Hume Industries Berhad

A Member of the Hong Leong Group

Annual Report **2020**

HUME INDUSTRIES BERHAD

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COMPANY **PROFILE**

Hume Industries Berhad ("HIB") is principally an investment holding company and its subsidiaries are engaged in the manufacturing and sale of cement and cement related products, manufacturing, marketing and sale of concrete and concrete related products.

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

Hume Cement plant in Gopeng, Perak

CORPORATE INFORMATION

DIRECTORS

YBhg Datuk Kwek Leng San
(Chairman)

Mr Hugo Enrique Losada Barriola
(Group Managing Director)

Mr Seow Yoo Lin

YBhg Dato' Ir. Tan Gim Foo

YBhg Datuk Wira Azhar bin Abdul Hamid

Ms Tai Sook Yee

COMPANY SECRETARIES

Ms Joanne Leong Wei Yin

Ms Valerie Mak Mew Chan

AUDITORS

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

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
Level 25, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 03-2088 8818
Fax: 03-2088 8990

REGISTERED OFFICE

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

COUNTRY OF INCORPORATION/ DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

BEBO arch - Putrajaya Wetlands Park, Putrajaya

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fortieth Annual General Meeting of Hume Industries Berhad ("the Company") will be held at Wau Bulan Ballroom, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Thursday, 5 November 2020 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 2020.

2. To approve the payment of Director Fees of RM382,000/- (2019: RM462,000/-) for the financial year ended 30 June 2020 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM41,000/- from the Fortieth Annual General Meeting ("AGM") to the Forty-first AGM of the Company. **Resolution 1**

3. To re-elect Mr Hugo Enrique Losada Barriola as a Director. **Resolution 2**

4. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 3**

SPECIAL BUSINESS

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

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

   "**THAT** subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to allot shares in the Company, grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so allotted on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 4**

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

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(A) of the Circular to Shareholders dated 7 October 2020 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

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

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to 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 5**

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 7 October 2020 with Hong Bee Hardware provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to Hong Bee Hardware than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

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

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to 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**

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 7 October 2020 with HLIH and persons connected with HLIH ("HLIH Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the HLIH Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

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

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to 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**

9. **Special Resolution**
- Proposed Change Of Name

"**THAT** the name of the Company be changed from Hume Industries Berhad to Hume Cement Industries Berhad and that all references in the Constitution of the Company to the name of Hume Industries Berhad, wherever the same may appear, shall be deleted and substituted with Hume Cement Industries Berhad ("Proposed Change Of Name"); **AND THAT** the Directors of the Company be and are hereby authorised 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 Proposed Change Of Name." **Resolution 8**

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

By Order of the Board

Joanne Leong Wei Yin
SSM PC No. 202008002079
MAICSA 0877466

Valerie Mak Mew Chan
SSM PC No. 202008002623
MAICSA 7017944

Company Secretaries

Kuala Lumpur
7 October 2020

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 28 October 2020 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one (1) securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.

3. Where two (2) or more proxies are appointed, the 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 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlmg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.

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

Explanatory Notes:

1. Resolution 1 - Director Fees And Directors' Other Benefits

   Director Fees of RM382,000/- are inclusive of Board Committee Fees of RM142,000/-; and Directors' Other Benefits refer to Directors and Officers Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to an amount of RM41,000/-.

2. Resolution 4 - Authority To Directors To Allot Shares

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

   As at the date of this Notice, no new shares in the Company were issued and allotted pursuant to the general mandate given to the Directors at the last AGM held on 7 November 2019 and which will lapse at the conclusion of the Fortieth AGM. The Renewed General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issuance and allotment of new shares, grant of rights to subscribe for shares, conversion of any security into shares, or allotment of shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

3. Resolutions 5 to 7 - 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").

4. Resolution 8 - Proposed Change Of Name

   The proposed Special Resolution, if passed, will facilitate the proposed change of name of the Company from "Hume Industries Berhad" to "Hume Cement Industries Berhad". The proposed change of name of the Company is to better reflect Hume Industries Berhad Group's current principal activities which include manufacturing, marketing and sale of cement and related products. The proposed name, if approved by shareholders, shall take effect upon the issuance of the Notice of Registration of New Name by the Companies of Commission of Malaysia and all references to "Hume Industries Berhad" in the Constitution of the Company, wherever the same may appear, shall be deleted and substituted with "Hume Cement Industries Berhad".

Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 7 October 2020 which is available on the Company's website at www.humeind.com/investorrelations/generalmeetings.

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 Fortieth Annual General Meeting of the Company.

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

   Details of the general mandate to allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 2 of the Notice of the Fortieth Annual General Meeting.

YBHG DATUK KWEK LENG SAN
Chairman; Non-Executive/Non-Independent
Age 65, Male, Singaporean

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

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

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

MR HUGO ENRIQUE LOSADA BARRIOLA
Group Managing Director/Non-Independent
Age 46, Male, Spanish

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

Mr Hugo Losada is concurrently the Managing Director of Hume Cement Sdn Bhd, a role he assumed on 16 April 2018. A trained engineer, he has over two decades of experience in strategic planning and manufacturing management in construction and heavy materials industries.

Mr Hugo Losada spent most of his career with CEMEX Group, a multi-national building materials company. There, he held senior positions across eight countries, including postings as Managing Director for CEMEX Thailand and Vice President of Strategic Planning and Administration for CEMEX Philippines.

Mr Hugo Losada was promoted as Group Managing Director of HIB on 1 August 2020. He does not sit on any committees of HIB.

MR SEOW YOO LIN
Non-Executive Director/Independent
Age 64, Male, Malaysian

Mr Seow Yoo Lin qualified as a Certified Public Accountant in 1981. He holds a Master in Business Administration from International Management Centre, Buckingham, United Kingdom ("UK"). He is a Member of the Malaysian Institute of Certified Public Accountant ("MICPA"), a Member of the Malaysian Institute of Accountants ("MIA") and a Member of the Malaysian Institute of Management.

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 MICPA from 2009 to 2011 and was a Council member of the MIA from 2007 to 2011.

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

Mr Seow is a director of SSB and AMMB Holdings Berhad, companies listed on the Main Market of Bursa Securities. He is also a director of Aminvestment Bank Berhad, a public company.

YBHG DATO' IR. TAN GIM FOO
Non-Executive Director/Independent
Age 62, 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 had held various senior management positions including as Managing Director of IJMC. Prior to his retirement, Dato' Ir. Tan was the Deputy Chief Executive Officer & Deputy Managing Director of IJM Corporation Berhad.

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

YBHG DATUK WIRA AZHAR BIN ABDUL HAMID
Non-Executive Director/Independent
Age 59, Male, Malaysian

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

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

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

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

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

MS TAI SOOK YEE
Non-Executive Director/Independent
Age 57, Female, Malaysian

Ms Tai Sook Yee is a member of the MIA and a member of the MICPA.

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

She has close to 20 years of experience leading large businesses including industrial, lifestyle and investment groups. She was the Group Managing Director of IMC Industrial Group, a supply chain solutions, with operations spanning across 16 countries and employing approximately 10,000 employees. Prior to this, Ms Tai also headed the Malaysian operation of a global heavy building materials supplier. Currently, she is a member of the senior management team of the IMC Pan Asia Alliance Group.

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

Notes:

1. **Family Relationship with Director and/or Major Shareholder**

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

2. **Conflict of Interest**

   None of the Directors has any conflict of interest with HIB.

3. **Conviction of Offences**

   None of the Directors has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2020.

4. **Attendance of Directors**

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

KEY SENIOR **MANAGEMENT**

MR JOONHO CHOI
Executive Director, Hume Industries Berhad
Age 40, Male, Korean

Mr Joonho Choi graduated from Michigan State University, the United States of America ("USA") with a Bachelor of Arts, major in General Management.

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

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

MR LAU PING ONG
Chief Financial Officer, Hume Industries Berhad
Age 44, Male, Malaysian

Mr Lau Ping Ong is a Member of the Malaysian Institute of Accountants and a Fellow of the Association of Chartered Certified Accountants.

Mr Lau has over 18 years of financial management experience in the building materials industry. He started working in an audit firm as a graduate trainee in 1998 before joining Aalborg-RCI White Cement Sdn Bhd as Accountant in 2000. In 2004, he joined Lafarge Malaysia Bhd now known as Malayan Cement Berhad as Cost Management Accountant in one of its cement plants in Malaysia and subsequently promoted to various senior positions.

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

MR LEE SIONG SENG
Managing Director, Hume Concrete Sdn Bhd
Age 51, Male, Malaysian

Mr Lee Siong Seng graduated from the Western Michigan University, USA with a Bachelor of Business Administration.

He started his career as Management Trainee in Lafarge Concrete (M) Sdn Bhd ("Lafarge Concrete") in 1995 where he spent 14.5 years rising through the ranks to assume the position of Country Performance Manager in 2009. He left Lafarge Concrete to join Sterling Glory Mix & Super Sterling Mix in January 2010 as their General Manager, where he was responsible for the general management of the 2 companies including their financial performance, cash flow management, business development, health & safety, human resource management and continuous improvement on the companies' systems & processes.

In 2010, he joined Hume Concrete Sdn Bhd ("HCCT") as Senior Manager - Operation Central Region, a position he held until April 2012. Thereafter, he joined HCMT as General Manager – Sales where he was instrumental in developing marketing strategies, overseeing all sales activities and ensuring smooth operations of the logistic department for despatches of cement, both bagged and bulk, within Peninsular Malaysia.

Mr Lee was subsequently elevated to the position of Managing Director of HCCT on 6 March 2019.

Notes:

1. **Family Relationship with Director and/or Major Shareholder**

   Mr Joonho Choi is the son-in-law of YBhg Tan Sri Quek Leng Chan, a major shareholder of HIB. Save as disclosed herein, none of the Key Senior Management has any family relationship with any Director and/or major shareholder of HIB.

2. **Conflict of Interest**

   None of the Key Senior Management has any conflict of interest with HIB.

3. **Conviction of Offences**

   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2020.

CHAIRMAN'S **STATEMENT**

Dear valued shareholders,

I am honoured to present to you the Annual Report and Financial Statements of the Group and of the Company for the financial year ("FY") ended 30 June 2020 ("FY2020").

First and foremost, I would like to congratulate Mr Hugo Enrique Losada Barriola who was promoted and joined the Board as Group Managing Director on 1 August 2020. On behalf of the Board, I would also like to express our appreciation to Mr Andi Johnny Lapon, who resigned as our Group Managing Director on 15 July 2020, for his past services and contributions to the Group.

FY2020 was a challenging year due to the various global and domestic uncertainties, compounded by difficult trading conditions and limited demand. Nevertheless, our responses to changes in business fundamentals were strategic and timely. That placed us firmly on track towards realising our set goals and objectives.

The Group recorded revenue of RM585.4 million and loss before tax ("LBT") of RM55.4 million for FY2020 as compared with the previous FY ended 30 June 2019's revenue of RM636.6 million and LBT of RM113.1 million mainly due to the improvement in profit margin from lower rebates of cement selling price.

The Group's business operations were disrupted towards the end of the 4th quarter of FY2020 by the COVID-19 pandemic and all activities were suspended following the Movement Control Order (MCO) imposed by the Malaysian Government.

On this note, I would like to commend and acknowledge the commitment and dedication of our employees in rising up to the many challenges in today's highly competitive operating environment.

My sincere appreciation goes to my fellow board members and senior management team for their dynamic leadership through these challenging times. I am grateful to all our shareholders, customers, business associates, financiers and regulatory authorities for their continued support to the Group.

DATUK KWEK LENG SAN
Chairman

Concrete sleepers for Klang Valley Mass Rapid Transit Project - Putrajaya Line

OVERVIEW GROUP'S BUSINESS AND OPERATIONS

Hume Industries Berhad ("HIB") is principally an investment holding company whilst its subsidiaries are engaged in the manufacturing and sale of cement and cement related products, and manufacturing, marketing and sale of concrete and concrete-related products.

Wholly-owned subsidiaries are as follows:

Hume Cement Sdn Bhd ("Hume Cement") has an integrated cement plant located in Gopeng, Perak that utilises ground-breaking technology, where Line 1 was first commissioned in 2012, followed by Line 2 in 2016 with a total installed clinker capacity of 3.6 million tonnes per annum.

Hume Concrete Sdn Bhd ("Hume Concrete") started its first precast concrete factory in Prai, Penang way back in 1929 and since then, it has grown to become the premier manufacturer of precast concrete products with three main factories strategically located throughout Malaysia.

GROUP'S FINANCIAL PERFORMANCE

The Group reported revenue of RM585.4 million and loss before tax ("LBT") of RM55.4 million for the financial year ended 30 June 2020 ("FY2020") as compared with revenue of RM636.6 million and LBT of RM113.1 million for the financial year ended 30 June 2019 ("FY2019").

The financial performance during FY2020 started improving with higher revenue on the back of improved sales volume and lower rebate of cement selling price until the business operations were disrupted in the 4th quarter of FY2020 by the Coronavirus ("COVID-19") pandemic, where all business operations were suspended due to the Movement Control Order ("MCO") imposed by the Government.

CEMENT - OVERVIEW

Since starting its commercial operations in 2012, Hume Cement with its leading brand, Panda has successfully established itself as one of the key cement manufacturers in Malaysia. The market demand growth before 2016 led the company to invest in a second fully integrated cement production line that was commissioned in June 2016.

CEMENT - PERFORMANCE REVIEW

During the FY2020, the cement industry continued to face challenging times due to the sluggish construction growth, driven by the absence of new mega infrastructure projects and subdued property market. Nevertheless, the cement industry consolidation since the early part of FY2020 resulted in improved pricing conditions as lower rebates were offered by industry players.

The plant improvement programme initiated since FY2019 has progressed as planned with increased equipment reliability. Production cost-efficiency remains one of the key advantages of Hume Cement's competitiveness in the market. The programme also focuses on product quality consistency, aimed at delivering the best in class product quality paired with outstanding service to our growing number of customers.

CONCRETE - OVERVIEW

Hume Concrete is one of the pioneers and leading manufacturers of various precast concrete products in the infrastructure sector. The company is positioning itself to be a value brand company, striving to provide value engineering products that will enhance value to its customers.

CONCRETE - PERFORMANCE REVIEW

Since FY2019, Hume Concrete has undertaken a restructuring programme to relocate its resources from the weakened Southern Peninsular market to focus on the opportunities in Central Peninsular ("Central") and Sabah. While the Central market for pre-cast concrete products remains very competitive due to the subdued construction sector, the growth in the Sabah market was very encouraging with a 44% sales volume growth as compared with FY2019. Hume Concrete has also undertaken another rationalisation programme to review its product portfolio offering to optimise cluster production line and profit margin. Ongoing affirmative action plans were exercised to improve equipment reliability to better service the delivery promised to our customers.

DIVIDEND

The Group did not declare any dividend for FY2020.

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

RISK

The Group has a structured risk management review process where financial and operation risks are thoroughly considered with affirmative action plans put in place to minimise or to eliminate the potential losses.

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

Nature of Risks	Description	Strategies
Credit Risk	Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, short term deposit and bank balances and outstanding forward exchange contracts.	The Group has a credit policy in place and the exposure to credit risk is monitored on a regular basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group 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 Group's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

Nature of Risks	Description	Strategies
Liquidity Risk	Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's exposure to liquidity risk arises principally from their various payables, loans and borrowings.	The Group actively manages operating cash flows and the availability of funding to ensure that all repayments and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.
Market Risk	Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.	Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, on a case by case basis. The Group manages its interest rate exposure by maintaining available lines of fixed and floating rate borrowings.
Operation Risk	The Group's principal activities are subject to certain risks inherent to their respective sectors which include cost increases and availability of raw materials, manpower, critical spare parts, and changes in the legal, regulatory, health and environment requirements	The Group adopts a regular review of all operation risk factors by incorporating a robust risk management system at all levels of operation with periodic reviewed by senior management and the Board Audit & Risk Management Committee. The risk report is discussed and affirmative action plans are developed to eliminate and to mitigate the identified risks.

PROSPECT & OUTLOOK

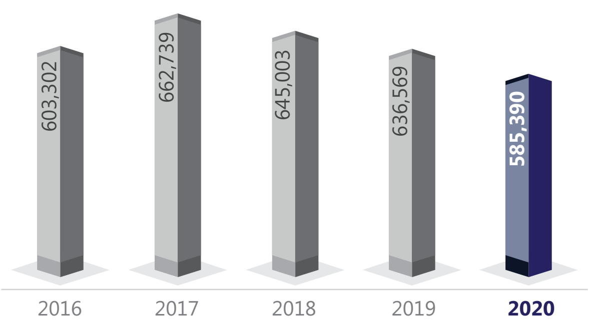
The unprecedented outbreak of COVID-19 has spurred lockdowns across the world. The loss of production uptime and inability to deliver goods have negatively impacted the Group. Construction activities have also been severely affected, resulting in a decrease in demand for building materials. The pace of recovery remains uncertain given current unfavourable market conditions.

The Group will remain steadfast and agile during this period of uncertainty. We will continue to act decisively in responding to the evolving market conditions and the new norms caused by the COVID-19 pandemic.

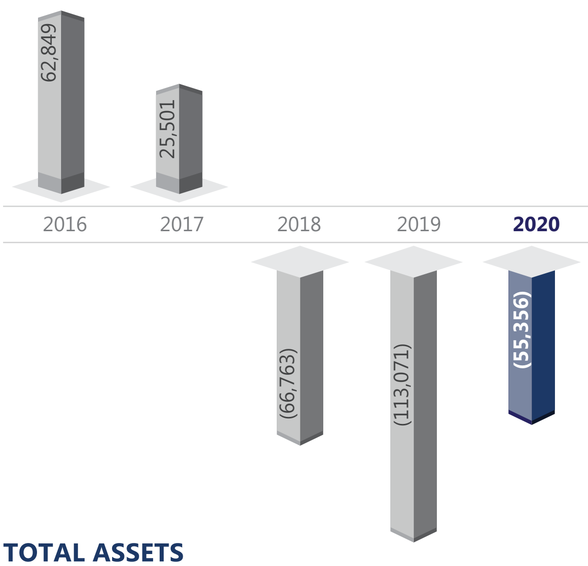
GROUP
FINANCIAL HIGHLIGHTS

RM'000	2016	2017	2018	2019	2020
Revenue	603,302	662,739	645,003	636,569	**585,390**
Profit/(Loss) Before Taxation	62,849	25,501	(66,763)	(113,071)	**(55,356)**
Profit/(Loss) Attributable Owners Of The Company	48,750	18,716	(54,870)	(98,144)	**(45,904)**
Net Earnings/(Loss) Per Share (sen)	10.2	4.0	(11.5)	(20.5)	**(9.3)**
Net Dividend Per Share (sen)	3	2	-	-	**-**
Total Equity	435,958	445,089	389,900	436,495	**391,755**
Total Assets	1,559,335	1,565,983	1,487,348	1,439,891	**1,314,489**
Capital Expenditure	358,963	25,536	13,763	11,879	**7,586**

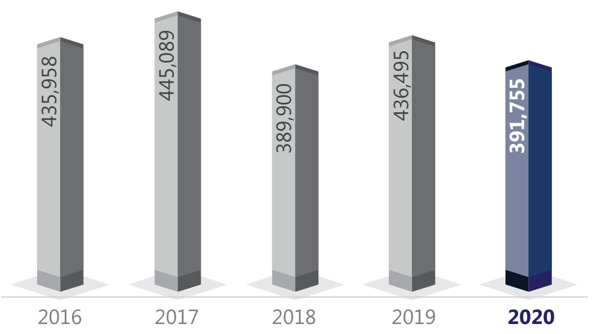
REVENUE
(RM'000)



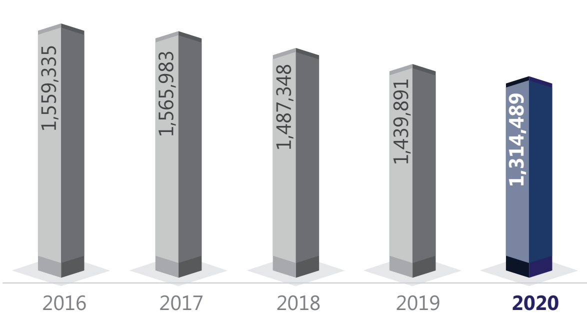
PROFIT/(LOSS) BEFORE TAXATION
(RM'000)



TOTAL EQUITY
(RM'000)

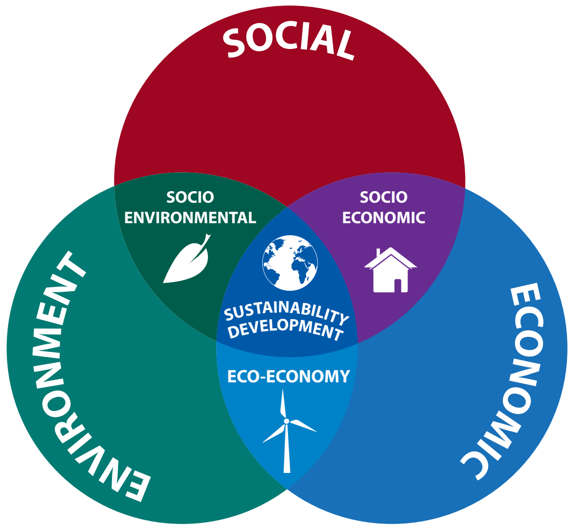


TOTAL ASSETS
(RM'000)



International Women's Day celebration in Hume Industries Berhad

Hume Industries Berhad ("the Company") has internalised the commitment to holistically balance Economic, Environment and Social ("EES") issues in its day to day operations. The following statement represents the Company's sustainability performance, initiatives and achievements for the reporting year –1 July 2019 to 30 June 2020 ("FY 2020").



