Hume Cement Industries Berhad

A Member of the Hong Leong Group

Annual Report **2023**

WHAT'S INSIDE

Company Profile

Hume Cement Industries Berhad ("HCIB")

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.

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

Corporate Information

BOARD OF DIRECTORS

YBhg Datuk Kwek Leng San
Chairman

YBhg Datuk Wira Azhar bin Abdul Hamid

Ms Tai Sook Yee

YBhg Datuk Ir. Ahmad 'Asri bin Abdul Hamid

COMPANY SECRETARIES

Ms Wong Wei Fong
Ms Zoe Lim Hoon Hwa

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
Email : hlsrs@hongleong.com

REGISTERED OFFICE

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

COUNTRY OF INCORPORATION/DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

Chairman's Statement

Dear valued shareholders,

On behalf of Hume Cement Industries Berhad ("HCIB" or "the Company), I am pleased to present our annual report and audited financial statements of HCIB Group for the financial year ended 30 June 2023 ("FY2023").

Revenue FY2023
RM1,014.3 million
(FY2022: RM726.5 million)

Profit before tax ("PBT")
RM73.6 million
(FY2022: RM5.0 million)

In FY2023, HCIB has navigated the ever-changing global economic landscape with determination and resilience. Throughout this challenging time, our steadfast commitment to creating value for our stakeholders while upholding sustainable principles has firmly established our position in the construction industry.

Amidst the uncertainties, HCIB demonstrated strong financial performance during FY2023, achieving revenue of RM1,014.3 million, an increase of RM287.8 million from RM726.5 million reported in FY2022. This growth was driven by the steady expansion of domestic construction activities, which benefitted from the positive momentum of post-pandemic recovery and improving market conditions.

Perhaps the most notable triumph for us for FY2023 was the remarkable growth of profits. HCIB achieved a profit before tax ("PBT") of RM73.6 million, an increase from the PBT of RM5.0 million in the previous financial year. HCIB's adept handling of the revised cement price via reduction of cement price rebates, served as a shield against the challenges posed by escalating input costs, particularly from coal and electricity.

In FY2023, Hume Cement Sdn Bhd continued to make progress as a reliable and high-quality producer of cement for the Malaysian market. The introduction of its most recent cement innovation, Panda Yellow, has received positive responses from the market and has been granted the product certification license. On the precast division's side, the demand for our concrete sleepers experienced a notable surge attributed to various factors, such as the growing emphasis on efficient and sustainable construction practices, the expansion of railway and transportation networks, and the recognition of precast sleepers' benefits.

Chairman's Statement
(Cont'd)

Beyond financial success, HCIB remains firmly committed to Environmental, Social, and Governance ("ESG") principles. Over FY2023, our dedication to sustainability has been intensified, permeating throughout our operations and guiding our decisions.

In line with our responsibility towards the Malaysian community's well-being, I am proud to announce that HCIB has actively joined hands with other cement players in Peninsular Malaysia to participate in the "Simen Rahmah" initiative. Spearheaded by the Kementerian Pembangunan Kerajaan Tempatan ("KPKT") on 18 April 2023, this initiative aims to provide housing developers with affordable construction materials for the development of up to a total of 24,000 units of affordable housing. Through our collaboration with the government, HCIB and other key industry players are facilitating the provision of construction materials worth up to RM120 million at below-market rates – a significant contribution to the betterment of society.

As we venture into the future, we remain cognisant of the potential risks and uncertainties. However, with the dedication of our remarkable team and the strategic leadership of our management, we face these challenges with unwavering optimism and confidence. Together, we continue our journey of success, making a positive impact on society and setting new standards in the industry.

I would like to express our deepest gratitude to Mr Hugo Enrique Losada Barriola who decided to step down from his position as the Group Managing Director of HCIB. His dedication and strategic insights have set a solid groundwork for the future. We also record our sincere appreciation to YBhg Dato' Ir. Tan Gim Foo who resigned as an Independent Non-Executive Director, after having served HCIB for a cumulative term approaching 9 years, for his past services and contributions. We greatly appreciate their invaluable guidance and contributions to the Group and wish them every success in their future endeavours.

Our Board extends a warm welcome to YBhg Datuk Ir. Ahmad 'Asri bin Abdul Hamid, who has joined the Board as an Independent Non-Executive Director.

Lastly, I wish to convey my appreciation to our Board of Directors and management team for their valuable contributions. A heartfelt acknowledgment and gratitude are also extended to our dedicated employees who have put in immense effort and performed exceptionally for our Group over the past year. I also want to express my sincere thanks to our shareholders, esteemed customers, partners in business, financiers, and the Government for their continuous support of our Group.

YBHG DATUK KWEK LENG SAN
Chairman

Management Discussion and Analysis

Hume Cement Industries Berhad ("HCIB" or "the Group") is proud to present our Management Discussion and Analysis ("MD&A") for the financial period between 1st July 2022 and 30th June 2023 ("FY2023").

FY2023 OPERATING ENVIRONMENT

HCIB has continued to successfully navigate Malaysia's dynamic economic landscape amidst a backdrop of promising growth in the national economy. As we delve into the highlights of the Group's performance in FY2023, it becomes evident that our industry has made a steady resurgence since the end of the pandemic in 2022. This is in large part due to the positive influence of Malaysia's anticipated economic growth.

The national economy already reported a promising expansion of 5.6% in the first quarter of 2023, exceeding the 4.8% growth achieved in the first quarter of 2022. This momentum is expected to last throughout the rest of the year, with Bank Negara Malaysia ("BNM") anticipating the Malaysian GDP to moderate between 4.0% and 5.0% by the end of 2023.[1] This anticipated expansion sets a favourable stage for HCIB's operations and performance.

A significant aspect of our success can also be attributed to the rebound of the construction sector. Emerging from extended lockdowns, the construction sector witnessed a robust 8.8% growth at the end of 2022. This resurgence continued with steadfast momentum, achieving an impressive 9.4% growth during the first quarter of 2023.[2] As one of the main players in the construction sector, HCIB has been well-positioned to capitalise on this upward trend. Moving forward, we remain optimistic about the industry's sustained growth trajectory, in line with the Budget 2023 where the construction sector is expected to expand by 6.1% by the end of 2023.

As the construction sector flourishes, so does the potential for HCIB to contribute to the nation's infrastructure development and economic progress. We are committed to playing a pivotal role in this journey and further fuelling the industry's growth. Through proactive and innovative efforts, we aim to leverage opportunities for expansion and cement the Group's reputation as a reliable and sustainable supplier of high-quality cement and concrete products.

In FY2023, the Group achieved revenue of RM1,014.3 mil and PBT of RM73.6 mil, a notable increase from the RM726.5 million in revenue and RM5.0 million in PBT recorded in FY2022. This growth is primarily driven by the revision in the cement retail selling price, along with lower cement rebate given and higher cement sales volume achieved which has mitigated the increase in input costs. As we stand on the cusp of the future, we are eager to leverage these achievements and seize new growth opportunities while remaining dedicated to creating value for our esteemed shareholders.

However, with that said, we must approach the future with a measure of cautious optimism, given the complexities presented by global events. The ongoing war between Russia and Ukraine, coupled with trade disputes between USA and China, has had reverberating effects on the global economy. These geopolitical conflicts have presented certain challenges, such as material shortages, supply chain disruptions, fluctuation of foreign exchange and an increased risk of global recession. The Group remains vigilant in monitoring these situations, adjusting strategies to adapt and safeguard our operations.

In alignment with our optimistic outlook, we acknowledge the general rise in national inflation and the dampening impact it has on the national economy. While it has not completely slowed the growth of our national economy, Malaysia's inflation has been steadily increasing from 3.3% in 2022[3] to around 3.6% in the first quarter of 2023[1]. Through strategic measures and efficiency enhancements, we have been able to effectively manage costs without compromising the quality of our products. This underscores our commitment to providing value to our customers while maintaining a competitive edge in the market.

In FY2023, we have placed stronger emphasis on integrating sustainability practices across the Group with a simultaneous embrace of a responsible approach to environmental stewardship. We are aware of how imbalances in the climate can lead to direct impacts on the economy. Extreme climate occurrences, such as the current heat wave phenomena and the expected El Nino season starting in June 2023, are already anticipated to weigh on economic activities. These environmental dynamics reinforce our resolve to pursue increased integration of sustainable practices throughout our operations to, not only reduce our carbon footprint but also to bolster the resilience of our operations and the industry we serve.

Overall, FY2023 presented a dynamic operating environment with its fair share of opportunities and challenges. As an agile organisation, HCIB has embraced these opportunities and challenges, remaining resilient in our approach. Looking ahead, the Group aims to remain vigilant about the emerging risks and trends within our industry. HCIB is positive in our ability to capitalise on opportunities and continue delivering sustainable growth in the years to come.

1. *Ministry of Finance Malaysia. (2023, May 12). Economy Achieves Growth of 5.6% in First Quarter 2023 [Press Release].*
2. *Department of Statistics Malaysia. (2023, May 10). Construction Statistics. DOSM Official Portal.*
3. *Department of Statistics Malaysia. (2023, May 17). Analysis of Annual Consumer Price Index, Malaysia. DOSM Official Portal.*

Management Discussion and Analysis

(Cont'd)

STRATEGIC REVIEW

Business Operations Overview

As part of our strategic oversight, HCIB has undertaken external factors assessment approach based on the PESTEL framework. Under this mechanism, we have identified potential impacts on our operations based on political, economic, social, technological, environmental, and legal sectors. Once these potential impacts were identified, the Group is then able to formulate the appropriate response to manage said impact. The details of the potential impact and our strategic responses are explained in the following sub-sections.

POLITICAL	ECONOMIC	SOCIAL	TECHNOLOGY	ENVIRONMENTAL	LEGAL
• Geopolitical Issues	• Fluctuation of Foreign Exchange Currency • Increasing Interest Rate • Rising Inflation	• Occupational Health & Safety • Public Perception • Human Rights	• Competitiveness • Productivity & Efficiency	• Non-Compliance with Environmental Regulations	• Reputation • Non-Compliance with Local Laws and Regulations

Political

Our operations may be at risk from foreign geopolitical events. Key events in FY2023 include the ongoing trade disputes between the USA and China, as well as the escalating conflict between Ukraine and Russia.

These geopolitical events pose potential challenges to our supply chain and material sourcing, as disruptions in international trade and territorial conflicts can lead to supply bottlenecks and material shortages which, in turn, may increase operating costs.

Potential Impacts	Our Response
Rising Commodity & Input Costs Increased commodity costs due to global events directly affect our operational expenses, particularly when it comes to sourcing imported materials, such as coal, for our operations. Throughout 2022, the war between Russia and Ukraine created volatility and higher coal prices. Although some stabilisation has occurred in Q1 2023, prices still remain elevated compared to historic levels. The potential escalation of geopolitical conflicts between key global economies may undermine this progress. Overall, it will directly impact our production expenses, potentially squeezing profit margins and hindering our ability to remain cost-effective.	**Increase Supplier Pool** Expanding our supplier pool, especially for imported commodities, will allow the Group to handle supply chain disruptions and material shortages more effectively. By having multiple sources for key inputs, HCIB can reduce vulnerability to geopolitical disruptions in any single region and ensure a steady inflow of essential materials. **Risk Management & Hedging Strategies** The Group is aware of the importance of effective risk management and hedging strategies, considering the volatile geopolitical environment at the moment. As such, we will closely monitor global trends to proactively assess the potential impacts on our operations. From here, we will be able to implement risk mitigation measures and prudent hedging practices, fortifying our financial position and competitive edge.

Outlook:

While the market is stabilising, the Group remains ever-vigilant and aims to remain one step ahead of any potential challenges by continuously monitoring global developments.

Management Discussion and Analysis

(Cont'd)

Economic

Malaysia's economy has registered a strong growth of 8.7% in 2022, with the positive trend continuing into the first quarter of 2023 at 5.6%. As mentioned in the FY2023 Operating Environment section above, both the national economy and the construction sector have recorded significant recovery and potential for higher growth. This provides the perfect background for the Group to thrive and expand our market presence.

We acknowledge, however, that there are certain potential risks that could dampen HCIB's growth momentum. We have diligently identified these challenges and come up with strategic measures that will allow the Group to seize opportunities while proactively safeguarding us against these potential risks.

Potential Impacts	Our Response
Forex Fluctuations due to Weakening Malaysian Currency A weakening Malaysian Ringgit ("MYR") could result in higher import costs for raw materials, which could affect HCIB's overall cost structure. This, in turn, would exert pressure on our profit margins, making it a challenge to maintain pricing stability and profitability. **Increased Interest Rate** Interest rate hikes could elevate borrowing costs for HCIB. This could impact our investment decisions and delay crucial projects. Higher interest expenses may also limit the Group's financial flexibility and hinder our ability to capitalise on growth opportunities. **Rising Inflation** Escalating inflationary pressures may lead to higher operating costs, including increased energy and labour expenses. Eventually, this will also erode HCIB's profit margins and add pressure to our pricing strategies.	**Currency Forward Contract Mechanism** To better mitigate forex risks, HCIB uses currency forward contracts. This involves buying currency forward contracts at a fixed currency rate for specific periods. This strategy aims to provide greater certainty in financial planning and reduce the vulnerability of forex fluctuations, especially when procuring imported materials. **Purchasing Strategies** The Group adopts a diversified approach to purchasing strategies, combining both fixed and index-linked pricing for raw materials. This approach allows us to strike a balance between cost predictability and potential benefits from favourable market fluctuations. **Closely Monitoring Interest Rates** HCIB will keep a close eye on interest rate trends and evaluate opportunities to optimise our capital structure. This includes measures such as refinancing existing debt at more favourable rates and exploring alternative funding sources to mitigate the impact of rising borrowing costs. **Expanding into New Markets & Diversifying Our Customer Base** To reduce our reliance on a single market segment, HCIB diversifies our customer base and expands our presence into new markets. This enables us to spread risk across various markets and industries, making the Group more resilient to localised downturns. **Financial Planning & Forecasting** The Group prioritises regular financial assessments and forecasting exercises to identify potential risks. This empowers HCIB to take timely and appropriate actions to navigate potential economic challenges.

