Key Pertinent Questions and Answers at the 40th Annual General Meeting of **HUME CEMENT INDUSTRIES BERHAD (formerly known as Hume Industries Berhad)** held fully virtual 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, 5 November 2020 at 10.30 a.m.

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1. **Does the Company have any competitive advantage over its competitors?**

   Hume Cement Sdn Bhd has the latest cement plant technology built into its facility in which its equipment is energy efficient and in compliance with environmental requirements. This eventually gives advantage on energy cost and lower cost of compliance.

   The plant is also highly automated, and this allows reduction of double handling cost, reliance of laborious task and ultimately higher productivity.

   As the plant is fairly new, the capital expenditure is lower than its competitors.

2. **How has the merger between YTL and Lafarge changed the cement industry landscape?**

   The market consolidation with the merger between YTL Cement and Lafarge Cement has brought positive price dynamics and capacity rationalization with the closure of some excess capacity in 2019. An easing of price war that was intense back in 2017 to 2019 could be seen in late 2019 with the reduction of rebates and discounts.

3. **What is Hume Cement's capacity utilisation?**

   Hume Cement Sdn Bhd's capacity utilisation is between 80% and 85%.

4. **What is the composition for the bag and bulk split?**

   Bulk ratio ranging from 70% to 80%.

5. **Why did the Group's revenue drop from RM637 million to RM585 million?**

   The lower revenue was due to the suspension of business operations during the Movement Control Order (MCO) imposed by the Malaysian Government from 18 March 2020 until 3 May 2020. Right after the lifting of the MCO, during the initial CMCO period where operations resume, deliveries were affected due to construction sites not being fully operational in compliance with Covid-19 SOP.

6. **Why the Group's Gross Profit for FY2020 reported higher at RM105 million as compared with FY19 of RM87 million despite the lower revenue?**

   - The higher gross profit reported for FY20 was mainly driven by lower rebate and discount of cement selling price.

7. **The Auditors' Report on page 133 highlighted that the current liabilities had exceeded the current assets at both Group and Company levels. The Auditors further reported that "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."**

   Please share with shareholders the steps taken to address the concerns raised by the Auditors and how to improve the current net liabilities in FY2021.

   We constantly monitor the cash flow position and the balance sheet health check. Currently, the Group is looking at restructuring its short term borrowings into longer term borrowings to address this concern.

8. **Our Group has been making continuous losses for the past 3 years. I am not certain how bad it will be for the second half of the year for our Group with the CMCO in force. I sincerely hope good strategies are in place to bring our Group back to the profit line***.*

   The Group's focus on operational excellence, cost management, quality, and service will continue to be key pillars in its operational strategy. Additionally, the Group continues to expand its international customers' network, while preparing for a domestic construction activity recovery.

9. **The short term borrowings of the Group as at FY2020 amounted to RM434 million (page 107 of the annual report). How much of these borrowings are due for repayment in FY2021? How will the Group repay the borrowings due in view of the expected weak cashflow due to soft demand? Cash Flow from operations was only RM38.6 million (page 64 of the annual report).**

   Refer to Note 16 of the annual report. The total term loans of RM171 million will fall due within the next 12 months. There are few sources of funds that the Group is exploring for the repayment, i.e.:

   1. internally generated funds from operations,
   2. using the existing unutilised banking facilities, and
   3. exploring the debts market and borrowings from financial institutions.

10. **What is the average capacity utilisation rate for the Cement and Concrete plants during FY2020? Can the board explain in both percentage and tonnage produced?**

    Hume Cement Sdn Bhd's capacity utilisation is between 80-85% and has a production capacity of 3 million tonnes per year.

11. **How much is the revenue contributed from the concrete division?**

    The revenue contributed from the concrete division is about 10%.

12. **Although the cement price has recovered to RM230/mt from RM180/mt since the industry consolidation exercise last year, how much is the real sustainable price/equilibrium price for cement in West and East Malaysia?**

Following individual and industry-wide discussions and a thorough MDTCA investigation in mid-2019, Hume Cement Sn Bhd was cleared and authorized to continue with our partial recall of rebates and discounts. We cannot comment on the price for cement in West and East Malaysia as we are not privy to other MDTCA investigations, but more stable and sustainable discounts during 2020 indicated that the Government and construction industry are now better aware of the importance of sustainable discounts for the sake of the whole construction ecosystem's health.

13. **What is supply and demand situation outlook for cement industry in FY2021 and the next 3 years?**

Industry consolidation in 2019 resulted in capacity rationalization. Additionally, no new capacity is expected to the added in the near future. In terms of demand, it is expected for infrastructure spending and construction in general to re-gain a preponderant role as a recognized economic multiplier and stimulant in the Government's agenda in 2021 and beyond.

14. **Who will determine the average selling price? Who has the most bargaining power in terms of setting the cement price?**

It depends on the supply and demand of each micro-market.