The Company has enhanced its disclosure level and demonstrated some refreshed perspectives, approaches and progress in managing the EES impact arising from its business operations.

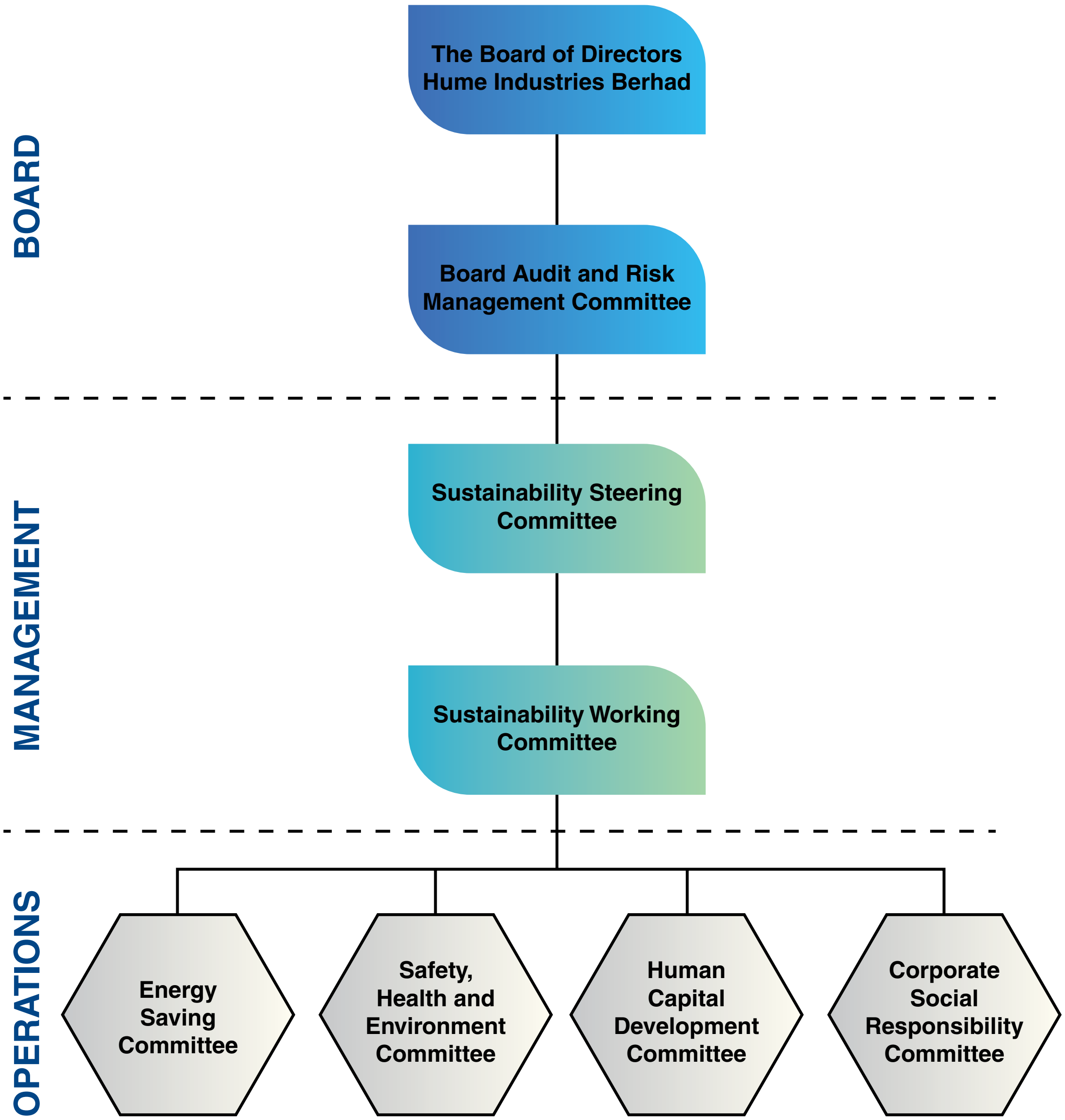
Data and information disclosed in this Statement covers the following entities:

Hume Cement Sdn Bhd ("Hume Cement")	• Started operation in 2012 with the plant located in Gopeng, Perak. • Utilises modern ground-breaking technologies • Second Line was commissioned in 2016
Hume Concrete Sdn Bhd ("Hume Concrete")	• The first precast concrete factory was established in Prai, Penang in 1929. • Has three factories strategically located in Beranang (Selangor), Kuantan (Pahang) and Kota Kinabalu (Sabah).

CORPORATE GOVERNANCE

The roles and responsibilities of the leadership team and various governing bodies within the Company and its subsidiaries ("the Group") are crucial to establish a sustainability culture, achieve a seamless integration of the Group's values and effectively implement sustainability initiatives across the business operations.

Our Sustainability Governance Structure consists of the Board of Directors, Board Audit and Risk Management Committee, Sustainability Steering Committee and Sustainability Working Committee.



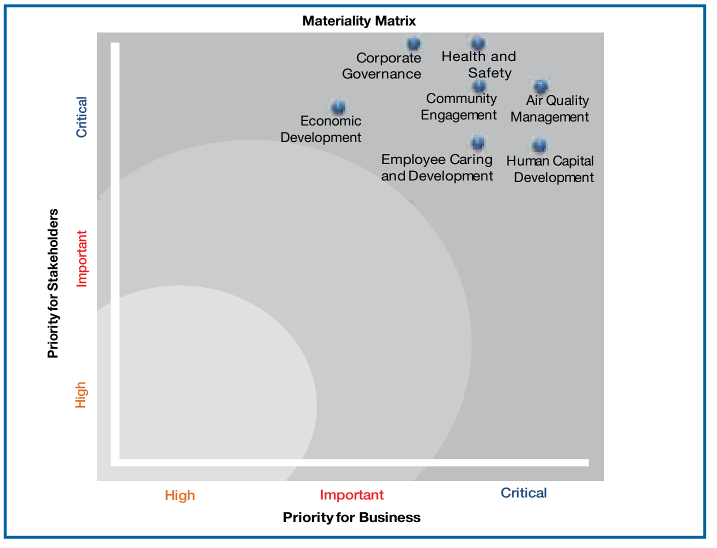
STAKEHOLDER ENGAGEMENT

As a responsible building materials provider, the Group understands the specific and important role that each stakeholder plays within its business activities. By understanding their needs and addressing their concerns, the Group can incorporate them into its business direction and goals. A summary of the stakeholder groups, types of engagement and sustainability topics discussed are as shown below.

Stakeholder Group	Type of Engagement	Sustainability Topics Discussed
Customers	• Audit and survey • Meeting	• Supply chain responsibility • Product responsibility • Labour practices • Ethics and compliance
Employees	• Employee engagement survey • Townhall/briefing • Training • Genba walk	• Safety and health • Labour practices • Ethics and Compliance
Suppliers	• Site visit and meeting • Audit & survey • Vendor registration • Technical roadshow • Supplier's rating	• Supply chain responsibility • Procurement practices • Ethics and compliance
Regulator	• On-site inspection • Correspondence on regulation	• Regulatory compliance
Local Community	• Site visit • Corporate Social Responsibility (CSR) activities	• CSR matters
Shareholder	• Annual General Meeting • Investor briefing • Corporate Affairs correspondence	• Corporate Governance • Economic performance
Management	• Management review • Operational review • Various communication sessions	• Sustainability issues • Economic performance • Regulatory compliance • Labour practices • Ethics and compliance

SUSTAINABILITY HIGHLIGHTS

The Sustainability Steering Committee and Sustainability Working Committee reviewed the key EES issues which the stakeholders are most concerned with, against the potential financial, operational and reputational impact on the Group. A Materiality Matrix was then drawn up based on these discussions.



ECONOMIC

The Group has set a long-term goal to develop the its businesses with the support from key stakeholders that focus not only on being profitable, but also sustainable to the environment and communities as a whole.

QUARRY OPTIMISATION

Responsible for the limestone extraction activities of its Gopeng plant adjacent quarry, Hume Cement has been working on updating its short and long term development plans to be finalised by end of 2020. Through the use of exploratory drilling and advanced modelling techniques, the company will be able to define an optimal exploration plan to guarantee the future operations of the cement plant.

Aiming to increase the efficiency in managing its plant and quarry, Hume Cement incorporated drone flight technology and last generation software in its long-term quarry development plan. Using the information from the geological data obtained from the borehole drilling, the limestone quality distribution across the quarry can be predicted and visualised in 3D model that reflect updated conditions on the field.

Enhanced quarry management techniques to optimise the utilisation of the limestone reserve will lead to opportunity to improve the upstream quality of the cement raw materials feed, increase in mine productivity and equipment performance, achieve better maintenance practices and manpower utilisation, enhanced product quality and, ultimately, minimise the overall cement production cost.

Additionally, the company will be able to maximise the quarry reserve through full utilisation of the varying limestone qualities. In the future and through careful planning, Hume Cement will help local communities and inhabitants of surrounding areas to benefit from job opportunities and future infrastructure development through a responsible rehabilitation of the mine at the end of its life.

INDUSTRY 4.0

Plant reliability improvement has been a continuous area of focus for Hume Cement and investments have been made for the online condition monitoring system to provide visibility into the operating conditions and health of critical equipment. The installed state-of-the-art system for predictive maintenance allows for real-time monitoring of the plant's main components. It provides a specialised team with a continuous inflow of information that allows them to better plan for maintenance activities, minimise unplanned stoppages and reduce operating costs.

DIGITALISATION OF WORKFLOWS

The Group took steps to simplify most of its Human Resource, Procurement and Finance workflows and procedures with the aid of internally developed cloud-based technology. Throughout this process, many paper forms were replaced with a friendly online system that employees access anywhere and anytime.

A few of the workflows converted into the company's internal digital platform include Purchase and Work Orders processing, Tender Management, Supplier Control, Framework Agreements Management, Credit Control Administration, Internal Audit & Enterprise Risk Management, License Tracking and many others.

The tools developed combined best practices of process automation, compliance, workflow management and application development in an agile, simple and flexible platform. Artificial intelligence was also incorporated to help with business process automation tools like robotic process automation.

ENVIRONMENT

The Group recognises the importance of the environmental impact of its business activities. Throughout the years, various efforts and initiatives have been implemented to pave the way of becoming not only a profitable organisation but also a responsible corporate citizen.

CARBON FOOTPRINT REDUCTION

Hume Cement is committed to reducing the carbon footprint from its cement manufacturing process. The company has been actively working with selected partners with the aim of reducing Carbon Dioxide ("CO2") emissions per tonne of cement produced. Together with its internal Research & Development team, the Company has propelled a continuous innovation process that has managed to reformulate clinker and cement products whilst improving their quality.

Through this initiative, Hume Cement has also actively helped to reduce landfilling of wastes from other industries. Together with the successful elimination of plastic liners in cement bags implemented in FY2019, the Group continues to make progress in reducing its impact in the environment.

ALTERNATIVE FUELS AND RAW MATERIALS

Apart from clinker reduction in cement, the company also seeks to reduce dependence on natural resources by exploring opportunities in fossil fuels and raw material substitutions. Fuel cost is one of the highest costs of production for clinker and the team continuously strives to look at alternative sources to benefit both the company and the environment.

Currently, a portion of coal is substituted by alternative fuels and recycled wastes. Given the high temperatures involved in clinker production, cement kilns are ideal for managing wastes in a safe and environmentally conscious way.

DUST MANAGEMENT

Based on the Environmental Quality (Clean Air) Regulations 2014, the Department of Environment ("DOE") Malaysia has set a legal standard for emission limits & technical standards (by activity or industry). Industries must install Continuous Emissions Monitoring System ("CEMS") at the main stack for real-time monitoring. This system is equipped with a gas analyser to continuously measure dust particles and emission concentrations released to the atmosphere.

Thereafter, these emmision readings are then transmitted directly to DOE Putrajaya and DOE Perak on continous basis CEMS allows DOE to directly monitor plant emissions for:

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

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

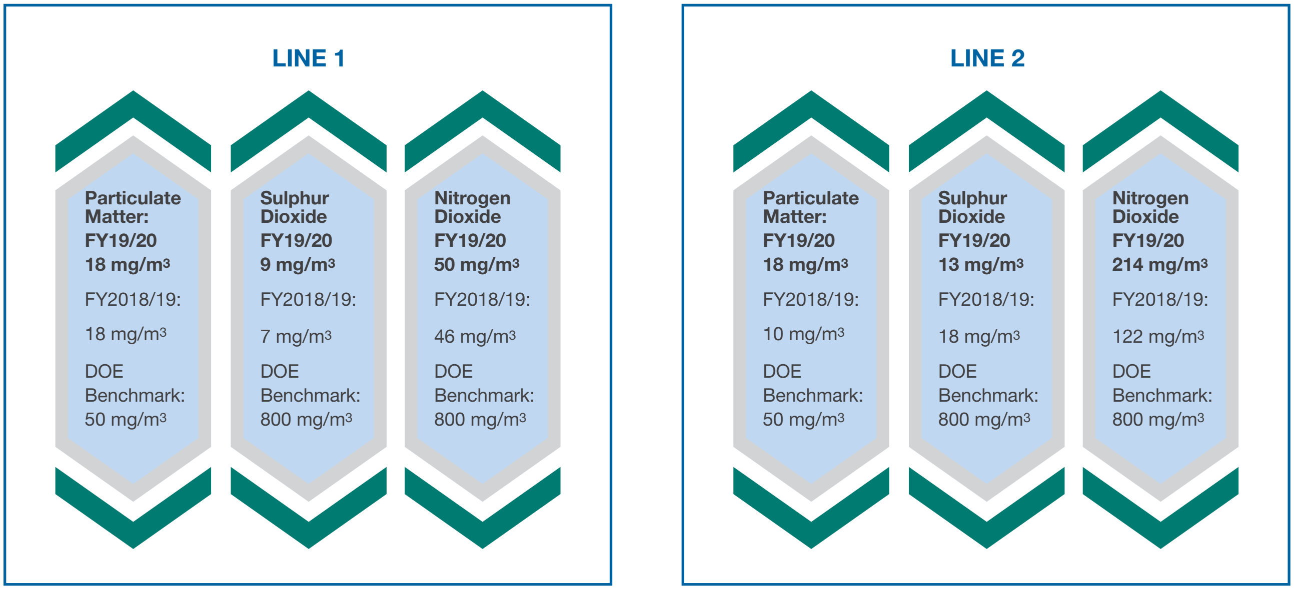


Figure 1: Environmental readings for line 1 & line 2 main stack

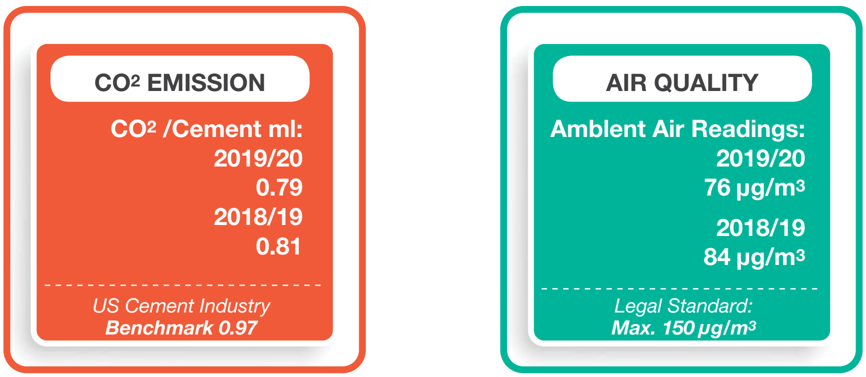


Figure 2: Key Indicators

AIR AND WASTEWATER MANAGEMENT IN HUME CONCRETE PLANTS

All three batching plants in Hume Concrete's Beranang Factory have been fitted with external pumps and tanks to recycle water collected from slurry pits for production purposes.

Besides that, Hume Concrete plants continuously monitor stack emissions to ensure that exhaust emission levels are within their respective environmental standards, or as low as practicable according to the Environment Quality (Clean Air) Regulations 2014.

SOCIAL

The Group has always believed that all growth is related to the performance of human capital. We take pride in building skilled and motivated workforce who are dedicated to deliver efficient and high quality services. Management encourages them to reach their full potential by investing in industry-related certifications, continuous career development programmes and soft skills.

In addition, the Group also aspires to be good corporate citizens by lending a helping hand to the underprivileged communities, especially those who are within the vicinity of its operation areas. Hence, various corporate social responsibilities ("CSR") activities were rolled out throughout the years.

HUMAN CAPITAL DEVELOPMENT

The Group regards its workforce as key assets and stakeholders and continues to advance workplace transformation. Realising that, various learning and development (L&D) initiatives have been implemented to upskill and reskill people ranges from enhancing knowledge on various related topics to overall career growth.

2020 L&D programmes

The Group adopted a strong believe that learning is a journey regardless of mode of learning. It encourages learning both online, traditional face-to-face classroom base and on-the-job learning to inculcate learning mind-set among the employees. The L&D programmes are aligned and build according to the four pillars (as shown below) to ensure all areas of education and training are delivered to the employees from various levels.

Pillar 1	Pillar 2	Pillar 3	Pillar 4
Cultures and Values are for all level of employees, which focuses on the induction programme for new entry levels employees for familiarisation.	**Leadership** is for selected employees who needed supervisory and leadership skills in order to work harmoniously with the team members.	**Business Specific** is the technical and process-related employee to improve in the technical knowledge.	**General Management** focuses on system/ management specific topic such as rules and regulations from the government bodies group of employees.
• Introduction to QPP & 5S training • Safety in the use of Chemicals • 5S & Safety weekly training • Plan-deploy-review & Financial Governance Policies • Effective Internal Audit skills of ISO 9001:2015	• Train-the-Trainer Workshop • The Quality Advantage Training • Customer Complaint Handling Investigation • Basic Cement 101	• EPICOR System for Finance Training • Authorised Entrant and Standby Person for Confined Space • Safety Induction & Policy • Scheduled wastes spill prevention, Control and Recovery Measures • Bricking Rig Commissioning	• Radiation Safety and Health • ISO 9001:2015 Understanding and Implementing The Risk And Opportunities • Anti-Bribery & Corruption Management System • Course for Certified Environmental Professional in Bag Filter Operation • First Aid At Workplace Course

Figure 3: Training pillars and some of the trainings conducted

Target = 20 training hours/employee	
Hume Cement	Hume Concrete
Average Training Hours per Employee = 17 hours	Average Training Hours per Employee = 34.5 hours

Figure 4: Average Training Hours

Anti-Bribery & Corruption Management System ("ABCMS") Programme

The Group launched its very own ABCMS Programme as an effort to positively step up its compliance in creating an anti-bribery and corruption-free working environment.