Outlook:

Despite the potential economic risks, HCIB remains optimistic about the pace of growth in the Malaysian economy and construction industry. By leveraging our risk management strategies, we are poised to seize opportunities and overcome potential challenges.

With a resilient approach to business and a commitment to innovation, the Group is confident in our ability to maintain our competitive edge and drive sustainable business growth.

Management Discussion and Analysis

(Cont'd)

Social

At HCIB, we understand the importance of social risk management, involving both our own workforce and the communities around us, for sustainable long-term growth. The well-being of our employees is of paramount importance to the Group as it directly correlates with our ability to operate and remain competitive in the industry.

Likewise, we extend support beyond our own facilities and foster harmonious relationships with the communities around us. By actively engaging and seeking to understand their needs and concerns, HCIB aims to create a shared value and leave a positive social footprint.

Potential Impacts	Our Response
Occupational Health & Safety Issues A failure to prioritise general employee health and safety can have a direct negative impact on the Group's operational performance. This could be in the form of decreased productivity, increased absenteeism, and potential accidents or injuries. Apart from these, such negligence may also damage our reputation and open us up to avoidable legal liabilities and financial burdens. This essentially impacts HCIB's financial performance and ability to attract and retain skilled employees. **Negative Public Perception** A negative perception of the Group due to inadequate community engagement or social initiatives can lead to protests and resistance against our operations. A lack of transparency and responsiveness to community concerns may escalate tensions and hinder our ability to effectively operate and grow. Furthermore, adverse publicity and negative media coverage can tarnish HCIB's reputation and brand image, eroding customer trust and loyalty. Ultimately, this will affect our market shares and sales performance. **Violation of Human Rights** Any perceived violation of human rights, including forced labour or unethical practices, could lead to severe legal penalties and irreparable damage to HCIB's reputation. As such, upholding ethical standards is not only a moral imperative but also essential for ensuring our long-term viability and success.	**Safeguarding Employee Health & Safety** Health and safety remains one of our top operational priorities. Through comprehensive safety training, regular assessments, and the implementation of robust safety protocols, we empower our employees to work with confidence that their well-being is our top priority. Additionally, our investment in employee welfare demonstrates our dedication to being an employer of choice, attracting top talent and fostering a positive corporate culture. **Community Engagement** We aim to actively engage with the communities surrounding our plants, fostering constructive dialogue and collaborative initiatives in the process. By listening to community concerns and feedback, the Group aims to be good neighbours and contribute positively to local development. Additionally, we strive to support local economic growth and job creation. Such proactive community engagements not only enhance our social license to operate but also bolsters our reputation as a responsible corporate citizen. **Simen Rahmah Initiative** Through our participation in the Simen Rahmah initiative, a strategic partnership with the government, the Group is dedicated to reducing cement prices for housing developers, enabling the construction of more affordable housing. This initiative reflects our support for social welfare and underscores our dedication to making a positive impact beyond our core business.

Outlook:

As we move forward, HCIB will continue to place a strong emphasis on promoting the welfare of our employees and the communities in our vicinity. By continually evaluating and enhancing our social responsibility efforts, we are confident that we can build a better future and foster sustainable growth for both the Group and the communities we serve. With a sense of responsibility and dedication, we aspire to be a catalyst for positive change.

Management Discussion and Analysis
(Cont'd)

Technology

In the era of the Fourth Industrial Revolution ("4IR"), technological advancements have become pivotal for businesses across all industries. As a forward-thinking organisation, we recognise the significance of integrating cutting-edge technologies into our operations.

We aim to harness the potential of automation and digitalisation to optimise plant efficiency, streamline processes, and enhance customer relationships. By embracing technological innovations, HCIB strives to stay at the forefront of the industry and deliver exceptional value to our customers.

Potential Impacts

Competitiveness

The integration of advanced technologies can significantly impact the Group's competitiveness. Embracing automation can confer a cost advantage by reducing labour-intensive tasks and improving overall productivity and efficiency.

By embracing digitalisation, HCIB can gain valuable insight into operations and market trends, allowing for more informed decision-making and enhanced strategic planning.

Efficiency & Productivity

Technological advancements have the potential to revolutionise the efficiency and productivity of HCIB. By automating routine tasks and employing automated control systems, the Group will be able to optimise resource utilisation and minimise wastage.

Enhanced efficiency will not only result in cost savings but also facilitates quicker response times to market demands.

Effective & Efficient Customer Service

Technological innovation can have significant positive impacts on customer relationships, allowing HCIB to better understand customer preferences and use them to offer personalised solutions.

Through digital communication channels and real-time support systems, the Group can also provide efficient and effective customer service at all times, enhancing customer satisfaction and ensuring their loyalty.

Our Response

Customer Relationship Management ("CRM")

To address the identified potential impacts, HCIB aims to prioritise relationship management by leveraging advanced CRM systems.

By utilising these innovations to better understand customer needs and preferences, we can tailor our approach to meet their specific expectations. This will go a long way in fostering lasting and fruitful partnerships.

Implementation of Robotic Processing Automation ("RPA") for Routine Tasks

HCIB has identified that the implementation of RPA for routine tasks in our operations can lead to enhanced efficiency and productivity.

This will not only increase operational efficiency but also lead to cost savings as resources are used more efficiently. RPA also allows for around-the-clock processing.

Upgraded Distribution Control System ("DCS")/ Programmable Logic Controllers ("PLCs") for Plant Operations

By upgrading our DCSs' and PLCs, the Group will be able to optimise plant operations and allow real-time monitoring and control. This integration will significantly streamline operation processes while increasing productivity and resource utilisation efficiency.

Outlook:

The rapid evolution of innovation and digitalisation holds great potential for increasing productivity and efficiency across all industries, including ours. As such, HCIB stands at the cusp of progress, committed to embracing these advancements to drive our growth.

By harnessing the capabilities of automation and data-driven insight, we are confident in our ability to navigate challenges and continue delivering superior products to our valued customers. As we embrace the future of innovation, we remain dedicated to shaping a more sustainable and technologically-driven industry.

Management Discussion and Analysis
(Cont'd)

Environmental

Environmental management is one of the priorities for HCIB as we increasingly recognise the critical importance of reducing emissions and pollution, and combatting climate change. We understand that these environmental factors pose a general risk to our operations, impacting not only the Group's regulatory compliance but also our reputation and relationships with our stakeholders.

As responsible stewards of the environment, we aim to implement sustainable practices that reduce our environmental footprint and contribute to a cleaner and greener future.

Potential Impacts

Penalties from Non-Compliance

Failure to adhere to the relevant environmental regulations may expose HCIB to needless penalties and legal consequences. This could result in severe financial implications, as well as erode investor confidence.

Non-compliance could also lead to reputational damage, as stakeholders are increasingly expecting businesses to uphold high environmental standards and ethical practices.

Risk of Closure

Consistently inadequate environmental practices and failure to comply with regulatory requirements have the potential to put our license to operate at risk. Regulatory authorities might implement stringent actions, which could involve temporary or permanent closures if violations persist.

Such closures can have a significant impact on HCIB's finances and also on our employees and communities whose livelihoods depend on us. It will also force us a step back, giving competitors an advantage that may make it difficult for the Group to re-establish our presence.

Community Boycott

Environmental pollution, such as dust, noise, and water pollution, may cause discontent among the surrounding communities. This could culminate in protests or boycotts against HCIB's operations if pollution incidents persist.

Such negative sentiments could harm our reputation and market shares while making it harder to operate. Additionally, we may lose the support of local communities which could hinder further growth potential and access to new markets.

Our Response

Alternative Fuel Usage

To mitigate climate change, HCIB is taking steps to reduce our carbon footprint by increasing the use of alternative fuels. This includes the incorporation of Supplementary Cementitious Materials ("SCMs"), as well as utilising waste or by-products from other industries as a substitute for traditional fossil fuels. This not only reduces emissions but is also resource efficient.

This initiative is also one of our ways of reducing the Group's environmental impacts and supporting the transition towards a low-carbon economy.

Pollution Monitoring

To proactively address environmental challenges, we continuously track our emissions and pollutant levels. Such regular monitoring allows us to promptly identify any deviations from compliance standards, enabling swift corrective action.

Our dedication to transparency in environmental reporting gives our stakeholders the necessary information and be informed of our progress. This, in turn, encourages a higher level of internal accountability and fosters trust in the Group's environmental stewardship.

Community engagement

In addition to our pollution tracking efforts, we highly value open communication with the local communities. Through regular interactions with local residents, we learn about their concerns and suggestions which enable us to respond promptly when necessary. We regularly explore opportunities to engage with the local communities, especially when it comes to environmental and safety matters. We believe community members are a vital part of our business.

We aim to help the community understand our operations, environmental protection initiatives, and safety measures that we are implementing in our business. At the same time, we engage with the local community through donations to the needy and participation in their welfare activities. These interactions foster a sense of shared support and trust.

Outlook:

Amidst the rising environmental concerns, HCIB recognises that stakeholders expect higher standards of environmental practices. We are striving to align with these expectations by adopting constructive initiatives that align with our sustainability agenda.

Through these practices, we aim to contribute meaningfully within the cement industry to promote environmental sustainability and foster a greener future.

Management Discussion and Analysis

(Cont'd)

Legal

As a responsible organisation, HCIB recognises the significance of managing legal risks and adhering to the legal landscape throughout all facets of our operations. From addressing labour issues to ensuring a robust anti-corruption framework, legal compliance safeguards our reputation while fostering transparent governance.

With the growing global attention on carbon reduction, the adoption of carbon credit mechanisms introduces new legal complexities and requirements, necessitating additional proactive approaches to legal risk management.

By proactively addressing these risks, we aim to uphold the highest standards of ethical conduct and legal compliance to ensure a sustainable and resilient future for HCIB.

Potential Impacts	Our Response
Penalties from Non-Compliance HCIB is aware that failure to comply with the relevant laws and regulations could expose us to penalties and other legal consequences. Such violations may negatively impact financial profitability and shareholder confidence. Addressing legal risks and ensuring strict adherence to local laws and regulations is essential to safeguard our standing in the industry. **Reputational Damage** Legal issues, particularly those associated with labour practices or corruption, can significantly tarnish HCIB's reputation. Negative media coverage and public scrutiny will lead to a loss of credibility and trust among customers, business partners, and investors. This damaged reputation will hinder business opportunities and make it harder for the Group to attract talent and financial backing. **Unexpected Costs from Regulatory Changes** Changes in existing regulations or the introduction of new laws can lead to unexpected costs. Compliance with new standards may require significant investments in technology, infrastructure, or operational processes, which could impact financial resources and operational efficiency. Failure to anticipate and adapt to these changes may also result in additional expenses which impacts HCIB's bottom line.	**Implementation of ISO 37001 Anti-Bribery & Corruption Management System ("ABCMS")** The Group has implemented an ABCMS based on ISO 37001 standards to ensure ongoing legal compliance with anti-corruption laws. This external accreditation by SIRIM showcases our commitment to preventing corruption and promoting transparent governance throughout the organisation. **Regularly Update Employee Awareness** By empowering our workforce with up-to-date knowledge of the laws and regulations relevant to them, we foster a culture of compliance and responsibility. These awareness campaigns and regular updates promote ethical behaviour and encourage employees to report any potential violations or wrongdoings, further reinforcing the Group's commitment to legal integrity.

Outlook:

We are dedicated to abiding by all relevant laws and regulations wherever we operate. Our proactive approach to managing legal risks underscores our pledge to conduct ethical and transparent business.

As we progress, we remain vigilant in navigating the ever-changing legal landscape while continuously refining our practices. By safeguarding legal compliance, we aim to build a strong foundation for sustainable growth that will ensure the success of HCIB for years to come.

Management Discussion and Analysis

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OUR BUSINESS MODEL

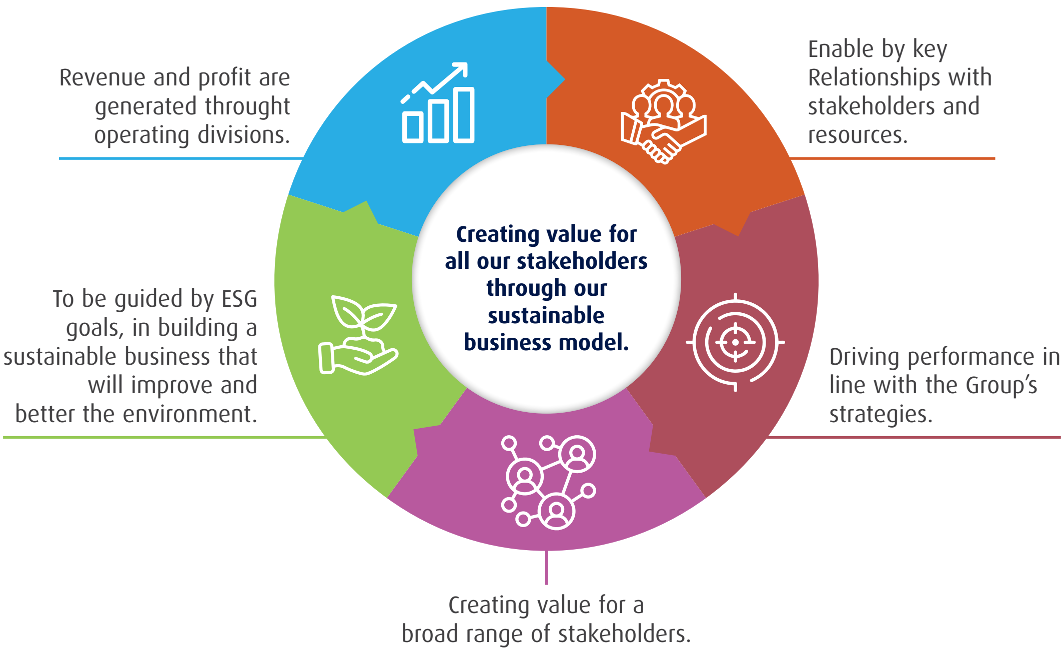
Our Business and Operations

HCIB is principally an investment holding company whilst the principal activities engaged in by its subsidiaries are that of investment holding, manufacturing and sale of cement and cement related products and manufacturing, marketing and sale of concrete and concrete related products.

