

HUME CEMENT INDUSTRIES BERHAD [198001008443 (62227-X)]

Key Pertinent Questions and Answers at the Forty-first Annual General Meeting of HUME CEMENT INDUSTRIES BERHAD held virtually through live streaming from the broadcast venue at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Thursday, 2 December 2021 at 10.00 a.m.

1. Has the recent coal price affect the Company?

The coal price index has been on an increasing trend in calendar year 2021 which has affected industries that consume coal to generate heat including the cement manufacturers in Malaysia.

2. In What is the Hume Cement's capacity utilisation?

Our cement operations managed to improve the capacity utilisation in the last 3 to 4 years with improved equipment reliability and is currently at the mid 80 percentiles.

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

Hume Cement market share for Financial Year ("FY") 2021 was in the mid tens.

4. Why Group Gross Profit increased from RM105 million to RM214 million?

The improvement came from internal improvement as a result of improved productivity and internal process savings from lower energy costs

5. Why finance cost dropped from RM30 million to RM23 million?

Referring to the Cash Flow Statement, FY 2021 recorded higher cash generation before working capital of RM56.3 million which contributed to lower borrowings as stated in Note 16 under the Loans and Borrowings, coupled with the borrowing cost was at 0.7% lower when compared with FY 2020.

6. How many days the plant shut down due to MCO?

For FY 2021, the cement plant was shut down for almost 30 days. In terms of workforce, the allowable number to work ranging from 10% to 60% during the partial lockdown imposed by the Government.

7. **The Group's gross profit has increased to RM124.301 million (page 59 of AR). However, the Group still incurred a loss before finance cost of RM6.509 million.**
- a. **What are the action taken by Management to enable to Group to be able to record a positive EBIT in FY 2022?**
 - b. **The finance cost has seen a reduction to RM23.426 million in FY 2021. Will there be a similar decline for FY 2022?**

The Group will continue the journey with internal plant improvement program to realise further cost reduction. It is also worth noting the Group has in both FYs reported positive EBITDA.

Further reduction in finance cost is depending on cash flow generation from operation that will reduce borrowings and the cost of borrowings.

8. **Can the Board/Management provide an overview of the demand and supply of the cement industry in Malaysia as follows:**
- a. **What is the overall capacity utilisation of the entire cement industry in Malaysia and Hume Cement's current capacity utilisation**
 - b. **What is Hume Cement's market share in percentage terms of the cement market in Malaysia?**

The capacity utilisation for the entire cement industry was around 60% to 70%.

Hume Cement market share for FY 2021 was in the mid tens.

9. **There has been an increase in export to RM52.821 million in FY 2021 (page 109 of AR)**
- a. **Which are the top 3 destination of the exports?**
 - b. **Will there be an increase in export expected for FY 2022 and will the current depreciation in RM vs USD be advantages to the revenue from exports?**

The Group only exports clinker to South Asia countries such as Bangladesh and Sri Lanka.

The Group focuses its market in Malaysia with clinker export as a secondary market when there was surplus situation in production against cement demand in Malaysia.

- 10. The recent completion of the consolidation YTL Group cement business under Malayan Cement has resulted in the largest cement composite company in Malaysia. Can the Board/Management update shareholders how will this consolidation affect Hume Cement in terms of pricing power, competition in domestic and export markets?**

The industry consolidation that has taken place in the last couple of years is demanding us to be at the top of our game in order to be more competitive against players with significant economies of scale. As the latest entrant to the cement industry in Malaysia, we have invested in the latest technology for our new plant. This not only allows us to be meet the most stringent environmental standards but also to remain competitive. However, in order to thrive, we must maintain a relentless focus in improving efficiencies, reducing costs, and providing an exceptional customer experience.

- 11. What is the Company's future Outlook? How much is the impact due to MCO?**

The Group has announced the Q1 FY 2022 results recently. Under the section Prospects, economic activities are expected to pick up with the easing of MCO and market demand is forecasted to improve. Imposition of MCO would have a severe impact to the business as cement was not categorised as an essential service. The impact of MCO from the past range from a total shutdown and/or restriction in workforce of between 10% to 60%.