A string of learning materials was shared across the Group via its intranet to train and create awareness amongst all employees from all levels. A series of online & offline trainings were also provided to the steering committee, directors, auditors and all stakeholders. These will help to build a sound management system and environment within the Group, leading to the ISO 37001 certification.

Protégé and Graduate Development Programme ("GDP") Programmes

Comprehensive experiential development programmes were also created to give young professionals an inspiring and exciting dice into a career in manufacturing.

The Group has a programme named GDP where fresh graduates are provided with opportunities to gain experience and knowledge in the field of building materials. During the 18-month training period, the GDP's trainees are put on job rotations, project assignments, and exposure to cross functional activities to gain new knowledge and skills.

The Protégé Programme is a two-year programme by the Hong Leong Manufacturing Group where the participants lead high impact projects that not only contribute to the Group's improvement journey but provide a fast track and high exposure development platform for the programme participants.

It is a robust programme where young graduates are challenged to design and implement projects within 6 months under the guidance and supervision of their Mentors before moving on to the next challenges. The objective of the Protege and GDP Programmes is to create talent pipeline and build our future leadership strengthen within the manufacturing group of companies

HUMAN RIGHTS

Employees are of great value and remain a key asset to the Group. In line with that, the Group continuously strive to provide a workplace where employees can fulfil their potential in an open and inspirational working environment. A strong commitment is upkeep to continuously improve their welfare besides providing a fair, respectable and safe workplace for employees across all levels of the organisation.

The Group does not tolerate any form of discrimination against its employees based on race, colour, gender, language, religion, political opinions, etc. It also committed to the elimination of all forms of illegal, forced, bonded, compulsory or child labour. The Group maintains an open, transparent, and collaborative approach to resolving workers' and stakeholders' grievances. Similarly, the rights to freedom of association is uphold and the rights to collective bargaining is recognise. Trade unions are allow to have access to the employees.

As a firm believer that all employees should be treated fairly and everyone deserves mutual respect, the Hume Hotline was introduced in 2019.

This hotline provides a direct communication platform with the Management should there be any work-related issues or grievances that the employees wish to highlight to the Management.

With utmost respect to human rights, the Group will not retain workers' passports/identity documents and withhold workers' wages other than as prescribed by law. The Group will also ensure that the statutory monthly minimum wage and overtime compensation for all our employees will be in accordance with Malaysia's labour regulations.

EMPLOYEE WELFARE

The Group strives to provide a conducive working environment and to promote a healthy and high-performance culture. Relevant training and development opportunities, along with various engagement activities were provided for all employees.

International Women's Day Celebration ("IWD")

In honour of the IWD which falls on 8 March every year, the Group rolled out a string of activities to appreciate and empower its women employees. The IWD activities were kicked off with the sharing of inspiring stories of women employees from all levels on the intranet, SPARX.

A virtual bazaar was also created where it allows women entrepreneurs from outside the company to promote and sell their products ranges from home-baked cakes to hand-painted bags to all employees.

On the 6 March 2020, all employees both men and women, were encouraged to wear the purple outfit as that is the internationally recognised colour to symbolise the IWD.

On the same day, all women employees received a special gift as a token appreciation from the Group for their efforts; a Lavender handmade soap made by the Orang Asli mothers to support their children's education and welfare.

This gift was specially chosen to support the cause of empowering the Orang Asli mothers to earn additional income from home to support their family. To show support on Hume Cement's step in removing plastic liner in its cement bags, no plastic was used in the packaging of these soaps.

As a closing of the IWD activities, a 'Best Photo contest' was also rolled out. Employees had a great time in unleashing their creativity in photography to try their luck for the prizes offered.

A 'mini revamp' was carried out at the Hume Cement and Hume Concrete head office. Motivational quotes were displayed along with Group product pictures in different walls of the office space. Two meeting rooms were converted into breakout rooms for employees to use for discussion or brainstorming sessions.

To ease the communication between all employees, an internal communication platform was launched. SPARX, as it is called, is the Group's main platform to share important announcements, news and general information. It allows two way communications as the bosses and employees can interact, social media style, by leaving comments or private messages to each other.

IWD was celebrated to appreciate and empower women employees at the Group

The bright side of Movement Control Order (MCO) contest

On 16 March 2020, the Malaysia Prime Minister, YB Tan Sri Muhyiddin Yassin made an official announcement to officially implement the MCO throughout the whole nation. With this direction, all employees were ordered to stay and work from home ("WFH") with immediate effect.

To boost the spirit of working from home during that period and to spark some excitement on this uncommon practice in the company, a contest entitled #brightsideofMCO was launched to encourage the employees to stay at home and to be productive working from home. The contest managed to attract participation from employees from all levels where they showcased what they did during their WFH period in the most creative way. Best photos were awarded prizes.

HEALTH AND SAFETY

Workplace Safety

The Group engages employees in Safety, Health and Environment ("SHE") Committee every quarter to discuss health and safety issues. Hume Cement's plant is certified with OHSAS 18001:2007 for safety management system & ISO EMS 14001:2015 Environmental Management System. Yearly safety & health programme conducted such as medical surveillance, audiometric, chemical monitoring, LEV monitoring, etc. Risks were analysed into various categories and follow-through actions were being deployed to administer such risks.

Safety Training

As training is one of the legal requirements in OHSA 1994, employers are responsible to provide sufficient training to employees to ensure they are equipped with the knowledge and understanding of the SHE requirements.

For that, competency training was conducted to employees according to their job function and specific skills. External training courses on topics such as fire drills, safety talks, and first aids were organised regularly.

Accident-free

The Group strives in pursuing its goal of ensuring zero accident at the workplace. Necessary assessment evaluation are undertaken to continuously cultivate a safe working environment within the plant. The management also demonstrated leadership and role modelling to achieve safety for all. Various safety programmes and briefings are being held to create awareness and to introduce the correct safety procedures within the plant operations.

Hume Cement and Hume Concrete enhanced their employees' awareness and knowledge regularly through various training and demonstration. Areas within the plants and offices which have areas of opportunity were identified and improved accordingly.

First aid training for the employees at Hume Concrete

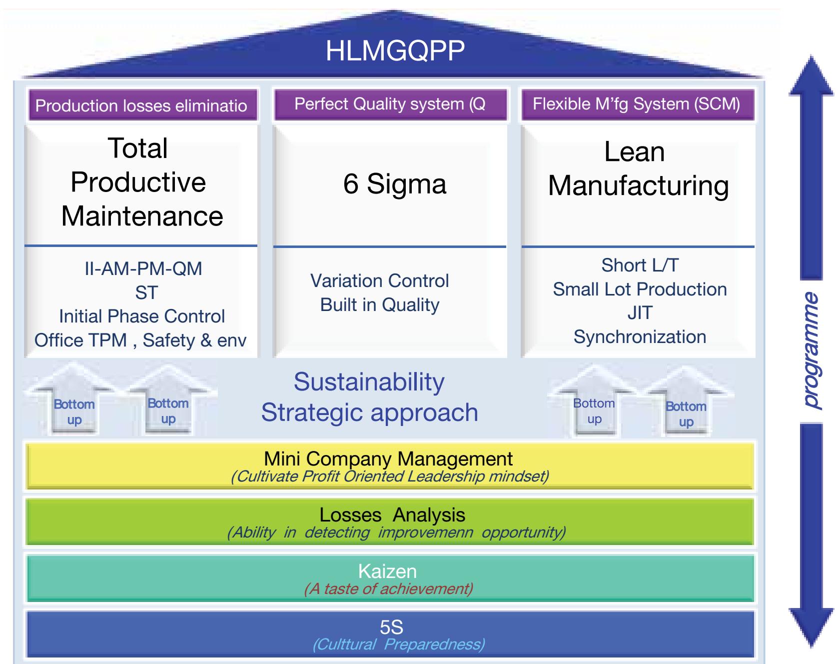
Motorcycle riding course

A motorbike riding course was organised at Hume Cement to teach its employees at the plant on the correct and safe techniques in riding a motorcycle to prevent accidents during their daily work commute. Through this four-hour training, employees were taught on the right way of handling a motorcycle, safe distance and how to control their motorcycle from slipping, especially during bad weather.

Practical session during the motorcycle riding course

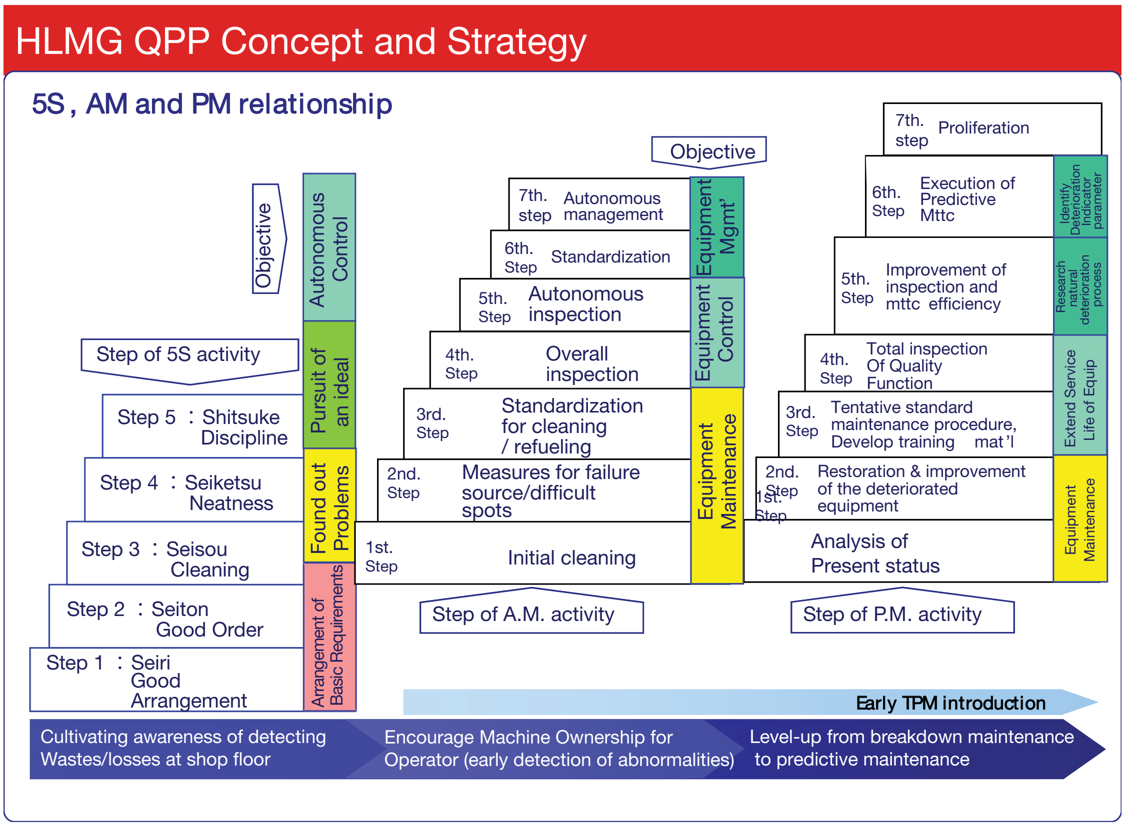
5S WORKING CULTURE

As part of the Group's sustainability approach, Hume Cement and Hume Concrete will continuously cultivate a Cultural Transformation through 5S, with the end in mind of establishing a Defects-Free Production and Process Management System, besides inculcating a healthy, clean, efficient & safe working environment.



This will lead the Group to achieve success and sustainability in every business and in every operating region. Its business will establish a strong, committed and disciplined workforce, in alignment with the Group's direction towards Autonomous Maintenance (AM) and Planned Maintenance (PM) as part of its Total Productive Maintenance (TPM) Journey.

5S briefing at the concrete plant



CSR ACTIVITIES AND EVENTS

Donation during COVID-19 outbreak

As the whole world was battling against COVID-19, there was a shortage of personal protective equipment in our local government hospitals due to the rising cases at that point of time.

Hume Cement took the initiative to contribute masks and face shields to the General Hospital Kampar and Ipoh, as well as the Kampar Police Station. This gesture was aimed to help the frontliners and ensure that they were well-protected, as well as to support their efforts in fighting the disease.

Recognising the impact of the COVID-19 crisis and MCO to the underprivileged, Hume Cement contributed food items to B40 communities in Kampung Changkat Legong, Kampung Kota Bahru, Kampung Changkat Tualang, Kampung Bunga Tanjung, Kampung Changkat Belulang and Kampung Changkat Baru.

This initiative of distributing basic food items such as rice, sugar, cooking oil, condensed milk and more was very much welcomed and appreciated by the villagers as most of them had lost the source of income to feed their families.

Hume Concrete also took this opportunity to provide food aid to plant workers in need. Basic food items were distributed to workers hostels at different locations.


Face mask and face shield donation to help with the shortage of PPE items during the COVID-19 outbreak


Basic food aid provided to the underprivileged families in the villages nearby Hume Cement plant in Gopeng

Cement sponsorship

Hume Cement is committed to help to improve the infrastructure in the surrounding of its operation area. Bags of cement were donated to schools, colleges and police stations to support various projects like landscape planning, pedestrian walkways, parking area refurbishments, etc.

The recipients of these cement donations were Kolej Matrikulasi Perak, Gopeng, Kota Bahru Police Station, Gopeng, SMK Idris Shah, Gopeng, SK Mutiara, Jalan Tunku Abdul Rahman and the Malaysia Hindu Sangam, Petaling Jaya, Selangor.

The donated cement was utilised to improve the infrastructure in the school

Food aid for the villagers nearby Hume Cement plant

Hari Raya Aidilfitri food aid contribution

In conjunction with Hari Raya Aidilfitri, Hume Cement carried out an annual donation of basic food items such as rice, cooking oil, sugar, milk and more to the underprivileged families in the villages nearby the plant. This initiative which was organised during the holy month of Ramadan and aimed to spread some festive cheers to the villagers and helped them to make preparations for Hari Raya.

The food donation programme was held at Kampung Changkat Tualang, Kampung Redang Sawa, Kampung Bunga Tanjung, Kampung Changkat Belulang and Kampung Changkat Baru.

Hume Cement also donated to the mosques to support their programmes during the holy month. For this year, Masjid Ubudiah Kampung Changkat Legong, Kota Bahru, Masjid Jamek Kota Bahru and Surau As Syakirin Tamu, Malim Nawar received the said donation.

Buffalo donation for Hari Raya Aidiladha

In conjunction with the celebration of Hari Raya Aidiladha – a religious day to mark the end of the annual Haj pilgrimage to Mecca, Hume Cement donated two buffalos for the sacrificial ceremony for the community in Kampung Changkat Legong, Kota Bahru, Gopeng, Perak. This initiative was shared with the Kota Bahru Police Station. The sacrificial meat was shared and distributed to the underprivileged families in that area.

Sponsorship for School's Excellence Award programme

Hume Cement sponsored the School's Excellence Award programme to some of the schools located nearby the cement plant, as a way to support and motivate the pupils in the school to work harder in their studies. Donations were also given out to support the school yearly athletic programme to encourage the children to be active in sport and a healthy lifestyle.

Some of the schools that benefited from such sponsorship includes SMK Seri Teja, SK Kota Bahru, SK Gopeng and SK Kota Bahru.

Sponsorship to support and motivate the pupils to work harder in their studies

Stray dogs' management

In order to protect not only the people but also the animals in the vicinity of the plant and quarry area, Hume Cement is working closely with a veterinarian group in Ipoh on the spaying and vaccination of stray dogs. Over 70 dogs were neutered, dewormed and vaccinated against rabies. The treated dogs were tagged with reflective collars in an effort to minimise roadkills.

Environment Awareness Week

Hume Cement supported the National Environmental Day ("NED"), an annual event organised by DOE Malaysia to promote awareness and to increase the understanding between the Government and the industry players and the society as a whole about the importance of environmental conservation.

A team of four members were sent to join the Amazing Enviro Race 2019 which was part of the NED's activities. This race was organised as a way of DOE showing its appreciation to the industry players which had contributed in various ways in taking care and preserving the environment.

Hume Cement supported the National Environmental Day which was officiated by Chief Minister Perak, YB Dato' Sri Ahmad Faizal Azumu

Hume Cement team at the Amazing Enviro Race 2019

Safety, Health and Environment Awareness Week

Hume Cement organised the "Safety, Health & Environment Week" on 4-6 December 2019. The primary aim of Safety Week is to create awareness and promote safety at the workplace and also outside of the workplace, for instance, on the road. Safety week is also to promote SHE as a culture followed by a blood donation drive.

Some 150 employees were involved in this annual event which was supported by the authorities. Activities like First Aid training, fire drill, blood donation campaign and awareness booth were carried out by Department of Occupational Safety & Health, Department of Environment, Royal Malaysian Police, Kampar District.

YB Dato' Nolee Ashilin Mohammed Radzi Tualang Sekah assemblywoman (third from left) officiated the "Safety, Health & Environment Week" programme in Hume Cement Plant.

Hong Leong Group SMARTAN Challenge 2019

Hong Leong Group's Corporate Social Responsibility Department, under the Hong Leong Foundation, organised the Hong Leong Group SMARTAN Challenge 2019, in collaboration with the We Care Journey to raise funds and create awareness about Spinal Muscular Atrophy (SMA), a neuromuscular disease that takes away the ability to move, walk, eat or breathe without assistance.

The Group contributed by sending two teams of four-member to participate in the SMARTAN challenge which was filled with activities that depicted the daily and lifetime challenge by individuals living with SMA.

The activities were started with a wheelchair relay race where teams racing one another on wheelchairs to experience the difficulties faced by wheelchair users. The next challenge was called blow and paint. All teams were given a large canvas board to paint using a blowing technique. This challenge was to depict the difficulty in breathing due to weak lungs. The final challenge was called water and weight, where teams have to race to fill a bottle of water using a spoon tied with a dumbbell within a specified time.

Hume Cement's representatives during the blow and paint challenge at SMARTAN Challenge 2019

Participants at SMARTAN Challenge 2019

MOVING FORWARD

In setting future sustainability focus areas, the Group plans to embark into a solid plan which covers internal exercises and identify key baseline strategies including readiness to report, data management and working towards identifying a more structured governance process.

The Group's vision, purpose and strategy will be aligned with the multiple areas that its value chain can impact. This will allow us to set a clearer path in becoming a Group that has sustainability at its core operations benefiting all stakeholders in the long run.

The Group will continue exploring the various possibilities to reduce energy consumption, adoption of green energy sources and improvement of all plants' environmental footprint by further reducing emission and wastage.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, **RISK MANAGEMENT AND INTERNAL CONTROL**

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

~ Finance Committee on Corporate Governance

The Board of Directors ("Board") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which supports the three (3) key principles of the Malaysian Code on Corporate Governance ("MCCG"), namely board leadership and effectiveness, effective audit and risk management, and integrity in corporate reporting and meaningful relationship with stakeholders.

The Corporate Governance Report 2020 of the Company in relation to this statement is published on the Company's website at www.humeind.com ("Website").