Hume Cement Sdn Bhd ("HCMT") operates an integrated cement plant located in Gopeng, Perak where advanced technology is applied. HCMT started its operations with Line 1 in 2012 and later commissioned its second line in 2016. Presently, the company has a total installed capacity of 3.0 million tonnes of clinker per annum.

Hume Concrete Sdn Bhd ("HCCT") has a vast history that dates back to 1929 when it established its first precast concrete factory. Over the years, it has flourished and earned a reputation as the premier manufacturer of precast concrete products for the construction industry in Malaysia. At present, HCCT operates three strategically positioned factories across Malaysia, enabling it to supply both the Peninsula and East Malaysia markets effectively.

HCIB's business value chain model highlights the integration of financial performance with environmental and social responsibility, reflecting a commitment to delivering value beyond just profits. By balancing the interests of various stakeholders and working towards common goals, the Group aims to build a resilient and prosperous business that serves the needs of both present and future generations.



Management Discussion and Analysis

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RISK PROFILE AND MANAGEMENT APPROACH

The Group places significant importance on risk management to safeguard its operations and financial performance. The risk management review process involves a thorough examination of both financial and operational risks that the Group may face. This comprehensive analysis helps in understanding potential vulnerabilities and challenges.

In response to the identified risks, the Group develops affirmative action plans. These plans are carefully designed to proactively address and mitigate the risks, ensuring that the impact of adverse events is minimised or eliminated.

Notably, the Group's risk management is not a one-time effort but an ongoing and continuous practice. It is ingrained in the organisational culture and processes to ensure that risks are constantly monitored, evaluated, and managed.

This approach, as outlined in the following, enables the Group to adapt swiftly to changing circumstances and emerging risks while capitalising on potential opportunities.

Credit Risks

Description

- Credit risk refers to the potential financial loss the Group may face if a customer or counterparty fails to fulfill its contractual obligations regarding a financial instrument. The primary sources of credit risk for the Group include receivables from customers, short-term deposits, bank balances, and outstanding forward exchange contracts. In essence, credit risk highlights the possibility of not receiving expected payments or facing default from counterparties, which could impact the Group's financial stability and performance.

Strategic Approach

- The Group has a well-defined credit policy in place and regularly monitors its exposure to credit risk. For customers requiring credit over a specific amount, credit evaluations are conducted to assess their creditworthiness. The Group has taken appropriate measures to ensure that receivables, which are neither past due nor impaired, are valued at their realisable amounts. Many of these receivables come from regular customers who have a history of transacting with the Group.
- To monitor the credit quality of the receivables, the Group uses ageing analysis, which helps identify any potential credit risks based on the payment history. Receivables with significant balances that are past due and are considered to have higher credit risk are monitored individually.
- The Group's short-term deposits are placed in fixed-rate instruments which the management endeavors to secure the best available rates in the market for these investments.

Liquidity Risk

Description

- Liquidity risk refers to the risk that the Group may encounter difficulties in meeting its financial obligations when they become due. The primary sources of liquidity risk for the Group include its payables, loans, and borrowings. In essence, liquidity risk highlights the possibility of facing cash flow shortages, which could impede the Group's ability to fulfill its financial commitments on time.

Strategic Approach

- The Group actively manages its operating cash flows and funding availability to ensure it can meet all repayments and funding requirements.
- To maintain prudent liquidity management, the Group holds sufficient cash levels to meet its working capital needs to safeguard its financial stability and fulfill its financial obligations effectively.

Management Discussion and Analysis

(Cont'd)

Market Risk

Description

- Market risk refers to the risk of financial losses arising from changes in market prices, including foreign exchange rates, interest rates, and other prices that could impact the Group's financial position or cash flows. Fluctuations in these market prices could lead to potential gains or losses for the Group's financial instruments and investments, making market risk an important factor in managing the Group's overall financial risk exposure.

Strategic Approach

- The Group hedges material foreign currency transaction exposures on a case-by-case basis, primarily using derivative financial instruments like forward foreign exchange contracts. This approach helps mitigate potential risks arising from fluctuations in foreign currency exchange rates.
- As for interest rate exposures, the Group manages them by maintaining a combination of available lines of fixed and floating rate borrowings. This strategy allows the Group to navigate fluctuations in interest rates and optimise its overall interest cost while maintaining financial flexibility.

Operational Risk

Description

- The Group's principal activities are exposed to certain inherent risks in their respective sectors. These risks encompass cost increases and the availability of raw materials, manpower, and critical spare parts.
- Additionally, the Group forsees potential impacts from changes in legal, regulatory, health, and environmental requirements. To navigate these challenges, the Group implements proactive risk management strategies, ensuring operational resilience and compliance with evolving industry standards and regulations.

Strategic Approach

- The Group practices a systematic approach to reviewing all operational risk factors. A robust risk management system is integrated at all operation levels, with regular reviews conducted by Senior Management and the Audit and Risk Management Committee, overseen by the Board. Through this process, the Group identifies and assesses potential risks comprehensively.
- The risk report, which results from these evaluations, is thoroughly discussed, and affirmative action plans are formulated to address and minimise the identified risks. This proactive approach ensures that the Group is well-prepared to eliminate or mitigate risks effectively, fostering a stable and sustainable business environment.

Management Discussion and Analysis

(Cont'd)

BUSINESS REVIEW

Group's Financial Performance

The Group achieved a significant milestone in its financial performance, reporting a remarkable 40% increase in revenue, reaching RM1,014.3 million in FY2023 compared to RM 726.5 million in FY2022. This notable growth in revenue demonstrates the Group's successful recovery and enhanced financial position, with a profit before taxation of RM73.6 million.

Indeed, the higher sales and increased revenue can be attributed to the surge in demand for the Group's products, especially due to the rise in construction activities during the post-pandemic economic recovery period. As the economy rebounded from the pandemic's impact, there was a noticeable uptick in construction projects and infrastructure development, which led to greater demand for cement and concrete products. The Group's ability to meet this increased demand effectively contributed to its improved financial performance in FY2023.

Performance Overview: HCMT

Hume Cement Sdn Bhd ("HCMT") has successfully established itself as one of the key cement manufacturers in Malaysia, with the leading brand, Panda Cement.

During the evaluated period, HCMT's cement plant undertook a comprehensive reengineering and continuous improvement initiative aimed at elevating equipment reliability to a world-class standard while mitigating unscheduled maintenance. The Company directed efforts towards extending the useful life and optimising the efficiency of its equipment in alignment with market demand and customer requirements. Furthermore, the integration of digital transformation technologies enhanced work processes facilitated maintenance inspections, and improved equipment performance, leading to an ongoing enhancement in plant efficiency while effectively managing maintenance costs.

At HCMT, the expanded range of cement products has provided customers with a greater array of options tailored to their specific needs and demands, with the new product line of Panda Yellow (a Portland Limestone Cement) having brought substantial new sales volumes to the Company.

Performance Overview: HCCT

Hume Concrete Sdn Bhd ("HCCT") stands as a pioneering and distinguished manufacturer, renowned for its diverse range of precast concrete products tailored for the infrastructure sector. With a strong commitment to embodying a value-driven brand, HCCT endeavours to deliver value-engineered solutions that maximize benefits and satisfaction for its esteemed customers.

Given its close correlation to the construction market, HCCT's performance is significantly influenced by factors such as nationwide labour shortages and sales volume. As part of its commitment to sustained progress, HCCT remains dedicated to ongoing operational enhancements through the elimination of wastage and the streamlining of processes.

Dividend

The Group prioritises the dividend payout as a vital aspect of enhancing shareholder value. The Board carefully considers various factors, including earnings, capital expenditure requirements, borrowing repayments, capital adequacy, dividend yield, and other relevant financial indicators in determining the actual dividend payout.

The Group did not declare any dividend for FY2023.

Prospects and Outlook

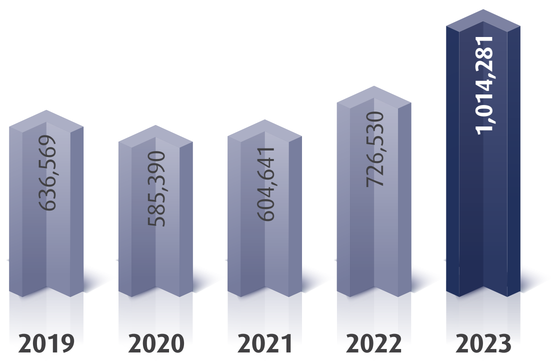
Looking ahead, the cement and concrete industry is proactively gearing up for the heightened expectations of stakeholders concerning regulatory compliance and environmental sustainability practices. The Group will remain cautiously optimistic in the current business environment and will diligently focus on improving the overall sales of all its products.

Moreover, the Group will continue the journey to enhance manufacturing capacities and optimise its operations while intensifying research and development into new innovative products to cater to the construction market's emerging needs.

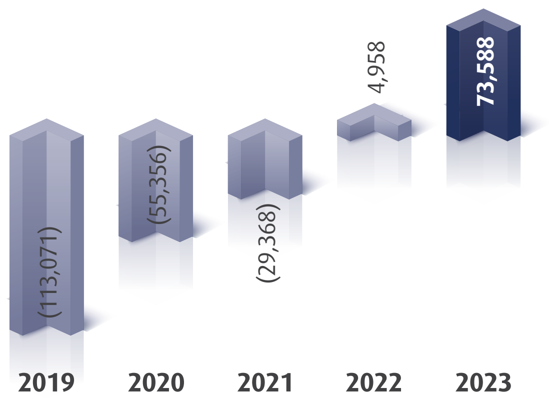
Group Financial Highlights

RM'000	FY2019	FY2020	FY2021	FY2022	FY2023
Revenue	636,569	585,390	604,641	726,530	**1,014,281**
Profit/(Loss) Before Taxation	(113,071)	(55,356)	(29,368)	4,958	**73,588**
Profit/(Loss) Attributable Owners of The Group	(98,144)	(45,904)	(27,360)	3,118	**60,034**
Net Earnings/(Loss) Per Share (sen)	(20.5)	(9.3)	(5.5)	0.6	**11.9**
Net Dividends Per Share (sen)	-	-	-	-	**-**
Total Equity	436,495	391,755	364,757	368,019	**428,833**
Total Assets	1,439,891	1,314,744	1,210,056	1,297,648	**1,186,241**
Capital Expenditure	11,879	7,586	14,300	14,712	**19,322**

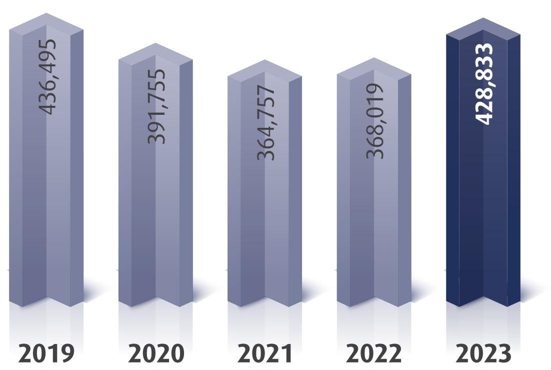
REVENUE
(RM'000)



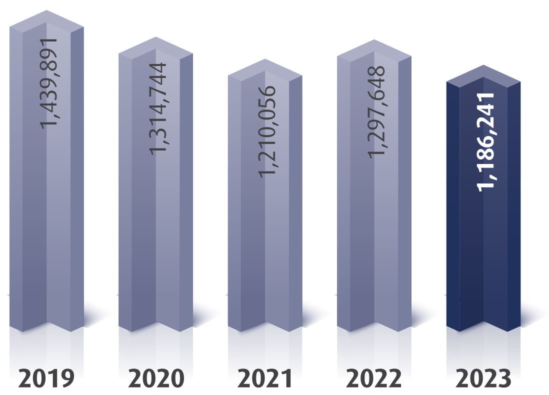
PROFIT/(LOSS) BEFORE TAXATION
(RM'000)



TOTAL EQUITY
(RM'000)



TOTAL ASSETS
(RM'000)



Sustainability Statement

1.0 ABOUT THIS STATEMENT

1.1 Introduction

Hume Cement Industries Berhad (referred to henceforth as "HCIB" or "the Group") primarily operates as an investment holding company, while our subsidiaries are actively involved in the manufacturing and sale of cement and related products, as well as the manufacturing, marketing, and sale of concrete and related products.

Hume Cement Sdn Bhd ("HCMT") operates an advanced cement plant situated in Gopeng, Perak. HCMT commenced its operations with Line 1 in 2012 and expanded by commissioning its second line in 2016.

Hume Concrete Sdn Bhd ("HCCT") has a vast history dating back to 1929 when it established its first precast concrete factory. Over the years, it has evolved into one of the reputable manufacturers of precast products for Malaysia's construction industry. HCCT currently operates three strategically located factories across Malaysia, serving both the Peninsular and East Malaysian markets.

In pursuing our sustainability journey, the Group remains dedicated to enhancing EESG ("Environmental, Economic, Social, and Governance") disclosures and further strengthening our commitment to transparency and accountability. This Sustainability Statement ("SS2023") covers our financial year from 1 July 2022 to 30 June 2023 ("FY2023"), unless otherwise stated.

This Statement intends to provide comprehensive information on the Group's sustainability practices, demonstrating our continued dedication to responsible business operations and fostering trust among stakeholders, as well as the Group's sustainability initiatives and strategies to address relevant material topics for FY2023. Through these strategies, the Group aims to create financial and non-financial values for our key stakeholders while supporting environmental stewardship and socio-economic development.

For a more comprehensive perspective of HCIB's sustainability initiatives, it is recommended that this Statement be read together with the Message from the Chairman, Management Discussion and Analysis ("MD&A"), Statement of Risk Management and Internal Control and Corporate Governance Overview Statement within this Annual Report.

