Hume Industries Berhad

A Member of the Hong Leong Group

ANNUAL REPORT 2016

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COMPANY PROFILE

Hume Industries Berhad ("HIB")

is principally an investment holding company and its subsidiaries are engaged in the manufacture and sale of cement & cement related products and concrete & concrete related products; design, manufacture and supply of furniture; and interior design fit-out works.

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

CORPORATE INFORMATION

DIRECTORS

YBhg Datuk Kwek Leng San
(Chairman)

Mr Quah Thain Khan
(Group Managing Director)

YBhg Dato' Rosman bin Abdullah

Mr Seow Yoo Lin

YBhg Dato' Ir. Tan Gim Foo

YBhg Datuk Wira Azhar bin Abdul Hamid

COMPANY SECRETARIES

Ms Joanne Leong Wei Yin

Ms Valerie Mak Mew Chan

AUDITORS

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

REGISTRAR

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

REGISTERED OFFICE

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

COUNTRY OF INCORPORATION/ DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-sixth Annual General Meeting of Hume Industries Berhad ("the Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 25 October 2016 at 10.30 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 2016.

2. To approve the payment of Director fees of RM280,000/- for the financial year ended 30 June 2016 (2015: RM213,205/-), to be divided amongst the Directors in such manner as the Directors may determine. **Resolution 1**

3. To pass the following motions as ordinary resolutions:

   (a) "**THAT** Mr Seow Yoo Lin who retires by rotation pursuant to Article 115 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company." **Resolution 2**

   (b) "**THAT** YBhg Dato' Rosman bin Abdullah who retires by rotation pursuant to Article 115 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company, and having served as an Independent Non-Executive Director of the Company for more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting." **Resolution 3**

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

SPECIAL BUSINESS

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

5. **Ordinary Resolution**
   -Authority To Directors To Issue Shares

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, 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 pursuant to this resolution does not exceed 10% of the issued capital 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 issued 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 5**

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 30 September 2016 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 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) 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 6**

7. **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 30 September 2016 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 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) 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**

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 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 30 September 2016 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 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) 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**

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 30 September 2016 with PPB and its subsidiaries ("PPB Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to PPB Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

(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 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

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

whichever is the earlier;

Notice of Annual General Meeting
(cont'd)

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

10. 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
30 September 2016

Notes :

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 19 October 2016 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 proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*

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

4. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 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 ("MMLR"), all resolutions set out in this Notice will be put to vote by way of a poll.*

Explanatory Notes :

1. **Resolution 3 – Approval To Continue In Office As An Independent Non-Executive Director**

The proposed Ordinary Resolution 3, if passed, will enable YBhg Dato' Rosman bin Abdullah to continue in office as an Independent Non-Executive Director of the Company.

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

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

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

Notice of Annual General Meeting
(cont'd)

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

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

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

2. **Resolution 5 - Authority To Directors To Issue Shares**

The proposed ordinary resolution, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 29 October 2015 and which will lapse at the conclusion of the Thirty-sixth Annual General Meeting.

The Renewed 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 issue of new shares, and to avoid delay and cost in convening general meetings to approve such issue of shares.

3. **Resolutions 6 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 30 September 2016 which is despatched together with the Company's Annual Report.

Statement Accompanying Notice of Annual General Meeting

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

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

No individual is seeking election as a Director at the Thirty-sixth 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 issue securities in the Company pursuant to Section 132D of the Companies Act, 1965 are set out in Explanatory Note 2 of the Notice of Thirty-sixth Annual General Meeting.

BOARD OF DIRECTORS

YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/Non-Independent
Age 61, Male, Singaporean

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

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

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

MR QUAH THAIN KHAN

Group Managing Director/Non-Independent
Age 58, Male, Malaysian

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

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

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

YBHG DATO' ROSMAN BIN ABDULLAH

Non-Executive Director/Independent
Age 49, Male, Malaysian

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

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

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

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

Board of Directors
(cont'd)

MR SEOW YOO LIN

Non-Executive Director/Independent
Age 60, Male, Malaysian

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

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

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

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

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

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

YBHG DATO' IR. TAN GIM FOO

Non-Executive Director/Independent
Age 58, Male, Malaysian

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

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

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

YBHG DATUK WIRA AZHAR BIN ABDUL HAMID

Non-Executive Director/Independent
Age 55, Male, Malaysian

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

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

In November 2001, he was appointed as Group Chief Executive of PERNAS International Holdings Berhad (now known as Tradewinds Corporation Berhad ["Tradewinds"]), 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.

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

Currently, Datuk Wira Azhar is the Group Managing Director of Malakoff Corporation Berhad and a Director of ICON Offshore Berhad and Hong Leong Bank Berhad, companies listed on the Main Market of Bursa Securities. He is also a Director of Tradewinds and Perbadanan Kemajuan Negeri Perak.

Notes:

1. **Family Relationship with Director and/or Major Shareholder**
   YBhg Datuk Kwek Leng San is a brother of YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye, both major shareholders 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 2016.

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

KEY SENIOR MANAGEMENT

MR TONY HO HEE KOK

Group Financial Controller, Hume Industries Berhad
Age 38, Male, Malaysian

Mr Tony Ho Hee Kok graduated from Multimedia University, Malaysia with a Bachelor of Accounting (Honours) degree and holds a Master of Business Administration (Accounting) from University of Southern Queensland, Australia.

Mr Tony Ho started his career in the manufacturing industry with Matsushita Display Devices Corp. (M) Sdn Bhd in 2001. In 2004, he joined the Hong Leong Group of Companies as Assistant Accountant of a subsidiary of Hong Leong Industries Berhad ("HLI"). He left HLI to join Premium Drilling (Cayman) Limited as its Financial Controller in 2007.

In March 2010, Mr Tony Ho moved to Sakari Resources Limited, a subsidiary of PTT Group, Thailand, where he held various senior management positions over a period of 5 years. His last position was Head, Group Finance & Accounting.

Mr Tony Ho joined Hume Industries Berhad on 27 May 2015 as Group Financial Controller.

MR JOONHO CHOI

General Manager, Hume Cement Sdn Bhd
Age 36, Male, Korean

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

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

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

MR TAN LEE KOON

Managing Director, Hume Concrete Sdn Bhd
Age 42, Male, Malaysian

Mr Tan Lee Koon graduated from Coventry University, United Kingdom with a Bachelor of Business Administration (Honours) degree.

Mr Tan joined the Hong Leong Group in 2008 where he held various positions within the Group including as General Manager of HRP and Business Development Manager of HLI. He then moved to Guocoland (Malaysia) Berhad ("GLM") as the Head of Marketing and Sales before being appointed as the Managing Director of GLM on 19 October 2012.

Mr Tan was transferred to Hume Concrete Sdn Bhd ("HCCT") on 27 June 2016 to assume his current position as the Managing Director of HCCT.

Notes:

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

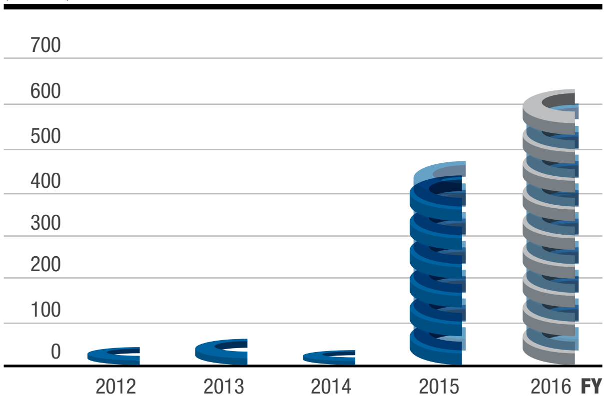
2. **Conflict of Interest**
   None of the Key Senior Management has any conflict of interest with HIB.

3. **Conviction of Offences**
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2016.

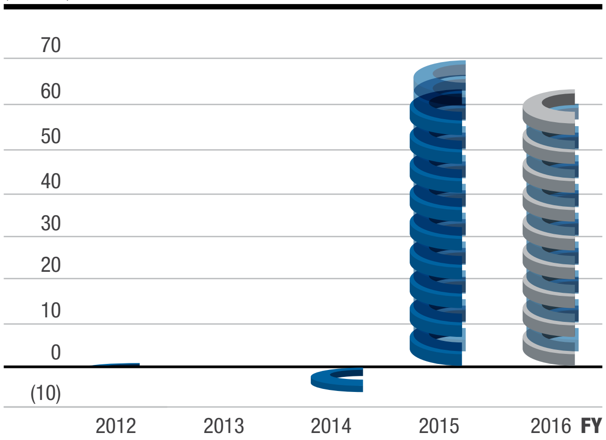
GROUP FINANCIAL HIGHLIGHTS

RM'000	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Revenue	53,276	59,265	40,546	472,772	603,302
Profit/(Loss) Before Taxation	1,088	71	(6,053)	69,381	62,849
Profit/(Loss) Attributable to Owners of the Company	884	73	(5,445)	51,998	48,750
Net Earnings/(Loss) Per Share (sen)	1.4	0.1	(17.5)	15.2	10.2
Net Dividend Per Share (sen)	-	-	-	3	3
Total Equity	23,678	23,530	18,079	403,541	435,958
Total Assets	37,921	43,298	31,224	1,172,454	1,559,335
Capital Expenditure	218	191	550	286,317	358,963

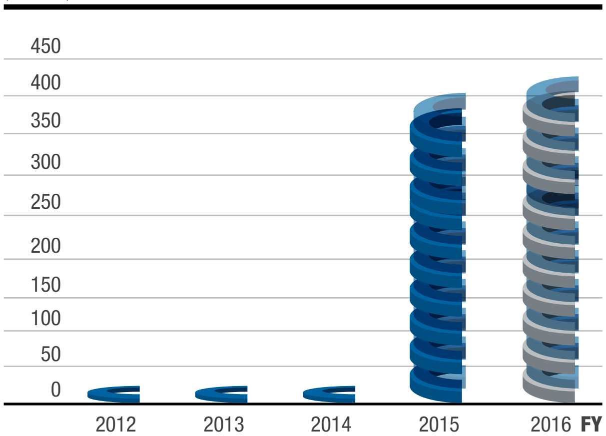
Revenue
(RM' 000)



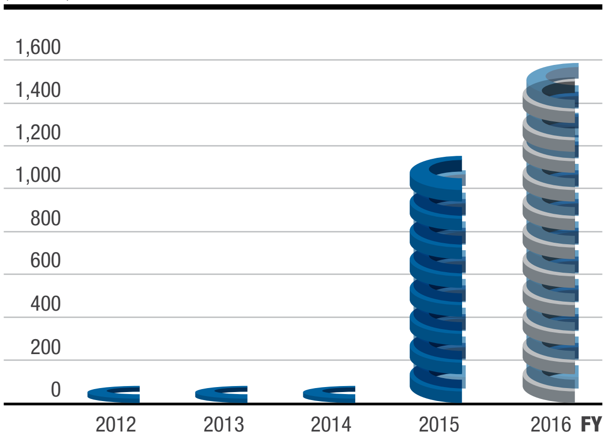
Profit/(Loss) Before Taxation
(RM' 000)



Total Equity
(RM' 000)



Total Assets
(RM' 000)



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Hume Industries Berhad ("HIB" or "the Company"), I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2016 ("FY 2016").

OPERATING ENVIRONMENT

In line with the general worldwide economy, the operating environment in Malaysia was challenging. The Malaysian economy, albeit still showing positive growth, had begun to slow down towards the end of FY 2016 as compared with the financial year ended 30 June 2015 ("FY 2015"). Gross Domestic Product ("GDP") growth was 4.0% in the 4th quarter of FY 2016 ("Q4 FY 2016") (against 4.2% in the 3rd quarter of FY 2016 ("Q3 FY 2016") and 4.9% in the 4th quarter of FY 2015 ("Q4 FY 2015"). The construction sector remained resilient at 8.8% in Q4 FY 2016 (against 7.9% in Q3 FY 2016 and 5.6% in Q4 FY 2015). All sectors registered growth, particularly in services, manufacturing and construction but the drop in agriculture sector contributed to the slower GDP growth.

Demand for cement and concrete products continued to be strong in FY 2016 due to the construction and spin-off activities arising from the continuing implementation of the infrastructure projects under the Malaysian Government Economic Transformation Programme ("ETP").