BOARD LEADERSHIP AND EFFECTIVENESS

A. Roles And Responsibilities Of The Board

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

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed annually by the Board and published on the Website. The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and broad strategies, overseeing and evaluating the conduct of the Group's businesses, identifying principal risks and ensuring the implementation of appropriate systems to manage those risks, and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

The day-to-day business of the Group is managed by the Group Managing Director ("GMD") who is assisted by the management team. The GMD and his management team are accountable to the Board for the performance of the Group. In addition, the Board delegates certain of its responsibilities to Board Committees, which operate within clearly defined TOR primarily to support the Board in the performance of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions, internal controls and risk management to the Board Audit & Risk Management Committee ("BARMC"). The Nominating Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and chief executive appointments and/or re-elections, and assess and evaluate the performance of the Board, Board Committees and Chief Financial Officer ("CFO"). Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

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

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

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

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

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

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

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

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM"), which has been adopted by the Board and published on the Website.

B. Board Composition

The Board currently comprises six (6) Directors, four (4) of whom are IDs. The profiles of the members of the Board are set out in the Annual Report.

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

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

The Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. Currently, there is one (1) woman director on the Board. The Board will consider appropriate targets in Board diversity including gender, ethnicity and age balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

Based on the review of the Board composition in August 2020, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees

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

- **BARMC**

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

  The TOR of the BARMC are published on the Website.

- **NC**

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

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

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

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

  (i) New Appointments

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

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

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

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

- **NC** *cont'd*

(ii) Re-election

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

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

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

(iii) Removal

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

(iv) Board Committee Appointments

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

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

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

In addition, a formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, Board Committees as a whole and the contribution and performance of each individual Director, Board Committee member, Chief Executive and CFO on an annual basis ("Annual Board Assessment"). For newly appointed chairman, directors, chief executive and chief financial officer, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one (1) year of service.

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

The NC meets at least once in each FY and additional meetings may be called at any time as and when necessary. Recommendations and decisions may also be taken by way of Circular Resolutions.

The NC met once during FY ended 30 June 2020 ("FY 2020") where all the NC members attended.

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

- **NC** *cont'd*

The NC discharged its duties in accordance with its TOR during FY 2020. The NC considered and reviewed the following:

- Nominating Committee Charter and policies on Board Composition, Independence of Directors, Board Diversity and Directors' Training;
- Nominating Committee Report;
- 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 of Directors.

Having reviewed the Board composition, the NC was satisfied that the current Board comprises a good mix of skills and that the current size and composition of the Board are appropriate and effective in discharging its functions. The NC took cognisance of the merits of Board diversity, including gender, ethnicity and age balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

The NC has also evaluated the performance of the Board, Board Committees, each individual Director, each Board Committee member and the CFO, benchmarking their respective TOR and assessment criteria, and through the annual assessment conducted during FY 2020. The NC was satisfied that they have continued to operate effectively in discharging their duties and responsibilities. They have also fulfilled their responsibilities and are suitably qualified to hold their positions.

- **Remuneration Committee ("RC")**

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

D. Remuneration

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

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

The remuneration packages of EDs are reviewed by the entire Board. EDs shall not participate in the deliberations and shall vacate the meeting room during deliberations of their remuneration packages. The Board, in assessing and reviewing the remuneration packages of EDs, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

The fees of Directors are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting ("AGM").

The detailed remuneration of each Director is set out in the Corporate Governance Report which is published on the Website.

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

D. Remuneration *cont'd*

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

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

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

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

E. Independence

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

The Company has in place an Independence of Directors Policy ("ID Policy") which sets out the criteria for assessing the independence of IDs. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops. The ID Policy states that the tenure of an ID shall not exceed a cumulative term of nine (9) years from the date of his or her first appointment in the Company.

The IDs have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that the IDs have continued to bring independent and objective judgment to Board deliberations and decision making.

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

F. Commitment

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, directors are required to comply with the restrictions on the number of directorships in public listed companies. Board meetings are scheduled ahead in order to enable full attendance at Board meetings. The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 50% of Board meetings held in each FY pursuant to the MMLR.

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

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

F. Commitment *cont'd*

All Directors have access to the advice and services of qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 235 of the Companies Act 2016. They are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and hold practicing certificates issued by CCM. The Company Secretaries support the effective functioning of the Board, provide advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitate effective information flow amongst the Board, Board Committees and SM. The Company Secretaries attend programmes and seminars to keep abreast with, inter alia, regulatory requirements, company law and CG.

All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman of the Company.

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

The Board met four (4) times for FY 2020 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	4/4
Mr Seow Yoo Lin	4/4
YBhg Dato' Ir. Tan Gim Foo	4/4
Datuk Wira Azhar bin Abdul Hamid	3/4
Ms Tai Sook Yee	4/4
Mr Andi Johnny Lapon *(Resigned on 15 July 2020)*	4/4

Mr Hugo Enrique Losada Barriola was appointed to the Board after the close of FY 2020.

The Company recognises the importance of continuous professional development and training for its 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 SM is organised for newly appointed directors to assist them to familiarise and to get acquainted with the Group's businesses. The CPD encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

All Directors of the Company have completed the Mandatory Accreditation Programme except for Mr Hugo Enrique Losada Barriola who was appointed to the Board after the close of FY 2020.

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.

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

F. Commitment *cont'd*

In assessing the training needs of Directors, upon recommendation by the NC, the Board has determined that appropriate training programmes covering matters on CG, finance/accounting, legal and regulatory framework, risk management, internal control, cyber security, anti-bribery and corruption management, risk and strategic management relating to Coronavirus, industry-related and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During FY 2020, the Directors received regular briefings and updates on the Group's businesses, strategies, operations, risk management and compliance, internal controls, CG, finance/accounting, anti-bribery and corruption management and any changes to relevant legislation, rules and regulations from in-house professionals. In house programmes were also organised for the Directors and SM of the Company.

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 2020, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Awareness on ISO 37001 : 2016 Anti-Bribery Management System
- Tax Implications for Debt Restructuring
- Culture of Innovation Session
- Artificial Intelligence and its Role in Financial Institutions
- Audit Committee Institute Roundtable
- Disruptive Digitalisation Transforming the Financial Landscape
- Dialogue on Innovation and Fintech in the Financial Services Industries
- Digital to the Core
- Khazanah Megatrends
- Leadership in a Disruptive World
- Tax and Business Summit 2019
- Audit Oversight Board's Conversation with Audit Committee
- Islamic Finance for Board of Directors
- When Disruption Meets Tradition
- Say on Pay
- The Director's Response to Individual Liability
- Invitation to the Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees
- Striving Towards MS ISO 37001 Anti-Bribery Management System (ABMS) Certification
- Advance Risk Management
- Beyond Brexit : A New Emerging Landscape - Opportunities for Collaboration.

G. Strengthening CG Culture

- **Code of Conduct and Ethics**

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

  The HLMG Code is applicable to:

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

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

G. Strengthening CG Culture *cont'd*

- **Anti-Bribery and Corruption Policy**

  The Group has, during FY 2020, adopted MS ISO 37001:2016 as its Anti-Bribery and Corruption Management System to provide a strong framework to prevent its employees, directors, partners or persons who perform services for or on behalf of the Group from undertaking corrupt practices in relation to its business activities. The Anti-Bribery and Corruption Policy, published on the Website, outlines the Group's commitment to conducting business ethically in compliance with all applicable anti-bribery and corruption laws of every country in which the Group operates.

  Reports of any concern or suspicion may be made to the Head of Internal Audit or Head of Human Resources.

- **Whistleblowing Policy**

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

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

EFFECTIVE AUDIT AND RISK MANAGEMENT

Accountability And Audit

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

The BARMC is supported by the Group Internal Audit Department ("GIAD") 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 SM on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

I. Financial Reporting

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the integrity of financial statements with the assistance of the external auditors.

II. Directors' Responsibility In Financial Reporting

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

The Directors of the Company are satisfied that the financial statements of the Group and of the Company for FY 2020 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

III. Risk Management and Internal Control

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

- **Responsibility of the Board**

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

  Accordingly, the Board has entrusted the BARMC to provide oversight of the system of internal controls and risk management framework. The BARMC is assisted by the GIAD in this role.

- **Risk Management Framework**

  For FY 2020, management has structured the risk management framework using MS ISO 31000:2010. Based on the framework, management has carried out the following:

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

  For bribery and corruption risks, the Group has, during FY 2020, adopted MS ISO 37001:2016 (Anti-Bribery Management Systems) and the Guidelines on Adequate Procedures pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission (MACC) Act 2009 to prevent, detect and respond to bribery and corruption risks.

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

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

- **System of Internal Controls**

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

  ➢ A management structure exists with clearly defined delegation of responsibilities to the management of the Group's operating companies, including authorisation levels for all aspects of the business and operations. The management of the Group's operating companies own and manage risks and they are responsible for implementing controls to mitigate the risks pertaining to all aspects of the business and operations.
  ➢ Documented corporate policies and procedures covering various aspects of the business and operations of the Group.

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

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

- **System of Internal Controls** *cont'd*

  - 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 and 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 GIAD focusing on key risk areas which are selected from the Group's audit universe. The key risk areas are documented in the annual audit plan which is approved by the BARMC. The risk-based internal audits in FY 2020 cover tender and procurement, scrap and waste management and alternative fuel management.
  - Quarterly reporting to the BARMC on the results of control assurance and audit activities and also the management of risks throughout the Group.

- **Management and Decision-Making Processes**

  The internal control and risk management processes of the Group are in place for FY 2020 and up to the date of approval of the SORMIC for inclusion in the annual report, and reviewed quarterly by the BARMC. The BARMC reviews the principal risks, significant audit observations and/or areas for improvement and ascertains that appropriate remedial actions or improvements are taken by the management of the Group's operating companies. These processes are intended to manage and not expected to eliminate all risks of failure to achieve business objectives. Accordingly, they can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

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

- **Review of the SORMIC by External Auditors**

  Pursuant to Paragraph 15.23 of the MMLR, the external auditors have reviewed the SORMIC pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the 2020 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the SORMIC is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the SORMIC factually inaccurate. AAPG 3 does not require the external auditors to consider whether the SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

- **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.

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

IV. Relationship with Auditors

The Board, through the BARMC, maintains a formal and transparent professional relationship with the external auditors, KPMG PLT. The appointment of external auditors and their fees are recommended by the BARMC. The BARMC reviews the performance, suitability, independence and objectivity of the external auditors annually. The BARMC also reviews the nature and fees of non-audit services provided by the external auditors in assessing the independence of the external auditors. In accordance with the MIA, KPMG PLT rotates its Engagement Partner and Engagement Quality Control Review Partner once every seven (7) years to ensure objectivity, independence and integrity of the audit opinions.

The external auditors meet with the BARMC to:

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

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

For FY 2020, the BARMC members together with the CFO undertook an annual assessment on the performance, suitability, independence and objectivity of the external auditors. No major concerns were noted from the results of the assessment. The external auditors also gave their assurance confirming their independence and objectivity throughout the conduct of the audit engagement and the internal processes undertaken by them to determine their independence.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

A. Disclosure

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

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

B. Shareholders

I. Dialogue between Companies and Investors

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

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

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

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

B. Shareholders *cont'd*

I. Dialogue between Companies and Investors *cont'd*

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

Queries may be conveyed to the following person:

Name	:	Mr Lau Ping Ong
Tel No.	:	03-7866 9000
Fax No.	:	03-7866 9009
Email address	:	IRelations@humeind.com

II. AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. SM and the external auditors are also available to respond to shareholders' queries during the AGM. All Directors attended the last AGM held on 7 November 2019 except for Mr Hugo Enrique Losada Barriola who was appointed to the Board after the close of FY 2020.

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

The Company has adopted electronic voting for the conduct of poll on all resolutions at the AGM.

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

CONSTITUTION

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

COMPOSITION

The composition of the Committee is as follows:

Mr Seow Yoo Lin
Chairman, Independent Non-Executive Director

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

Ms Tai Sook Yee
Independent Non-Executive Director

SECRETARY

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

AUTHORITY

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

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

MEETINGS

The Committee meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. Recommendations and decisions may also be taken by way of Circular Resolutions. 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, at 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 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 Committee meetings are recorded in the minutes of the Committee meetings. Where the Committee is considering a matter in which a Committee member has an interest, such member abstains from reviewing and deliberating on the subject matter.

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

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

ACTIVITIES

An annual assessment on the performance and effectiveness of the Committee and each of its members for the financial year ended 30 June 2020 ("FY 2020") 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 TOR.

During FY 2020, four (4) Committee meetings were held and the attendance of the Committee members was as follows:

Members	Attendance
Mr Seow Yoo Lin	4/4
YBhg Dato' Ir. Tan Gim Foo	4/4
Ms Tai Sook Yee	4/4

The Committee carried out the following key activities during FY 2020:

- Reviewed and made recommendations to the Board for approval, the quarterly reports focusing on any changes in accounting policies and practices, significant adjustments arising from the audits and the going concern assumptions to ensure compliance with relevant accounting standards, laws and regulations.
- Reviewed and made recommendations to the Board for approval, the annual financial statements of the Group and to ensure that it was drawn up in accordance with the relevant accounting standards, laws and regulations so as to give a true and fair view of the financial position of the Company and of the Group.
- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Charter and Internal Audit Charter.
- Held two (2) separate sessions with the external auditors without the presence of senior management. During the separate sessions, no critical issues were raised.
- Met with the external auditors and discussed the audit plan 2020 on the nature and scope of the audit, considered significant changes in accounting and auditing issues, where relevant, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards.
- Discussed with the external auditors the potential key audit matters and other significant audit matters identified by the external auditors.
- Reviewed the impact of the COVID-19 pandemic in preparing the financial statements of the Group for FY 2020 and the external auditors' audit focus.
- 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. Further reviewed the provision of non-audit services by the external auditors to ascertain whether such provision of services would impair the external auditors' independence or objectivity. Details of non-audit fees incurred by the Group for FY 2020 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 covering areas on strategic, compliance, operational and financial, 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 reviewed the internal audit findings and recommendations. Also reviewed the status updates of the outstanding management's corrective action plans on internal audit's findings and recommendations.
- Assessed the performance of the internal audit function as well as the adequacy and competency of internal audit resources.

ACTIVITIES *cont'd*

- Reviewed the Policy and Procedure of Recurrent Related Party Transactions ("Procedures") and various recurrent related party transactions ("RRPT") carried out by the Group to ensure that the Procedures are adequate to monitor, track and identify RRPT in a timely and orderly manner, and are sufficient to ensure that the RRPT are conducted on commercial terms consistent with the Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public.
- 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.
- Recommended to the Board for approval the adoption of MS ISO 37001 as the Group's Anti-Bribery and Corruption Management System ("ABCMS") to provide adequate procedures to prevent bribery under Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018.
- Reviewed the ABCMS activities, including the progress updates on the Group's MS ISO 37001 certification.
- Reviewed and recommended to the Board for approval the Anti-Bribery and Corruption Policy and revision thereto, Hong Leong Manufacturing Group ABCMS Manual and ABCMS Register, revised Whistleblowing Communication Plan and Investigation Procedures, and revised Hong Leong Manufacturing Group Risk Management Policy.

INTERNAL AUDIT

The internal audit ("IA") function is carried out in-house by the Group IA Department ("GIAD") of HLMG Management Co Sdn Bhd, a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group. There were seven (7) staff in the GIAD during FY 2020 and the total cost incurred by the GIAD amounted to RM1,919,540.

The purpose, authority, scope, independence and responsibilities of the IA function are provided in the Internal Audit Charter, which is approved by the Committee.

The GIAD, led by the Head of IA, reports to the Committee which has the authority to decide, among others, the appointment and removal, scope of work, and performance evaluation of the IA function. Mr Teh Boon Ang has been appointed as Head of IA since 1 July 2017. Mr Teh holds the qualifications of Master of Criminal Justice, Certified Fraud Examiner from the Association of Certified Fraud Examiners, the United States of America ("USA"), Certified Internal Auditor (CIA), USA and Advanced Diploma in Commerce. He is a Professional Member of the Institute of Internal Auditors Malaysia and Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators. The Committee is satisfied that the Head of IA has the relevant experience and sufficient standing and authority to discharge his duties as Head of IA.

The GIAD 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 GIAD also challenges and adds value to the efficiency, effectiveness and economy of operating companies' operations, usage of assets and resources, and the integrity of management information systems. In doing so, the IA function is performed with impartiality, proficiency and due professional care.

All the IA personnel had declared to the Committee that they are free from any relationships or conflicts of interest which would impair their impartiality or objectivity. The Committee had undertaken an assessment on the performance of the GIAD for FY 2020 whereby it is satisfied with the performance of the GIAD. The Committee had also reviewed the GIAD's resources, in particular the qualifications, experience and designations of all the IA personnel. As their continuous professional development, the IA personnel had kept abreast with developments in the profession, industry and regulations by attending internal and external training courses. The Committee is hence satisfied with the competency of the GIAD and that it has adequate resources to carry out its functions.

INTERNAL AUDIT *cont'd*

The annual audit plan prepared by the GIAD is submitted to the Committee for review and approval. Internal audits are carried out as per the approved annual audit plan. IA reports are discussed and issued to management for their feedback and to formulate action plans with target implementation dates for improvements. Any resulting salient control concerns are reviewed by the Committee, and the implementation status of audit recommendations are monitored and reported to the Committee on a quarterly basis. The areas of IA's review during FY 2020 are described in the SORMIC.

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

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

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

HUME INDUSTRIES BERHAD

FINANCIAL **STATEMENTS**

DIRECTORS' REPORT

for the financial year ended 30 June 2020

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

PRINCIPAL ACTIVITIES

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

There has been no significant change in the nature of these activities during the financial year.

ULTIMATE HOLDING COMPANY

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

SUBSIDIARIES

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

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to owners of the Company	(45,904)	4,344

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in Note 14 and Note 24 to the financial statements.

DIVIDEND

No dividend was paid during the financial year and the Directors do not recommend a final dividend for the financial year ended 30 June 2020.

DIRECTORS OF THE COMPANY

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

YBhg Datuk Kwek Leng San, Chairman
Mr Hugo Enrique Losada Barriola, Group Managing Director (Appointed on 1 August 2020)
Mr Seow Yoo Lin
YBhg Dato' Ir. Tan Gim Foo
YBhg Datuk Wira Azhar bin Abdul Hamid
Ms Tai Sook Yee
Mr Andi Johnny Lapon, Group Managing Director (Resigned on 15 July 2020)

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

DIRECTORS' INTERESTS

The Director holding office at the end of the financial year who has beneficial interests in the ordinary shares and/or redeemable convertible unsecured loan stocks over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, is as follows:

		Number of ordinary shares/ordinary shares to be issued arising from conversion of redeemable convertible unsecured loan stocks#/ordinary shares received or to be received arising from vesting of share grant*			
	Nominal value per share	**At 1.7.2019**	**Acquired**	**Sold**	**At 30.6.2020**
Shareholdings in which the Director has direct interests					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	(1)	160,895	–	–	**160,895**
Hong Leong Industries Berhad	(1)	2,300,000	244,167(3)	–	**2,544,167**
Malaysian Pacific Industries Berhad	(1)	–	132,500*	44,167*(4)	**88,333***
		1,260,000	74,167(4)	–	**1,334,167**
	(1)	–	222,500*	74,167*(4)	**148,333***
Hong Leong Bank Berhad	(1)	536,000	–	–	**536,000**
Hong Leong Financial Group Berhad	(1)	654,000	–	–	**654,000**
Guoco Group Limited	US$0.50	209,120	–	–	**209,120**
The Rank Group Plc	GBP13 8/9p	45,800	–	–	**45,800**
Hume Industries Berhad	(1)	3,921,600	–	–	**3,921,600**
		2,017,142#	–	–	**2,017,142#**

DIRECTORS' INTERESTS *cont'd*

	Nominal value per share	Number of ordinary shares/ordinary shares to be issued arising from conversion of redeemable convertible unsecured loan stocks#/ordinary shares received or to be received arising from vesting of share grant* At 1.7.2019	Acquired	Sold	At 30.6.2020
Shareholding in which the Director has indirect interest					
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP13 8/9p	10,661[(2)]	–	–	**10,661[(2)]**

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

DIRECTORS' BENEFITS

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than fees, remunerations, other benefits and benefit-in-kind included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 26.2 to the financial statements or the fixed salary of full-time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued share capital of the Company has been increased from 492,254,775 ordinary shares to 497,284,881 ordinary shares by the issuance and allotment of 5,030,106 new ordinary shares arising from the conversion of RM3,521,078 nominal value of redeemable convertible unsecured loan stocks ("RCULS") at the conversion price of RM0.70 for every 1 new ordinary share in the Company.