Ultimately, this Statement showcases HCIB's reinforced motivation in strengthening the Group's sustainability direction. The Group's collective sustainability goals and achievements for FY2023 (1 July 2022 – 30 June 2023) are highlighted within.

1.2 Reporting Framework Applied

The preparation of this Sustainability Statement has been guided by the following frameworks and guidelines:

- Bursa Malaysia's Sustainability Reporting Guide Third Edition
- United Nations Sustainable Development Goals ("UNSDGs")
- Global Reporting Initiative ("GRI") Standards
- Task Force on Climate-Related Financial Disclosures ("TCFD")
- FTSE4Good Bursa Malaysia Index

1.3 Reporting Period and Cycle

This Sustainability Statement contains information between 1 July 2022 and 30 June 2023 ("FY2023"). The Group has provided data over the course of three years (FY2021-FY2023) wherever applicable. This allows for the presentation of trendlines that indicate general performance trends for key material topics.

1.4 Statement of Use

This Statement is made following the Board's approval on 24 August 2023.

Sustainability Statement
(Cont'd)

1.5 Reporting Scope and Boundary

The boundary of this Statement is set to HCIB's operations in Malaysia and specifically over which HCIB has controlling interests/management control. This includes all subsidiaries under the Group. The scope is limited to the principal operating activities of HCIB, which are outlined as follows:

Operating companies	Location
Hume Cement Sdn. Bhd. ("HCMT")	- Gopeng, Perak
Hume Concrete Sdn. Bhd. ("HCCT")	- Beranang, Selangor - Kuantan, Pahang - Kota Kinabalu, Sabah

1.6 Limitations

Data and information provided in this Sustainability Statement are based on the Group's ability to collect and present meaningful data (quantitative and qualitative), which have been sourced from official company sources and records. The same standards have also been applied to collect relevant and accurate data from the Group's value chain.

The Group acknowledges gaps in data availability for some indicators and endeavours to enhance data tracking and gathering mechanisms to facilitate this rectification and resolution moving forward.

1.7 Forward-Looking Statements

Any forward-looking statements, including targets, plans, operations, and forecasts, are derived from reasonable assumptions based on current business trajectories. Given that HCIB's business, much like all businesses, is susceptible to unforeseen risks, readers are encouraged to consider a balanced perspective when assessing these statements.

1.8 Board Approval

Data and disclosures included in this report have been reviewed and approved by HCIB's Board of Directors. Similarly, data owners and the HCIB management have reviewed their respective disclosures to maintain credibility.

1.9 Distribution and Feedback

In an effort to constantly improve our sustainability approaches, HCIB welcomes constructive feedback from its valued stakeholders. Please direct any queries, feedback, or suggestions to:

Hume Sustainability Department
sustainability@humecementind.com

2.0 MESSAGE FROM GROUP MANAGING DIRECTOR

In recent years, there has been widespread acceptance, both internationally and locally, of the importance of sustainability for long-term economic growth and prosperity. At HCIB, we have come to the same realisation that the adoption of sustainable practices in the economic, environmental, social, and governance ("EESG") sectors not only mitigates environmental and social risks but also fosters innovation, enhances competitiveness, and unlocks new economic opportunities. We understand that embracing sustainability and prudent EESG practices is a strategic impetus that promotes resilient and inclusive growth.

In line with our commitment to sustainability, we have placed a stronger emphasis on integrating sustainable practices throughout our organisation. This includes executing well-defined plans to advance our EESG agenda. By prioritising sustainability, we strive for our operations to have a positive impact on the planet, society, and our stakeholders.

One key aspect of our sustainability efforts is the cultivation of transparency. We actively work towards incorporating transparency into our overall strategy and reporting processes. By doing so, we aim to provide clear and comprehensive information about our sustainability initiatives, progress, and outcomes. This transparency serves as a foundation for building trust with our stakeholders, including investors, customers, employees, and the wider community.

Sustainability Statement
(Cont'd)

Through regular and thorough reporting, we showcase the tangible steps we are taking to strive to address sustainability challenges, reduce our environmental footprint, promote social responsibility, and uphold high governance standards. By sharing this information, we aim to foster a deeper understanding of our sustainability journey and engender trust in our organisation's commitment to sustainable practices.

Ultimately, our focus on sustainability, coupled with transparent reporting, helps us strengthen the bonds with our stakeholders, fostering a sense of confidence, collaboration, and shared purpose. We recognise that sustainability is a collective effort, and by working together, we can create a more sustainable future for all.

As HCMT embarked on its journey to reduce CO_2e emissions, we have consistently lowered our GHG emission intensity year after year. Starting with 810kg of CO_2e emissions per tonne of cement produced in FY2019, we have now achieved a remarkable CO_2e reduction to 741kg per tonne in FY2023. This outstanding decrease of 69kg CO_2e highlights our dedication to sustainability and environmental responsibility.

By reading our SS2023, I hope you will gain further insights into HCIB's progress in EESG initiatives. We appreciate your ongoing support as we increasingly embrace a circular economy approach to drive sustainable value creation.

Hugo Enrique Losada Barriola
Group Managing Director

3.0 MEMBERSHIP IN ASSOCIATIONS

As HCIB advocates for more sustainable practices in our industry, the Group holds memberships in multiple industry associations, allowing HCIB to discuss and implement sustainability best practices and spread awareness of material sustainability matters across the Group's value chain. HCIB's membership in associations and professional bodies is as follows:

Association	Operating Company
Cement & Concrete Association Malaysia	HCMT
American Concrete Institute – Malaysian Chapter	HCMT
Federation of Malaysia Manufacturers ("FMM")	HCMT & HCCT
Malaysian Employer Federation ("MEF")	HCMT & HCCT

4.0 FY2023'S SUSTAINABILITY HIGHLIGHTS

In an era of increased environmental consciousness and the urgent need to mitigate climate change, sustainability has emerged as a central theme across industries, governments, and communities. As an organisation that recognises the importance of responsible practices, the pursuit of sustainability has gained significant momentum.

In FY2023, the Group has achieved commendable progress in sustainability, which entails as follows:

Sustainability Pillar	Highlight
Economic	• HCIB's operations comply with ISO 9001, ISO 14001, and ISO 45001 certifications for quality and safety.
Environmental	• HCMT's Gopeng cement plant holds ISO 14001 certification for environmental management systems. • HCMT has planted 570 trees in its plant in Gopeng. • HCMT has progressively reduced around 9% of its CO_2e emissions since 2019.
Social	• Collectively, HCMT and HCCT have provided over 7,000 hours of safety training to their employees.
Governance	• HCIB's FTSE Russell ESG rating increased to 3.8 from 2.3. This is a significant improvement that shows our commitment towards ESG. • 100% of HCIB's plants have received ISO 37001 certification for anti bribery and corruption.

Sustainability Statement
(Cont'd)

5.0 AWARDS AND ACCOLADES

5.1 Awards

Scheduled Waste Facilities (PYDT BT) Lestari Competition by DOE Perak – October 2022

- Main Award – Most Environmental & Sustainable Designated Premise for Scheduled Waste
- Most Committed and Conducive Environment Award
- Best Air Emissions Management Award

Star Rating Ceremony for the Sustainability of the Mining and Quarrying Industry – September 2022

- Four-star rating

SIRIM QAS Certificate

- For the implementation of Anti-Bribery Management Systems complying with ISO 37001: 2016

Main Award for Most Environmental & Sustainable Designated Premise for Scheduled Waste in October 2022

Most Committed and Conducive Environment Award in October 2022

Best Air Emissions Management Award in October 2022


*Star Rating Ceremony for the Sustainability of the Mining and Quarrying Industry in September 2022 **** Four-star rating*

Handover of ISO 37001:2016 Certificate by SIRIM QAS International

5.2 Certifications

HCMT – SIRIM QAS International Certifications		
• ISO 9001: 2015 • MS EN 197-1: 2014 • ISO 37001:2016	• ISO 14001: 2015 • MS EN 413-1: 2012	• ISO 45001: 2018 • ISO/IEC 17025: 2017

HCCT – SIRIM QAS International Certifications		
• ISO 9001: 2015 • MS 881: Part 3: 1991 • MS 1314: Part 6: 2004 • BS EN 1168: 2005+A3: 2011 CIS 24:2021	• ISO 37001: 2016 • MS 1293: Part 1: 1992 • MS EN 206: 2016 CIS 21: 2018 • BS EN 13747: 2005+A2: 2010 CIS 24: 2021	• MS 881: Part 1: 1991 • MS 1314: Part 3: 2004 • BS EN 13225: 2013 CIS 24: 2021

Sustainability Statement
(Cont'd)

6.0 SUSTAINABILITY GOVERNANCE

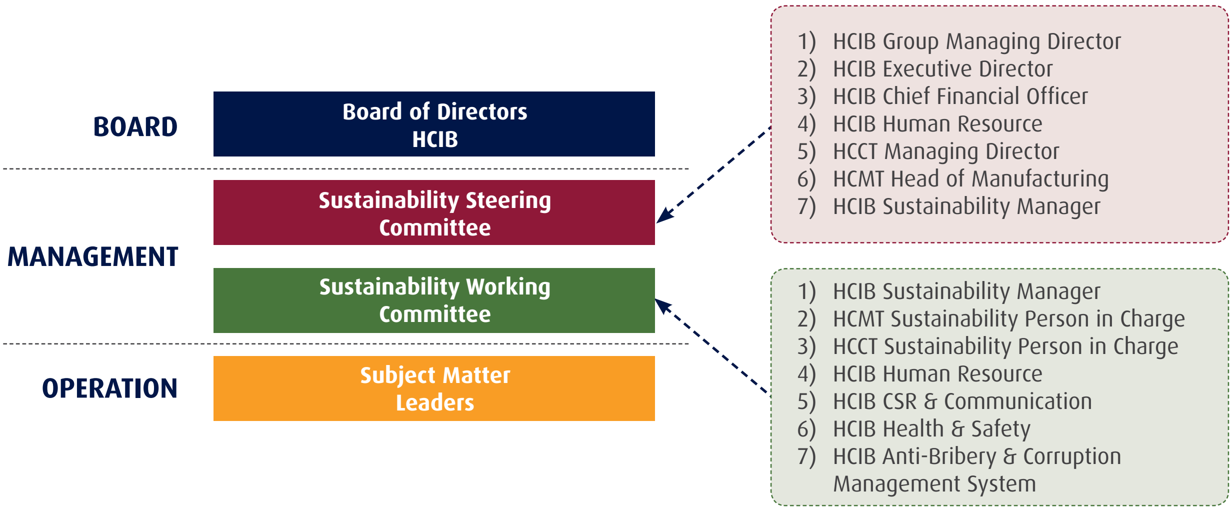
6.1 Sustainability Governance Structure

HCIB's sustainability agenda is driven from the top through direct oversight by the Group's Board of Directors ("Board"). The Group has established a Sustainability Governance Structure that consists of the Board, a Sustainability Steering Committee ("SSC"), a Sustainability Working Committee ("SWC"), and several Subject Matter Leaders.

Through this structure, the Board maintains their role as the highest decision-making authority on our Group initiatives and policies. Through their guidance on HCIB's key business, social, and environmental matters, the Board steers the Group towards developing a sustainable culture which seamlessly integrates our core values.

The SSC assists the Board, acting as a bridge between the Board and the operating companies. Chaired by the Group Managing Director ("GMD"), this is, in turn, supported by the SWC and respective Subject Matter Leaders. Subject Matter Leaders are industry professionals from HCMT and HCCT who work together with the SWC to drive the Group's overall sustainability strategies at the operational level.

The SWC and Subject Matter Leaders also progressively monitor key performances of the different sustainability initiatives. These findings are reported back to the SSC, which meets quarterly to review and evaluate the sustainability performances of the Group. The outcome of these meetings is then brought to the attention of the Board whenever necessary for additional strategising and for their guidance as needed.



6.2 Sustainability Framework and Approach

Together with the robust sustainability governance structure, this established framework not only empowers the Board and Senior Management to oversee significant sustainability issues and their associated risks and opportunities but also aligns with the vision and mission of the organisation. By facilitating communication between senior leadership and operational teams, it serves to emphasise that our Group's policies and decisions are properly communicated throughout our business divisions while providing guidance for implementing action plans.

Above all else, the framework allows for timely and effective two-way communication between different levels of the organisation, serving as a catalyst for shaping and guiding the continued development of the Group's ESG-oriented culture throughout the organisation. Integrating the vision and mission components, the framework reinforces the Group's commitment to sustainable practices and helps foster a shared sense of purpose in achieving its economic, environmental, social, and governance ("EESG") goals.

