

HUME INDUSTRIES BERHAD (62227-X)

Key Pertinent Questions and Answers at the 38th Annual General Meeting of HUME INDUSTRIES BERHAD held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 24 October 2018 at 10.00 a.m.

- 1. Will the Group consider changing its company name from “Hume” to “Hong Leong”? Given the current low share price, does the Group have any intention to rebrand it?**

The name “Hume” originated from Australia. The brand name “Hume” is well-known in the building materials sector in Malaysia. The Group has no intention to rebrand or change its name.

- 2. Why there was no dividend paid or declared for financial year (“FY”) ended 30 June 2018 (“FY2018”)?**

With the Group reporting a loss of RM54.87 million for FY2018 coupled with expected weak results in the coming quarters, cash flow did not permit any dividends payout.

- 3. What is the cement industry’s capacity utilisation?**

Our estimate for the cement industry’s capacity utilisation today is approximately 70%.

- 4. What is Hume Cement’s production capacity?**

Hume Cement has a production capacity of 3 million tonnes per year.

- 5. The Group’s financial statement shows that the Group is relatively highly geared. Will the Group consider any fund raising exercise?**

The Group is always looking at forward cash requirements to fulfil operational needs and borrowing repayments. Raising additional funds is one of the options being studied.

- 6. Any plan for additional capital expenditure (“CAPEX”) going forward?**

Only the regular maintenance CAPEX will be incurred. The Group has no plan for business expansion CAPEX.

- 7. What is the ratio between import and export in terms of revenue?**

Export revenue constitutes a very small proportion of the total revenue of the Group.

8. What is the proportion of the Concrete business to the Group?

Concrete contributes about 20% to the total Group's revenue.

9. What are the measures taken/to be taken to overcome the challenge of shortage of labour?

The labour situation is significantly driven by external factors, for example, policy set by the government, which may not be resolved in the short term. The Group is continuously taking steps to reduce dependency on labour by automating its processes.

10. How to overcome the challenge of intense competition in the cement industry?

The Group believes the current low selling price resulted from intense competition has no justifying ground. There are only few cement players in Malaysia and these cement players can co-exist harmoniously. Nevertheless, the Group continues to look for ways to increase productivity and strives for cost competitiveness. Hume Cement has the latest cement plant technology built into its facility in which its equipment is energy efficient and complied with environmental requirements. This gives advantage on energy cost and lower cost of compliance.

For the concrete business, the Group has exited certain markets to stop business losses due to intense competition.

11. What is Hume Cement's market share in the industry?

Hume Cement has about 13% of the cement market share.

12. Are we expecting concrete products to be in more demand with more high-rise buildings?

Concrete consumption does not depend solely on high-rise buildings. In order to improve the Concrete business, the Group has rationalised its business focus with less reliance on standard piles and focusing on producing higher margin products such as Industrial Building System ("IBS") The Group is supportive of the government's initiative for IBS in the construction sector, for example, Hume Concrete's panel wall system where concrete wall panel is cast at factory and installed at site.

13. What is our market share in ready-mix?

In view of the current economy situation, the Group has put on hold the plan to venture into concrete ready-mix business.