There were no issue of debentures of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of Hong Leong Manufacturing Group Sdn Bhd, together with its subsidiaries (the "Group" which includes Hume Industries Berhad and its subsidiaries and where applicable, associated companies) are covered under the Directors and Officers Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Group was RM10 million. The total amount of premium paid for the Directors and Officers Liability Insurance by the Group was RM50,209 and the apportioned amount of the said premium paid by the Company was RM16,371.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 21 to the financial statements.

On behalf of the Board,

Hugo Enrique Losada Barriola

Seow Yoo Lin

1 September 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Assets					
Property, plant and equipment	4	**899,368**	1,000,103	**47**	26
Right-of-use assets	5	**40,828**	–	**–**	–
Investment property	6	**6,697**	6,952	**–**	–
Investments in subsidiaries	7	**–**	–	**778,914**	757,914
Deferred tax assets	8	**16,031**	19,555	**6,799**	8,508
Tax credit receivables	9	**145,081**	145,081	**–**	–
Total non-current assets		**1,108,005**	1,171,691	**785,760**	766,448
Inventories	10	**64,215**	88,985	**–**	–
Trade and other receivables, including derivatives	11	**56,872**	64,935	**55**	525
Current tax assets		**658**	3,944	**13**	60
Cash and cash equivalents	12	**84,739**	110,336	**741**	22,329
Total current assets		**206,484**	268,200	**809**	22,914
Total assets		**1,314,489**	1,439,891	**786,569**	789,362
Equity					
Share capital	13	**491,827**	488,306	**491,827**	488,306
Reserves	14	**(232,276)**	(186,920)	**4,983**	603
RCULS – equity portion	15	**132,204**	135,109	**132,204**	135,109
Total equity attributable to owners of the Company		**391,755**	436,495	**629,014**	624,018
Liabilities					
Loans and borrowings	16	**209,140**	197,865	**–**	–
Lease liabilities		**1,655**	–	**–**	–
Deferred tax liabilities	8	**24,386**	40,882	**–**	–
RCULS – liability portion	15	**21,476**	28,772	**21,476**	28,772
Deferred income	17	**100,048**	107,234	**–**	–
Employee benefits	18(a)	**458**	410	**–**	–
Refundable deposit		**507**	507	**–**	–
Total non-current liabilities		**357,670**	375,670	**21,476**	28,772
Trade and other payables, including derivatives	19	**114,524**	148,935	**1,448**	1,854
Loans and borrowings	16	**435,968**	465,113	**127,952**	128,225
Lease liabilities		**706**	–	**–**	–
RCULS – liability portion	15	**6,679**	6,493	**6,679**	6,493
Deferred income	17	**7,187**	7,185	**–**	–
Total current liabilities		**565,064**	627,726	**136,079**	136,572
Total liabilities		**922,734**	1,003,396	**157,555**	165,344
Total equity and liabilities		**1,314,489**	1,439,891	**786,569**	789,362

The notes on pages 67 to 130 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND **OTHER COMPREHENSIVE INCOME**

for the year ended 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue	20	**585,390**	636,569	**3**	20
Cost of sales		**(480,344)**	(549,917)	**–**	–
Gross profit		**105,046**	86,652	**3**	20
Distribution expenses		**(108,452)**	(132,366)	**–**	–
Administrative expenses		**(28,009)**	(31,851)	**(2,111)**	(1,839)
Other operating expenses		**(14,295)**	(13,519)	**–**	–
Other operating income		**19,142**	11,753	**–**	–
Results from operations		**(26,568)**	(79,331)	**(2,108)**	(1,819)
Interest income		**1,448**	1,268	**15,327**	7,136
Finance costs		**(30,236)**	(35,008)	**(7,118)**	(5,431)
(Loss)/Profit before taxation	21	**(55,356)**	(113,071)	**6,101**	(114)
Taxation	22	**9,452**	14,927	**(1,757)**	(638)
(Loss)/Profit for the year		**(45,904)**	(98,144)	**4,344**	(752)
Other comprehensive income/ (expense), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		**62**	337	**–**	–
Cash flow hedge		**400**	(375)	**–**	–
Total other comprehensive income/ (expense) for the year	24	**462**	(38)	**–**	–
Total comprehensive (expense)/ income for the year attributable to owners of the Company		**(45,442)**	(98,182)	**4,344**	(752)
Basic/Diluted loss per ordinary share (sen)	23	**(9.28)**	(20.47)		

The notes on pages 67 to 130 are an integral part of these financial statements.

	/------ Attributable to owners of the Company ------/						
	/------ Non-distributable ------/						
Group	Share capital RM'000	RCULS - equity portion RM'000	Hedging reserve RM'000	Exchange fluctuation reserve RM'000	Executive share scheme reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 July 2018	479,094	–	–	21	–	(89,215)	389,900
Loss for the year	–	–	–	–	–	(98,144)	(98,144)
Other comprehensive income/(expense)							
- Foreign currency translation differences for foreign operations	–	–	–	337	–	–	337
- Cash flow hedge	–	–	(375)	–	–	–	(375)
Total comprehensive income/(expense) for the year	–	–	(375)	337	–	(98,144)	(98,182)
Contribution by and distribution to owners of the Company:							
- Issue of RCULS	–	142,735	–	–	–	–	142,735
- Conversion of RCULS	9,212	(7,626)	–	–	–	456	2,042
Total transactions with owners of the Company	9,212	135,109	–	–	–	456	144,777
At 30 June 2019/1 July 2019	488,306	135,109	(375)	358	–	(186,903)	436,495

Group *cont'd*	Share capital RM'000	RCULS - equity portion RM'000	Hedging reserve RM'000	Exchange fluctuation reserve RM'000	Executive share scheme reserve RM'000	Accumulated losses RM'000	Total equity RM'000
	/---- Attributable to owners of the Company ----						
	/---- Non-distributable ----						
At 30 June 2019/1 July 2019	488,306	135,109	(375)	358	-	(186,903)	436,495
Loss for the year	–	–	–	–	–	(45,904)	(45,904)
Other comprehensive income							
- Foreign currency translation differences for foreign operations	–	–	–	62	–	–	62
- Cash flow hedge	–	–	400	–	–	–	400
Total comprehensive income/(expense) for the year	–	–	400	62	–	(45,904)	(45,442)
Contribution by and distribution to owners of the Company:							
- Conversion of RCULS	3,521	(2,905)	–	–	–	36	652
- Share-based payments/transactions	–	–	–	–	50	–	50
Total transactions with owners of the Company	3,521	(2,905)	–	–	50	36	702
At 30 June 2020	**491,827**	**132,204**	**25**	**420**	**50**	**(232,771)**	**391,755**

	/--------- Attributable to owners of the Company ---------/			
	/---- Non-distributable ----/		Distributable	
Company	Share capital RM'000	RCULS - equity portion RM'000	Retained earnings RM'000	Total equity RM'000
At 1 July 2018	479,094	–	899	479,993
Loss and total comprehensive expense for the year	–	–	(752)	(752)
Contribution by and distribution to owners of the Company:				
- Issue of RCULS	–	142,735	–	142,735
- Conversion of RCULS	9,212	(7,626)	456	2,042
Total transactions with owners of the Company	9,212	135,109	456	144,777
At 30 June 2019/1 July 2019	488,306	135,109	603	624,018
Profit and total comprehensive income for the year	–	–	4,344	4,344
Contribution by and distribution to owners of the Company:				
- Conversion of RCULS	3,521	(2,905)	36	652
Total transactions with owners of the Company	3,521	(2,905)	36	652
At 30 June 2020	**491,827**	**132,204**	**4,983**	**629,014**

The notes on pages 67 to 130 are an integral part of these financial statements.

STATEMENTS OF **CASH FLOWS**

for the year ended 30 June 2020

	Note	Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
(Loss)/Profit before taxation		**(55,356)**	(113,071)	**6,101**	(114)
Adjustments for:					
Amortisation of deferred income		**(7,184)**	(7,189)	**–**	–
Depreciation of investment property		**255**	233	**–**	–
Depreciation of property, plant and equipment		**66,608**	67,403	**10**	6
Depreciation of right-of-use assets		**1,679**	–	**–**	–
Impairment of property, plant and equipment		**428**	341	**–**	–
Dividend income		**(753)**	(297)	**(3)**	(20)
Finance costs		**30,236**	35,008	**7,118**	5,431
Gain on disposal of property, plant and equipment		**(240)**	(511)	**–**	–
Interest income		**(1,448)**	(1,268)	**(15,327)**	(7,136)
Property, plant and equipment written off		**1,577**	1,054	**–**	–
Provision for retirement benefits		**62**	49	**–**	–
Share-based payments		**50**	–	**–**	–
Unrealised loss on foreign exchange		**445**	972	**–**	–
Operating profit/(loss) before changes in working capital		**36,359**	(17,276)	**(2,101)**	(1,833)
Inventories		**28,090**	11,714	**–**	–
Trade and other receivables		**8,088**	11,236	**470**	(509)
Trade and other payables		**(33,929)**	(18,897)	**(472)**	519
Cash generated from/(used in) operations		**38,608**	(13,223)	**(2,103)**	(1,823)
Tax (paid)/refunded		**(234)**	843	**(1)**	(64)
Interest income received		**1,448**	1,268	**15,327**	7,136
Finance costs paid		**(28,457)**	(34,887)	**(5,457)**	(5,269)
Dividend received					
- Other investments		**753**	297	**3**	20
Retirement benefits paid		**(14)**	(61)	**–**	–
Net cash generated from/(used in) operating activities		**12,104**	(45,763)	**7,769**	–
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		**420**	1,096	**–**	–
Acquisition of property, plant and equipment		**(7,586)**	(11,879)	**(31)**	(27)
Acquisition of right-of-use assets	(i)	**(3,266)**	–	**–**	–
Addition of investment in a subsidiary company		**–**	–	**(21,000)**	(150,000)
Net cash used in investing activities		**(10,432)**	(10,783)	**(21,031)**	(150,027)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from financing activities					
Drawdown of borrowings	(iii)	**803,259**	919,925	**130,587**	116,860
Repayment of borrowings	(iii)	**(821,747)**	(998,100)	**(130,860)**	(118,659)
Proceeds from issue of RCULS		**–**	171,464	**–**	171,464
RCULS coupon payment		**(8,053)**	–	**(8,053)**	–
Payment of lease liabilities	(ii)	**(672)**	–	**–**	–
Interest paid in relation to lease liabilities	(ii)	**(118)**	–	**–**	–
Net cash (used in)/generated from financing activities		**(27,331)**	93,289	**(8,326)**	169,665
Net (decrease)/increase in cash and cash equivalents		**(25,659)**	36,743	**(21,588)**	19,638
Effect of exchange rate fluctuations on cash held		**62**	337	**–**	–
Cash and cash equivalents at 1 July 2019/2018		**110,336**	73,256	**22,329**	2,691
Cash and cash equivalents at 30 June		**84,739**	110,336	**741**	22,329

(i) During the financial year, the Group acquired right-of-use assets amounting to RM4,168,000 of which RM902,000 was payable under lease liabilities.

(ii) Cash outflows for leases as a lessee

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Included in net cash from operating activities				
Payment relating to short-term leases	**6,347**	–	**–**	–
Payment relating to leases of low-value assets	**31**	–	**–**	–
Payment relating to variable lease payments not included in the measurement of lease liabilities	**15,991**	–	**–**	–
Included in net cash from financing activities				
Payment of lease liabilities	**672**	–	**–**	–
Interest paid in relation to lease liabilities	**118**	–	**–**	–
Total cash outflows for leases	**23,159**	–	**–**	–

(iii) Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	At 1 July 2018 RM'000	Drawdown RM'000	Repayment RM'000	Foreign exchange RM'000	At 30 June 2019 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1 July 2019 RM'000	Drawdown RM'000	Repayment RM'000	Foreign exchange RM'000	Acquisition of new lease RM'000	At 30 June 2020 RM'000
Term loans	461,294	112,860	(339,175)	1,231	236,210	–	236,210	196,427	(112,860)	618	–	**320,395**
Bankers acceptances	18,924	431,079	(426,517)	–	23,486	–	23,486	379,792	(387,560)	–	–	**15,718**
Revolving credits	259,704	275,986	(222,408)	–	313,282	–	313,282	227,040	(311,327)	–	–	**228,995**
Term revolving credit	–	100,000	(10,000)	–	90,000	–	90,000	–	(10,000)	–	–	**80,000**
Total loans and borrowings	739,922	919,925	(998,100)	1,231	662,978	–	662,978	803,259	(821,747)	618	–	**645,108**
Lease liabilities	–	–	–	–	–	2,131	2,131	–	(672)	–	902	**2,361**
Total liabilities from financing activities	739,922	919,925	(998,100)	1,231	662,978	2,131	665,109	803,259	(822,419)	618	902	**647,469**
Company												
Term loans	108,378	112,860	(108,378)	–	112,860	–	112,860	115,587	(112,860)	–	–	**115,587**
Revolving credits	21,646	4,000	(10,281)	–	15,365	–	15,365	15,000	(18,000)	–	–	**12,365**
Total loands and borrowings	130,024	116,860	(118,659)	–	128,225	–	128,225	130,587	(130,860)	–	–	**127,952**

The notes on pages 67 to 130 are an integral part of these financial statements.

1. CORPORATE INFORMATION

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

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

Principal place of business
Level 5, Wisma Hume, Block D,
15A, Jalan 51A/219,
46100 Petaling Jaya,
Selangor Darul Ehsan.

The immediate and ultimate holding companies of the Company 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 2020 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 2020 do not include other entities.

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

The financial statements were approved and authorised for issue by the Board of Directors on 1 September 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.1 Basis of preparation *cont'd*

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

(i) *Note 4 - Property, plant and equipment*

The management reviews for impairment indicators and decline in value of property, plant and equipment below its carrying amount. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of property, plant and equipment.

(ii) *Note 7 - Investment in subsidiaries*

Significant judgements are required when identifying impairment indicators. Where impairment indicators exist, judgements and assumptions are required to determine the recoverable amount of the investment in the subsidiaries.

(iii) *Note 8 - Deferred tax assets and Note 9 – Tax credit receivables*

The management reviews on the valuation of tax benefits recognised in the books. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of tax benefits.

(iv) *Note 11 - Trade and other receivables, including derivatives*

The management applied judgements to determine that financial instruments of the Group and the Company are recognised and measured in accordance to MFRS 9 as described in Note 2.2(c).

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

2.2 Summary of significant accounting policies

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

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 29.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(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.

(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 a 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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(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 end of the reporting period are retranslated to the functional currency at 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 which 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categories financial instruments as follows:

Financial assets

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

(a) Amortised cost

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

(b) Fair value through other comprehensive income

(i) Debt investments

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

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

Financial assets *cont'd*

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

(ii) Equity investments

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

(c) Fair value through profit or loss

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

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

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

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

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

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

(b) Amortised cost

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

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

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date in the current year.

Trade date accounting refers to:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

(iii) Regular way purchase or sale of financial assets *cont'd*

Settlement date accounting refers to:

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

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

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

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

(iv) Hedge accounting

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

(a) Fair value hedge

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

(iv) Hedge accounting *cont'd*

(b) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

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

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

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

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

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 transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) 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 expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated 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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

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

(i) Recognition and measurement *cont'd*

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. 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:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Leases *cont'd*

Current financial year *cont'd*

(ii) Recognition and initial measurement *cont'd*

(a) As a lessee *cont'd*

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Leases *cont'd*

Current financial year *cont'd*

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

Previous financial year

As a lessee

(i) Finance lease

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Leases *cont'd*

Previous financial year *cont'd*

As a lessee *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) Investment property

(i) Investment property carried at costs

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

(ii) Reclassification to/from investment property

Transfers between investment properties, owner occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

(g) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(h) Cash and cash equivalents

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

(i) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income.

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

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

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12-months expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(i) Impairment *cont'd*

(i) Financial assets *cont'd*

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

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

(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 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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(k) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Company comprise redeemable convertible unsecured loan stocks ("RCULS") that can be redeemed at the option of the Company and converted to share capital at the option of the holder. The number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially based on the discounted stream of coupon payments over the duration of RCULS, using the borrowing rate of the Company. The equity component is recognised initially as the difference between the proceeds raised of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profits or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(l) 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 or profit-saving plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

(ii) Defined benefit plans

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

(iii) Share-based payments

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

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

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

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

The ESS Trust 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 Trust are eliminated against the Company's dividend payment.

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(m) 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.

(n) Revenue and other income

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) 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.

(iii) 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.

(iv) Rental income

Rental income is recognised in profit or loss on accrual basis.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(o) 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.

(p) Taxation

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(p) Taxation *cont'd*

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

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

(q) Earnings per ordinary share

The Group presents earnings per share ("EPS") 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.

Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding, adjusted to assume full conversion of all dilutive potential ordinary shares, which consists of RCULS issued and ESS granted by the Company.

(r) 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.

(s) Contingent liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(t) 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 is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

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

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

Level 3: unobservable inputs for the asset or liability.

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

2.3 Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments 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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of* Material
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures –Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*

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 2022 *cont'd*

- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

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

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

- from the annual period beginning on 1 July 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020 and 1 June 2020, where applicable; and

- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, where applicable; and

- from the annual period beginning on 1 July 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, where applicable.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2023 as it is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

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 2020 %	Effective interest 2019 %	Principal activities
Subsidiaries				
Hume Cement Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of cement and cement related products.
Hume Concrete Sdn Bhd	Malaysia	**100**	100	Manufacture, marketing and sale of concrete and concrete related products and investment holding.
• Hume Concrete (EM) Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of concrete and concrete related products.
• Flynex Sdn Bhd	Malaysia	**–**	100	Dissolved.
• Hume Concrete Products Research Centre Sdn Bhd	Malaysia	**100**	100	Ceased operation.
• Forestmoon Pte Ltd	Singapore	**–**	100	Struck off.
Hume RMX Sdn Bhd	Malaysia	**100**	100	Dormant.
Hume RMC Sdn Bhd	Malaysia	**100**	100	Investment holding.
• Top Master Construction (Philippines), Inc.*	Philippines	**100**	100	Dormant.