FINANCIAL REVIEW

For FY 2016, the Group recorded higher revenue of RM603.3 million as compared with RM472.8 million in FY 2015 and a profit before tax of RM62.8 million in FY 2016 as compared with a profit before tax of RM69.3 million in FY 2015. The higher revenue of the Group was mainly attributable to the newly acquired construction materials business following the completion of the acquisitions of the entire equity interests in Hume Concrete Sdn Bhd and Hume Cement Sdn Bhd ("Hume Cement") in the 2nd quarter of FY 2015. The lower profit in FY 2016 was mainly attributed to a reduction in both cement and concrete margin, impacted by competitive pricing.

PROSPECTS

The business environment continues to be challenging due to the strengthening of the US Dollar and the continuing low oil prices. However, we expect the Malaysian economy to show reasonable growth with demand for our products fuelled by on-going ETP and 11th Malaysia Plan projects comprising key infrastructure developments such as the Klang Valley Mass Rapid Transit Line 2, major expressways, power, water and affordable housing.

Hume Cement has started commissioning the second integrated cement line ahead of schedule. The financial year ending 30 June 2017 will be exciting and challenging as our capacity doubled. We are now in a position to offer a wider range of cement products with the flexibility of more grinding facilities. Also, with better economy of scale, the company will improve on its productivity and cost for better performance in the future.

Chairman's Statement
(cont'd)

DIVIDEND

The Company had declared and paid an interim single tier dividend of 3.0 sen per share and the Board does not recommend a final dividend for FY 2016.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to express our appreciation and gratitude to all our valued customers, business associates, shareholders, financiers and the authorities for their continuous support and confidence in the Group.

I also wish to record my sincere thanks to each and every Board member, our management team and all our employees for their contribution, dedication and commitment to the Group.

DATUK KWEK LENG SAN
Chairman

GROUP MANAGING DIRECTOR'S REVIEW

The financial year ended 30 June 2016 ("FY 2016") saw our Group achieve another significant landmark with the start of our second production line in Hume Cement Sdn Bhd ("Hume Cement"), effectively doubling the capacity. This represents a major step forward in our transformation to a cement-based infrastructure Group.

BUSINESS REVIEW

The slower growth of the construction sector in FY 2016 as compared with the previous two financial years had affected the demand for cement and concrete products. Nevertheless, the continuation of infrastructure projects contributed to demand despite a much slower property sector. Our cement and concrete businesses were able to maintain their market shares as we continued to enjoy the loyalty of most of our customers with good quality products and services. However, margins were affected due to lower prices.

CEMENT DIVISION

Our Cement Division had a busy year getting ready for the second line while continuing to produce and supply the market from Line 1. With the start of Line 2, the commissioning has so far been smooth and we anticipate taking over the plant from the contractor within the stipulated handover deadline. While we expect a tough financial year ending 30 June 2017 ("FY 2017") and therefore the competition to be more intense, this additional capacity holds us in good stead. It will underpin our efforts to penetrate further into the cement market by supporting existing and new customers as it increases our capability in ensuring consistent supply of a wider range of products and quality.

During the year, one new product, masonry cement, was added to our range. We now have 3 products marketed under our brand name PANDA – Panda Blue (Ordinary Portland Cement), Panda Green (Portland Composite Cement) and Panda Red (Masonry Cement). More products are currently being developed by our Research and Development ("R&D") team.

Hume Cement has also led the way in the use of Information Technology to enhance the ease and integrity of doing business with us for our customers. Through our digital portal HUME CONNECT, our customers can now have an entirely paperless transaction with us from the time they place an order through to tracking the delivery and receiving the invoice, thereby enhancing their convenience and the security of their orders.

CONCRETE DIVISION

In the Concrete Division, the severe price competition in the precast concrete market continued. Despite our continuous efforts in cost cutting at all levels, prices remained low and profit margins did not improve. In order to break out of this vicious cycle, the Division has embarked on a strong R&D initiative with the setting up of a full-fledged R&D Centre staffed with qualified and experienced technical personnel. The team has already developed some new technologies aimed at delivering a lower production cost structure and new products that can command higher premium prices. These will be progressively rolled out in FY 2017.

Group Managing Director's Review
(cont'd)

FURNITURE DIVISION

For our Furniture Division, the situation continued to be extremely challenging. We had focused management efforts on innovating new products and exploring new business opportunities with strategic partners but have not been successful so far. Whilst these efforts are continuing, in FY 2017, we will undertake a critical review of the business model and review the viability of the business.

OUTLOOK

Whilst the market conditions for FY 2017 are expected to be tough due to the lower demand for construction materials following the completion of infrastructure projects, we expect the longer term demand for cement and concrete products to pick up with the implementation of the new infrastructure projects that have been announced and awarded. Demand is also expected to increase once the spin-off activities, particularly the housing sector, start to pick up. This will augur well for our Group as we are poised and ready with the additional capacity and products in both Hume Cement and Hume Concrete Sdn Bhd.

In the meantime, we continue to focus management efforts in the continuous improvement of our people and processes to complement the additional investment in capacities and products so that we remain competitive and deliver products and services with quality that our customers can trust.

Barring any unforeseen circumstances, we expect the Group's performance to be satisfactory in FY 2017.

QUAH THAIN KHAN
Group Managing Director

CORPORATE SOCIAL RESPONSIBILITY

The Hong Leong Group is a leading Malaysian conglomerate with diversified businesses. Over the years, we have grown in size and strength through sound and focused business strategies, aided by strong management and a dedicated workforce against a backdrop of a growing economy.

We are also a group that prioritises the communities that we operate within and we believe that, whilst the bottom line is important, our role is to firstly cater to the business needs of these communities. Be it locally or across the geographies where the Hong Leong Group of companies operates, from individuals, to small, medium enterprises (SMEs) to multinational companies (MNC), we are committed to ensuring that we are guided by the Group's core values and remain cognisant of our social responsibility.

We have over the past two decades made Corporate Social Responsibility ("CSR") an increasingly large part of our identity. We have also taken the necessary steps to integrate sustainable practices into the core of the Group's businesses as we prepare to compete in an increasingly complex environment amidst more stringent regulatory requirements, increasingly sophisticated consumers and rapid technological advancements.

Hume Industries Berhad is proud to qualify to be included in the FTSE4Good Bursa Malaysia Index effective 20 June 2016 for meeting the globally recognised standards in Environmental, Social and Governance (ESG) practices.

WORKPLACE

As the Group continues to grow, we believe it is vital to put in place a work environment where the rights and well-being of each employee is respected. This helps us attract good talent regardless of background.

To this end, cross-cultural understanding is key and that is why we have a diversity and inclusion philosophy that is upheld by our Best Work Environment practices. We ensure all applicable laws pertaining to non-discrimination and equal opportunity are complied with and upheld.

This is evidenced by the diverse ethnic and social backgrounds of members, staff and clients. For example, our operating company, Hume Cement Sdn Bhd ("Hume Cement"), offers employment to Perak citizens, resulting in 90% of manpower strength from Perak, with more than 80% of the employees living within 20 km radius from the cement plant.

In parallel, the Group identifies and hires local talent through our Graduate Development Programme – a programme aims to identify and develop local young graduates into relevant fields of talents to support the growth of our businesses. It entails classroom training, on-the-job familiarisation, learning assignments as well as mentoring.

The Management of the Group has placed strong emphasis in developing competencies of employees by utilising Human Resources Development Fund (HRDF) effectively. Various in-house and external programmes were conducted to enhance their technical competencies as well as supervisory and soft skills in order to develop a competent workforce that is knowledgeable and highly motivated. In Hume Cement, a target of average 10 training hours per employee is set by Management to ensure adequate level of training is provided. The training requirements are supported by training needs analysis that is conducted periodically between the Human Resources ("HR") department and the respective line managers.

Employee satisfaction and engagement have a direct correlation to customer loyalty and profitability; hence various activities were organised to promote the sense of belonging and nurture engagement amongst the employees. Some of these include:

Corporate Social Responsibility
(cont'd)

WORKPLACE *cont'd*

- An Employee Engagement Committee led by employee representatives has been established in Hume Cement to lead social and welfare activities including but not limited to CSR initiatives.

- The Management believes in "Management by Walking Around" to connect with the employees and share ideas; and invite suggestions for improvement. On a regular basis, the Group Managing Director together with the plant leadership team participate in Gemba Walk.

- HR also organises a "Meet the Group Managing Director" session for the new joiners where the Group Managing Director shares the organisation vision and direction; and his personal advice on career development with the attendees.

The Management is committed to fully comply with the minimum wage policy and relevant labour regulations. We strive to minimise the risk of employee fatigue whereby HR department has implemented tighter controls on overtime work hours; and conduct monthly review of overtime trend with the heads of department.

The Group also ensures that the health, safety, and welfare of our employees are well taken care of and we acknowledge our responsibility towards employees who may be affected by our activities. To this end, we have continued to prioritise the following key programmes:

- 5S principles - the cornerstone of a safe and productive work environment are practised in all manufacturing and office locations. All locations meet the specific 5S standards prescribed by the Group. "Gotong Royong" sessions are conducted periodically by the employees to upkeep the facilities.

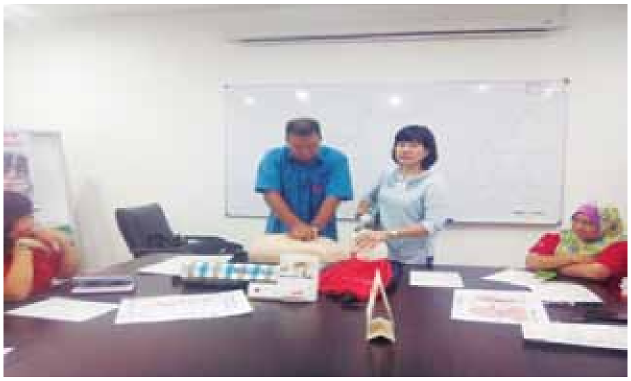
- Adequate Personal Protective Equipment is provided to all employees whose job requires such equipment.

- Industrial safety and health are exercised at all levels of the operating companies through direct involvement of management setting clear targets and goals with regular meetings and training. New joiners of Hume Cement based in the plant are required to attend safety induction and further trained on safety and health standards and related policies. In relation to fire safety, one of our operating companies, Hume Furniture Industries Sdn Bhd ("Hume Furniture") invited the fire department to conduct firefighting training. Employees were briefed by the local BOMBA officers on fire safety awareness at the workplace, fire preventive knowledge and use of firefighting equipment.

Corporate Social Responsibility
(cont'd)

- We promote personal health awareness through the arrangement with Assunta Hospital for a health screening session organised for employees in Hume Concrete Sdn Bhd ("Hume Concrete").

- Additionally, Hume Concrete conducted first aid training by a professional coach and certify employees in cardiopulmonary resuscitation (CPR), wound dressing and emergency treatment in December 2015. This is to equip staff with critical first aid skills in case of an emergency.



- On an annual basis, Hume Furniture conducts the chemical exposure monitoring test with the Department of Safety and Health Malaysia ("DOSH") to identify the concentration of chemical result as prescribed under Occupational Safety and Health ["OSH"] (USECHH) Regulation 2000 to provide a healthy and conducive working environment.

- The Management takes workplace safety very seriously. We review Loss Time Injury ("LTI") incidents and investigate the root cause to implement better precautionary measures. Since 2013, Hume Cement has had no more than 3 LTI cases each year.

ENVIRONMENT

Each year, the Group continues to improve on initiatives to minimise its operational impact on the environment. We have been careful with the consumption of resources such as water and energy, as well as having been conscious of reducing waste generation and carbon emissions.

In line with the belief that sustainable change starts from within, we continue to build on the existing partnership between Hong Leong Foundation and Science of Life Systems 247 Sdn Bhd (SOLS Tech) in the form of a group-wide technology recycling programme called 'Transform It'.

Through 'Transform It', employees are invited to donate old electronic devices as well and given a convenient means to recycle their electronic waste responsibly. Since it began in April 2016, a total of 76 usable electronic items have been re-created out of recycled parts. These items are refurbished and then delivered to underserved communities in Peninsular Malaysia.

Cement manufacturing is an energy and carbon-intensive process and therefore a major contributor to global anthropogenic carbon dioxide ("CO_2") emissions. Hume Cement has implemented the following to reduce its environmental impact:

- **Advanced equipment**
  - Equipped with state of the art cement kiln process with 5 stages preheater to reduce energy consumption.
  - Invested in modern vertical roller mill with high efficiency motor system to conserve electricity.
- **Alternative fuels**
  - The replacement of fossil fuels by alternative fuels (AF) where possible in the production of cement clinker is of great importance because it reduces the consumption of non-renewable resources and greenhouse gas emissions. Hume Cement continues to implement innovative ways of using AF with waste materials such as waste oils, biomass waste, used tyre chips, and etc.

