

Key Audit Matters *cont'd*

2. Adoption of MFRS 9, *Financial Instruments*

Refer to the accounting policies in Note 2.1 Basis of preparation – use of estimates and judgements, Note 2.2(c) Financial Instruments, Note 2.2(h)(i) Impairment of Financial Assets, Note 25 – Financial Instruments, and Note 27 – Changes in accounting policy, to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Group and the Company early adopted MFRS 9 in the current financial year ended 30 June 2018. MFRS 9 requires the Group and the Company to change accounting policies to account for financial instruments. New judgments were applied to classify financial assets and to measure impairment loss using the expected credit loss model. In addition, additional disclosures were made to comply with the requirements of MFRS 7, *Financial Instruments: Disclosures*. This is a key audit matter because of the complexities of MFRS 9 and we were required to design new additional procedures to address risks of material misstatements.	Our audit procedures included, amongst others: • Evaluated the appropriateness of the accounting policies based on the requirements of MFRS 9; • Evaluated the appropriateness of the classification and measurement of financial assets of the Group and the Company; • Challenged the adequacy of the impairment losses recorded by the Group and the Company by comparing them with our expectations; and • Assessed the disclosures made by comparing them with the requirements of MFRS 7.

3. Going concern basis for the preparation of financial statements

Refer to Note 2.1 and Note 13 to the financial statements.

The key audit matter	How the matter was addressed in our audit
As at the end of the financial year, the current liabilities of the Company exceeded its current assets by RM127,926,000. Note 13 to the financial statements further disclosed that the term loan of the Company is classified as current and due to be repaid within the next twelve months from the end of the financial year. The Directors have considered the availability of funds to the Company in the preparation of the financial statements of the Company. This was a key audit matter due to the degree of judgement involved in our evaluation of the appropriateness of the going concern basis for the preparation of the financial statements of the Company.	Our audit procedures included, amongst others: • Evaluated the availability of funds to the Group which could be used to meet the Company's debt obligations; and • Assessed the disclosures made by the Company in regards to the appropriateness of the going concern basis for the preparation of the financial statements of the Company.

INDEPENDENT AUDITORS' REPORT

to the members of Hume Industries Berhad
cont'd

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.

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.

INDEPENDENT AUDITORS' REPORT

to the members of Hume Industries Berhad
cont'd

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

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.

- 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.

INDEPENDENT AUDITORS' REPORT

to the members of Hume Industries Berhad
cont'd

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

Petaling Jaya, Selangor

29 August 2018

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

OTHER INFORMATION

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2018

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 2018 (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	24	7,206
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	32	8,245
Lot 2407, Mukim 1, Prai Industrial Estate, Pulau Pinang	Leasehold 60 years expiring 2035	Industrial land with office and factory buildings	1982	653,400	43	2,329
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	33	3,129
Lot 46, Semambu Industrial Estate, Kuantan Pahang Darul Makmur	Leasehold 66 years expiring 2041	Industrial land with office and factory buildings	1982	522,720	43	643
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	50/54	715
Lot 300254, 300255, 300256 Mukim Teja, Kampar, Perak	Leasehold 99 years expiring 2057/2096	Quarry and cement plant	2013	29,155,060	6	74,862

* *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 the compliance of the outstanding issues in its annual report until such time the non-compliances are resolved and to update SC of such disclosure. Kota Kinabalu City Hall has via their letter dated 6 Oct 2017 granted a 5-year temporary OC subject to certain conditions to be fulfilled and submission of certain documents. The Company has fulfilled the conditions imposed by Kota Kinabalu City Hall and is working towards submission of the required documents.

OTHER INFORMATION
cont'd

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2018

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

Distribution Schedule Of Shareholders As At 30 August 2018

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	633	13.16	18,369	0.00
100 – 1,000	1,123	23.36	708,418	0.15
1,001 – 10,000	2,232	46.42	8,531,045	1.78
10,001 – 100,000	697	14.50	19,893,959	4.15
100,001 – less than 5% of issued shares	122	2.54	106,794,858	22.29
5% and above of issued shares	1	0.02	343,147,151	71.63
	4,808	100.00	479,093,800	100.00

List Of Thirty Largest Shareholders As At 30 August 2018

	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.	7,948,100	1.66
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.	AmanahRaya Trustees Berhad - Public Strategic Smallcap Fund	4,154,400	0.87
8.	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	3,942,900	0.82
9.	Assets Nominees (Tempatan) Sdn Bhd - Soft Portfolio Sdn Bhd	2,712,960	0.57
10.	AmanahRaya Trustees Berhad - Public Dividend Select Fund	2,418,600	0.50
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 2018 *cont'd*

List Of Thirty Largest Shareholders As At 30 August 2018 *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.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund	2,000,000	0.42
16.	YBhg Datuk Kwek Leng San	1,977,600	0.41
17.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for Union Bancaire Privee, UBP SA, Hong Kong Branch	1,944,000	0.41
18.	CIMB Commerce Trustee Berhad - Public Focus Select Fund	1,924,100	0.40
19.	Quah Thain Khan	1,500,000	0.31
20.	Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	1,480,906	0.31
21.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Industries Berhad	1,469,982	0.31
22.	AmanahRaya Trustees Berhad - Public Islamic Treasures Growth Fund	1,416,400	0.29
23.	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Islamic Trustee Berhad for Pacific Dana Aman (3717 TRO1)	1,409,600	0.29
24.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chut Nyak Isham Bin Nyak Ariff	1,368,728	0.29
25.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Pheim)	1,292,000	0.27
26.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	1,238,800	0.26
27.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tang Hong Cheong (029)	1,200,000	0.25
28.	AmanahRaya Trustees Berhad - Public Select Treasures Equity Fund	1,075,900	0.22
29.	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (ESPG IV S C E)	1,000,000	0.21
30.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Chen Yue	854,276	0.18
		425,511,944	88.82

OTHER INFORMATION
cont'd

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2018 *cont'd*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2018 are as follows:

	Direct Interest		Indirect Interest	
Name of Shareholders	**No. of shares**	**%**	**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. YBhg 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. Mr Kwek Leng Beng	-	-	348,894,577	72.82*
9. Davos Investment Holdings Private Limited	-	-	348,894,577	72.82*
10. Mr 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 YBhg Tan Sri Quek Leng Chan and his children have interests.*

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2018

Subsequent to the financial year end, there was no change, as at 30 August 2018, to the Directors' interests in the ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 50 to 53 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.

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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-eighth Annual General Meeting of the Company to be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 24 October 2018 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 Datuk Kwek Leng San as a Director		
3	To re-elect YBhg Datuk Wira Azhar bin Abdul Hamid as a Director		
4	To re-elect Ms Tai Sook Yee as a Director		
5	To re-appoint Messrs KPMG PLT as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
6	To approve the ordinary resolution on authority to Directors to allot shares		
7	To approve the ordinary resolution on the proposed renewal of and new 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 Bee Hardware Company, Sdn Berhad		
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 Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH		

Dated this __________ day of ____________________ 2018

____
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 16 October 2018 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 proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*
9. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of proxies	*% of shareholdings to be represented*

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

Fold this flap for sealing

Then fold here

Affix
Stamp

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

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Level 31, Menara Hong Leong
No.6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2080 9200
Fax : 03-2080 9238

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