Sustainability Statement
(Cont'd)

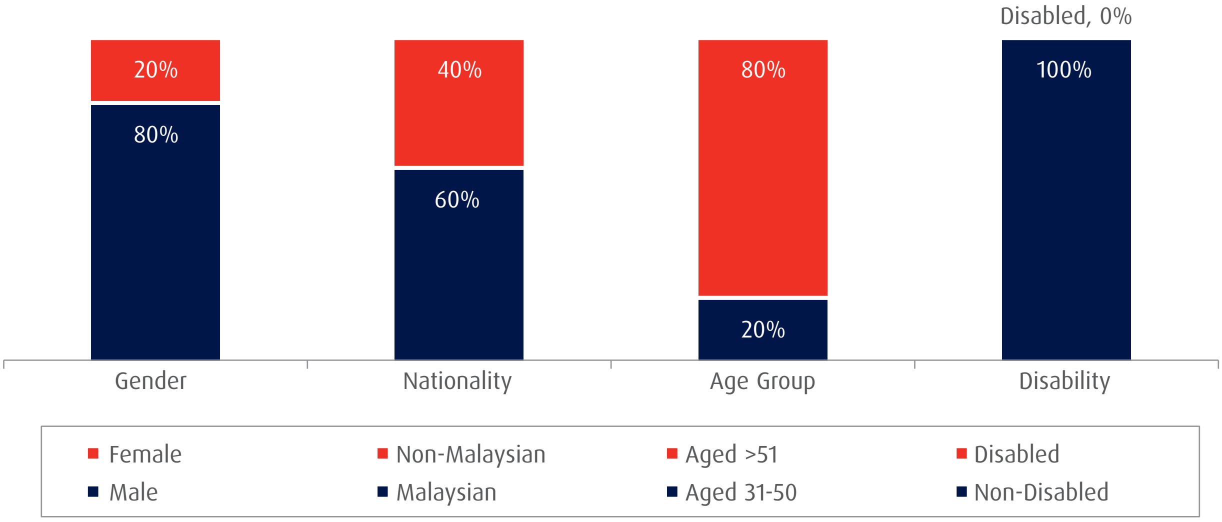
Vision
To be a leader in sustainable cement and concrete products manufacturing, providing innovative solutions to build a better future for generations to come

Mission
To produce high quality products while contributing positively to the environment and creating value for all stakeholders

Economic	Environmental	Social	Governance
Creating economic value for our stakeholders	Contributing positively to the environment	Composing positive impacts on social systems internally and externally	Conducting business ethically
Economic Performance	Air Quality Management Energy Management Waste Management Water Management Biodiversity	Health & Safety Human Rights Labour Standards & Employee Engagement Local Community Engagement	Corporate Governance Anti Bribery & Corruption

6.3 Board Composition and Diversity

HCIB's Board of Directors ("Board") comprises five (5) directors, three (3) of whom are Independent Non-Executive Directors ("INED"), with the Chairman being a Non-Independent Non-Executive Chairman.



The Board is supported by the Group's Management and various committees enacted to bolster sustainability and corporate governance in the Group. More comprehensive details on the composition and background of our Board members can be referred to in the Board of Directors section of the Annual Report.

Sustainability Statement
(Cont'd)

6.4 Corporate Governance Policies and Practices

HCIB recognises the importance of policy commitments and acknowledges their applicability to both our internal activities and external business relationships. The following entails the list of policies that are to be adhered to by the relevant parties within the Group:

Safety, Health, and Environment ("SHE") Policy
• Each subsidiary has its own policy
Energy Policy & Management
• Only applicable for HCMT
Whistleblowing Policy
• Applicable to all
Anti-Bribery & Corruption ("ABC") Policy
• Applicable to all
Code of Conduct
• Applicable to all employees. For directors to refer to "Code of Ethics for Company Directors". As for suppliers, will refer to "Supplier Code of Conduct and Ethics".
Privacy Policy
• Applicable to all

The Group upholds its operations and engagements in alignment with established policies, thereby fostering responsible and ethical practices across its business through a comprehensive approach to these commitments.

6.4.1 Anti-Bribery and Corruption

HCIB strictly condemns all forms of corruption and bribery throughout all levels of the organisation.

HCIB does not condone any form of bribery and corruption. To combat such practices, the Group has an Anti-Bribery and Corruption ("ABC") policy approved by the Board of Directors. This policy, alongside the Hong Leong Manufacturing Group Code of Conduct and Ethics, helps guide the Group's business operations to be in compliance with the Malaysian Anti-Corruption Commission Act 2009 and any other applicable anti-bribery and corruption laws. These documents can be accessed at: https://www.humecementind.com/index.php/about/codes-and-policies

The Group's Board of Directors ("Board") and Management give top priority to the implementation, enforcement, and continuous improvement of the ABC policy. To further assist their decision-making process, HCIB has established a Compliance Function that helps oversee the design and implementation of the Group's anti-bribery management system. As a result, an Anti-Bribery and Corruption Management System ("ABCMS") has been enforced with the support of the Board, Board Audit and Risk Management Committee ("BARMC"), Group Managing Director, and Compliance Manager. This was developed based on the ISO 37001:2016 Anti-Bribery Management System and was recently audited by SIRIM in FY2023 to uphold compliance.

HCIB's ABC policy and ABCMS are applicable to the entire workforce as well as any third-party contractor who performs services on behalf of the Group. These individuals are prohibited from providing/ promising services for personal benefits or requesting/ receiving anything of value that may influence their objectivity when conducting their duties. Group employees are required to annually self-declare their obligation to the Group's ABC policy under the Hong Leong Manufacturing Group Self-Declare Policy. This is also a requirement for new employees joining the organisation. Similarly, every Board member annually acknowledges HCIB's ABC policy and Code of Ethics for company directors in addition to self-declaration of their adherence to the Hong Leong Manufacturing Group Gift and Entertainment Policy.

Sustainability Statement
(Cont'd)

As of FY2023, Group employees have received some form of anti-corruption training, with a total of 594 hours invested into training. This training involves both annual internal ABCMS training for employees and external training for ABCMS committee members, internal auditors, and risk owners. The Group also regularly communicates the ABCMS' objectives through the distribution of informational material to employees, routine awareness sharing through the Group's intranet, and by publishing HCIB's ABC policy and ABCMS commitments on the Group website.

Besides employees and third-party contractors, HCIB also conducts due diligence on our potential business partners and stakeholders. This helps the Group to make informed decisions, mitigate risks and maintain sustainable and ethical supply chain practices. As such, a Supplier Code of Conduct and Ethics ("Code") has been developed to outline the minimum standards the Group expects from our suppliers and other third-party vendors. A copy of this Code is made available on the Group's website and can be viewed at: https://www.humecementind.com/index.php/about/codes-and-policies

The Group has additionally designed an internal Standard Operating Procedure ("SOP") to facilitate HCIB's operating companies to conduct their own due diligence when dealing with their stakeholders to minimise the risk of bribery and corruption. This encompasses major decisions by HCIB's operating companies including employee recruitment, supplier selection, and tender interviews and awarding processes, among others.

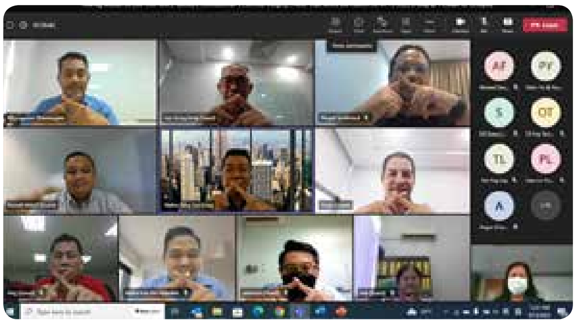
100% operational assessed for corruption risk

100% employees have received some form of ABC training

0% cases of corruption

100% implementation of ABCMS throughout HCIB

The Group's efforts in developing robust ABCMS have been acknowledged by certification bodies such as SIRIM QAS. In December 2022, HCIB participated in the Majlis SIRIM Industri ("MSI") 2022 which was hosted by SIRIM QAS International and officiated by the Minister of Internal Trade and Industry ("MITI"). The event was conducted to recognise companies that have established ABCMS and to strengthen their collaboration and relationship with SIRIM.



Webinar on "Offences stipulated in the Malaysian Anti-Corruption Act 2009 (MACC Act 2009) (Act 694)" on International Anti-Corruption Day

ABCMS audit by SIRIM QAS in March 2023

Sustainability Statement
(Cont'd)

6.4.2 Code of Ethics

HCIB recognises that ethical business conduct is important in fostering responsible business growth.

HCIB adopts the Hong Leong Manufacturing Group Code of Conduct and Ethics ("HLMG Code") as a guide for establishing good business ethics and integrity. The Group is committed to a high standard of professionalism, ethics and integrity in the conduct of our business and professional activities. We expect our business partners to share similar commitment by conducting business in a fair, ethical and lawful manner and this is cascaded down HCIB's value chain through the Supplier Code of Conduct and Ethics.

These codes can be viewed at: https://www.humecementind.com/index.php/about/codes-and-policies

6.4.3 ESG Risk Management and Internal Control

A robust risk management structure is critical to the overall business strategies of HCIB.

ESG risk management within HCIB is managed at the operational level by the respective operating companies. This is overseen by the SSC which reports directly to the Board. Any strategies or assessments regarding ESG made by the Board are cascaded by the SSC to the SWC before implementation at the operation level.

This structure allows some form of independence for the operating companies to assess and manage ESG risks that are more specific to their particular operations, while still maintaining direct Board oversight on strategic decisions.

6.4.4 Whistleblowing Policy and Mechanisms

HCIB cultivates a culture that encourages transparency and accountability while protecting those who speak up.

To further promote HCIB's internal corporate governance and transparency, the Group has put in place a Whistleblowing Policy. Under this policy, employees from across the Group and its subsidiaries can raise their concerns about any wrongful act that has been committed, including fraud, corruption, bribery, or blackmail, without fear of reprisal.

Concerns raised through the whistleblowing channel are sent directly to the Chairman of the Board Audit and Risk Management Committee. These reports are then reviewed in accordance with the procedures outlined in the Whistleblowing policy, which can be viewed at:

https://www.humecementind.com/index.php/about/codes-and-policies

6.4.5 Regulatory Compliance

HCIB diligently upholds stringent standards, with the objective to align our business operations with the regulatory landscape.

HCIB's business operations are in line with the relevant environmental and social regulations established by the local authorities. At the operational level, regulatory compliance is mainly driven by the Group's Safety, Health, and Environment ("SHE") Policy.

For environmental regulatory compliance, this SHE Policy is used in tandem with the Group's Environmental Management Systems ("EMS") to propel HCIB's sustainable environmental practices. A similar Occupational Health and Safety Management System ("OHSMS") is used to foster adequate social compliance, especially in terms of health and safety at the workplace.

Compliance is driven by each operating company's SHE Committees, which consist of SHE members, department management representatives, and employee representatives, with the Head of Manufacturing and Plant Managers providing strategic leadership. The SHE Committees meet periodically to review all relevant SHE topics, including environmental and social compliance. The findings of these meetings are then compiled into a Plant Performance Report ("PPR"), which will be forwarded to HCIB's Group Managing Director and the SSC for further implementation or strategising at the Group level.

Sustainability Statement
(Cont'd)

7.0 STAKEHOLDER ENGAGEMENT

As a responsible organisation, HCIB understands the significance of our stakeholders to our business operations and value their input.

Consequently, we have incorporated stakeholder perspectives into our business direction and goals. The following summary outlines the stakeholder groups, types of engagement, and sustainability topics discussed:

Area of Interest	Engagement Method
Customers	
• Product quality and responsibility • Ethics and regulatory compliance	• Customer feedback surveys • Conferences and meetings • Corporate website
Employees	
• Occupational health and safety • Labour practices • Ethics and compliance • Career progression	• Employee engagement programmes • Internal communication channels (e-mails, work groups, etc.) • Town hall/ briefings • Training sessions • Genba walks • '5S' activities
Suppliers/ Business Partners	
• Supply chain responsibility • Fair and transparent procurement practices • Ethics and compliance	• Site visits and meetings • Audits and surveys • Vendor registration and feedback • Exhibitions, conferences, and technical roadshows
Government Agencies/ Regulators	
• Regulatory compliance	• Dialogues and meetings • Exhibitions and conferences • Formal and informal correspondence • Site visits • Government initiatives and programmes
Local Community/ Non-Governmental Organisations ("NGOs")	
• Corporate Social Responsibility (CSR) • Environmental and social impacts • Local employment opportunities	• Site visits • CSR activities • Sponsorships and donations
Shareholders/ Investors	
• Corporate governance • Economic value generation • Financial performance	• Annual general meetings • Investor briefings • Corporate affairs correspondences • Corporate website and publications • Financial disclosures
Employee Unions	
• Employee rights and welfare • Peaceful grievance resolution	• Formal union meetings • Various ad-hoc communication sessions

Active engagements with these stakeholder groups and addressing their concerns are evidence of HCIB's emphasis that sustainability remains at the core of our business activities. This collaborative approach allows the Group to align our direction and goals with stakeholder expectations, fostering a responsible and sustainable business model.

Sustainability Statement
(Cont'd)

8.0 ASSESSING MATERIALITY

8.1 Materiality Assessment Process

HCIB's robust materiality process allows us to recognise and prioritise crucial ESG matters and incorporate them into our day-to-day decision-making.

In 2022, the Group conducted a thorough materiality assessment study, employing a structural process to identify and validate sustainability issues. Given that there have been no substantial alterations to the Group's business operations, the evaluated materiality matters have been considered relevant for FY2023.

Objective-setting and identification and classification of materiality issues

- Identify the most common external & internal ESG matters that are related to HCMT and HCCT
- Shortlist and consolidate common matters together at the Group level

Stakeholder engagement and prioritisation of materiality aspects

- Assessment conducted in a focus group which involves steering committee members, senior management and respective working committee groups

Validate and review the materiality matrix

- Desktop verification on the relevance of the outcomes/results from the materiality matrix
- Consider global megatrends and major risks the Group may face
- Consider adding new materiality to address important ESG issues which the Group intends to focus on

Approval from the Board

- The outcomes of the materiality assessment and priority matrix will be presented to the Board for approval

The materiality assessment process was primarily guided by relevant frameworks such as the GRI, FTSE4Good Bursa Malaysia Index ESG indicators, and Bursa Malaysia Sustainability Reporting Guide. By adopting this approach, the Group aims to recognise and address key risk and opportunity areas that could significantly impact the long-term sustainable growth of our subsidiary companies, both financially and operationally, as well as in terms of reputation.

Sustainability Statement
(Cont'd)

8.2 Materiality Matrix

Based on the materiality assessment, the Group has been able to prioritise the materiality matters that may have a significant impact on the environmental, social, and governance ("ESG") aspects.

Following is the materiality matrix that reflects the current prioritisation of HCIB's material topics. Details on each material topic are provided in subsequent pages of the SS2023.

Sustainability Statement
(Cont'd)

In addition, HCIB is cognisant of the importance of aligning ESG materiality topics with the United Nations Sustainable Development Goals ("UNSDGs"). Through this linkage, the Group can demonstrate its commitment to sustainability and effectively communicate its efforts to stakeholders.