Corporate Social Responsibility
(cont'd)

ENVIRONMENT *cont'd*

- **New products with clinker substitution**
  - Clinker substitution is a cost-effective way to reduce CO_2 emissions in cement production. In Hume Cement, new products are developed using supplementary materials to replace certain amount of clinker for instance, blended cement like composite cement and masonry cement.

Our commitment to the environment has guided us to continually strive to reduce waste in our manufacturing plants by offering more environmentally friendly and sustainable operations. In the cement plant operated by Hume Cement, we work with independent parties and authorities [i.e. Department of Environment ("DOE"), DOSH and Environmental Impact Assessment ("EIA")] regularly to comply with various environmental measures through the following implementations:

- Monitoring the main Stack Emission using the Continuous Emission Monitoring System linked to DOE; and minimising the emission with close control by autonomous machinery including bag filter and regular inspection on the bag filter at each transfer points, i.e. dust source. Hume Cement has invested in bag filter as a more effective emission control compared to Electrostatic Precipitator that is commonly used by some other cement players. The resulting particulate emission from main stack is on an average between 2 and 35 mg/m^3 which is much lower than 50 mg/m^3 in accordance with the regulatory requirement in Clean Air Regulation 2014.

- Utilising motorised sweepers to clean and collect dust in order to minimise the airborne dust to the surrounding environment. On the other hand, water bowser trucks are deployed to mitigate airborne dust at main access in the quarry site. Plant ambience air is monitored by third party consultant every quarter as per DOE's requirement.

- Waste disposal is monitored and conducted with contractors registered with DOE. The scheduled waste in our cement plant is managed by personnel trained under Environment Institute of Malaysia (EiMAS).

- Continuous monitoring of the discharge of water to ensure no effluent discharge to nearby rivers.

- Material spillages are recycled back to the system to eliminate wastage.

- Blasting activity at the quarry is monitored by licensed contractor with blast and vibration monitoring. Reports are submitted to DOE to ensure compliance.

Similarly, our operating company, Hume Furniture, engaged a consultant in August 2015 to review the Isokinetic Stack & Air Emission monitoring result in which the dust concentration level emitted at stack was found to be well below the limit in accordance with Clean Air Regulation 2014. In the manufacturing operations, the wood finishing technique using waterfall system is applied to eliminate excess chemical from spray gun which is recaptured and reused instead of being released into the environment.

In our continuous effort to manage waste, Hume Concrete engages a third party to collect concrete slurry waste from our plants for disposal in specific area designated by the Government. To reduce the dust emission to the environment, Hume Concrete installed water sprinkle system to moist the quarry dust at the raw material storage area.

Corporate Social Responsibility
(cont'd)

ENVIRONMENT *cont'd*

In the area of energy conservation, all our operating companies initiated various activities to reduce energy usage in the plant:

- Use waste materials as fuel and raw materials.
- Re-layout some machineries to reduce motion loss and enhance process efficiency.
- Replace conventional fluorescent lighting to LED in selected critical areas.
- High bay illumination lighting using transparent flat panels/ roofing sheets.

Hume Concrete organised a recycling programme from 31 May 2016 to 10 June 2016 to reinforce the awareness and importance of recycling among employees. The recycled items were paper, metal, plastic and glass. The income generated from selling the recycled items was channelled to Lovely Disabled Homes in Petaling Jaya.

MARKETPLACE

For many years now, the Group has had in place internally generated best practices to ensure the economic sustainability of all its companies such as:

- Financial Management Disciplines which drive excellence in financial management so that the quality of the business as an ongoing concern is both preserved, enhanced and sustained.
- Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility are clearly set out to guide management.
- A code of business conduct and ethics of financial reports, which contains disclosures that are true and fair.
- In choosing its directors, the Group seeks individuals of high integrity, with shareholder orientation and a genuine interest in the respective businesses of the respective companies. The Group also advocates gender equality at work.

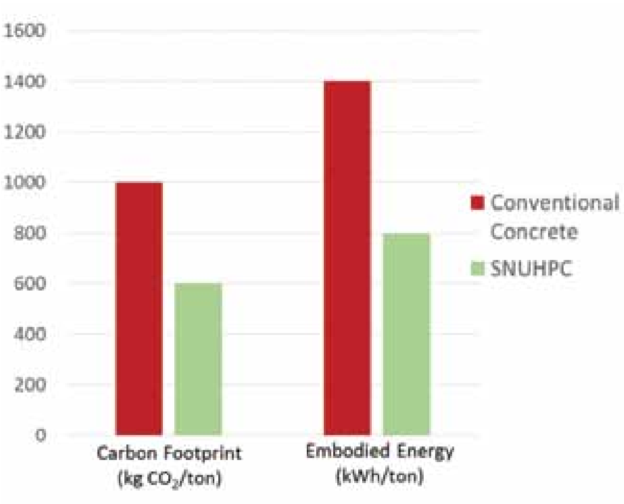
The Group recognises the importance of "green" product development. Our research and development arm – Hume Concrete Products Research Centre Sdn Bhd ("Hume Concrete Research") has made significant progress in the following areas:

- Usage of ground-granulated blast-furnace slag (GGBS) base (30% - 60%) which is a scheduled waste from steel industry in the railway sleepers and tunnel lining segments has led to a reduction of concrete carbon footprint (CO_2 emission) and embodied energy between 30% and 60%; and the steam curing time has reduced by 3 times leading to further energy conservation.

Corporate Social Responsibility
(cont'd)

MARKETPLACE *cont'd*

- Our successful concrete design (i.e. Sustainable Nano Ultra High Performance Concrete [SNUHPC]) is expected to help reduce carbon footprint and embodied energy in our precast concrete products from 30% up to 90%. This is achieved by reducing or replacing cement with other waste cementitious materials in concrete.



Similarly, our precast concrete company, Hume Concrete, markets the Industrialised Building System (IBS) to the construction sector with the following environmental and safety benefits:

- Safe work environment with minimal scaffolding;
- Minimise use of timber formwork; and
- Reduce slurry waste at construction site.

COMMUNITY

Concerted efforts that channel direct help to our communities to address their needs are mostly done through Hong Leong Foundation, the philanthropic arm of the Hong Leong Group.

Hong Leong Foundation expended a total of RM6,834,370 for the financial year ended 30 June 2016 and has the following in place with our Community Partners:

I) Community Welfare Programme that addresses the needs of homes, shelters and community centres.

II) Education focused initiatives that comprise the following:

- Tertiary Scholarships;
- Reach Out and Rise Education Development Programme;
- The Hong Leong Masters Scholarship Programme; and
- After School Care Programme.

III) Community Partner Programmes that further the goal of achieving the Foundation's mission and vision including:

- Employment Development Programme to find good jobs for members of the community;
- Welfare Home Transformation Programme to provide better homes for those in need; and
- Hong Leong Foundation NGO Accelerator Programme to provide a platform that eases the process of establishing an non-governmental organisation for different causes.

The Foundation's contributions have benefited 86 organisations, and brought positive impact directly to 3,430 individuals nationwide.

Corporate Social Responsibility
(cont'd)

COMMUNITY *cont'd*

Education remains key

The Group sees grass-root initiatives and education as the road to empowering local underserved communities and the key to effecting real change. Recognising that there are gaps of opportunity along the entire spectrum of educational development, Hong Leong Foundation has set up a comprehensive programme to empower their scholars, namely in the following forms: enrichment workshops, internships, mentorships, and other support to help the young excel in their formative university years and beyond.

Since 1997, Hong Leong Foundation has awarded more than RM28.9 million in scholarships to 909 scholars via its scholarship programmes for diplomas, degrees or masters. During the past financial year, Hong Leong Foundation disbursed RM2.5 million in scholarships to benefit 112 underprivileged Malaysian youths.

The Group has collaborated with academic institutions in providing opportunities for student internship and industry employment while channelling experience from the industry into the university's engineering syllabus. Hume Cement has signed a Memorandum of Understanding with Universiti Tunku Abdul Rahman ("UTAR") on 4 May 2016 to commence the industry-university collaboration.

Besides the partnership with UTAR, the Group has participated in INTI International University and Taylor's University "career day" events to introduce cement and concrete industries to their students and graduates.

Through the engagement with Universiti Teknologi MARA ("UiTM") and American Concrete Institute – Kuala Lumpur Chapter in promoting cement and concrete technology innovation and application, the Group was a key sponsor to the Highest Early Strength Self-Consolidating Concrete Cube Competition organised by UiTM in September 2015 and April 2016. In addition to sponsorship, our General Manager of Hume Concrete Research who is in charge of Research and Development, coached the competing team in the practice sessions prior to the competition.

Corporate Social Responsibility (cont'd)

COMMUNITY *cont'd*

Education remains key *cont'd*

In a similar vein, Hume Furniture collaborated with University Putra Malaysia in organising a furniture design competition with the theme "Living Furniture, International Design Local Manufacturing" in September 2015 to promote local talents in furniture design and innovation.

Apart from these programmes, the Group also provides opportunities for its employees to participate in activities and causes that they are passionate about, whilst channelling aid to various segments of the community.

Along the year, various philanthropic endeavours, big and small, came to life through the concerted efforts of staff from diverse backgrounds across the Group; who wanted to come together for a good cause.

Guided by the Group value of Social Responsibility, we are committed at all levels of organisation to fulfil our role as a responsible corporate citizen in supporting the communities through our CSR programmes and social contributions. Some of these include:

- Cement bags were sponsored by Hume Cement to support the following initiatives:
  - Refurbish the Independent Living & Training Centres in Rawang - a facility established to train and provide disabled people with the necessary assistance and tools to develop their abilities and level of independence.
  - Refurbish the Solar Academy and Youth Development Centre in Kuala Lumpur which is a non-profit organisation that provides training programmes to SPM leavers and school dropouts.
  - Repair of the classroom floor of a primary school in Changkat Tualang which was damaged by flood.
  - Appreciation ceremony by the Fire Department (BOMBA on 31 May 2016 for Hume Cement support in the project to reconstruct a burnt house.

- Hume Cement has adopted Praise Emmanuel Children's Home ("PECH") – a non-profit organisation set up to look after abandoned, abused, homeless and orphaned children.

- A one-year activity plan was made to organise monthly activities for the children by the employees of Hume Cement. The children of PECH were invited to our office for Christmas celebration in December 2015 where the staff sponsored Christmas presents for the children and organised games for the event.

Corporate Social Responsibility
(cont'd)

COMMUNITY *cont'd*

- Hume Cement was one of the main sponsors of the charity event organised by Malaysian Red Crescent (Kampar branch) on 16 January 2016 to send food parcels to 35 poor families in the Gopeng district. Hume Cement sponsored 20 kg of rice to each family.

- As a furniture manufacturer, Hume Furniture donated 3 sets of bookshelf to Tadika Tahfiz Al-Ain in Mantin on 5 April 2016.

- In collaboration with Hospital Tuanku Ja'afar in Seremban, an annual blood donation drive was held in Hume Furniture on 20 October 2015.

- Hume Cement launched its inaugural Book Prize Award programme in 2015. The programme targets schools within the vicinity of the cement plant and encourage students (from Standard One to Form Five) to excel in their academic performance; and inculcate saving and reading habit from a young age. The next Book Prize Award is targeted to be held in October 2016.

LOOKING FORWARD

We will build upon and learn from our past CSR contributions and activities. This would naturally lead to higher expectations of ourselves as responsible corporate citizens, while we continue to explore new ideas and new ways of increasing actual and tangible improvements to our communities.

This Corporate Social Responsibility Statement is made in accordance with the resolution of the Board of Directors.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

"Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders."

~ Finance Committee on Corporate Governance

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

A. ROLES AND RESPONSIBILITIES OF THE BOARD

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

In discharging its responsibilities, the Board established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed annually by the Board and published on the Company's website at www.humeind.com ("HIB Website"). The key roles and responsibilities 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") 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 assist the Board in the execution of its duties and responsibilities. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The Chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman and the GMD, which are distinct and separate.

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

The GMD is responsible for the vision and strategic direction of the Group, implementing the policies and decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, setting the benchmark and targets for operating companies, overseeing the day-to-day operations and tracking compliance and business progress.

Independent Non-Executive Directors ("INEDs") 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. INEDs do not participate in the day-to-day management of the Company and there are no relationships or circumstances that could interfere with or are likely to affect the exercise of their independent judgment or the 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's key corporate social responsibility activities or sustainability plan are set out in the Corporate Social Responsibility Statement in this Annual Report.

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

Corporate Governance, Risk Management and Internal Control
(cont'd)

B. BOARD COMPOSITION

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

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

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

The Board 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.

The Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

C. BOARD COMMITTEES

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

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

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

II Nominating Committee ("NC")

The NC was established on 29 April 2013 and its TOR are published on the HIB Website.

The composition of the NC is as follows:

Mr Seow Yoo Lin
Chairman, Independent Non-Executive Director

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

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

The Company has in place the process and procedure for assessment of new appointment, re-appointment, re-election, retention and removal of directors, and the appointment of Board Committee members and chief executive, and the criteria used for such assessments. All candidates to the Board, Board Committees or chief executive are assessed by the NC prior to their appointments, taking into account the mix of skills, expertise, knowledge and experience in the industry, market and segment, independence and time commitment, before they are recommended to the Board for approval.

Corporate Governance, Risk Management and Internal Control (cont'd)

C. BOARD COMMITTEES *cont'd*

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

The nomination and approval process for candidates is as follows:

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

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

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

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

For removal of directors, the Company shall carry out such removal in accordance with the provisions of the Companies Act, 1965 and any other relevant regulatory requirements. The NC may recommend to the Board the removal of a director who is ineligible, disqualified, incapacitated or who has failed in the discharge of fiduciary duties.

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

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

During the financial year ended 30 June 2016 ("FY 2016"), the NC carried out its duties in accordance with its TOR. The NC considered and reviewed the following:

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

Having reviewed the Board composition, the NC was satisfied that the current Board comprises a good mix of skills and that the current size and composition of the Board are appropriate and effective in discharging its functions.

Corporate Governance, Risk Management and Internal Control
(cont'd)

C. BOARD COMMITTEES *cont'd*

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

The NC has also evaluated the performance of the Board, Board Committees, each individual director and each Board Committee member, benchmarking against their respective TOR and Assessment Criteria, and through the annual assessment conducted during FY 2016. 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.

III Remuneration Committee ("RC")

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

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

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

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

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

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

The aggregate remuneration of directors for FY 2016 is as follows:

	Fees (RM)		Salaries & Other Emolument (RM)		Total (RM)	
	Company	**Group**	**Company**	**Group**	**Company**	**Group**
Executive Directors	–	–	–	2,351,058	–	2,351,058
Non-Executive Directors	280,000	280,000	142,000	142,000	422,000	422,000

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

Range Of Remuneration (RM)	**Executive**		**Non-Executive**	
	Company	**Group**	**Company**	**Group**
50,000 and below	–	–	–	–
50,001 – 100,000	–	–	1	1
100,001 – 150,000	–	–	3	3
150,001 – 2,350,000	–	–	–	–
2,350,001 – 2,400,000	–	1	–	–

D. INDEPENDENCE

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

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

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

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

E. COMMITMENT

The directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointment. This ensures that their commitment, resources and time are focused on the affairs of the Company to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Directors are required to attend at least 50% of Board meetings pursuant to the MMLR.

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

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

All directors have access to the advice and services of qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 139A of the Companies Act, 1965. They are responsible for providing support and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate governance. All directors also have access to the advice and services of the internal auditors and in addition, independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman of the Company.

Corporate Governance, Risk Management and Internal Control (cont'd)

E. COMMITMENT *cont'd*

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

The Board met 4 times during FY 2016.

Details of attendance of each director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	3/4
Mr Quah Thain Khan	4/4
YBhg Dato' Rosman bin Abdullah	4/4
Mr Seow Yoo Lin	4/4
YBhg Dato' Ir. Tan Gim Foo	4/4
YBhg Datuk Wira Azhar bin Abdul Hamid	2/4

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

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

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

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

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

During FY 2016, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Company also organised in-house programmes for its directors and senior management.

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

During FY 2016, all the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Updates on HK Contracts (Rights of Third Parties) Ordinance and Recent Personal Data Privacy Cases
- New Landscape in Auditors' Reporting
- The Most Innovative Companies – Four Factors that Differentiate Leaders

E. COMMITMENT *cont'd*

- Hong Leong Group Sustainability Training
- Risk Management and Internal Control Workshop : Is Our Line of Defence Adequate and Effective
- Corporate Governance Director's Workshop – The Interplay Between CG, Non-Financial Information (NFI) and Investment Decision – What Boards of Listed Companies Need to Know
- Corporate Governance Breakfast Series with Directors – The Strategy, the Leadership, the Stakeholders and the Board
- Sustainability Engagement Series
- Directors Corporate Governance Series : Building Effective Finance Function – From Reporting to Analytics to Strategic Input
- HSBC Forum : RMB and China Global Future
- FIDE Forum Invite : Board Leading the Change : Organisational Transformation Strategy as Key to Sustainable Growth in Challenging Times
- FIDE Forum : Directors Register Focus Group Session
- KPMG Budget Conference
- FIDE Forum : 6th Distinguished Board Leadership Series – Digital Transformation and Its Impact on Financial Services – Role of the Board in Maximising Potential
- Leadership Energy Summit Asia
- FIDE Forum : 1st Distinguished Board Leadership Series – Cyber-Risk Oversight
- MFRS/FRS Update 2015/2016 Seminar
- Audit Committee Institute Breakfast Roundtable
- Bursa CG Breakfast Series with Directors : Future of Auditor Reporting – The Game Changer for Boardroom
- Sustainability Engagement Series for Directors/Chief Executive Officer
- Is the Economy in a Crisis and Have We Learned from the Past Crisis?
- Anti-Money Laundering and Counter Financing of Terrorism – Lesson Learnt from Industry
- Special Invitation to Industry Briefing on Directors Register Implementation
- Directors' Remuneration Report 2015 : Briefing Session for Directors – A Special Briefing on the Implementation of the Recommendations
- FIDE Core Programme : Module A
- 2016 BNM Governor's Address on the Malaysian Economy & Panel Discussion
- Audit Committee Conference 2016

F. ACCOUNTABILITY AND AUDIT

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

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

I Financial Reporting

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

Corporate Governance, Risk Management and Internal Control
(cont'd)

F. ACCOUNTABILITY AND AUDIT *cont'd*

II Risk Management and Internal Control

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

III Relationship with Auditors

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

The external auditors meet with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit 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 2016, the BARMC members together with the Group Financial Controller ("GFC") undertook an annual assessment on the performance, suitability, effectiveness and independence of the external auditors. No major concerns were noted from the results of the assessment. The external auditors also gave their assurance confirming their independence and objectivity throughout the conduct of the audit engagement and the internal processes undertaken by them to determine their independence.

G. DISCLOSURE

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

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

H. SHAREHOLDERS

I Dialogue with Shareholders and Investors

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

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

H. SHAREHOLDERS *cont'd*

I Dialogue with Shareholders and Investors *cont'd*

Shareholders can access for information at the HIB Website, which includes the Board Charter, TOR of Board Committees, corporate information, announcements/press releases/briefings, financial information, products information and investor relations.

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

Queries may be conveyed to the following person:

Name : Mr Tony Ho Hee Kok
Tel No. : 03-7782 9300
Fax No. : 03-7783 6300
Email address : IRelations@humeind.com

II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.

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

I. SORMIC

The responsibility of the Board

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

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

The Risk Management Framework

For FY 2016, management has complied with the risk management framework in accordance with MS ISO 31000: 2010. Based on the framework, management has carried out the following:

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

Corporate Governance, Risk Management and Internal Control
(cont'd)

I. SORMIC *cont'd*

The Risk Management Framework *cont'd*

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

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

The System of Internal Controls

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

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

Management and Decision-Making Processes

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

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

I. SORMIC *cont'd*

Review of the SORMIC by External Auditors

Pursuant to Paragraph 15.23 of the MMLR, the external auditors have reviewed the SORMIC pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised) issued by the MIA for inclusion in the 2016 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the SORMIC is not prepared, in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the SORMIC factually inaccurate. RPG 5 (Revised) does not require the external auditors to consider whether the SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The Board's Opinion

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

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

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

The directors of the Company are satisfied that the financial statements of the Group and of the Company for FY 2016 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

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

COMPOSITION

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

Mr Seow Yoo Lin
Independent Non-Executive Director

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

SECRETARY

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

AUTHORITY

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

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

MEETINGS

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

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

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

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

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

Board Audit & Risk Management Committee Report (cont'd)

ACTIVITIES

An annual assessment on the performance and effectiveness of the Committee and each of its members for the financial year ended 30 June 2016 ("FY 2016") 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 2016, 4 Committee meetings were held and the attendance of the Committee members was as follows:

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

The Committee carried out the following key activities during FY 2016:

- Reviewed the quarterly reports and annual financial statements of the Group prior to submission to the Board for consideration and approval.
- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Charter and Internal Audit Charter.
- Held 2 separate sessions with the external auditors without the presence of senior management. During the separate sessions, no critical issues were raised and the external auditors conveyed that they had been maintaining a good professional working relationship.
- Met with the external auditors and discussed the audit plan 2016 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.
- 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 auditor's independence or objectivity. Details of non-audit fees incurred by the Group for FY 2016 are stated in the Notes to the Financial Statements.
- Assessed the performance, suitability, independence and objectivity of the external auditors, taking into consideration factors such as quality of service, adequacy of experience and resources of the firm and the professional staff assigned to the audit, and communication and interaction, and made recommendation to the Board for shareholders' approval on the re-appointment of the external auditors.
- Reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.
- Met with the internal auditors and approved the annual audit plan and also reviewed the internal audit ("IA") findings and recommendations.
- Reviewed the Policy and Procedure of Recurrent Related Party Transactions and various recurrent related party transactions ("RRPT") carried out by the Group.
- Reviewed the proposed mandate for RRPT with various related parties prior to Board's recommendation for shareholders' approval.
- Reviewed the Statement on Risk Management and Internal Control ("SORMIC") of the Group, and received the report of the external auditors in respect of their review on the SORMIC prior to Board's approval for inclusion in the Company's Annual Report.
- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Report for inclusion in the Company's Annual Report.

Board Audit & Risk Management Committee Report
(cont'd)

INTERNAL AUDIT

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. The total cost incurred by the IA Department of HLMGMC for FY 2016 amounted to RM1,751,077.

The IA Department, led by the Head of IA, reports to the Committee. The IA function is performed with impartiality, proficiency and due professional care. 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 Committee had undertaken an assessment on the performance of the IA Department for FY 2016. The Committee had also reviewed the adequacy of the scope, functions and resources of the IA function and the competency of the IA Department. The Committee is satisfied with the performance and competency of the IA Department and that it had adequate resources to carry out its function.

The IA Department applies appropriate auditing standards in assessing the integrity and effectiveness of internal controls and compliance to the established policies and procedures. It also challenges and adds value on the efficiency, effectiveness and economy of operating companies' operations, usage of assets and resources; and the integrity of management information systems.

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 this financial year are described in the SORMIC.

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

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 2016

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	48,750	14,789

RESERVES AND PROVISIONS

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

DIVIDEND

Since the end of the previous financial year, the Company paid an interim single tier dividend of 3.0 sen per share amounting to RM14,372,814 in respect of the financial year ended 30 June 2016 on 25 May 2016.

The Directors do not recommend a final dividend for the financial year ended 30 June 2016.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

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

Directors' Report
for the financial year ended 30 June 2016
(cont'd)

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 2016 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Nominal value per share	**Number of ordinary shares/ordinary shares received# or to be received* arising from vesting of share grant**			
	RM	**At 1.7.2015**	**Acquired**	**Sold**	**At 30.6.2016**
Shareholdings in which Directors have direct interests					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	43,395	–	**160,895**
Hong Leong Industries Berhad	0.50	2,520,000	–	220,000	**2,300,000**
Malaysian Pacific Industries Berhad	0.50	1,260,000	–	–	**1,260,000**
Hong Leong Bank Berhad	1.00	462,000	74,000(1)	–	**536,000**
Guoco Group Limited	US$0.50	209,120	–	–	**209,120**
Hong Leong Financial Group Berhad	1.00	600,000	54,000(1)	–	**654,000**
The Rank Group Plc	GBP13 8/9p	45,800	–	–	**45,800**
Hume Industries Berhad	1.00	3,118,951	382,649#	–	**3,501,600**
		802,649*	–	382,649(2)	**420,000***
Interest of Quah Thain Khan in:					
Hume Industries Berhad	1.00	450,000	525,000#	–	**975,000**
		1,050,000*	–	525,000(2)	**525,000***
Shareholdings in which a Director has indirect interest					
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP13 8/9p	10,661(3)	–	–	**10,661(3)**

Legend:
(1) *Shares acquired from rights issue.*
(2) *Shares vested.*
(3) *Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member.*

Directors' Report
for the financial year ended 30 June 2016
(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 a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as 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 had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

EXECUTIVE SHARE SCHEME ("ESS")

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

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

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

2. The aggregate number of shares comprised in:

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

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

EXECUTIVE SHARE SCHEME ("ESS") *cont'd*

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

4. The exercise of the options or vesting of shares may, at the absolute discretion of the Board, be satisfied by way of issuance of new ordinary shares of RM1.00 each in the Company (unless otherwise adjusted); transfer of existing shares, or a combination of both issuance of new shares and transfer of existing shares.