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

4. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment, fittings, software, spare parts and motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost						
At 1 July 2018	50,391	92,477	1,207,978	41,579	175	1,392,600
Additions	–	11	3,441	7,725	702	11,879
Disposal	–	–	(15,837)	(708)	–	(16,545)
Written off	–	–	–	(2,448)	–	(2,448)
Reclassification	–	–	–	81	(81)	–
Transfer to investment property	(3,004)	(9,127)	–	–	–	(12,131)
At 30 June 2019, *as previously reported*	47,387	83,361	1,195,582	46,229	796	1,373,355
Adjustment on initial application of MFRS 16	(47,387)	–	–	–	–	(47,387)
At 1 July 2019, *as restated*	–	83,361	1,195,582	46,229	796	1,325,968
Additions	–	–	1,885	4,331	1,370	7,586
Disposal	–	–	(3,501)	(555)	–	(4,056)
Written off	–	–	(52)	(4,103)	–	(4,155)
Reclassification	–	–	224	143	(367)	–
Transfer to inventories	–	–	–	(3,320)	–	(3,320)
At 30 June 2020	**–**	**83,361**	**1,194,138**	**42,725**	**1,799**	**1,322,023**

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

Group *cont'd*	**Leasehold land RM'000**	**Buildings RM'000**	**Plant and machinery RM'000**	**Office equipment, fittings, software, spare parts and motor vehicles RM'000**	**Capital work-in-progress RM'000**	**Total RM'000**
At 1 July 2018						
Accumulated depreciation	11,407	34,285	259,036	22,888	–	327,616
Accumulated impairment	–	44	118	30	–	192
	11,407	34,329	259,154	22,918	–	327,808
Charge for the year	935	2,275	58,001	6,192	–	67,403
Impairment for the year	–	341	–	–	–	341
Disposal	–	–	(15,317)	(643)	–	(15,960)
Written off	–	–	–	(1,394)	–	(1,394)
Transfer to investment property	(1,163)	(3,783)	–	–	–	(4,946)
At 30 June 2019, *as previously stated*						
Accumulated depreciation	11,179	32,777	301,720	27,043	–	372,719
Accumulated impairment	–	385	118	30	–	533
	11,179	33,162	301,838	27,073	–	373,252
Adjustment on initial application of MFRS 16	(11,179)	–	–	–	–	(11,179)
At 1 July 2019, *as restated*						
Accumulated depreciation	–	32,777	301,720	27,043	–	361,540
Accumulated impairment	–	385	118	30	–	533
	–	33,162	301,838	27,073	–	362,073
Charge for the year	–	1,939	58,022	6,647	–	66,608
Impairment for the year	–	428	–	–	–	428
Disposal	–	–	(3,501)	(375)	–	(3,876)
Written off	–	–	(52)	(2,526)	–	(2,578)
At 30 June 2020						
Accumulated depreciation	**–**	**34,716**	**356,189**	**30,789**	**–**	**421,694**
Accumulated impairment	**–**	**813**	**118**	**30**	**–**	**961**
	–	**35,529**	**356,307**	**30,819**	**–**	**422,655**
Carrying amounts						
At 1 July 2018	38,984	58,148	948,824	18,661	175	1,064,792
At 30 June 2019/1 July 2019	36,208	50,199	893,744	19,156	796	1,000,103
At 30 June 2020	**–**	**47,832**	**837,831**	**11,906**	**1,799**	**899,368**

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

Company	Office equipment RM'000
Cost	
At 1 July 2018	11
Additions	27
At 30 June 2019/1 July 2019	38
Additions	31
At 30 June 2020	**69**
Accumulated depreciation	
At 1 July 2018	6
Charge for the year	6
At 30 June 2019/1 July 2019	12
Charge for the year	10
At 30 June 2020	**22**
Carrying amounts	
At 1 July 2018	5
At 30 June 2019/1 July 2019	26
At 30 June 2020	**47**

4.1 Impairment testing of property, plant and equipment

In the current financial year, the Group has evaluated whether the property, plant and equipment i.e. cement and concrete plant used in the operations are stated in excess of their estimated recoverable amounts. The Group has applied the value-in-use approach on the basis that both plants will continue to be in use up to the expected useful lives of the respective plants. The value-in-use has been calculated by forecasting and discounting future cash flows to be generated by the respective plants based on the following key assumptions:

Cement

(a) The management has projected cash flows for 5 years (2019: 5 years) and extended the cash flows projection for a further 20 years (2019: 15 years) by applying a prudent no growth rate during the extended years;

(b) The annual growth rate for selling prices and sales volume used in the cash flows projection ranging from 1% to 8% (2019: 2% to 13%) and 3% to 28% (2019: 0% to 5%) respectively, taking into consideration past business performance and management's expectation on the current and future market conditions; and

(c) The pre-tax discount rate used is 7.5% (2019: 7.9%).

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

4.1 Impairment testing of property, plant and equipment *cont'd*

Concrete

(a) The management has projected cash flows for 5 years (2019: 5 years) and extended the cash flows projections for a further 2 years (2019: 2 years) by applying a growth rate (2019: prudent no growth rate) during the extended years;

(b) The annual growth rate for selling prices and sales volume used in the cash flows projection ranging from 1% to 7% (2019: 0% to 8%) and 2% to 18% (2019: 8% to 35%) respectively, taking into consideration past business performance and management's expectation on the current and future market conditions; and

(c) The pre-tax discount rate is 7.5% (2019: 7.76%).

4.2 Impairment sensitivity analysis

This analysis is based on the selling price and sales volume variances that the Group considered to be reasonably possible at the end of the reporting period.

The value-in-use estimate is particularly sensitive in the following areas:

Cement

- A 1% reduction in selling price and sales volume would have decreased recoverable value by RM85.0 million each.

Concrete

- A 1% reduction in selling price and sales volume would have decreased recoverable value by RM3.7 million and RM0.95 million respectively.

5. RIGHT-OF-USE ASSETS

	Leasehold land RM'000	Office premises RM'000	Total RM'000
Group			
At 1 July 2019	36,208	2,131	38,339
Addition	3,266	902	4,168
Depreciation	(1,010)	(669)	(1,679)
At 30 June 2020	**38,464**	**2,364**	**40,828**

The Group leases a number of land and office premises that run between 1 – 99 years, with an option to renew the lease after that date.

5. RIGHT-OF-USE ASSETS *cont'd*

5.1 Extension options

Some leases of office premises contain extension options exercisable by the Group up to three years before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Group	Lease liabilities recognised (discounted)	Potential future lease payments not included in lease liabilities (discounted)	Historical rate of exercise of extension options %
Office premises	2,361	–	100%

5.2 Variable lease payments based on production

The quarry related machineries contain variable lease payments that are based on production that the Group makes. Fixed and variable payments for the period ended 30 June 2020 were as follows:

Group	Fixed payments RM'000	Variable payments RM'000	Total payments RM'000	Estimated annual impact on lease payments of a 1% increase in production RM'000
Leases with lease payments based on production	–	15,991	15,991	159

The Group expects the relative proportions of fixed and variable lease payments to remain broadly consistent in future years.

5.3 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5.4 Restriction imposed by lease contracts

The lease contracts for buildings restrict the Group's ability to sublease the leased assets in the respective contracts.

6. INVESTMENT PROPERTY

	Note	Group RM'000
Cost		
At 1 July 2018		–
Transfer from property, plant and equipment	4	12,131
At 30 June 2019/1 July 2019/30 June 2020		**12,131**
Accumulated depreciation		
At 1 July 2018		–
Transfer from property, plant and equipment	4	4,946
Charge for the year		233
At 30 June 2019/1 July 2019		5,179
Charge for the year		255
At 30 June 2020		**5,434**
Carrying amounts		
At 1 July 2018		–
At 30 June 2019/1 July 2019		6,952
At 30 June 2020		**6,697**

Investment property comprises a commercial property that is leased to third party. The leases contains an initial non-cancellable period of 3 years. Subsequent renewals are negotiated with the lessee and on average renewal periods are 3 years. No contingent rents are charged.

The following are recognised in profit or loss in respect of investment property:

	Group	
	2020 RM'000	2019 RM'000
Lease income	**2,030**	1,799
Direct operating expenses:		
- income generating investment property	**532**	380

6. INVESTMENT PROPERTY *cont'd*

6.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

	Group 2020 RM'000
Less than one year	**2,030**
One to two years	**2,291**
Two to three years	**2,314**
Three to four years	**2,314**
Four to five years	**2,798**
More than five years	**5,921**
Total undiscounted lease payments	**17,668**

	2019 RM'000
Less than one year	2,030
One to five years	8,949
More than five years	8,719
Total undiscounted lease payments	19,698

6.2 Fair value information

Fair value of investment property is categorised as Level 3 as follows:

	2020 RM'000	2019 RM'000
Land and building	**51,490**	54,160

Level 3 fair value of the land and building has been determined by Directors' valuation by reference to past sale transactions. The significant unobservable input included in the Directors' valuation is price per square feet of comparable properties. The estimated fair value would increase/(decrease) if the price per square feet is higher/(lower).

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020	**2019**
	RM'000	**RM'000**
At cost		
Unquoted shares	**504,910**	504,910
Redeemable Convertible Unsecured Loan Stock	**306,000**	285,000
Less: Accumulated impairment loss	**(31,996)**	(31,996)
	778,914	757,914

Impairment losses are recognised based on the excess of carrying amount over recoverable amount, which is determined based on either the fair value of the net assets of the subsidiaries 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 subsidiaries and their principal activities are disclosed in Note 3 to the financial statements.

8. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	**–**	–	**(162,519)**	(159,720)	**(162,519)**	(159,720)
Right-of-use assets	**–**	–	**(568)**	–	**(568)**	–
Lease liabilities	**567**	–	**–**	–	**567**	–
Unabsorbed capital allowances	**129,440**	108,878	**–**	–	**129,440**	108,878
Other deductible temporary differences	**6,374**	9,863	**–**	–	**6,374**	9,863
Tax losses carry-forwards	**6,679**	11,198	**–**	–	**6,679**	11,198
RCULS	**6,799**	8,508	**–**	–	**6,799**	8,508
Other items	**4,873**	11,529	**–**	(11,583)	**4,873**	(54)
Tax assets/(liabilities)	**154,732**	149,976	**(163,087)**	(171,303)	**(8,355)**	(21,327)
Set off of tax	**(138,701)**	(130,421)	**138,701**	130,421	**–**	–
Net tax assets/(liabilities)	**16,031**	19,555	**(24,386)**	(40,882)	**(8,355)**	(21,327)

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

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

Group	2020 RM'000	2019 RM'000
Tax losses carry-forwards	**101,376**	67,774
Unutilised reinvestment allowances	**3,840**	3,840
Other deductible temporary differences	**3,015**	15,997
	108,231	87,611

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the subsidiary companies can utilise the benefits.

Tax losses can be carried forward for seven consecutive years of assessment under current tax legislation. The unutilised tax losses amounting to RM65,447,000 will expire in year of assessment ("YA") 2025 while remaining of RM35,929,000 will expire in YA2026. Unutilised reinvestment allowance can be carried forward for seven years after the qualifying period of fifteen years under current tax legislation.

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

Movement in temporary differences during the year

	At 1.7.2018	Recognised in equity portion (Note 15)	Recognised in profit or loss (Note 22)	At 30.06.2019	Adjustment on initial application of MFRS 16	At 1.7.2019	Recognised in profit or loss (Note 22)	At 30.06.2020
Group								
Property, plant and equipment	(153,427)	–	(6,293)	(159,720)	–	(159,720)	(2,799)	**(162,519)**
Right-of-use assets	–	–	–	–	(512)	(512)	(56)	**(568)**
Lease liabilities	–	–	–	–	512	512	55	**567**
Unabsorbed capital allowances	87,916	–	20,962	108,878	–	108,878	20,562	**129,440**
Other deductible temporary differences	12,335	–	(2,472)	9,863	–	9,863	(3,489)	**6,374**
Tax losses carry forward	13,994	–	(2,796)	11,198	–	11,198	(4,519)	**6,679**
RCULS	–	9,142	(634)	8,508	–	8,508	(1,709)	**6,799**
Other items	(4,251)	–	4,197	(54)	–	(54)	4,927	**4,873**
	(43,433)	9,142	12,964	(21,327)	–	(21,327)	12,972	**(8,355)**

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

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

Company	**2020 RM'000**	**2019 RM'000**
At 1 July	**8,508**	–
RCULS	**(1,709)**	8,508
At 30 June	**6,799**	8,508

Movement in temporary differences during the year

	At 1.7.2018	**Recognised in equity portion (Note 15)**	**Recognised in profit or loss (Note 22)**	**At 30.06.2019 /1.7.2019**	**Recognised in profit or loss (Note 22)**	**At 30.06.2020**
Company						
RCULS	–	9,142	(634)	8,508	(1,709)	**6,799**

8.1 Assessment of future taxable profits

Hume Concrete Sdn. Bhd. has recognised RM6.7 million (2019: RM11.2 million) of tax losses carry forward. The Group considered that it is probable that future taxable profits will be available against which the tax benefit can be utilised. The management has applied the key assumptions as stated in Note 4.1 in arriving at the projected future taxable profits. Following the assessment, the subsidiary has reversed RM4.5 million (2019: RM2.8 million) of deferred tax assets on tax losses carry forward.

The estimation of future taxable profits requires management to make judgements, estimates and assumptions about future events that are inherently uncertain. Accordingly, the deferred tax assets recognised are subject to estimation uncertainty and may be adjusted in subsequent periods as a result of changes in the accounting estimates.

9. TAX CREDIT RECEIVABLES

Group	2020 RM'000	2019 RM'000
Unutilised investment tax allowance	**69,217**	69,217
Unutilised reinvestment allowance	**75,864**	75,864
	145,081	145,081

The Group considered that it is probable that future taxable profits will be available against which the tax benefit can be utilised. The management has applied the key assumptions as stated in Note 4.1 in arriving at the projected future taxable profits.

The estimation of future taxable profits requires management to make judgements, estimates and assumptions about future events that are inherently uncertain. Accordingly, the tax credit receivables recognised are subject to estimation uncertainty and may be adjusted in subsequent periods as a result of changes in the accounting estimates.

In accordance with current tax legislation, the unused reinvestment allowances will expire in YA 2038, 7 years after the qualifying period of 15 years. Investment tax allowances do not expire under current tax legislation.

In view of the substantial period before reinvestment allowances expires in YA 2038, the Group considered that it is probable that future taxable profits will be available against which the tax benefit can be utilised.

10. INVENTORIES

	Group	
	2020 RM'000	**2019 RM'000**
Raw materials, consumables and engineering spares	**48,953**	55,794
Work-in-progress	**27**	56
Finished goods	**15,235**	33,135
	64,215	88,985

Recognised in profit or loss:

Inventories recognised as cost of goods sold	**324,617**	388,365
Inventories written down	**–**	633
	324,617	388,998

11. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Trade					
Trade receivables from contracts with customers					
- Third parties		**47,326**	47,529	**–**	–
- Related companies	11.1	**3,757**	6,666	**–**	–
		51,083	54,195	**–**	–
Less: Allowance for impairment losses		**(1,400)**	(931)	**–**	–
		49,683	53,264	**–**	–
Non-trade					
Amount due from related companies	11.1	**100**	–	**–**	–
Other receivables		**2,402**	5,810	**30**	511
Deposits		**1,192**	1,207	**2**	2
Prepayments		**3,470**	4,654	**23**	12
Derivative used for hedging					
- forward exchange contract		**25**	–	**–**	–
		7,189	11,671	**55**	525
		56,872	64,935	**55**	525

Note 11.1
The trade amounts due from related companies are subject to the normal trade terms.

12. CASH AND CASH EQUIVALENTS

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Deposits with licensed banks	**40,708**	88,372	**–**	22,225
Cash and bank balances	**44,031**	21,964	**741**	104
	84,739	110,336	**741**	22,329

12. CASH AND CASH EQUIVALENTS *cont'd*

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

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Deposits with licensed banks	**40,708**	88,372	**–**	22,225
Cash and bank balances	**34,131**	20,702	**741**	104
	74,839	109,074	**741**	22,329

13. SHARE CAPITAL

	Group and Company			
	Number of shares 2020 '000	**Amount 2020 RM'000**	**Number of shares 2019 '000**	**Amount 2019 RM'000**
Issued ordinary shares:				
At 1 July	**492,255**	**488,306**	479,094	479,094
Conversion of RCULS	**5,030**	**3,521**	13,161	9,212
At 30 June	**497,285**	**491,827**	492,255	488,306

During the financial year, the issued share capital of the Company has been increased from 492,254,775 ordinary shares to 497,284,881 ordinary shares by the issuance and allotment of 5,030,106 new ordinary shares arising from the conversion of RM3,521,078 nominal value of RCULS at the conversion price of RM0.70 for every 1 new ordinary share in the Company.

14. RESERVES

		Group		Company	
	Note	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Exchange fluctuation reserve	14.1	**420**	358	**–**	–
Executive share scheme reserve	14.2	**50**	–	**–**	
Hedging reserve	14.3	**25**	(375)	**–**	–
(Accumulated losses)/ Retained earnings		**(232,771)**	(186,903)	**4,983**	603
		(232,276)	(186,920)	**4,983**	603

Note 14.1
The exchange fluctuation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Note 14.2
Executive share scheme reserve represents the corresponding share-based payments expense related to the Group's Executive Share Scheme as stated in Note 2.2(l)(iii).

14. RESERVES *cont'd*

Note 14.3
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged translations that have not yet occurred.

15. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

	Group and Company	
	2020	**2019**
	RM'000	**RM'000**
RCULS – Equity portion	**132,204**	135,109
RCULS – Liability portion:		
- Non-current	**21,476**	28,772
- Current	**6,679**	6,493
	28,155	35,265
	160,359	170,374

The Company had on 30 May 2019 issued and allotted RM172,473,768 nominal value of 5-year 5% RCULS at 100% of its nominal value of RM1.00. The RCULS were officially listed on Bursa Malaysia Securities Berhad on 3 June 2019.

The RCULS are constituted by a Trust Deed dated 16 April 2019.

The RCULS have a maturity date of 29 May 2024 ("Maturity Date"). The coupon rate of the RCULS is 5% per annum calculated on the nominal value of the RCULS then outstanding and payable semi-annually in arrears each year. The RCULS holders have the right to convert all or any part of the RCULS held by them into ordinary shares of HIB ("HIB Shares") at any time on any market day after the Issue Date and up to the Maturity Date. All the outstanding RCULS which have not been earlier converted or redeemed on the Maturity Date will be automatically converted into new HIB Shares on the Maturity Date. The conversion price has been fixed at RM0.70 per HIB Share to be satisfied by surrendering the equivalent nominal value of RCULS for cancellation by the Company. The new HIB Shares to be issued upon conversion of the RCULS will, upon allotment and issue, rank equally in all respects with the existing HIB Shares, except that they will not be entitled to any dividends, rights, allotments and any other distributions in respect of which the entitlement date is before the date of allotment of the new HIB Shares.

Subject to the Company giving irrevocable notice to the RCULS holders of at least 30 days before the Maturity Date, the Company has the option to redeem the outstanding RCULS (if not earlier converted) in cash at 100% of its nominal value, in whole or in part, on the Maturity Date.

During the financial year, RM3,521,078 (2019: RM9,212,690) nominal value of RCULS were converted into 5,030,106 new HIB shares. At the end of the reporting period, RM159,740,000 (2019: RM163,261,078) nominal value of RCULS remained unconverted.

15. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS *cont'd*

	Group and Company	
	2020	**2019**
	RM'000	**RM'000**
RCULS – Equity portion		
At 1 July	**135,109**	–
Proceeds from the issuance of RM172,473,768 nominal value of RCULS	**–**	134,382
Transaction costs	**–**	(789)
Net proceeds	**135,109**	133,593
Deferred tax asset in relation to RCULS – Liability portion recognised in equity	**–**	9,142
Conversion of RCULS to share capital	**(2,905)**	(7,626)
At 30 June	**132,204**	135,109
RCULS – Liability portion		
At 1 July	**35,265**	–
Proceeds from the issuance of RM172,473,768 nominal value of RCULS	**–**	38,092
Transaction costs	**–**	(221)
Net proceeds	**35,265**	37,871
Coupon payment	**(8,053)**	–
Interest accreted	**1,661**	121
Movement in accrued coupon payment	**(33)**	(725)
Conversion of RCULS to share capital	**(685)**	(2,002)
At 30 June	**28,155**	35,265

16. LOANS AND BORROWINGS

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current (Unsecured)				
Term loans	**149,140**	117,865	**–**	–
Term revolving credit	**60,000**	80,000	**–**	–
	209,140	197,865	**–**	–
Current (Unsecured)				
Term loans	**171,255**	118,345	**115,587**	112,860
Bankers acceptances	**15,718**	23,486	**–**	–
Revolving credits	**228,995**	313,282	**12,365**	15,365
Term revolving credit	**20,000**	10,000	–	–
	435,968	465,113	**127,952**	128,225
	645,108	662,978	**127,952**	128,225

17. DEFERRED INCOME

	Group 2020 RM'000	Group 2019 RM'000
Non-current		
Investment tax allowance	**41,069**	44,492
Reinvestment allowance	**58,979**	62,742
	100,048	107,234
Current		
Investment tax allowance	**3,422**	3,421
Reinvestment allowance	**3,765**	3,764
	7,187	7,185
	107,235	114,419

The tax benefits arising from investment tax allowance and reinvestment allowance are being amortised over the estimated useful lives of the underlying plant and equipment for which investment tax allowance and reinvestment allowance were claimed. During the financial year, a total of RM7,184,000 (2019: RM7,189,000) has been amortised and recognised as other operating income in profit or loss of the Group.

18. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group 2020 RM'000	Group 2019 RM'000
At 1 July	**410**	422
Provision	**62**	83
Payments	**(14)**	(61)
Reversal of provision	**–**	(34)
At 30 June	**458**	410

(b) 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 total number of issued ordinary shares of the Company for the benefit of eligible executives. The ESS will be in force for a period of 10 years from the Effective Date.

18. EMPLOYEE BENEFITS *cont'd*

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

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

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

2. The aggregate number of shares comprised in:

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

   shall not exceed 10% of the total number of issued ordinary shares (excluding treasury shares) of the Company at any one time ("Maximum Aggregate").

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

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

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

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

ESGS

During the financial year ended 30 June 2020 and since the commencement of the ESS, the Group granted 200,000 ordinary shares in Hume Industries Berhad ("HIB") ["HIB Shares"] free of consideration, to a director/chief executive of the Group. None of the HIB Shares had been vested. The actual percentage of total HIB Shares granted to a director/senior management of the Group was 0.04% based on the total number of issued shares of the Company as at 30 June 2020.

The aggregate allocation of HIB Shares to directors and senior management of the Group pursuant to the ESS is at the discretion of the Board provided that such allocation does not exceed the Maximum Aggregate.

18. EMPLOYEE BENEFITS *cont'd*

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

ESGS *cont'd*

	Group 2020 RM'000	Group 2019 RM'000
(i) Value of employee services received for HIB Shares grant		
HIB Shares Grant	**(50)**	–

	Group 2020	Group 2019
(ii) HIB Shares grant – Weighted average fair value and assumptions		
Fair value at grant date	**RM1.26**	–

19. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Trade					
Trade payables					
- Third parties		**85,467**	123,279	**–**	–
- Related companies	19.1	**423**	975	**–**	–
		85,890	124,254	**–**	–
Non-trade					
Amount due to related companies	19.2	**23**	153	**–**	–
Other payables		**3,097**	2,860	**–**	–
Accrued expenses		**25,514**	21,293	**1,448**	1,854
Derivative used for hedging					
- forward exchange contract	19.3	**–**	375	**–**	–
		28,634	24,681	**1,448**	1,854
		114,524	148,935	**1,448**	1,854

Note 19.1
The trade amounts due to related companies are subject to the normal trade terms.

Note 19.2
The non-trade amounts due to related companies are unsecured, interest free and repayable on demand.

Note 19.3
The total notional value of the forward exchange contracts as at 30 June 2019 was RM56,534,000 (USD13,586,000).

20. REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customers	**583,357**	634,750	**–**	–
Other revenue				
- Rental income	**2,030**	1,799	**–**	–
- Dividend income	**3**	20	**3**	20
Total revenue	**585,390**	636,569	**3**	20

20.1 Disaggregation of revenue

	Construction materials		Non-reportable segments		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Major products						
Cement	**533,073**	558,857	**–**	–	**533,073**	558,857
Concrete	**50,284**	75,566	**–**	–	**50,284**	75,566
Interior design fit out works	**–**	–	**–**	327	**–**	327
	583,357	634,423	**–**	327	**583,357**	634,750
Timing and recognition						
At a point in time	**583,357**	634,423	**–**	–	**583,357**	634,423
Over time	**–**	–	**–**	327	**–**	327
	583,357	634,423	**–**	327	**583,357**	634,750

20.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognised revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds
Cement	Revenue is recognised at a point in time when the control is transferred to customer based on respective sales terms	Credit period of 30 - 90 days from invoice date	Prompt payment discount and volume incentive	Returns allowed only for damaged goods
Concrete	Revenue is recognised at a point in time when the control is transferred to customer based on respective sales terms	Credit period of 30 - 90 days from invoice date	Prompt payment discount and volume incentive	Not applicable
Interior design fit out works	Revenue is recognised over time when the services are rendered	Credit period of 30 - 90 days from invoice date	Not applicable	Not applicable

20. REVENUE *cont'd*

20.3 Transaction price allocated to the remaining performance obligations

As at the reporting date, the Group applies practical expedient that exempts the disclosure of information on remaining performance obligation that have expected durations of one year or less. Thus, no disclosure is made on allocation of transaction price to the remaining performance obligations.

21. (LOSS)/PROFIT BEFORE TAXATION

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Other than those disclosed elsewhere in the financial statements, loss before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
Audit fees:				
Statutory audit				
- Holding company's auditors	**224**	232	**40**	38
Other services				
- Holding company's auditors	**3**	133	**3**	130
Material (income)/expenses				
Dividend income				
- Other investments	**(753)**	(297)	**(3)**	(20)
Gain on disposal of property, plant and equipment	**(240)**	(511)	**–**	–
(Gain)/Loss on foreign exchange				
- Realised	**(1,061)**	112	**–**	–
- Unrealised	**445**	972	**–**	–
Personnel expenses (including Directors of the Company):				
- Wages, salaries and others	**46,105**	51,842	**–**	–
- Contribution to Employees Provident Fund	**3,623**	3,585	**–**	–
- Share-based payment	**50**	–	**–**	–
Property, plant and equipment				
- Written off	**1,577**	1,054	**–**	–
- Impairment loss	**428**	341	**–**	–
Expenses arising from leases				
Expenses relating to short-term leases	**6,347**	–	**–**	–
Expenses relating to leases of low-value assets	**31**	–	**–**	–
Expenses relating to variable lease payments not included in the measurement of lease liabilities	**15,991**	–	**–**	–
Rental expense in respect of:				
- Premises	**–**	1,032	**–**	–
- Equipment	**–**	1,172	**–**	–

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net impairment loss/(reversal of impairement) of financial instruments				
Impairment loss/(Reversal of impairment) on:				
- Trade receivables (net)	**469**	(1,164)	**–**	–

22. TAXATION

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current taxation				
Malaysian				
- Current year	**3,506**	(1,920)	**–**	1
- Prior years	**14**	(43)	**48**	3
	3,520	(1,963)	**48**	4
Deferred taxation				
- Current year	**(12,855)**	(13,368)	**1,691**	634
- Prior years	**(117)**	404	**18**	–
	(12,972)	(12,964)	**1,709**	634
	(9,452)	(14,927)	**1,757**	638

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(Loss)/Profit before taxation	**(55,356)**	(113,071)	**6,101**	(114)
Taxation at Malaysian statutory tax rate of 24%	**(13,285)**	(27,137)	**1,464**	(27)
Non-deductible expenses	**1,070**	893	**103**	185
Non-taxable income	**(2,247)**	(2,817)	**(1)**	(5)
Deferred tax assets not recognised	**4,949**	13,291	**–**	–
Effect of early conversion of RCULS	**164**	482	**125**	482
	(9,349)	(15,288)	**1,691**	635
(Over)/Under provision in prior years	**(103)**	361	**66**	3
	(9,452)	(14,927)	**1,757**	638

23. LOSS PER ORDINARY SHARE

Basic loss per ordinary share

The basic loss per ordinary share is calculated by dividing the Group's loss for the year attributable to owners of the Company of RM45,904,000 (2019: RM98,114,000) by the weighted average number of ordinary shares outstanding during the financial year of 494,727,200 (2019: 479,550,580) as follows:

Weighted average number of ordinary shares:

	2020 '000	2019 '000
Number of ordinary shares at 1 July	**492,255**	479,094
Effect of conversion of RCULS	**2,472**	457
Weighted average number of ordinary shares	**494,727**	479,551
Basic loss per ordinary share (sen)	**(9.28)**	(20.47)

Diluted loss per ordinary share

The Company has issued 172,473,768 RCULS during the previous financial year. As at the end of the reporting period, 12,733,768 (2019: 9,212,690) RCULS have been converted into ordinary shares and there was 159,740,000 (2019: 163,261,078) of RCULS in issue which are convertible into 228,200,000 (2019: 233,230,122) new ordinary shares of the Company.

The potential ordinary shares of 159,740,000 (2019: 163,261,078) RCULS and 200,000 (2019: Nil) ESGS are anti-dilutive.

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

	Before tax RM'000	Tax benefit RM'000	Net of tax RM'000
2020			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	**62**	**–**	**62**
Cash flow hedge	**400**	**–**	**400**
	462	**–**	**462**
2019			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	337	–	337
Cash flow hedge	(375)	–	(375)
	(38)	–	(38)

25. OPERATING SEGMENTS

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

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

Segment profit

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

Segment assets

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

Segment liabilities

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

	Construction materials	
	2020	**2019**
	RM'000	**RM'000**
Reportable segment loss	**(25,953)**	(77,176)
Included in the measure of segment profit are:		
Revenue from external customers	**583,357**	634,423
Depreciation	**(68,277)**	(67,376)

Reconciliation of reportable segment loss

	2020	**2019**
	RM'000	**RM'000**
Loss		
Reportable segment	**(25,953)**	(77,176)
Non-reportable segment	**(615)**	(2,155)
Interest income	**1,448**	1,268
Finance costs	**(30,236)**	(35,008)
Consolidated loss before taxation	**(55,356)**	(113,071)

25. OPERATING SEGMENTS *cont'd*

	2020 External revenue RM'000	2020 Depreciation RM'000	2019 External revenue RM'000	2019 Depreciation RM'000
Reportable segments	**583,357**	**68,277**	634,423	67,376
Non-reportable segments	**2,033**	**265**	2,146	260
Total	**585,390**	**68,542**	636,569	67,636

Geographical information

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

	Revenue 2020 RM'000	Revenue 2019 RM'000
Malaysia	**568,405**	627,466
Others	**16,985**	9,103
	585,390	636,569

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

Major customer

During the financial year, there was no revenue from any customer that contributed to more than 10% of the Group's revenue.

26. RELATED PARTIES

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

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

ii. Tasek Corporation Berhad ("Tasek") is a person connected with Mr Kwek Leng Kee and Mr Kwek Leng Beng, both major shareholders of the Company; and

iii. Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") is a person connected with Mr Kwek Leng Kee and Mr Kwek Leng Beng, both major shareholders of the Company.

26. RELATED PARTIES *cont'd*

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

Significant transactions with related parties are as follows:

Transaction		Related party	Group 2020 RM'000	Group 2019 RM'000
a)	Rental of office	Subsidiary and associated companies of HLCM	**770**	1,008
b)	Receipt of security guard services	Subsidiary and associated companies of HLCM	**335**	314
c)	Receipt of group management and/or support services	Subsidiaries of HLCM	**3,592**	3,678
d)	Payment for usage of the Hong Leong logo and trademark	A subsidiary company of HLCM	**14**	21
e)	Purchase of goods	Subsidiaries of HLCM	**5,151**	9,328
		Hong Bee Hardware	**852**	1,655
		Tasek	**2,047**	–
f)	Received of logistics related services	Subsidiaries of HLCM	**13**	–
g)	Sale of goods	Subsidiaries of HLCM	**32,595**	49,077
		Hong Bee Hardware	**22,470**	21,938
		Tasek	**2,437**	1,270

Significant balances with related parties at the reporting date are disclosed in Note 11 and Note 19 to the financial statements.

The above transactions were based on terms which have been established on negotiated basis consistent with the usual business practices and policies of the Group and of the Company.

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

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

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Executive Directors				
Remuneration and other benefits	**2,056**	1,098	**–**	–
Non-Executive Directors				
Fees	**382**	462	**382**	462

26. RELATED PARTIES *cont'd*

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

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors	**24**	21	**–**	–

27. FINANCIAL INSTRUMENTS

27.1 Categories of financial instruments

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

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

	Carrying amount RM'000	**FAAC/ FLAC RM'000**	**Derivative used for hedging RM'000**
2020			
Group			
Financial assets			
Trade and other receivables, including derivatives (excluding prepayments)	**53,402**	**53,377**	**25**
Cash and cash equivalents	**84,739**	**84,739**	**–**
	138,141	**138,116**	**25**
Financial liabilities			
RCULS – Liability portion	**28,155**	**28,155**	**–**
Loans and borrowings	**645,108**	**645,108**	**–**
Refundable deposit	**507**	**507**	**–**
Trade and other payables, including derivatives	**114,524**	**114,524**	**–**
	788,294	**788,294**	**–**

27. FINANCIAL INSTRUMENTS *cont'd*

27.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	FAAC/ FLAC RM'000	Derivative used for hedging RM'000
2020			
Company			
Financial assets			
Trade and other receivables (excluding prepayments)	**32**	**32**	**–**
Cash and cash equivalents	**741**	**741**	**–**
	773	**773**	**–**
Financial liabilities			
RCULS – Liability portion	**28,155**	**28,155**	**–**
Loans and borrowings	**127,952**	**127,952**	**–**
Trade and other payables	**1,448**	**1,448**	**–**
	157,555	**157,555**	**–**
2019			
Group			
Financial assets			
Trade and other receivables, including derivatives (excluding prepayments)	60,281	60,281	–
Cash and cash equivalents	110,336	110,336	–
	170,617	170,617	–
Financial liabilities			
RCULS – Liability portion	35,265	35,265	–
Loans and borrowings	662,978	662,978	–
Refundable deposit	507	507	–
Trade and other payables, including derivatives	148,935	148,560	375
	847,685	847,310	375
Company			
Financial assets			
Trade and other receivables (excluding prepayments)	513	513	–
Cash and cash equivalents	22,329	22,329	–
	22,842	22,842	–
Financial liabilities			
RCULS – Liability portion	35,265	35,265	–
Loans and borrowings	128,225	128,225	–
Trade and other payables	1,854	1,854	–
	165,344	165,344	–

27. FINANCIAL INSTRUMENTS *cont'd*

27.2 Net gains and losses arising from financial instrument

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Net gains/(losses) on:				
Fair value through profit or loss	**–**	(188)	**–**	–
Financial assets measured at amortised cost	**2,771**	501	**15,330**	403
Financial liabilities measured at amortised cost	**(30,680)**	(35,980)	**(7,118)**	(5,431)
Derivative used for hedging	**400**	(375)	**–**	–
	(27,509)	(36,042)	**8,212**	(5,028)

27.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, short term deposit and bank balances and outstanding forward exchange contracts.

Receivables

Risk management objectives, policies and processes for managing the risk

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

As at the end of the reporting period, there were no significant concentrations of credit risk other than two customers which represented 12% (2019: one customer – 9%) 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 is no exposure of credit risk for trade receivables, net of allowance for impairment losses, as at the end of the reporting period by geographic region.

27. FINANCIAL INSTRUMENTS *cont'd*

27.4 Credit risk *cont'd*

Receivables *cont'd*

Expected credit loss ("ECL") assessment for trade receivables

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

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

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the end of the reporting period.

Group	Gross RM'000	Impairment loss allowance RM'000	Net RM'000
2020			
Current (not past due)	**44,504**	**–**	**44,504**
Past due 0 – 30 days	**954**	**–**	**954**
Past due 31 – 60 days	**1,874**	**(161)**	**1,713**
Past due 61 – 90 days	**1,159**	**(189)**	**970**
Past due more than 90 days	**2,592**	**(1,050)**	**1,542**
	51,083	**(1,400)**	**49,683**
2019			
Current (not past due)	44,453	–	44,453
Past due 0 – 30 days	6,337	–	6,337
Past due 31 – 60 days	1,550	–	1,550
Past due 61 – 90 days	378	(47)	331
Past due more than 90 days	1,477	(884)	593
	54,195	(931)	53,264

Movements in the allowance for impairment in respect of trade receivables

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

	Group 2020 RM'000	2019 RM'000
Balance at 1 July 2019/2018	**931**	2,095
Net impairment loss/(reversal of impairment loss) allowance	**469**	(1,164)
Balance at 30 June	**1,400**	931

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

27. FINANCIAL INSTRUMENTS *cont'd*

27.4 Credit risk *cont'd*

Receivables *cont'd*

Expected credit loss of other receivables

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

Cash and cash equivalents and forward exchange contracts

Risk management objectives, policies and processes for managing the risk

The Group's and the 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 of the Group and the Company are placed with licensed financial institutions which are mainly placed with a related company licensed financial institutions as disclosed in Note 12 to the financial statements.

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 statement of financial position.

Impairment losses

The Group and the Company consider that their cash and cash equivalents and forward exchange contracts have low credit risk.

27.5 Liquidity risk

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

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

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

27. FINANCIAL INSTRUMENTS *cont'd*

27.5 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	More than 5 years RM'000
Group						
2020						
Non-derivative financial liabilities						
Trade and other payables	114,524		114,524	114,524	–	–
RCULS – Liability portion	28,155	5.0	29,563	7,013	22,550	–
Loans and borrowings	645,108	3.6 - 4.9	670,677	453,103	155,001	62,573
Refundable deposit	507		507	–	507	–
Lease liabilities	2,361	5.0	2,480	741	1,739	–
	790,655		817,751	575,381	179,797	62,573
Company						
2020						
Non-derivative financial liabilities						
Trade and other payables	1,448		1,448	1,448	–	–
RCULS – Liability portion	28,155	5.0	29,563	7,013	22,550	–
Loans and borrowings	127,952	3.6 - 4.4	133,211	133,211	–	–
	157,555		164,222	141,672	22,550	–

27. FINANCIAL INSTRUMENTS *cont'd*

27.5 Liquidity risk *cont'd*

***Maturity analysis** cont'd*

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 5 years RM'000
Group					
2019					
Non-derivative financial liabilities					
Trade and other payables	148,560		148,560	148,560	–
RCULS – Liability portion	35,265	5.0	37,029	6,818	30,211
Loans and borrowings	662,978	4.1 - 5.0	690,426	684,734	5,692
Refundable deposit	507		507	–	507
	847,310		876,522	840,112	36,410
Derivative financial liabilities					
Forward exchange contracts (gross settled):					
Outflow	56,533		56,533	56,533	–
Inflow	(56,158)		(56,158)	(56,158)	–
	375		375	375	–
Company					
2019					
Non-derivative financial liabilities					
Trade and other payables	1,854		1,854	1,854	–
RCULS – Liability portion	35,265	5.0	37,029	6,818	30,211
Loans and borrowings	128,225	4.3 - 4.4	133,191	133,191	–
	165,344		172,074	141,863	30,211

27. FINANCIAL INSTRUMENTS *cont'd*

27.6 Market risk

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

27.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

	Denominated in USD	
	2020 RM'000	**2019 RM'000**
Group		
Cash and cash equivalents	**5,647**	505
Trade and other payables	**(16,577)**	(18,422)
	(10,930)	(17,917)

Currency risk sensitivity analysis

A 5% strengthening of the Ringgit Malaysia against USD at the end of the reporting period would have increased profit before taxation of the Group by RM546,500 (2019: RM895,850). A 5% weakening of Ringgit Malaysia against USD at the end of the reporting period would have equal but opposite effect on profit or loss. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

27. FINANCIAL INSTRUMENTS *cont'd*

27.6 Market risk *cont'd*

27.6.2 Interest rate risk

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

Exposure to interest rate risk

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

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fixed rate instruments				
Deposits with licensed banks	**40,708**	88,372	**–**	22,225
RCULS - Liability portion	**(28,155)**	(35,265)	**(28,155)**	(35,265)
Loans and borrowings	**(344,726)**	(112,860)	**(115,857)**	(112,860)
Lease liabilities	**(2,361)**	–	–	–
	(334,534)	(59,753)	**(143,742)**	(125,900)
Floating rate instruments				
Loans and borrowings	**(300,382)**	(550,118)	**(12,365)**	(15,365)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase of 50 basis points ("bp") (2019: 50 bp) in interest rates at the end of the reporting period would have decreased the profit before taxation of the Group and the Company by RM1,502,000 and RM62,000 respectively (2019: RM2,751,000 and RM77,000 respectively). A decrease of 50 bp in interest rates would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables remained constant.