Sustainability Development Goals	Material Topics	Our Approach
Environmental		
7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND	• Air Quality Management • Energy • Water Management • Waste Management • Biodiversity	• Use waste/by-products from other industries. • Support co-processing in operations. • Prioritise fuel and energy optimisation. • Tree-planting activities around the operating plants and quarry. • Strictly comply with the rules and regulations on water effluent management. • Actively recycle water for day-to-day plant operations. • Improve energy efficiencies by practising the 10 Golden Rules.
Social		
3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	• Health & Safety • Human Rights • Labour Standards & Employee Engagement • Local Community Engagement	• Implement an Occupational Health and Safety Management System ("OHSMS") to avoid accidents or lost time injury ("LTI") cases from the operations. • Strictly against human rights violations, discrimination and non-compliance in workforce diversity. • Committed to local community employment. • Provide financial and in-kind support to the community living around the operating plants. • Do not condone any form of gender discrimination. • Provide greater awareness to employees on whistleblowing and grievance channels through which cases of discrimination can be reported.
Governance		
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• Corporate Governance • Anti-Bribery & Corruption	• Do not condone any form of bribery and corruption. • Adhere to the high corporate governance standards. • Work with authorities and important stakeholders to achieve sustainability goals.

Sustainability Statement
(Cont'd)

9.0 ECONOMIC

9.1 Financial Values Creation

Through strategic initiatives, HCIB is able to generate direct economic value while fostering sustainable growth.

Achieving and enhancing financial performance, as measured by key economic indicators such as revenues and earnings, is imperative for ensuring the viability and expansion of any profit-oriented entity. Moreover, it plays a vital role in promoting environmental and social objectives, which are increasingly intertwined with financial performance through the lens of ESG considerations.

The interconnection between ESG factors and robust financial performance underscores the need for a reliable source of funding to drive initiatives and projects aimed at improving environmental and social outcomes. For example, transitioning to renewable energy sources like solar power often necessitates substantial upfront investments that can only be feasible when a business is generating satisfactory profits. The same holds true for enhancing employee benefits and compensation, as well as consistently implementing various CSR activities.

By enhancing financial performance, businesses are empowered to distribute wealth among their stakeholders, encompassing investors, employees, charitable organisations, non-governmental entities, and others. This equitable distribution of wealth serves as a crucial mechanism for fostering long-term value and sustainability for the stakeholders involved.

Presented below is an overview of HCIB's economic performance. For more comprehensive financial data, please refer to the financial statements section of the Annual Report.

	FY2021	FY2022	FY2023
Revenue (RM'000)	604,641	726,530	1,014,281
Profit/ (Loss) After Tax (RM'000)	(27,360)	3,118	60,034
Net Cash Generated From Operating Activities(RM'000)	44,333	15,396	115,816
Net Asset Per Share (sen)	0.73	0.73	0.84
Earnings/(Loss) Per Share (sen)	(5.48)	0.62	11.91

9.2 Indirect Values Creation

HCIB understands the role we have in the broader economic impact on society.

HCIB's business model extends beyond the measurable direct and indirect economic benefits to drive socio-economic prosperity. This is achieved through a range of economic activities that generate a multiplier effect that creates job opportunities and support for entrepreneurial ventures.

Furthermore, our efforts have a positive impact on the community and improve the overall quality of life. This is achieved through our engagement in a variety of CSR initiatives, such as financial support for schools and communities by sponsoring bagged cement for infrastructure improvement projects.

Sustainability Statement
(Cont'd)

9.3 Product Quality and Customer Satisfaction

HCIB is dedicated to ensuring superior product quality and consistent customer satisfaction.

Product quality is important to HCIB as it influences customer satisfaction. This, in turn, translates to higher revenue and profitability, as well as a better reputation within the industry. Given the importance of the topic, HCIB has several business units driven to achieve and sustain compliance with different quality and safety standards, such as ISO9001:2015, ISO14001:2015, and ISO45001:2018. Additionally, all Group plants have established a Quality Management System in line with ISO9001:2015 requirements and a Quality Policy Statement to increase quality awareness among staff and meet the relevant regulatory and legal requirements of the industry. Product quality is also committed through the establishment of Key Performance Indicators ("KPIs") that are identified in the business plan as a form of Quantifiable Quality Objective.

Product quality is monitored by the technical sales team, who is also the contact point for any customer complaints. Complaints received by the team will be investigated at the customer's site and escalated to the quality control team for further action if required.

HCIB's management maintains direct oversight of quality matters through weekly meetings. Customer feedback is also collected on a quarterly basis via surveys which allows the Group to establish customer experience in terms of pricing, delivery, quality, and customer support.

As of FY2023, 35 complaints were received by HCIB, all of which have been resolved.

9.3.1 Data Privacy and Security

Safeguarding data privacy is important to HCIB.

HCIB adheres to the Personal Data Protection Act ("PDPA") 2010. Under this act, personal customer data is only collected with the consent of the data owners, and notices on data usage, storage, and overall intent are clearly disclosed to relevant parties. Any data collected is not made publicly available or distributed among any external parties or vendors except in accordance with the law.

The Group is aware that data breaches can cause significant issues, not only for HCIB but also for our customers and business partners. Data breaches can incur tremendous costs for remediation while tarnishing the Group's reputation and our customer's trust. As of FY2023, there have been no reports of any such instances of data breaches.

9.4 Local Procurement and Supply Chains

In line with the Group's overall agenda of shifting towards promoting a more sustainable supply chain, HCIB has been consistently prioritising more local procurement in recent years.

With that said, the responsibility of prioritising local procurement falls under the purview of each operating company's procurement department through a cross-functional management team approval matrix. Before securing a supplier, each operating company is advised to conduct site visits to assess the local suppliers' capability and capacity to fulfil their obligations in line with the Group's standards. Similar procurement practices are also applied to foreign companies, where applicable.

As HCIB is committed to conducting fair and ethical business in accordance with local laws and regulations, the same is expected of our business partners and suppliers along the supply chain. As such, the potential suppliers are first screened for any negative social impacts. They are then required to agree with the Group's policies, including the ABCMS and Supplier Code of Conduct and Ethics ("Code"). This outlines the Group's minimum business expectations. In the case that a supplier breaches these policies, the operating companies reserve the right to immediately terminate business transactions and blacklist them from future contracts.

As of FY2023, 59% of HCIB's procurement spending was local.

Sustainability Statement
(Cont'd)

10.0 ENVIRONMENTAL

HCIB firmly believes that a responsible approach towards environmental stewardship is crucial, not just to the future of the Group but also to the welfare of all our stakeholders. The Group acknowledges the unique environmental challenges and responsibilities that are part of the industry. As such, HCIB has made it our commitment to drive positive change and lead the way towards more sustainable and climate-friendly products and processes.

As part of these commitments, HCMT has conducted an assessment of the potential environmental impacts that may present. Through this assessment exercise, HCMT has been able to identify the key risks and opportunities of each environmental theme. At the same time, we are now aware of various initiatives we can undertake to not only mitigate and manage risks but also take advantage of any opportunities.

Environmental Theme	Risks	Opportunities
Air Emissions - High ambient dust	- Non-compliance with legislation - Complaints from local communities	- Technology and monitoring system development for air emissions
Energy - High energy usage	- Increased wastage	- Increased efficiency of finite resources
Water - Cooling	- Large water footprint	- Reduced usage of domestic water - Water recycling system
Resource - Use of natural resources - High coal usage	- Depletion of natural resources - High greenhouse gas ("GHG") emissions	- New technology/ system developed for fuel systems - Increased usage of alternative fuels and raw materials
Waste - Failure in scheduled waste management - Potential spills	- Non-compliance notice/ complaints/ fines - Pollution	- Waste sent to licensed contractors for use in their processes - Remove harmful substances through process redesign
Biodiversity - Site erection/ construction for new projects	- Habitat damage	- Development of local economy

25% plants received ISO 14001: 2015 certification on environmental management

25% plants received ISO/IEC 17025: 2017 certification on lab accreditation

Sustainability Statement
(Cont'd)

10.1 Climate Change and Emissions

HCIB recognises that there is an urgent need to address climate change and is dedicated to efforts to reduce our carbon footprint.

Climate change is undeniably one of the major environmental risks faced by the world today. Through our operations, HCIB recognises the role we can play in reducing the potential impacts of climate change and supports Malaysia's climate change ambition. With that in mind, the Group has enacted several prudent initiatives to reduce HCIB's greenhouse gas ("GHG") emissions, mostly through wise energy management and optimisation.

Climate change and energy management initiatives are mainly driven at the operational level. As HCMT has a significantly higher energy consumption, it has established a robust Energy Policy that acts as a guideline to steer HCMT's energy targets. This will lead to energy optimisation throughout operations at different levels and, ultimately, lead to reduced GHG emissions through sustainable energy consumption. This document can be referred to at:

https://www.humecementind.com/index.php/about/codes-and-policies

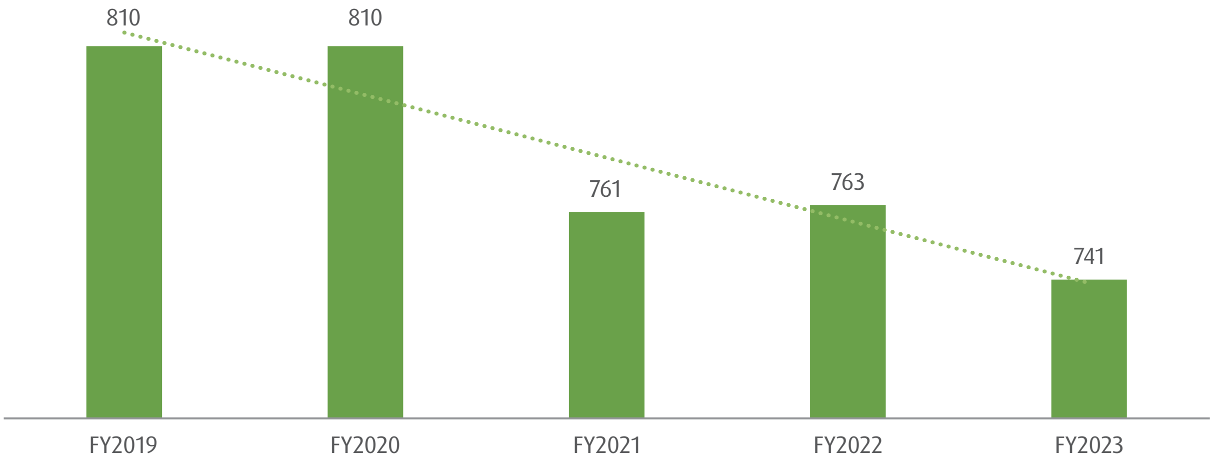
HCMT plant is the latest installed in Malaysia. Outfitted with advanced equipment and environmental considerations, this plant has been intricately designed for high efficiency and quality output. The cement produced here meets and exceeds the industry's standards. As part of HCIB's emission management initiatives, the Group has begun transitioning from traditional fossil fuels to alternative fuel sources while increasing the usage of supplementary cementitious material ("SCM") in the cement and concrete production line. At the same time, the Group also constantly monitors stack emissions so that the emissions are within limits approved by local regulations.

In addition, HCMT became a strategic partner with the Department of Environment ("DOE") in 2014 and is also licensed as a Schedule Waste Prescribed Premise. This license by DOE allows HCMT to co-process scheduled waste in its operations.

The Group's main GHG emissions are:

- Scope One: Burning of fossil fuels as part of daily operations
- Scope Two: Electricity purchased from the National Grid

GHG Emission Intensity per Tonne of Cement (kg CO_2e)



HCMT began its CO_2e reduction journey in FY2019 when the amount of CO_2 emissions per tonne of cement produced was 810kg. From then, we have achieved a consistent reduction in GHG emission intensity over the years and are proud to report that HCMT has successfully lowered its CO_2e per tonne of cement to 741kg in FY2023.

Sustainability Statement
(Cont'd)

The journey towards achieving this remarkable feat involved the implementation of various innovative initiatives and technologies. One of the key strategies adopted was the reduction of the clinker factor by incorporating by-products from other industries such as pulverised fuel ash and ground granulated blast furnace slag in our products. This is a crucial step in decreasing the carbon footprint of cement production while maintaining high-quality cement production. Moving forward, HCMT maintains its commitment to continue reducing its GHG emission intensity by exploring and adopting cutting-edge technologies and strategies that will help it to remain a significant driver of sustainability in the cement industry.

HCIB's journey to reduce CO_2e emissions is far from over, and we are excited about the opportunities and challenges that lie ahead. By working together with our employees, partners, and other stakeholders, we are confident in our ability to create a more sustainable and environmentally friendly future for the cement and concrete industry.

10.2 Energy Management

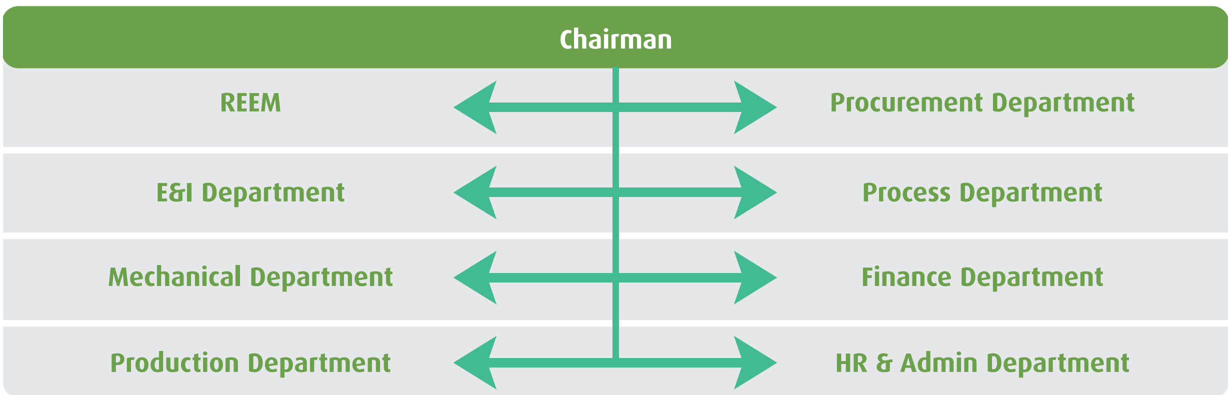
Energy consumption is an integral part of HCIB's operations as it directly correlates to the quality of our products.