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

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

There were no shares and options over shares granted under the ESS of the Company during the financial year.

OTHER STATUTORY INFORMATION

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

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

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

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

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

ii) that would render the value 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.

Directors' Report
for the financial year ended 30 June 2016
(cont'd)

OTHER STATUTORY INFORMATION *cont'd*

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 2016 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, Messrs KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board,

Quah Thain Khan

Dato' Rosman Bin Abdullah

17 August 2016

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Assets					
Property, plant and equipment	4	**1,149,480**	829,517	**9**	7
Investments in subsidiary companies	5	**–**	–	**607,914**	472,914
Deferred tax assets	6	**9,657**	8,770	**–**	–
Tax credit receivable	7	**72,302**	72,302	**–**	–
Total non–current assets		**1,231,439**	910,589	**607,923**	472,921
Inventories	8	**80,334**	89,535	**–**	–
Trade and other receivables, including derivatives	9	**74,052**	119,659	**34**	34
Current tax assets		**763**	321	**–**	–
Dividend receivable		**–**	–	**–**	2,900
Cash and cash equivalents	10	**172,747**	52,350	**6,873**	3,761
Total current assets		**327,896**	261,865	**6,907**	6,695
Total assets		**1,559,335**	1,172,454	**614,830**	479,616
Equity					
Share capital	11	**479,094**	479,094	**479,094**	479,094
Reserves	12	**(43,136)**	(75,553)	**562**	146
Total equity attributable to owners of the Company		**435,958**	403,541	**479,656**	479,240
Liabilities					
Loans and borrowings	13	**371,718**	296,063	**–**	–
Deferred tax liabilities	6	**57,018**	43,487	**–**	–
Deferred income	14	**58,040**	61,664	**–**	–
Employee benefits	15(a)	**896**	1,128	**–**	–
Total non-current liabilities		**487,672**	402,342	**–**	–
Trade and other payables, including derivatives	16	**168,414**	231,170	**534**	376
Loans and borrowings	13	**463,636**	131,403	**134,640**	–
Deferred income	14	**3,627**	3,627	**–**	–
Current tax liabilities		**28**	371	**–**	–
Total current liabilities		**635,705**	366,571	**135,174**	376
Total liabilities		**1,123,377**	768,913	**135,174**	376
Total equity and liabilities		**1,559,335**	1,172,454	**614,830**	479,616

The notes on pages 53 to 98 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	17	**603,302**	472,772	**17,064**	21,005
Cost of goods sold		**(413,725)**	(292,666)	**–**	–
Contract cost		**(4,822)**	(15,456)	**–**	–
Gross profit		**184,755**	164,650	**17,064**	21,005
Distribution expenses		**(84,038)**	(58,814)	**–**	–
Administration expenses		**(37,072)**	(25,991)	**(2,160)**	(1,888)
Other operating expenses		**(6,886)**	(7,591)	**(10)**	–
Other operating income		**21,788**	8,030	**11**	6
Results from operations		**78,547**	80,284	**14,905**	19,123
Interest income		**1,074**	418	**12**	10
Finance costs		**(16,772)**	(11,321)	**(121)**	–
Profit before taxation	18	**62,849**	69,381	**14,796**	19,133
Taxation	19	**(14,099)**	(17,383)	**(7)**	(1)
Profit for the year attributable to owners of the Company		**48,750**	51,998	**14,789**	19,132
Basic earnings per ordinary share (sen)	20	**10.18**	15.17		
Profit for the year		**48,750**	51,998	**14,789**	19,132
Other comprehensive (expense)/income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		**10**	59	**–**	–
Cash flow hedge		**(1,970)**	1,970	**–**	–
Total other comprehensive (expense)/income for the year	21	**(1,960)**	2,029	**–**	–
Total comprehensive income for the year attributable to owners of the Company		**46,790**	54,027	**14,789**	19,132

The notes on pages 53 to 98 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2016

Group	Share capital RM'000	Translation reserve RM'000	Hedging reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 July 2014	62,188	(5)	–	(44,104)	18,079
Profit for the year	–	–	–	51,998	51,998
Other comprehensive income					
- Foreign currency translation differences	–	59	–	–	59
- Cash flow hedge	–	–	1,970	–	1,970
Total comprehensive income for the year	–	59	1,970	51,998	54,027
Contributions by and distribution to owners of the Company					
Dividends (Note 22)	–	–	–	(14,373)	(14,373)
Capital reduction	(31,094)	–	–	31,094	–
Issue of ordinary shares	448,000	–	–	–	448,000
Total transaction with owners of the Company	416,906	–	–	16,721	433,627
Goodwill on acquisition of common control subsidiary companies	–	–	–	(102,192)	(102,192)
At 30 June 2015/1 July 2015	479,094	54	1,970	(77,577)	403,541
Profit for the year	–	–	–	48,750	48,750
Other comprehensive income/(expense)					
- Foreign currency translation differences	–	10	–	–	10
- Cash flow hedge	–	–	(1,970)	–	(1,970)
Total comprehensive income/ (expense) for the year	–	10	(1,970)	48,750	46,790
Contributions by and distribution to owners of the Company					
Dividends (Note 22)	–	–	–	(14,373)	(14,373)
Total transaction with owners of the Company	–	–	–	(14,373)	(14,373)
At 30 June 2016	**479,094**	**64**	**–**	**(43,200)**	**435,958**
	Note 11	Note 12	Note 12	Note 12	

Statements of Changes in Equity

for the year ended 30 June 2016

(cont'd)

Company	Share capital RM'000	(Accumulated losses)/ Retained earnings RM'000	Total equity RM'000
At 1 July 2014	62,188	(35,707)	26,481
Profit and total comprehensive income for the year	–	19,132	19,132
Contributions by and distributions to owners of the Company			
Dividends (Note 22)	–	(14,373)	(14,373)
Capital reduction	(31,094)	31,094	–
Issue of ordinary shares	448,000	–	448,000
Total transaction with owners of the Company	416,906	16,721	433,627
At 30 June 2015/1 July 2015	479,094	146	479,240
Profit and total comprehensive income for the year	–	14,789	14,789
Contributions by and distributions to owners of the Company			
Dividends (Note 22)	–	(14,373)	(14,373)
Total transaction with owners of the Company	–	(14,373)	(14,373)
At 30 June 2016	**479,094**	**562**	**479,656**
	Note 11	Note 12	

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities				
Profit before taxation	**62,849**	69,381	**14,796**	19,133
Adjustments for:				
Amortisation of deferred income	**(3,624)**	(2,129)	**–**	–
Depreciation of property, plant and equipment	**37,759**	24,124	**2**	–
Dividend income	**(885)**	(348)	**(17,064)**	(21,005)
Fair value loss on derivative instruments	**854**	739	**–**	–
Fair value loss/(gain) on financial instruments designated as hedge instruments	**294**	(297)	**–**	–
Finance costs	**16,772**	11,321	**121**	–
Gain on disposal of property, plant and equipment	**(51)**	(114)	**–**	–
Interest income	**(1,074)**	(418)	**(12)**	(10)
Property, plant and equipment written off	**1,209**	1,463	**–**	–
(Reversal of)/Provision for retirement benefits	**(232)**	28	**–**	–
Unrealised (gain)/loss on foreign exchange	**(2,834)**	1,557	**–**	–
Operating profit/(loss) before working capital changes	**111,037**	105,307	**(2,157)**	(1,882)
Inventories	**9,201**	2,044	**–**	–
Trade and other receivables	**42,617**	(13,353)	**–**	(16)
Trade and other payables	**(61,600)**	101,441	**157**	(399)
Cash generated from/(used in) operations	**101,255**	195,439	**(2,000)**	(2,297)
Taxation paid	**(1,583)**	(792)	**(7)**	(1)
Interest income received	**1,074**	418	**12**	10
Finance costs paid	**(16,772)**	(11,321)	**(121)**	–
Retirement benefits paid	**–**	(4)	**–**	–
Dividend received				
- Subsidiary companies	**–**	–	**19,746**	18,000
- Other investments	**885**	348	**219**	105
Net cash generated from operating activities	**84,859**	184,088	**17,849**	15,817

Statements of Cash Flows

for the year ended 30 June 2016

(cont'd)

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash flows from investing activities				
Acquisition of subsidiary companies, net of cash and cash equivalents acquired/(paid)	**–**	94,528	**–**	(1,376)
Additional investment in subsidiary company	**–**	–	**(135,000)**	–
Proceeds from disposal of property, plant and equipment	**83**	308	**–**	–
Acquisition of property, plant and equipment	**(358,963)**	(286,317)	**(4)**	(7)
Net cash used in investing activities	**(358,880)**	(191,481)	**(135,004)**	(1,383)
Cash flows from financing activities				
Dividends paid to owners of the Company	**(14,373)**	(14,373)	**(14,373)**	(14,373)
Drawdown of borrowings	**1,045,645**	106,584	**134,640**	–
Repayment of borrowings	**(636,864)**	(40,000)	**–**	–
Advances to a subsidiary	**–**	–	**–**	(43)
Net cash generated from/ (used in) financing activities	**394,408**	52,211	**120,267**	(14,416)
Net change in cash and cash equivalents	**120,387**	44,818	**3,112**	18
Effect of exchange rate fluctuations on cash held	**10**	59	**–**	–
Cash and cash equivalents at 1 July	**52,350**	7,473	**3,761**	3,743
Cash and cash equivalents at 30 June	**172,747**	52,350	**6,873**	3,761

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	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Deposits with licensed banks	**152,770**	27,429	**6,840**	3,690
Cash and bank balances	**19,977**	24,921	**33**	71
	172,747	52,350	**6,873**	3,761

The notes on pages 53 to 98 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

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

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2016 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 2016 do not include other entities.

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

The financial statements were approved and authorised for issue by the Board of Directors on 17 August 2016.

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 Companies Act, 1965 in Malaysia.

The preparation of the financial statements 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 are revised and in any future periods affected.

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

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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

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

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

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

(iii) Acquisitions from entities under common control

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(iv) Loss of control

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

(v) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

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

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

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(b) Foreign currency *cont'd*

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

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

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

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

(b) Loans and receivables

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

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

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

Financial liabilities

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

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

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

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

(iii) Regular way purchase or sale of financial assets

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

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

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

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

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

(iv) Hedge accounting

Fair value hedge

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

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

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

Cash flow hedge

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

(v) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

Leasehold land	Over period of lease
Buildings	Lease period or 50 years, whichever is shorter
Plant and machinery	4 – 45 years
Office equipments, 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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Leased assets *cont'd*

(ii) Operating lease

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

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

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

(f) Inventories

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

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

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

(g) Cash and cash equivalents

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

(h) Impairment

(i) Financial assets

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

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.

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*

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

(ii) Other assets

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

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

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(i) Equity instruments *cont'd*

(ii) Ordinary shares

Ordinary shares are classified as equity.

(j) Employee benefits

(i) Short term employee benefits

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

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

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

(ii) Defined benefit plans

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

(iii) Share-based payments

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

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

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.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Employee benefits *cont'd*

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

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

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

(k) Provisions

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

(l) Revenue and other income

(i) Goods sold

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

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Employee benefits *cont'd*

(iv) Interest income

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

(m) Borrowing costs

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

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

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

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

(n) Taxation

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

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

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

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

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*

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

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

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

The tax credit receivable will be charged out to the profit or loss based on the utilisation of investment tax allowance in each financial period. Deferred income, on the other hand, will be amortised 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) Contingencies

(i) Contingent liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(q) Contingencies *cont'd*

(ii) Contingent assets

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

(r) Fair value measurement

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

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

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

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

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

Level 3: unobservable inputs for the asset or liability.

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

2.3 Statement of compliance

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*

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 2016 *cont'd*

- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 July 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016;

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

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

- from the annual period beginning on 1 July 2019 for those accounting standard, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the financial impact of adopting the abovementioned accounting standards, amendments and interpretations.