27. FINANCIAL INSTRUMENTS *cont'd*

27.7 Hedging activities

27.7.1 Cash flow hedge

The Group has entered into a number of forward exchange contracts to hedge the cash flow risk in relation to the variations of cash flows arising from purchase of raw materials. These forward exchange contracts have a total notional amount of USD3,877,000 (2019: USD13,586,000) and all of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

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

	Carrying amount RM'000	Expected cash flow RM'000	Under 1 year RM'000
Group			
2020			
Forward exchange contracts	**25**	**25**	**25**
2019			
Forward exchange contracts	(375)	(375)	(375)

27.8 Fair value information

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

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

27. FINANCIAL INSTRUMENTS *cont'd*

27.8 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										
2020										
Financial liabilities										
Term loans	**–**	**–**	**–**	**–**	**–**	**–**	**320,395**	**320,395**	**320,395**	**320,395**
Term revolving credit	**–**	**–**	**–**	**–**	**–**	**–**	**80,000**	**80,000**	**80,000**	**80,000**
RCULS - Liability portion	**–**	**–**	**–**	**–**	**–**	**–**	**28,155**	**28,155**	**28,155**	**28,155**
Refundable deposit	**–**	**–**	**–**	**–**	**–**	**–**	**486**	**486**	**486**	**507**
	–	**–**	**–**	**–**	**–**	**–**	**429,036**	**429,036**	**429,036**	**429,057**
2019										
Financial liabilities										
Term loans	–	–	–	–	–	–	236,210	236,210	236,210	236,210
Term revolving credit	–	–	–	–	–	–	90,000	90,000	90,000	90,000
Forward exchange contracts	–	375	–	375	–	–	–	–	375	375
RCULS - Liability portion	–	–	–	–	–	–	35,265	35,265	35,265	35,265
Refundable deposit	–	–	–	–	–	–	437	437	437	507
	–	375	–	375	–	–	361,912	361,912	362,287	362,357

27. FINANCIAL INSTRUMENTS *cont'd*

27.8 Fair value information *cont'd*

Level 2 fair value

Derivatives

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

Level 3 fair value

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

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

28. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio. There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratios are as follows:

	Group	
	2020 RM'000	**2019 RM'000**
Loans and borrowings	**645,108**	662,978
Lease liabilities	**2,361**	–
RCULS - Liability portion	**28,155**	35,265
Less: Cash and cash equivalents	**(84,739)**	(110,336)
Net debt	**590,885**	587,907
Total equity	**391,755**	436,495
Debt-to-equity ratio	**1.51**	1.35

29. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 July 2019.

At 1 July 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 July 2019. The weighted-average rate applied is 5%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics; and
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 July 2019.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 July 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

29.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 July 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments applying MFRS 117 at 30 June 2019, and lease liabilities recognised in the statement of financial position at 1 July 2019.

	Group RM'000
Operating lease commitments at 30 June 2019	2,740
Discounted using the incremental borrowing rate at 1 July 2019	2,507
Recognition exemption for short-term leases	(324)
Recognition exemption for leases of low-value assets	(52)
Lease liabilities recognised at 1 July 2019	2,131

STATEMENT BY **DIRECTORS PURSUANT TO**

Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 59 to 130 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2020 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Hugo Enrique Losada Barriola
Director

Seow Yoo Lin
Director

1 September 2020

STATUTORY **DECLARATION**

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

I, Lau Ping Ong, 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 59 to 130 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Lau Ping Ong (MIA CA 20235) at Kuala Lumpur in the Federal Territory on 1 September 2020.

Lau Ping Ong

Before me:

Samugan Vassoo
Commissioner For Oaths
Kuala Lumpur

INDEPENDENT **AUDITORS' REPORT**

to the members of Hume Industries Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hume Industries Berhad, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 130.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters *cont'd*

1. Going concern basis for the preparation of financial statements

Refer to Note 2.1 and Note 16 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Group incurred a net loss of RM45.9 million for the year ended 30 June 2020, and as of that date, the Group's and Company's current liabilities exceeded current assets by RM358.6 million and RM135.3 million respectively. Further, the Group and the Company are expected to repay term loans of RM171.3 million and RM115.6 million that is due for repayment in the next financial year. These are events or conditions that may cast significant doubt on the ability of the Group and the Company to continue as a going concern. This is a key audit matter due to the degree of judgement involved in our evaluation of the appropriateness of the going concern basis for the preparation of the financial statements of the Group and the Company.	Our audit procedures included, amongst others: • Considered the likelihood of the Group's and the Company's ability to refinance/restructure existing borrowings as well as securing new borrowings. • Considered the continuous support from lenders to the Group and the Company. • Assessed projected cash flows and availability of undrawn credit facilities to the Group and the Company in meeting short term obligations. • Assessed the appropriateness of the disclosures made by the Group and the Company in regards to the going concern basis used in the preparation of the financial statements of the Group and the Company.

2. Valuation of property, plant and equipment

Refer to Note 4 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Group is principally involved in the manufacture and sale of cement and pre-cast concrete products businesses. Due to the current conditions in the construction sector, there is a risk that the carrying amount of the Group's property, plant and equipment might be stated above their recoverable amount, and therefore subject to impairment assessment. This is a key audit matter due to the degree of management judgement and estimation uncertainty involved in the cash flows projection used to determine the recoverable amount of the property, plant and equipment. Changes in judgements and unpredictability of future events could impact on whether there is an impairment, and if yes, the amount of impairment required. The key assumptions used by management including their sensitivities are disclosed in Note 4.1 and Note 4.2 respectively to the financial statements.	Our audit procedures included, amongst others: • Assessed key inputs in the cash flows projection prepared by management, in particular the key assumptions used such as revenue growth and discount rate. • Performed sensitivity analysis on management's key inputs used in the cash flows projection prepared by management. • Assessed adequacy of disclosure about the degree of estimation in determining the estimated recoverable amount of property, plant and equipment.

Key Audit Matters *cont'd*

3. Recognition of tax benefits

Refer to Note 8 and Note 9 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Group recognised RM16.0 million of deferred tax assets and RM145.1 million of tax credit receivables as at the end of the current financial year. As disclosed in Note 8 and 9 to the financial statements, the deferred tax assets and tax credit receivables were mainly related to respective subsidiaries' unutilised tax losses, investment tax allowance and reinvestment allowance of RM6.7 million, RM69.2 million and RM75.9 million respectively. This is a key audit matter due to the degree of management judgement involved in determining whether it is probable that the subsidiary will have sufficient future taxable profits to utilise the tax benefits therefrom. Changes in judgements and the unpredictability of future events could impact on the amount of tax credit receivables and deferred tax assets recognised by the Group.	Our audit procedures included, amongst others: • Assessed taxable profits projection prepared by management in supporting the recognition and measurement of deferred tax assets and tax credit receivables, and the key assumptions used in the projection. • Compared current year's actual results with previous year's projection and assessed the quality of management's projection. • Assessed whether the Group's disclosure of recognised deferred tax assets and tax credit receivables appropriately reflect the Group's deferred tax position.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matter

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

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

Chong Chen Kian
Approval Number: 03232/02/2022 J
Chartered Accountant

Petaling Jaya

Date: 1 September 2020

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2020

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 2020 (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	26	6,697
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	34	6,200
Lot 2407, Mukim 1, Prai Industrial Estate, Pulau Pinang	Leasehold 60 years expiring 2035	Industrial land with office and factory buildings	1982	653,400	45	1,923
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	35	2,384
Lot 46, Semambu Industrial Estate, Kuantan Pahang Darul Makmur	Leasehold 66 years expiring 2041	Industrial land with office and factory buildings	1982	522,720	45	580
Lot 16280925 and 17514395 Tuaran Road, Kota Kinabalu, Sabah *	Leasehold 60 years expiring 2079	Industrial land with office, store and factory buildings	1982	302,312	52/56	3,661
Lot 300254, 300255, 300256 Mukim Teja, Kampar, Perak	Leasehold 99 years expiring 2057/2096	Quarry and cement plant	2013	29,155,060	8	71,548

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

The SC had, via its letter dated 4 May 2016, noted the necessary steps taken by the Company to resolve the non-compliances. In view thereof, the Company is no longer required to observe the stipulated time frame in resolving the condition imposed on the said property but instead, the Company is to continue to pursue the matter with the relevant authorities. The Company is also to disclose the efforts taken and status of the compliance of the outstanding issues in its annual report until such time the non-compliances are resolved and to update SC of such disclosure. The Kota Kinabalu City Hall via their letter dated 6 Oct 2017 granted a 5-year temporary OC to the Company. Further 15 December 2017, the Kota Kinabalu City Hall directed the Company to submit revised as-built plans and relevant documentation for its endorsement. On 10 July 2020, the Kota Kinabalu City Hall directed the Company to submit further documentation and the Company is the process of completing sumbission of all further documentation.

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020

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

Distribution Schedule Of Shareholders As At 28 August 2020

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	635	12.77	18,217	0.00
100 – 1,000	1,092	21.95	682,753	0.14
1,001 – 10,000	2,207	44.37	8,908,190	1.79
10,001 – 100,000	866	17.41	26,670,556	5.35
100,001 – less than 5% of issued shares	173	3.48	118,571,852	23.81
5% and above of issued shares	1	0.02	343,147,151	68.91
	4,974	100.00	497,998,719	100.00

List Of Thirty Largest Shareholders As At 28 August 2020

	Name of Shareholders	No. of Shares	%
1.	Hong Leong Manufacturing Group Sdn Bhd	343,147,151	68.91
2.	AMSEC Nominees (Tempatan) Sdn Bhd *- AmBank (M) Berhad (Hedging)*	14,538,883	2.92
3.	AmanahRaya Trustees Berhad *- Public Smallcap Fund*	8,860,243	1.78
4.	HLIB Nominees (Tempatan) Sdn Bhd *- Exempt AN for HL Management Co Sdn Bhd (ESOS)*	5,081,800	1.02
5.	HSBC Nominees (Tempatan) Sdn Bhd *- HSBC (M) Trustee Bhd for Singular Value Fund*	4,306,400	0.86
6.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *- Deutsche Trustees Malaysia Berhad for Hong Leong Balanced Fund*	3,500,000	0.70
7.	Citigroup Nominees (Tempatan) Sdn Bhd *- Kumpulan Wang Persaraan (Diperbadankan) (Principal Eqits)*	3,252,800	0.65
8.	AmanahRaya Trustees Berhad *- Public Strategic Smallcap Fund*	2,844,600	0.57
9.	Soft Portfolio Sdn. Bhd.	2,712,960	0.54
10.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Tang Hong Cheong (029)*	2,372,500	0.48
11.	Hong Bee Hardware Company, Sdn. Berhad	2,185,879	0.44
12.	HSBC Nominees (Tempatan) Sdn Bhd *- HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)*	2,165,600	0.43
13.	AmanahRaya Trustees Berhad *- Public Ittikal Sequel Fund*	2,141,100	0.43

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020 *cont'd*

List Of Thirty Largest Shareholders As At 28 August 2020 *cont'd*

	Name of Shareholders	No. of Shares	%
14.	HLIB Nominees (Tempatan) Sdn Bhd *- Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)*	2,121,120	0.43
15.	RHB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chut Nyak Isham Bin Nyak Ariff*	2,072,645	0.42
16.	Kim Poh Sitt Tat Feedmill Sendirian Berhad	2,000,000	0.40
17.	Datuk Kwek Leng San	1,977,600	0.40
18.	Cartaban Nominees (Asing) Sdn Bhd *- Exempt AN for Union Bancaire Privee, UBP SA, Hong Kong Branch*	1,944,000	0.39
19.	Maybank Nominees (Tempatan) Sdn Bhd *- MTrustee Berhad for Pacific Pearl Fund (UT-PM-PPF) (419471)*	1,740,700	0.35
20.	Quah Thain Khan	1,500,000	0.30
21.	Hong Leong Assurance Berhad *- As Beneficial Owner (Life Par)*	1,480,906	0.30
22.	Hong Leong Industries Berhad	1,469,982	0.29
23.	AmanahRaya Trustees Berhad *- Public Islamic Treasures Growth Fund*	1,416,400	0.28
24.	AmanahRaya Trustees Berhad *- Public Dividend Select Fund*	1,383,900	0.28
25.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lim Sin Seong (6000461)*	1,350,000	0.27
26.	AmanahRaya Trustees Berhad *- Public Select Treasures Equity Fund*	1,314,600	0.26
27.	Megamix Sdn Bhd	1,312,028	0.26
28.	Cartaban Nominees (Asing) Sdn Bhd *- Brown Brothers Harriman (LUX) SCA for Milltrust Singular Asean Fund SP (MIL INT INV SPC)*	1,175,800	0.23
29.	Maybank Nominees (Tempatan) Sdn Bhd *- Singular Asset Management Sdn Bhd for The Trustees of AIA Malaysian Agents Provident Fund of AIA Bhd (421506)*	1,097,400	0.23
30.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Cheong Chen Yue*	1,030,000	0.22
		423,496,997	85.04

2. ANALYSIS OF SHAREHOLDINGS AS AT 28 AUGUST 2020 *cont'd*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 28 August 2020 are as follows:

		Direct Interest		Indirect Interest	
	Name of Shareholders	No. of Shares	%	No. of Shares	%
1.	Hong Leong Manufacturing Group Sdn Bhd	343,147,151	68.91	1,469,982	0.30@
2.	Hong Leong Company (Malaysia) Berhad ("HLCM")	–	–	346,708,698	69.62@
3.	HL Holdings Sdn Bhd	–	–	346,708,698	69.62#
4.	YBhg Tan Sri Quek Leng Chan	–	–	350,231,658	70.33**
5.	Hong Realty (Private) Limited	–	–	348,894,577	70.06*
6.	Hong Leong Investment Holdings Pte. Ltd.	–	–	348,894,577	70.06*
7.	Kwek Holdings Pte Ltd	–	–	348,894,577	70.06*
8.	Mr Kwek Leng Beng	–	–	348,894,577	70.06*
9.	Davos Investment Holdings Private Limited	–	–	348,894,577	70.06*
10.	Mr Kwek Leng Kee	–	–	348,894,577	70.06*

Notes:

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

3. ANALYSIS OF 5-YEAR 5.0% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") HOLDINGS AS AT 28 AUGUST 2020

Voting Rights : 1 vote for each RM1.00 nomimal amount of RCULS held

Distribution Schedule Of RCULS Holders As At 28 August 2020

Size of Holdings	No. of RCULS Holders	%	No. of RCULS	%
Less than 100	18	3.35	519	0.00
100 – 1,000	115	21.38	68,389	0.04
1,001 – 10,000	212	39.40	832,946	0.52
10,001 – 100,000	159	29.55	4,915,515	3.09
100,001 – less than 5% of outstanding RCULS	33	6.13	24,088,642	15.13
5% and above of outstanding RCULS	1	0.19	129,334,302	81.22
	538	100.00	159,240,313	100.00

3. ANALYSIS OF 5-YEAR 5.0% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") HOLDINGS AS AT 28 AUGUST 2020 *cont'd*

List Of Thirty Largest RCULS Holders As At 28 August 2020

	Name of RCULS Holders	No. of RCULS	%
1.	HLMG Capital Sdn Bhd	129,334,302	81.22
2.	HLIB Nominees (Tempatan) Sdn Bhd *- Exempt AN for HL Management Co Sdn Bhd (ESOS)*	5,014,780	3.15
3.	AmanahRaya Trustees Berhad *- Public Smallcap Fund*	3,189,687	2.00
4.	Citigroup Nominees (Asing) Sdn Bhd *- GSI for Lofty Dragon Management Limited*	1,699,100	1.07
5.	Hong Leong Industries Berhad	1,512,121	0.95
6.	AmanahRaya Trustees Berhad *- Public Strategic Smallcap Fund*	1,495,584	0.94
7.	Ang Woun-Eng	981,000	0.62
8.	Soft Portfolio Sdn. Bhd.	976,665	0.61
9.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Tang Hong Cheong (029)*	900,000	0.57
10.	AmanahRaya Trustees Berhad *- Public Dividend Select Fund*	849,636	0.53
11.	HLIB Nominees (Tempatan) Sdn Bhd *- Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)*	763,700	0.48
12.	Kim Poh Sitt Tat Feedmill Sendirian Berhad	720,000	0.45
13.	Datuk Kwek Leng San	712,000	0.45
14.	Cartaban Nominees (Asing) Sdn Bhd *- Exempt AN for Union Bancaire Privee, UBP SA, Hong Kong Branch*	700,000	0.44
15.	Lee Min Huat	610,000	0.38
16.	Quah Thain Khan	540,000	0.34
17.	Hong Leong Assurance Berhad *- As Beneficial Owner (Life Par)*	533,126	0.34
18.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Cheong Chen Yue*	357,655	0.22
19.	Maybank Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Soon Seong Keat*	320,000	0.20
20.	CIMSEC Nominees (Tempatan) Sdn Bhd *- CIMB for Soon Seong Keat (PB)*	224,000	0.14
21.	Olive Lim Swee Lian	200,000	0.13
22.	Tan Liew Chuen	194,400	0.12
23.	AmanahRaya Trustees Berhad *- Public Select Treasures Equity Fund*	171,576	0.11
24	Hong Leong Assurance Berhad *- As Beneficial Owner (Life Ann Par)*	156,773	0.10

3. ANALYSIS OF 5-YEAR 5.0% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") HOLDINGS AS AT 28 AUGUST 2020 *cont'd*

List Of Thirty Largest RCULS Holders As At 28 August 2020 *cont'd*

	Name of RCULS Holders	No. of RCULS	%
25.	Soon Seong Keat	150,000	0.09
26.	Woo Lai Chee	150,000	0.09
27.	AmanahRaya Trustees Berhad *- PB Mixed Asset Conservative Fund*	147,024	0.09
28.	Eu Mui @ Ee Soo Mei	136,200	0.09
29.	Cheong Chen Yue	124,800	0.08
30.	Kenanga Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Lee Puay Ching*	118,263	0.07
		152,982,392	96.07

4. DIRECTORS' INTERESTS AS AT 28 AUGUST 2020

Subsequent to the financial year end, there was no change, as at 28 August 2020, to the Directors' interests in the ordinary shares of the Company and/or its related corporations appearing in the Directors' Report on pages 55 to 56 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 except for the following:

Direct interest of Mr Hugo Enrique Losada Barriola in:	No. of ordinary shares to be received arising from vesting of share grant
Hume Industries Berhad	200,000

5. MATERIAL CONTRACTS

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

6. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

The status of utilisation of proceeds raised from the issuance of RM172,473,768 nominal value of 5-year 5.0% RCULS at 100% of its nominal value of RM1.00 is as follows:

Description	Total RM'000
Proceeds from Rights Issue	172,474
Repayment of bank borrowings	(122,257)*
Fund general working capital	(49,207)*
Defray expenses in relation to the Rights Issue of RCULS	(1,010)*
Balance as at 28 August 2020	–

* The proceeds from the Rigths Issue have been fully utilised within the timeframe of 12 months from 31 May 2019, i.e. the date of receipt of the proceeds.

Hume Industries Berhad
Registration No. 198001008443 (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 Fortieth Annual General Meeting of the Company to be held at Wau Bulan Ballroom, Level 2, Sofitel Kuala Lumpur Damansara, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Thursday, 5 November 2020 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 and Directors' Other Benefits		
2	To re-elect Mr Hugo Enrique Losada Barriola as a Director		
3	To re-appoint KPMG PLT as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
4	To approve the ordinary resolution on authority to Directors to allot shares		
5	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
6	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		
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 special resolution on the proposed change of name		

Dated this ________ day of ________________ 2020

Number of shares held:____________________

____
Signature(s) of Member

CDS Account No.: ____________________

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 28 October 2020 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one (1) securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur or lodged electronically via email at cosec-hlmg@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*
9. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of proxies	***% of shareholdings to be represented***

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

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Affix
Stamp

The Company Secretaries
Hume Industries Berhad
Registration No. 198001008443 (62227-X)
Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

Please fold here

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