As such, ensuring prudent and optimised energy consumption is important to the Group. The relevant aspects of our operations are primed to run at their maximum potential efficiency to minimise unnecessary energy wastage. Currently, HCIB's energy consumption and efficiency are periodically evaluated by the Malaysian Energy Commission.

Given the high demand for energy throughout its operations, HCMT has committed to energy conservation through the development of an internal Energy Policy and Objectives guideline. This allows the operating company to contribute towards efficient energy management, including executing, maintaining, and regularly improving energy performance across the organisation.

Apart from guiding its energy policies, this guideline also allows HCMT to secure a circular economy while developing talents for energy management and process optimisation. To further drive energy optimisation initiatives, HCMT has set up an Energy Management Committee. This committee comprises various departments led by the Head of Manufacturing and aims to reduce overall energy consumption while improving efficiency through the 10 Golden Rules. These rules have been established to oversee energy optimisation throughout the different stages of HCMT's operations.

HCMT Energy Management Committee



Sustainability Statement
(Cont'd)

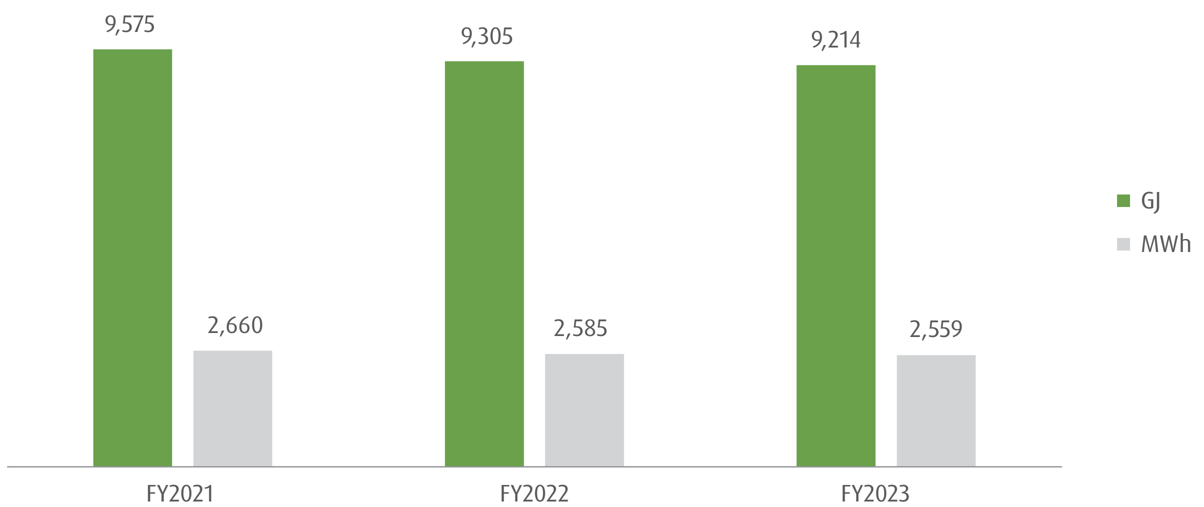
10 Golden Rules for Energy Reduction

- Optimise cement milling
- Power monitoring
- Production management
- Minimise false air
- Manage equipment idling
- Mastering quality impact on power consumption
- Vertical raw mill optimisation
- Mill feed size control
- Efficient gas handling
- Minimise compressed air

HCIB's operations rely on three primary sources of energy. The most common source is fossil fuels, particularly coal. These are used as the primary heat source in cement kilns, where they provide the high temperatures needed for the clinker manufacturing process. In recent years, HCIB has also begun exploring alternative fuel sources to reduce our reliance on fossil fuels. At the moment, however, alternative fuel sources cannot totally replace traditional fossil fuels and are used in combination with them.

Overall, HCIB has maintained an average energy consumption of around 2,600 GWh, a large portion of which is attributed to fossil fuel consumption.

Energy Consumption ('000)



Sustainability Statement
(Cont'd)

10.3 Environmental Performance Monitoring

HCIB approaches environmental performance monitoring with the primary goal of reducing the risk of pollution resulting from our daily business operations, particularly in terms of air, water, and noise.

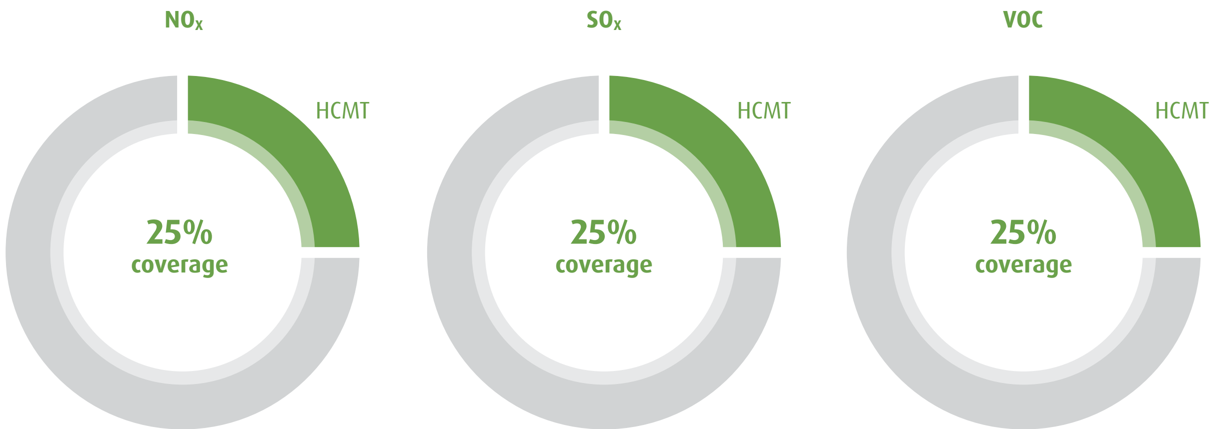
Given the nature of the Group's operations, air pollution in the form of dust and stack emissions is of the highest concern.

HCMT, in particular, has set targets to reduce the levels of dust particulates in the plant and surrounding areas. In fact, as a pioneer in the adoption of bag filter air emission control systems, HCMT has been able to consistently reduce its emissions below the requirements of the Clean Air Regulations.

Air Emissions (mg/m³)	Limits*	FY2021		FY2022		FY2023	
		Line 1	Line 2	Line 1	Line 2	Line 1	Line 2
NO_x	< 800	146	248	66	102	91	288
SO_x	< 400	5	62	43	34	19	101
Particulate Matters ("PM")	< 50	16	23	14	2	17	6
Volatile Organic Compounds ("VOCs")	< 20	< 0.5	N/A	< 0.5	< 0.5	4	3

* *Limits are based on industry standards outlined in the Malaysian Environmental Quality (Clean Air) Regulations 2014*

Aside from dust particulates, HCMT also monitors air emissions released during its operations, in particular, nitrogen oxides ("NO_X"), sulphur oxides ("SO_X") and volatile organic compounds ("VOCs"), with a data coverage of 25% each.



Apart from ambient air monitoring and stack monitoring for air pollution, HCIB also conducts several other monitoring processes to mitigate potential environmental performance risks. These include:

- Water sample monitoring
- Boundary ambience monitoring
- EMS internal audit
- EMS external audit (ISO 14001)
- Boundary noise monitoring
- Inspection of bag filter
- EMS management review
- Third-party environmental audit

Sustainability Statement
(Cont'd)

10.4 Water management

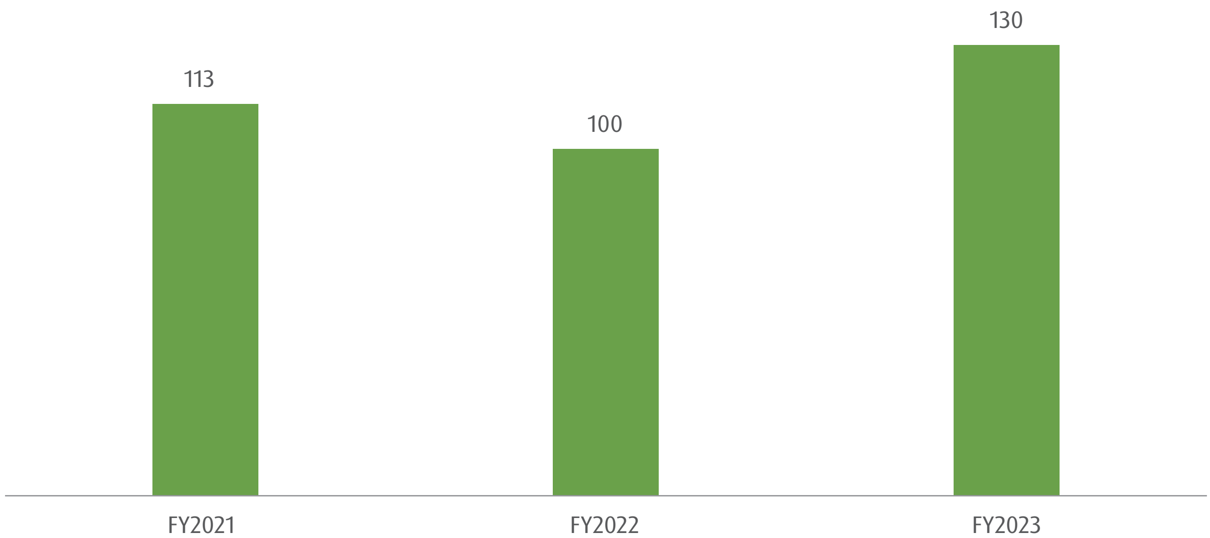
HCIB understands the importance of water conservation and takes proactive measures to reduce consumption wherever applicable. None of HCIB's plants operate in water-stressed areas.

Water is important to HCIB's operations as it is used to cool plant equipment and for general consumption in the Group's pantries and bathrooms. While general consumption water is sourced from the local municipal council, HCMT reduces dependency on potable water by sourcing water used in cooling from rainwater or pumped from neighbouring ponds. This water is processed, treated, and filtered before it is circulated to the process for cooling, the return water is recycled with any evaporated water topped up by fresh cooling water from the neighbouring pond. Only the backwash (cooling water used to flush the filter system) enters the drains and is channelled to the retention pond before discharging. The backwash process is periodic and not continuous.

This method of using water prevents unnecessary water consumption as almost all the water used for cooling is returned to the environment. Additionally, HCCT also recycles wastewater from the dry pits. We have found that this wastewater is suitable for use as concrete mixing water and can be used without any form of treatment. As such, this is a good initiative that contributes to reducing HCIB's water consumption.

The effectiveness of the Group's water conservation initiatives is reviewed periodically during the monthly sustainability meetings. During these meetings, the person in charge ("PIC") of each sustainability pillar reviews the individual indicators and provides updates on the overall performance for that month. From here, further improvements can be made, if necessary, to enhance HCIB's environmental initiatives.

Water Consumption (Megalitre)



Sustainability Statement
(Cont'd)

Retention pond in HCMT's plant, Gopeng

10.5 Resources Management

Prudent management of natural resources is not only beneficial to the environment but also has direct positive impacts on HCIB's business operations.

The consumption of natural resources, such as limestone and clay, is integral to the manufacture of cement and concrete. While the Group is aware that substituting these resources can be challenging, we are always looking for opportunities to reduce our dependency on them by incorporating alternative raw materials throughout the manufacturing process. These may be waste or by-products from other industries, which allows HCIB to contribute to a circular economy while reducing the impact of our operational activities on the environment. An example of these waste-derived raw materials from other industries includes pulverised fly ash and granulated blast-furnace slag.

10.6 Waste Management

HCIB is careful to establish proper waste management procedures to reduce the risk of pollution.

The main types of waste generated from the Group's operational activities include spilt raw materials, as well as potential lubricant or oil spillage. This is in addition to general waste, such as plastics and office waste.

Wherever possible, the priority is to recycle and reuse as much material as possible to minimise the need for waste treatment or disposal. Any spilt raw materials, such as limestone, clay, coal, cement, or clinker, will be reused back into the operating system to prevent wastage. Similarly, used oil is reused as machine lubricants, while general waste, such as sawdust, cotton rags, and paper bags, is used as alternative fuel sources. Moving forward, the Group is committed to promoting further waste reduction through the use of supplementary cementitious materials ("SCM") in concrete production. Similarly, cement production is also using more alternative raw materials ("ARM"), alternative fuel ("AF"), and cement additives ("CA").

Sustainability Statement
(Cont'd)

Any hazardous waste that is produced is treated as scheduled waste and is handled according to the stringent regulations of the Department of Environment ("DOE"). The Group monitors our scheduled waste inventory via DOE's Electronic Scheduled Waste Information System ("eSWIS") and is only disposed of at DOE-certified sites using approved vehicles. Furthermore, HCIB's waste management systems are in accordance with ISO 14001 standards with the independent validation of SIRIM and DOE. In order to uphold adherence, regular audits are conducted on our operating sites. The Group also periodically audits the processes of waste-handling contractors to confirm that our environmental management agenda is being practised throughout the operational line.

Apart from waste produced within HCIB's own operations, the Group also plays a role in managing waste from other organisations. These waste products (referred to as 'recycled waste' in the table below) are received from other companies and are incorporated into our operations.

HCIB received one fine in regard to waste management in FY2023. The Group's operating company, HCCT Kuantan was fined MYR1,500 by the Department of Environment ("DOE") during an audit conducted in the facility due to the late disposal of waste material. Disposing of waste material promptly and appropriately is typically required to promote environmental sustainability and regulatory compliance.