Notes to the Financial Statements (cont'd)

3. COMPANIES IN THE GROUP

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

Name of company	Country of incorporation	Effective interest 2016 %	2015 %	Principal activities
Subsidiary Companies				
Hume Cement Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of cement and cement related products.
Hume Concrete Sdn Bhd	Malaysia	**100**	100	Manufacture and marketing of concrete products and investment holding.
• Hume Concrete (EM) Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of concrete and related products.
• Hume Concrete Marketing Sdn Bhd	Malaysia	**100**	100	Ceased oparation during the financial year.
• Hume Concrete Products Research Centre Sdn Bhd	Malaysia	**100**	100	Research and development of concrete and cement products.
• Hume Concrete Singapore Pte Ltd	Singapore	**100**	–	Dormant.
Hume RMX Sdn Bhd	Malaysia	**100**	–	Dormant.
Hume Furniture Industries Sdn Bhd	Malaysia	**100**	100	Design, manufacture and supply of furniture and interior design fit-out works, and investment holding.
• Top Master Construction (Philippines), Inc.*	Philippines	**100**	100	Dormant.

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

Notes to the Financial Statements
(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipments, fittings, software, spare parts and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost						
At 1 July 2014	2,908	7,938	3,497	2,023	–	16,366
Additions	–	108	337	8,842	277,030	286,317
Acquisition of subsidiary companies	47,486	66,772	581,918	26,186	1,364	723,726
Disposal	–	–	(177)	(983)	–	(1,160)
Written off	–	–	–	(1,993)	–	(1,993)
Reclassification	–	192	1,932	490	(2,614)	–
At 30 June 2015/1 July 2015	50,394	75,010	587,507	34,565	275,780	1,023,256
Additions	–	340	7,847	5,987	344,789	358,963
Disposal	–	–	(56)	(1,215)	–	(1,271)
Written off	–	–	–	(1,710)	–	(1,710)
Reclassification	–	–	142	2	(144)	–
At 30 June 2016	**50,394**	**75,350**	**595,440**	**37,629**	**620,425**	**1,379,238**
Accumulated depreciation						
At 1 July 2014	772	1,908	3,021	1,507	–	7,208
Acquisition of subsidiary companies	6,948	26,551	121,520	8,884	–	163,903
Charge for the year	691	1,114	18,788	3,531	–	24,124
Disposal	–	–	(6)	(960)	–	(966)
Written off	–	–	–	(530)	–	(530)
At 30 June 2015/1 July 2015	8,411	29,573	143,323	12,432	–	193,739
Charge for the year	997	1,566	29,462	5,734	–	37,759
Disposal	–	–	(56)	(1,183)	–	(1,239)
Written off	–	–	–	(501)	–	(501)
At 30 June 2016	**9,408**	**31,139**	**172,729**	**16,482**	**–**	**229,758**
Carrying amounts						
At 1 July 2014	2,136	6,030	476	516	–	9,158
At 30 June 2015/1 July 2015	41,983	45,437	444,184	22,133	275,780	829,517
At 30 June 2016	**40,986**	**44,211**	**422,711**	**21,147**	**620,425**	**1,149,480**

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

During the financial year, finance costs from bank borrowings amounted to RM12,775,000 (2015: RM631,000) was capitalised in the property, plant and equipment.

As at 30 June 2015, the leasehold land of the Group with carrying amount of RM32,730,000 was charged to secure bank borrowings granted to a subsidiary company as disclosed in Note 13. The said charge was released during the financial year.

Land

Included in the total carrying amount of land are:

	Group	
	2016 RM'000	**2015 RM'000**
Leasehold land with unexpired lease period more than 50 years	**11,163**	11,379
Leasehold land with unexpired lease period less than 50 years	**29,823**	30,604
	40,986	41,983

Company	**Office equipment RM'000**
Cost	
At 1 July 2014	–
Addition	7
At 30 June 2015/1 July 2015	7
Addition	4
At 30 June 2016	**11**
Accumulated depreciation	
At 1 July 2014/30 June 2015/1 July 2015	–
Charge for the year	2
At 30 June 2016	**2**
Carrying amounts	
At 1 July 2014	–
At 30 June 2015/1 July 2015	7
At 30 June 2016	**9**

Notes to the Financial Statements
(cont'd)

5. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company 2016 RM'000	2015 RM'000
At cost		
Unquoted shares	**504,910**	504,910
Redeemable Convertible Unsecured Loan Stock	**135,000**	–
Less: Accumulated impairment loss	**(31,996)**	(31,996)
	607,914	472,914

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

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

6. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Property, plant and equipment	**–**	–	**(71,038)**	(56,151)	**(71,038)**	(56,151)
Other deductible temporary differences	**8,916**	9,469	**–**	–	**8,916**	9,469
Tax losses carry forward	**12,979**	12,013	**–**	–	**12,979**	12,013
Unabsorbed capital allowances	**1,566**	13	**–**	–	**1,566**	13
Other items	**234**	–	**(18)**	(61)	**216**	(61)
Deferred assets/(liabilities)	**23,695**	21,495	**(71,056)**	(56,212)	**(47,361)**	(34,717)
Set off of tax	**(14,038)**	(12,725)	**14,038**	12,725	**–**	–
Net tax assets/(liabilities)	**9,657**	8,770	**(57,018)**	(43,487)	**(47,361)**	(34,717)

Deferred tax assets and liabilities are offset above where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

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

Movement in temporary differences during the year

Group	At 1.7.2014 RM'000	Recognised in profit or loss (Note 19) RM'000	Acquisition of subsidiary companies RM'000	Recognised in other comprehensive income (Note 21) RM'000	At 30.6.2015/ 1.7.2015 RM'000	Recognised in profit or loss (Note 19) RM'000	Recognised in other comprehensive income (Note 21) RM'000	At 30.6.2016 RM'000
Property, plant and equipment	(975)	(18,441)	(37,076)	341	(56,151)	(14,887)	–	**(71,038)**
Other deductible temporary differences	244	1,967	7,258	–	9,469	(553)	–	**8,916**
Tax losses carry forward	2,232	(889)	10,670	–	12,013	966	–	**12,979**
Unabsorbed capital allowances	159	(146)	–	–	13	1,553	–	**1,566**
Other items	(23)	743	217	(998)	(61)	(380)	657	**216**
	1,637	(16,766)	(18,931)	(657)	(34,717)	(13,301)	657	**(47,361)**

Notes to the Financial Statements
(cont'd)

7. TAX CREDIT RECEIVABLE

This represents unutilised investment tax allowance recognised.

8. INVENTORIES

	Group 2016 RM'000	Group 2015 RM'000
Raw materials, consumables and engineering spares	**50,963**	50,345
Work-in-progress	**1,079**	339
Finished goods	**28,292**	38,851
	80,334	89,535
Recognised in profit or loss:		
Inventories recognised as cost of goods sold/contract cost	**330,456**	221,684
Inventories written down	**3,692**	4,772
	334,148	226,456

9. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Trade					
Trade receivables					
- Third parties		**60,792**	90,566	**–**	–
- Related companies	9.1	**9,598**	8,297	**–**	–
		70,390	98,863	**–**	–
Less: Allowance for impairment losses		**(1,695)**	(1,544)	**–**	–
		68,695	97,319	**–**	–
Non–trade					
Other receivables		**752**	14,199	**1**	1
Deposits		**1,076**	596	**12**	7
Prepayments		**3,529**	2,675	**21**	26
Derivative used for hedging					
- forward exchange contract	16.4	**–**	4,288	**–**	–
Derivative held for trading at fair value through profit or loss					
- interest rate swap	16.5	**–**	582	**–**	–
		5,357	22,340	**34**	34
		74,052	119,659	**34**	34

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

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

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Deposits with licensed banks	**152,770**	27,429	**6,840**	3,690
Cash and bank balances	**19,977**	24,921	**33**	71
	172,747	52,350	**6,873**	3,761

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

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Deposits with licensed banks	**150,453**	27,429	**6,840**	3,690
Cash and bank balances	**10,139**	11,422	**28**	66
	160,592	38,851	**6,868**	3,756

11. SHARE CAPITAL

	Group and Company			
	No. of shares 2016 '000	**Amount 2016 RM'000**	**No. of shares 2015 '000**	**Amount 2015 RM'000**
Ordinary shares of RM1.00 each				
Authorised:				
At 1 July	**600,000**	**600,000**	350,000	350,000
Increased during the year	**–**	**–**	250,000	250,000
At 30 June	**600,000**	**600,000**	600,000	600,000
Issued and fully paid:				
At 1 July	**479,094**	**479,094**	62,188	62,188
Capital reduction	**–**	**–**	(31,094)	(31,094)
Issued during the year	**–**	**–**	448,000	448,000
At 30 June	**479,094**	**479,094**	479,094	479,094

Notes to the Financial Statements
(cont'd)

12. RESERVES

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Hedging reserve	12.1	**–**	1,970	**–**	–
Translation reserve	12.2	**64**	54	**–**	–
(Accumulated losses)/ Retained earnings		**(43,200)**	(77,577)	**562**	146
		(43,136)	(75,553)	**562**	146

Note 12.1
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

Note 12.2
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

13. LOANS AND BORROWINGS

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Non-current					
(Secured)					
Term loans	13.1	**–**	296,063	**–**	–
(Unsecured)					
Term loans		**371,718**	–	**–**	–
		371,718	296,063	**–**	–
Current					
(Secured)					
Term loans	13.1	**1,000**	35,118	**–**	–
Bankers acceptances		**960**	–	**–**	–
		1,960	35,118	**–**	–
(Unsecured)					
Term loans		**134,640**	–	**134,640**	–
Bankers acceptances		**26,666**	12,070	**–**	–
Revolving credit		**300,370**	84,215	**–**	–
		463,636	131,403	**134,640**	–
		835,354	427,466	**134,640**	–

Note 13.1
The term loans are secured by leasehold land of a subsidiary company as disclosed in Note 4 to the financial statements. The said charge was released during the financial year.

13. LOANS AND BORROWINGS *cont'd*

The interest rates for the above facilities are:

	Group		Company	
	2016 %	**2015 %**	**2016 %**	**2015 %**
Terms loans	**1.7 – 4.6**	3.8 – 4.9	**4.1**	–
Bankers acceptances	**3.8 – 4.1**	3.5 – 3.8	**–**	–
Revolving credit	**4.1 – 4.6**	3.8 – 4.5	**–**	–

14. DEFERRED INCOME

	Group	
	2016 RM'000	**2015 RM'000**
Non-current		
Investment tax allowance	**58,040**	61,664
Current		
Investment tax allowance	**3,627**	3,627
	61,667	65,291

The tax benefits arising from investment tax allowance are being amortised over the estimated useful lives of the underlying plant and equipment for which investment tax allowances were claimed. During the financial year, a total of RM3,624,000 (2015: RM2,129,000) has been amortised and recognised as other operating income in profit or loss of the Group.

15. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group	
	2016 RM'000	**2015 RM'000**
At 1 July	**1,128**	127
(Reversal of provision)/Provision	**(232)**	28
Payments	**–**	(4)
Acquisition of subsidiary companies	**–**	977
At 30 June	**896**	1,128

Notes to the Financial Statements
(cont'd)

15. EMPLOYEE BENEFITS *cont'd*

(b) Share-based payments

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

During the financial year, there were no shares and/or options over shares granted under the ESS.

16. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade					
Trade payables					
- Third parties		**76,065**	78,348	**–**	–
- Related companies	16.1	**1,610**	4,954	**–**	–
		77,675	83,302	**–**	–
Non–trade					
Amount due to related companies	16.2	**–**	744	**–**	–
Other payables	16.3	**71,930**	111,150	**–**	–
Accrued expenses		**18,469**	35,974	**534**	376
Derivative used for hedging					
- forward exchange contract	16.4	**68**	–	**–**	–
Derivative held for trading at fair value through profit or loss					
- interest rate swap	16.5	**272**	–	**–**	–
		90,739	147,868	**534**	376
		168,414	231,170	**534**	376

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

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

Note 16.3
Included in other payables are amounts owing to the contractor for the construction of the new cement plant amounting to RM62,801,828 (2015: RM93,172,236).

Note 16.4
The total notional value of the forward exchange contracts as at 30 June 2016 was RM20,674,000 (2015: RM158,379,000).

Note 16.5
The total notional value of the interest rate swap as at 30 June 2016 was RM100,000,000 (2015: RM150,000,000).

17. REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sales of goods	**596,287**	454,541	**–**	–
Contract revenue	**6,748**	18,055	**–**	–
Dividend income	**267**	176	**17,064**	21,005
	603,302	472,772	**17,064**	21,005

18. PROFIT BEFORE TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
Statutory audit				
- Holding company's auditors	**263**	167	**33**	27
- Other auditors	**4**	4	**–**	–
Other services				
- Holding company's auditors	**14**	23	**8**	13
Amortisation of deferred income	**(3,624)**	(2,129)	**–**	–
Depreciation of property, plant and equipment	**37,759**	24,124	**2**	–
Directors' remuneration (Key management personnel)				
Executive Directors				
- Other emoluments	**2,320**	1,542	**–**	–
Non-Executive Directors				
- Fees	**280**	213	**280**	213
- Other emoluments	**142**	107	**142**	107
	422	320	**422**	320
Personnel expenses:				
- Wages, salaries and others	**20,803**	25,270	**–**	–
- Contribution to Employees Provident Fund	**2,026**	2,369	**–**	–
Rental expense in respect of:				
- Premises	**945**	840	**13**	13
- Equipment	**3,400**	2,222	**–**	–
Dividend income				
- Unquoted subsidiary companies	**–**	–	**(16,846)**	(20,900)
- Other investments	**(885)**	(348)	**(219)**	(105)
Interest income	**(1,074)**	(418)	**(12)**	(10)

Notes to the Financial Statements
(cont'd)

18. PROFIT BEFORE TAXATION *cont'd*

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Profit before taxation is arrived at after charging/(crediting): *cont'd*				
Finance costs				
- Term loans	**2,492**	10,346	**121**	–
- Others	**14,280**	975	**–**	–
Fair value loss on derivative instruments	**854**	739	**–**	–
Fair value loss/(gain) on financial instruments designated as hedge instruments	**294**	(297)	**–**	–
Gain on disposal of property, plant and equipment	**(51)**	(114)	**–**	–
Property, plant and equipment written off	**1,209**	1,463	**–**	–
(Gain)/Loss on foreign exchange				
- Realised	**(3,850)**	(2,811)	**–**	–
- Unrealised	**(2,834)**	1,557	**–**	–
(Reversal of)/Provision for retirement benefits	**(232)**	28	**–**	–
Impairment loss on trade receivables	**1,372**	182	**–**	–
Inventories written down	**3,692**	4,772	**–**	–

The estimated monetary value of Executive Directors' benefits-in-kind of the Group is RM31,150 (2015: RM27,734).

19. TAXATION

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current taxation				
Malaysian				
- Current year	**1,140**	435	**5**	2
- Prior years	**(342)**	182	**2**	(1)
	798	617	**7**	1
Deferred taxation				
- Current year	**16,477**	16,698	**–**	–
- Prior years	**(3,176)**	68	**–**	–
	13,301	16,766	**–**	–
	14,099	17,383	**7**	1

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	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Profit before taxation	**62,849**	69,381	**14,796**	19,133
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	**15,084**	17,345	**3,551**	4,783
Effect of changes in tax rate *	**–**	(1,310)	**–**	–
Non-deductible expenses	**5,104**	2,090	**549**	470
Non-taxable income	**(2,571)**	(992)	**(4,095)**	(5,251)
	17,617	17,133	**5**	2
(Over)/Under provision in prior years	**(3,518)**	250	**2**	(1)
	14,099	17,383	**7**	1

* Effective from Year of Assessment 2016 onwards, the applicable tax rate will be reduced by 1% from 25% to 24%.

20. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM48,750,000 (2015: RM51,998,000) by the weighted average number of ordinary shares outstanding during the financial year of 479,093,800 (2015: 342,852,704) as follows:

Weighted average number of ordinary shares:

	2016 '000	**2015 '000**
Issued ordinary shares at 1 July	**479,094**	62,188
Less: Capital reduction	**–**	(31,094)
	479,094	31,094
Effect of issuance of ordinary shares	**–**	311,759
Weighted average number of ordinary shares at 30 June	**479,094**	342,853

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
(cont'd)

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

2016	Before tax RM'000	Tax (expense)/ benefit RM'000	Net of tax RM'000
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Loss arising during the year	**(68)**	**16**	**(52)**
- Reclassification adjustments for gain included in profit or loss	**(2,630)**	**658**	**(1,972)**
- Loss capitalised to initial carrying amount of hedge items	**71**	**(17)**	**54**
	(2,627)	**657**	**(1,970)**
Foreign currency translation differences for foreign operations			
- Gain arising during the year	**10**	**–**	**10**
	(2,617)	**657**	**(1,960)**
2015			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Gain arising during the year	4,288	(1,072)	3,216
- Reclassification adjustments for gain included in profit or loss	(297)	74	(223)
- Gain capitalised to initial carrying amount of hedge items	(1,364)	341	(1,023)
	2,627	(657)	1,970
Foreign currency translation differences for foreign operations			
- Gain arising during the year	59	–	59
	2,686	(657)	2,029

22. DIVIDENDS

	Group and Company 2016 RM'000	2015 RM'000
Interim single tier		
3.0 sen per share (2015: 3.0 sen)	**14,373**	14,373

Notes to the Financial Statements (cont'd)

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 design, manufacture and supply of furniture and interior design fit-out works, and investment holding. These segments did not meet the quantitative thresholds for reporting segments.

Segment profit

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

Segment assets

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

Segment liabilities

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

	Construction materials	
	2016 RM'000	2015 RM'000
Reportable segment profit	**84,952**	81,406
Included in the measure of segment profit are:		
Revenue from external customers	**587,740**	429,916
Depreciation	**(37,244)**	(23,549)
Property, plant and equipment written off	**(1,209)**	(1,463)

Reconciliation of reportable segment profit

	2016 RM'000	2015 RM'000
Profit		
Reportable segment	**84,952**	81,406
Non-reportable segment	**(6,405)**	(1,122)
Interest income	**1,074**	418
Finance costs	**(16,772)**	(11,321)
Consolidated profit before taxation	**62,849**	69,381

Notes to the Financial Statements
(cont'd)

23. OPERATING SEGMENTS *cont'd*

	2016 External revenue RM'000	2016 Depreciation and amortisation RM'000	2015 External revenue RM'000	2015 Depreciation and amortisation RM'000
Reportable segments	**587,740**	**37,244**	429,916	23,549
Non-reportable segments	**15,562**	**515**	42,856	575
Total	**603,302**	**37,759**	472,772	24,124

Geographical information

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

	Revenue 2016 RM'000	Revenue 2015 RM'000
Malaysia	**579,616**	430,470
Europe	**6,286**	21,064
United States of America	**–**	367
Others	**17,400**	20,871
	603,302	472,772

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

Major customer

During the financial year, revenue from two customers (2015: one customer) amounted to RM157,629,000 (2015: RM66,179,000) contributed to more than 10% of the Group's revenue.

24. RELATED PARTIES

Identity of related parties

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 Quek Leng Chye and Mr Kwek Leng Kee are major shareholders of the Company and HLCM. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Beng and Mr Kwek Leng Kee;

24. RELATED PARTIES *cont'd*

Identity of related parties *cont'd*

ii. Tasek Corporation Berhad ("Tasek") is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;

iii. Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;

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

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

Significant transactions with related parties are as follows:

			Group	
Transaction		**Related party**	**2016 RM'000**	**2015 RM'000**
a)	Rental of shared office space	HLMGMC	**13**	13
b)	Receipt of security guard services	GSC	**249**	222
c)	Receipt of group management and/or support services	Subsidiaries of HLCM	**7,386**	5,965
d)	Payment for usage of the Hong Leong logo and trade mark	GIAL	**8**	18
e)	Purchase of goods	Subsidiaries of HLCM	**21,316**	14,638
		Hong Bee Hardware	**3,085**	4,856
		Tasek and subsidiary of Tasek	**1,904**	1,678
f)	Sale of goods	Subsidiaries of HLCM	**80,335**	56,186
		Hong Bee Hardware	**11,310**	6,334

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

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

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. Key management personnel includes all the Directors of the Group.

There are no transactions with any key management personnel during the year other than Directors' remuneration as disclosed in Note 18.

Notes to the Financial Statements
(cont'd)

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

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

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

	Carrying amount RM'000	L&R/ OL RM'000	FVTPL RM'000	Derivative used for hedging RM'000
2016				
Financial assets				
Group				
Trade and other receivables, including derivatives (excluding prepayments)	**70,523**	**70,523**	**–**	**–**
Cash and cash equivalents	**172,747**	**172,747**	**–**	**–**
	243,270	**243,270**	**–**	**–**
Company				
Trade and other receivables (excluding prepayments)	**13**	**13**	**–**	**–**
Cash and cash equivalents	**6,873**	**6,873**	**–**	**–**
	6,886	**6,886**	**–**	**–**
Financial liabilities				
Group				
Loans and borrowings	**835,354**	**835,354**	**–**	**–**
Trade and other payables, including derivatives	**168,414**	**168,074**	**272**	**68**
	1,003,768	**1,003,428**	**272**	**68**
Company				
Loans and borrowings	**134,640**	**134,640**	**–**	**–**
Trade and other payables	**534**	**534**	**–**	**–**
	135,174	**135,174**	**–**	**–**

25. FINANCIAL INSTRUMENTS *cont'd*

25.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	L&R/ OL RM'000	FVTPL RM'000	Derivative used for hedging RM'000
2015				
Financial assets				
Group				
Trade and other receivables, including derivatives (excluding prepayments)	116,984	112,114	582	4,288
Cash and cash equivalents	52,350	52,350	–	–
	169,334	164,464	582	4,288
Company				
Trade and other receivables, (excluding prepayments)	8	8	–	–
Cash and cash equivalents	3,761	3,761	–	–
	3,769	3,769	–	–
Financial liabilities				
Group				
Loans and borrowings	427,466	427,466	–	–
Trade and other payables	231,170	231,170	–	–
	658,636	658,636	–	–
Company				
Trade and other payables	376	376	–	–

25.2 Net gains and losses arising from financial instrument

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net gains/(losses) on:				
Loans and receivables	**1,860**	969	**231**	115
Fair value through profit or loss	**(854)**	(739)	**–**	–
Derivative used for hedging	**(294)**	297	**–**	–
Other liabilities	**(11,362)**	(10,452)	**(121)**	–
	(10,650)	(9,925)	**110**	115

Notes to the Financial Statements
(cont'd)

25. FINANCIAL INSTRUMENTS *cont'd*

25.3 Financial risk management objectives and policies

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

- Credit risk
- Liquidity risk
- Market risk

25.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

As at the end of the reporting period, there were no significant concentrations of credit risk other than one customer which represent 10% (2015: one customer - 20%) 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	
	2016 RM'000	**2015 RM'000**
Malaysia	**65,237**	91,007
Others	**3,458**	6,312
	68,695	97,319

25. FINANCIAL INSTRUMENTS *cont'd*

25.4 Credit risk *cont'd*

Receivables *cont'd*

Impairment losses

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

	Gross RM'000	Individual impairment RM'000	Net RM'000
2016			
Not past due	**49,354**	**–**	**49,354**
Past due 1 - 30 days	**10,843**	**–**	**10,843**
Past due 31 days to 120 days	**7,184**	**(1,121)**	**6,063**
Past due more than 120 days	**3,009**	**(574)**	**2,435**
	70,390	**(1,695)**	**68,695**
2015			
Not past due	65,030	–	65,030
Past due 1 - 30 days	14,332	–	14,332
Past due 31 days to 120 days	17,311	(644)	16,667
Past due more than 120 days	2,190	(900)	1,290
	98,863	(1,544)	97,319

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

	Group	
	2016 RM'000	2015 RM'000
At 1 July	**1,544**	40
Impairment loss recognised	**1,372**	182
Written off	**(1,221)**	(55)
Acquisition of subsidiary companies	**–**	1,377
At 30 June	**1,695**	1,544

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

Notes to the Financial Statements
(cont'd)

25. FINANCIAL INSTRUMENTS *cont'd*

25.4 Credit risk *cont'd*

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

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

Cash and cash equivalents are placed with reputable financial institutions.

Exposure to credit risk and credit quality

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

Impairment losses

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

25.5 Liquidity risk

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

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

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
2016					
Group					
Non-derivative financial liabilities					
Trade and other payables	**168,074**	**–**	**168,074**	**168,074**	**–**
Loans and borrowings	**835,354**	**1.7 - 4.6**	**881,823**	**469,156**	**412,667**
	1,003,428		**1,049,897**	**637,230**	**412,667**
Derivative financial liabilities					
Forward exchange contract (gross settled)					
- Outflow	**20,742**	**–**	**20,742**	**20,742**	**–**
- Inflow	**(20,674)**	**–**	**(20,674)**	**(20,674)**	**–**
	68	**–**	**68**	**68**	**–**
Interest rate swap (net settled)	**272**	**–**	**272**	**272**	**–**
	340		**340**	**340**	**–**
Company					
Non-derivative financial liabilities					
Trade and other payables	534	–	534	534	–
Loans and borrowings	134,640	4.1	140,160	140,160	–
	135,174		140,694	140,694	–
2015					
Group					
Non-derivative financial liabilities					
Trade and other payables	231,170	–	231,170	231,170	–
Loans and borrowings	427,466	3.5 - 4.9	446,775	145,965	300,810
	658,636		677,945	377,135	300,810
Company					
Non-derivative financial liabilities					
Trade and other payables	376	–	376	376	–

Notes to the Financial Statements
(cont'd)

25. FINANCIAL INSTRUMENTS *cont'd*

25.6 Market risk

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

25.6.1 Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group. The currencies 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 functional currency of the Group) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in USD	
	2016	**2015**
	RM'000	**RM'000**
Group		
Trade receivables	**815**	1,936
Trade and other payables	**(52,143)**	(79,346)
	(51,328)	(77,410)

Currency risk sensitivity analysis

A 5% strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have (decreased)/increased profit before taxation of the Group by RM2,566,000 (2015: RM3,871,000). This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 5% weakening of Ringgit Malaysia against the above currency at the end of the reporting period would have equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

Notes to the Financial Statements
(cont'd)

25. FINANCIAL INSTRUMENTS *cont'd*

25.6 Market risk *cont'd*

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 objective, policies and processes for managing the risk

The Group entered into interest rate swap with a total notional contract amount of RM100,000,000 (2015: RM150,000,000) in order to archieve an approximate mix of fixed and floating rate exposure within the Group's policy. As at 30 June 2016, the swap matured 1 year before the maturity of the floating rate bank borrowings and has fixed swap rate of 3.600% and 3.615% (2015: 3.285% and 3.300%) per annum, respectively.

Exposure to interest rate risk

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

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Fixed rate instruments				
Financial assets	**152,770**	27,429	**6,840**	3,690
Financial liabilities	**(161,306)**	(12,070)	**(134,640)**	–
	(8,536)	15,359	**(127,800)**	3,690
Floating rate instruments				
Financial liabilities	**(674,048)**	(415,396)	**–**	–

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase/(decrease) of 50 basis points ("bp") in interest rates at the end of the reporting period would have (decreased)/increased the profit before tax of the Group by RM3,370,000 (2015: RM2,077,000). This analysis assumes that all other variables remain 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 variation of cash flows arising from purchase of raw materials and plant and equipment. These forward exchange contracts have a total notional amount of USD5,118,356 (2015: USD41,843,876) and all of the forward exchange contracts have a 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
2016			
Forward exchange contracts	**68**	**68**	**68**
2015			
Forward exchange contracts	4,288	4,288	4,288

During the financial year, a loss of RM2,627,000 (2015: a gain of RM2,627,000) was recognised in other comprehensive income, RM71,000 (2015: RM1,364,000) was capitalised to reduce the initial carrying amount of property, plant and equipment and RM2,630,000 (2015: RM297,000) was reclassified from equity to profit or loss as other operating income.

Ineffectiveness gain amounting to Nil (2015: Nil) was recognised in profit or loss during the financial year in respect of the hedge.

25.8 Fair value information

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

25. FINANCIAL INSTRUMENTS *cont'd*

25.8 Fair value information *cont'd*

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value RM'000	Carrying amount RM'000
Group										
2016										
Financial liabilities										
Forward exchange contracts	**–**	**68**	**–**	**68**	**–**	**–**	**–**	**–**	**68**	**68**
Interest rate swap	**–**	**272**	**–**	**272**	**–**	**–**	**–**	**–**	**272**	**272**
Term loans	**–**	**–**	**–**	**–**	**–**	**–**	**371,718**	**371,718**	**371,718**	**371,718**
	–	**340**	**–**	**340**	**–**	**–**	**371,718**	**371,718**	**372,058**	**372,058**
2015										
Financial assets										
Forward exchange contracts	–	4,288	–	4,288	–	–	–	–	4,288	4,288
Interest rate swap	–	582	–	582	–	–	–	–	582	582
	–	4,870	–	4,870	–	–	–	–	4,870	4,870
Financial liabilities										
Term loans	–	–	–	–	–	–	296,063	296,063	296,063	296,063

Notes to the Financial Statements
(cont'd)

25. FINANCIAL INSTRUMENTS *cont'd*

25.8 Fair value information *cont'd*

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Derivatives

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2015: no transfer in either directions).

Level 3 fair value

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

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

26. CAPITAL MANAGEMENT

The Group's objectives when managing capital are 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 markets' confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio.

The debt-to-equity ratios at 30 June 2016 and 30 June 2015 were as follows:-

	Group	
	2016 RM'000	**2015 RM'000**
Total loans and borrowings	**835,354**	427,466
Less: Cash and cash equivalents	**(172,747)**	(52,350)
Net debt	**662,607**	375,116
Total equity	**435,958**	403,541
Debt-to-equity ratios	**1.52**	0.93

Under Practice Note No. 17/2005 of Bursa Malaysia Securities Berhad Main Listing Requirements, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

27. CAPITAL COMMITMENTS

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Plant and equipment				
Authorised and contracted for	**–**	286,658	**–**	–

Notes to the Financial Statements
(cont'd)

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

The breakdown of the (accumulated losses)/retained earnings of the Group and of the Company as at 30 June 2016, into realised and unrealised profits/(losses) are as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Total (accumulated losses)/retained earnings of the Company and its subsidiaries				
- realised	**215,655**	166,849	**562**	146
- unrealised	**(50,046)**	(35,617)	**–**	–
	165,609	131,232	**562**	146
Less: Consolidation adjustments	**(208,809)**	(208,809)	**–**	–
Total (accumulated losses)/retained earnings	**(43,200)**	(77,577)	**562**	146

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

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

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 47 to 97 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 28 on page 98 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Quah Thain Khan

Dato' Rosman bin Abdullah

17 August 2016

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, Ho Hee Kok, the person primarily responsible for the financial management of **Hume Industries Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 47 to 98 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named, Ho Hee Kok at Kuala Lumpur in the Federal Territory on 17 August 2016.

Ho Hee Kok

Before me:

Zahir B. Ghazali
Commissioner For Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of Hume Industries Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hume Industries Berhad which comprise the statements of financial position as at 30 June 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 47 to 97.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 and of their financial performance and 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, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 3 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report
to the members of Malaysian Pacific Industries Berhad
(cont'd)

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 28 on page 98 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Adrian Lee Lye Wang
Approval Number: 2679/11/17(J)
Chartered Accountant

Petaling Jaya, Selangor

17 August 2016

OTHER INFORMATION

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2016

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 2016 (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	22	7,715
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	30	7,485
Lot 2407, Mukim 1, Prai Industrial Estate, Pulau Pinang	Leasehold 60 years expiring 2035	Industrial land with office and factory buildings	1982	653,400	41	2,780
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	31	4,041
Lot 46, Semambu Industrial Estate, Kuantan Pahang Darul Makmur	Leasehold 66 years expiring 2041	Industrial land with office and factory buildings	1982	522,720	41	703
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	48/52	978
Lot 300254, 300255, 300256 Mukim Teja, Kampar, Perak	Leasehold 99 years expiring 2057/2096	Quarry and cement plant	2013	29,155,060	4	61,495

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

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

Other Information
(cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016

Class of Shares : Ordinary shares of RM1.00 each
Voting Rights : 1 vote for each share held

Distribution Schedule Of Shareholders As At 30 August 2016

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	623	12.98	18,133	0.00
100 – 1,000	1,195	24.90	745,383	0.16
1,001 – 10,000	2,238	46.64	8,149,540	1.70
10,001 – 100,000	610	12.71	17,040,612	3.56
100,001 – less than 5% of issued shares	132	2.75	109,488,031	22.85
5% and above of issued shares	1	0.02	343,652,101	71.73
	4,799	100.00	479,093,800	100.00

List Of Thirty Largest Shareholders As At 30 August 2016

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Manufacturing Group Sdn Bhd	343,652,101	71.73
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	8,910,243	1.86
4.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (CIMB PRIN)	6,723,000	1.40
5.	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for AIA Bhd	6,525,300	1.36
6.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	6,136,316	1.28
7.	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	3,982,900	0.83
8.	AmanahRaya Trustees Berhad - Public Strategic Smallcap Fund	3,458,200	0.72
9.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund	3,084,200	0.64
10.	AMSEC Nominees (Tempatan) Sdn Bhd - AMBank (M) Berhad (Hedging)	2,971,700	0.62
11.	Assets Nominees (Tempatan) Sdn Bhd - Soft Portfolio Sdn Bhd	2,712,960	0.57

Other Information
(cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016 *cont'd*

List Of Thirty Largest Shareholders As At 30 August 2016 *cont'd*

	Name of Shareholders	No. of Shares	%
12.	AmanahRaya Trustees Berhad - Public Dividend Select Fund	2,225,000	0.46
13.	Hong Bee Hardware Company, Sdn Berhad	2,185,879	0.46
14.	AmanahRaya Trustees Berhad - Public Ittikal Sequel Fund	2,141,100	0.45
15.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	2,121,120	0.44
16.	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Islamic Trustee Berhad for Pacific Dana Aman (3717 TRO1)	2,094,200	0.44
17.	Grandeur Holdings Sdn Bhd	2,052,000	0.43
18.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Industries Berhad	1,994,982	0.42
19.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank N.A Singapore (UBP SG2)	1,944,000	0.41
20.	YBhg Datuk Kwek Leng San	1,557,600	0.32
21.	AmanahRaya Trustees Berhad - Public Islamic Treasures Growth Fund	1,416,400	0.30
22.	HLIB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chut Nyak Isham Bin Nyak Ariff	1,378,728	0.29
23.	CIMB Commerce Trustee Berhad - Public Focus Select Fund	1,355,000	0.28
24.	Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	1,306,451	0.27
25.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for RHB Growth And Income Focus Trust	1,000,000	0.21
26.	Quah Thain Khan	975,000	0.20
27.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	938,700	0.20
28.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for RHB Equity Trust	930,000	0.19
29.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Chen Yue	844,976	0.18
30.	Citigroup Nominees (Asing) Sdn Bhd - GSI for Lofty Dragon Management Limited	810,000	0.17
		427,102,839	89.15

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016 *cont'd*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2016 are as follows:

		Direct Interest		Indirect Interest	
	Name of Shareholders	**No. of shares**	**%**	**No. of shares**	**%**
1.	Hong Leong Manufacturing Group Sdn Bhd	343,652,101	71.73	1,994,982	0.42@
2.	Hong Leong Company (Malaysia) Berhad ("HLCM")	–	–	347,738,648	72.58@
3.	HL Holdings Sdn Bhd	–	–	347,738,648	72.58#
4.	Tan Sri Quek Leng Chan	–	–	353,447,487	73.77**
5.	Hong Realty (Private) Limited	–	–	349,924,527	73.04*
6.	Hong Leong Investment Holdings Pte Ltd	–	–	349,924,527	73.04*
7.	Kwek Holdings Pte Ltd	–	–	349,924,527	73.04*
8.	Kwek Leng Beng	–	–	349,924,527	73.04*
9.	Davos Investment Holdings Private Limited	–	–	349,924,527	73.04*
10.	Kwek Leng Kee	–	–	349,924,527	73.04*
11.	Quek Leng Chye	–	–	349,924,527	73.04*

Notes:

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

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2016

Subsequent to the financial year end, there was no change, as at 30 August 2016, 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 page 43 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

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 executive 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-sixth Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 25 October 2016 at 10.30 a.m. 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		
2.	To re-elect Mr Seow Yoo Lin as a Director		
3.	To re-elect YBhg Dato' Rosman bin Abdullah as a Director and approve YBhg Dato' Rosman bin Abdullah to continue in office as an Independent Non-Executive Director		
4.	To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
5.	To approve the ordinary resolution on authority to Directors to issue shares		
6.	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		
7.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH		
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 new shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Putrajaya Perdana Berhad and its subsidiaries		

Dated this__________ day of _________________ 2016

___________________________ ___________________________

Number of shares held Signature(s) of Member

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 19 October 2016 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 and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two proxies to attend 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 or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than forty-eight hours before the time appointed for holding of the meeting or adjourned meeting.*
9. *In the event two 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-sixth Annual General Meeting will be put to vote by way of a poll.*

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Affix
Stamp

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

Please fold here

Hume Industries Berhad (62227-X)
Level 9, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur
Tel : 03-2164 2631
Fax : 03-2164 2514

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