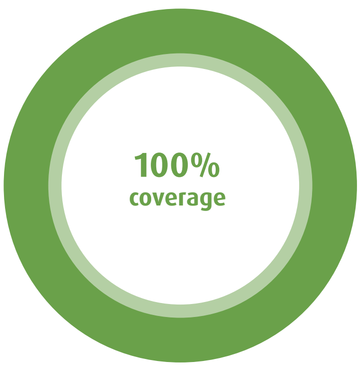
In response, HCCT Kuantan has taken prompt initiatives to prevent such incidents from recurring by enhancing waste disposal practices. The company aims to practice timely and compliant waste management by implementing a disposal frequency of every four months. In addition to this, HCCT also implemented various initiatives to reduce waste generation, such as in the design of moulds and production systems that substantially minimises spillage and wastage.

As a direct result of our commitment to waste management, HCIB was awarded the Most Environmental and Sustainable Designated Premise for Scheduled Waste. This was during the Scheduled Waste Facilities (PYDT BT) Lestari Competition organised by the Perak state government and DOE Perak in conjunction with the 2022 National Environment Day Celebration on 29 October 2022. This event was in line with the state government's aim to make Perak a sustainable state by encouraging factories to implement various sustainable development activities.

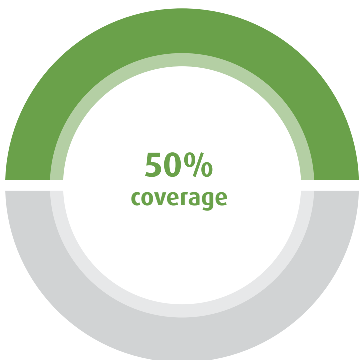
As part of the evaluation process, DOE Perak and other related agencies conducted on-site evaluations at shortlisted factories to confirm aspects of its pollution control system, working environment, and environmentally-friendly practices. HCMT Gopeng Factory was selected as one of the factories for field evaluation based on a documentation audit. Ultimately, the efforts of our team were recognised and HCMT received the award from the Perak State Chairman of the Health, Science, Environment, and Green Technology Committee, YB En Akmal bin Kamaruddin, and the Director of DOE Perak, Tuan Haji Rosli Zul.

Type and Quantity of Waste (tons)	FY2021	FY2022	FY2023
Hazardous Waste Generated	42	62	41
Non-Recycled Waste Generated	166	164	278
Recycled Waste Used	161,831	142,119	189,366

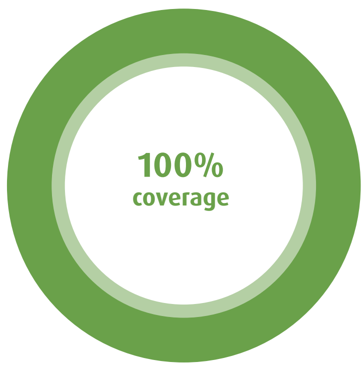
Hazardous Waste Generation



Non-Recycled Waste Generation



Recycled Waste Used



Sustainability Statement
(Cont'd)

10.7 Biodiversity

HCIB understands the important role the ecosystem and biodiversity play in the regulation of our natural environment and has implemented various initiatives and efforts to reduce the harm caused to local ecosystems where we operate.

The main risk to biodiversity comes in the form of site-clearing works when new projects, such as quarries, are developed. These, alongside some of the Group's daily operations, like mining, usually lead to the wholesale removal of flora species from the site and the subsequent abandonment of local wildlife.

Understanding the potential severity of these activities to the ecosystem, HCIB reduces risks whenever possible through thorough annual self-regulatory audits. This audit, in the form of Self-Regulatory Auditing for Responsible and Sustainable Mining Industry, supports the principles that mining activities associated with the Group's activities take the proper precautions and safeguards to reduce unnecessary impacts on the environment, particularly to the natural ecosystems around each site.

Aside from that, the Group also takes a concentrated effort in rehabilitating the natural environment whenever possible. HCIB supports the Malaysian government's Penghijauan Malaysia campaign, which aims to plant 100 million trees by 2025. This is part of the country's national agenda to align itself with the UN SDGs, particularly SDG 15 (Life on Land).

To this end, the Group planted 570 trees in HCMT's Gopeng area. Three species of native Malaysian trees were selected for their site suitability and ornamental value, namely *Eugenia oleina* (Wild Cinnamon), *Casuarina equisetifolia* (Common Rhu), and *Tabebuia rosea* (Pink Tecoma). Moving forward, the Group is also planning to expand these rehabilitation efforts to other areas. HCMT plans to construct a bird sanctuary tower with the intended purpose of drawing back native bird species to the area. This, in turn, would nurture the reintroduction of native vegetation through seed dispersal and the subsequent restoration of the local ecosystem.

HCIB's efforts towards environmental restoration have not gone unnoticed. The Group participated in the Star Rating Ceremony for the Sustainability of the Mining and Quarrying Industry in 2021 for the category of Sustainable Development Indicators. Furthermore, in September 2022, HCMT achieved a four-star rating during the ceremony conducted in the Casuarina Convention Centre 2, Ipoh. This acknowledgement indicates that the Group has been showing dedicated commitment to ensuring its activities leave a positive impact on the environment.

HCIB's Board of Directors participating in the tree planting activity conducted at HCMT Gopeng

Sustainability Statement
(Cont'd)

11.0 SOCIAL

The Group is dedicated to generating positive social impacts both within and beyond its companies. Ensuring the well-being of employees stands as one of the Group's utmost priorities. The Group enriches its workforce through development initiatives that not only benefit the community but also align with business values.

Enhancing human capital performance and prioritising their health and safety has always been of paramount importance to the Group. Simultaneously, the Group maintains a strong focus on upholding human rights while actively working to enhance workforce diversity, engagement, and inclusion.

11.1 Human and Labour Rights

HCIB upholds the belief that human rights are universal, and every employee should be treated with dignity and fairness, with their interests given equal consideration.

The continuous enhancement of employee welfare is a core commitment of the Group, ensuring a fair, respectful, and safe workplace for our Group's employees, irrespective of their position within the organisation.

The Group is well-versed in internationally recognised standards such as the United Nations ("UN") Guiding Principles on Business and Human Rights, the International Labour Organisation ("ILO") Declaration on Fundamental Principles and Rights at Work, and the UN Universal Declaration of Human Rights. These standards encompass important principles such as freedom of association, the right to collective bargaining, the eradication of forced labour and child labour, and a firm stance against any form of discrimination.

In addition, the Group adheres strictly to the essential provisions outlined in the Children and Young Persons (Employment) (Amendment) Act 2010, as well as the Employment Act 1955. The Group firmly opposes the utilisation of child labour, forced labour, slavery, involuntary prison labour, and trafficking of persons under any circumstances. Employees are treated equitably, without any form of bias, in the workplace.

Moreover, the Group has implemented comprehensive training programs focused on addressing the issue of forced labour in the manufacturing sector. These training sessions aim to raise awareness among employees regarding the existence of forced labour practices and equip them with the knowledge and tools to prevent and combat such practices within our business operations. By providing this training, HCIB empowers our employees to actively contribute to maintaining a work environment that is free from any form of forced labour.

In FY2023, there were zero incidents reported concerning human rights violations.

11.2 Talent Management

Effective talent management is vital for success in the dynamic manufacturing industry, and HCIB has to strategically attract, develop, and retain skilled talent to remain competitive.

By implementing robust talent management practices, such as comprehensive workforce planning, targeted recruitment strategies, continuous skills development programs, and a supportive work environment, the Group can nurture a talented workforce capable of driving innovation, operational excellence, and sustainable growth.

A) Hiring and Attrition

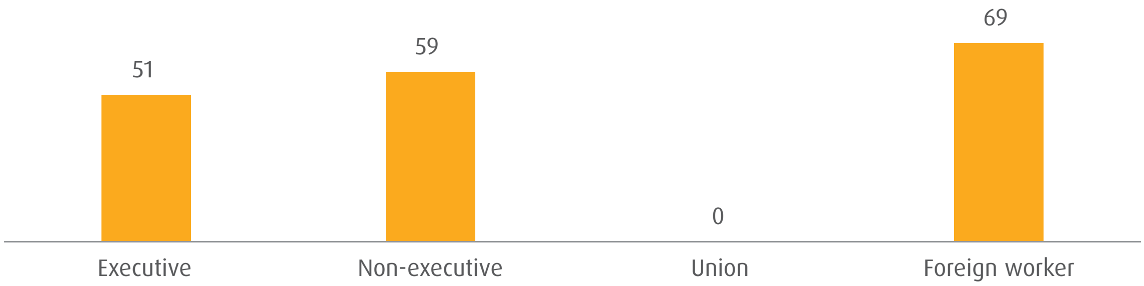
The Group upholds a strong commitment to the development of the local community and economy. In line with our overall community engagement approach, we prioritise hiring from within local communities located within a 20-kilometre radius of our operating plants.

In order to meet our diverse business needs, we may also employ foreign workers to fill specific positions. However, such hiring decisions are made as a secondary option after making efforts to fill these positions with Malaysian candidates.

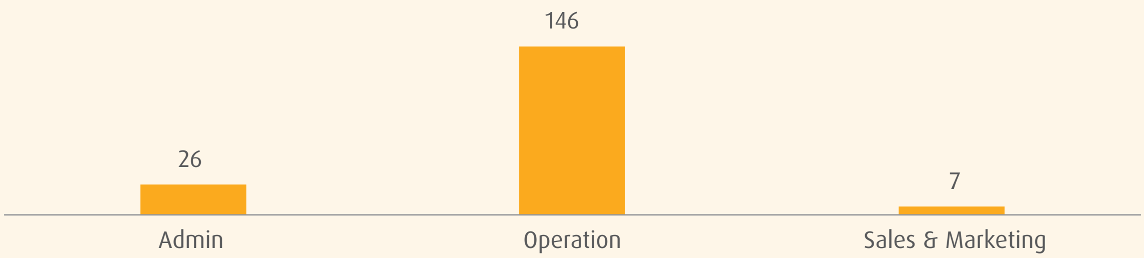
Sustainability Statement
(Cont'd)

Furthermore, certain management positions necessitate specialised skills and experience, which may be fulfilled by expatriates. However, we actively promote knowledge transfer and succession planning by assigning local individuals to work alongside expatriates, enabling them to understudy and eventually assume the responsibilities of these positions in the future.

Total New Hires by Employment Category in FY2023



Total New Hires by Business Function in FY2023



FY2023's Total Turnover

- 93

FY2023's Turnover Rate (%)

- 13.6%

B) Employee Grievance Mechanisms

Employees are required to uphold professional conduct and adhere to accepted standards of behaviour in Malaysia.

The use of abusive language, bullying, harassment, or physical violence is strictly prohibited. Should any non-compliance or grievance arise, employees are encouraged to report it through the confidential Whistleblowing reporting channels or to their immediate superior.

Awareness of these reporting channels has been effectively communicated to employees, which the Group believes helps prevent such incidents. Grievances and complaints are thoroughly investigated and expediently resolved to attain a timely and satisfactory resolution.

Sustainability Statement
(Cont'd)

C) Freedom of Association and Collective Bargaining

The Group actively demonstrates its commitment to safeguarding the civil liberties of its employees by upholding freedom of association, the right to collective bargaining, and anti-discrimination practices and guidelines in accordance with local laws and regulations. Our employees are entitled to exercise their freedom to join a trade union of their choice as long as they adhere to both local laws and the trade union's regulations.

Within HCCT, 10% of employees are currently covered by collective bargaining agreements, and in 2021, they signed the 18th Collective Agreement, which remains valid for a period of three years, ending in June 2024. In the case of HCMT, 28% of employees are currently covered by collective bargaining agreements, and they signed the 1st Collective Agreement in May 2023, which remains valid for a period ending in December 2024.

1st Collective Agreement signing ceremony between HCMT and the Cement Industry Employee's Union on 25th May 2023 in Grand Kampar Hotel

D) Employee Welfare and Benefits

The Group adheres to relevant wage laws, ensuring compliance with regulations concerning minimum wages, overtime hours, and legally mandated benefits.

While the Group recognises and supports employees who may perform overtime, which often results in exceeding the minimum wage, we have implemented necessary controls to manage their work hours in accordance with local labour laws.

11.2.1 Diversity and Inclusivity

A diverse and inclusive workforce is crucial for fostering innovation, driving business success, and contributing to a sustainable future.

Our commitment lies in fostering a workplace that actively promotes diversity and equality of opportunity while strictly prohibiting any form of unlawful discrimination. We wholeheartedly acknowledge the substantial business advantages that come with a diverse workforce, such as attracting and retaining the most talented individuals, cultivating and delivering exceptional performance, and enhancing the overall effectiveness of our company.

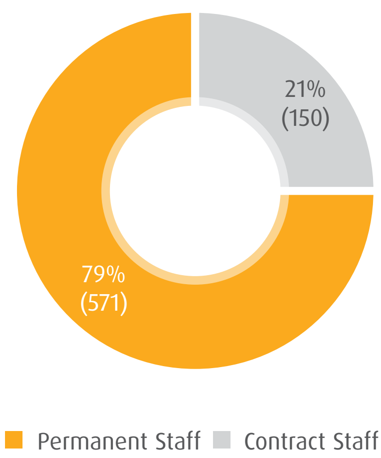
To this end, our objective is to establish and sustain an inclusive working environment that values and embraces diversity. We firmly recognise the significance of providing equal opportunities to our Group employees, regardless of their sex, race, ethnic origin, nationality, marital status, pregnancy, maternity leave, disability, age, religion or belief, trade union membership, part-time working, or fixed-term employment status. Our commitment extends to ensuring that employees have the opportunity to develop and thrive to their full potential.

Sustainability Statement

(Cont'd)

Overall Workforce	FY2023
Total Workforce	721
By Gender (%):	
Male Employees	86%
Female Employees	14%
By Nationality (%):	
Malaysian Employees	79%
Foreign Nationals	21%
By Employment Category (%):	
Executives	36%
Non-Executives	25%
Foreign Worker	20%
Union	19%
By Function (%):	
Admin	14%
Operation	75%
Sales & Marketing	11%

Proportion of Contract Staff in FY2023 (%)



FY2022

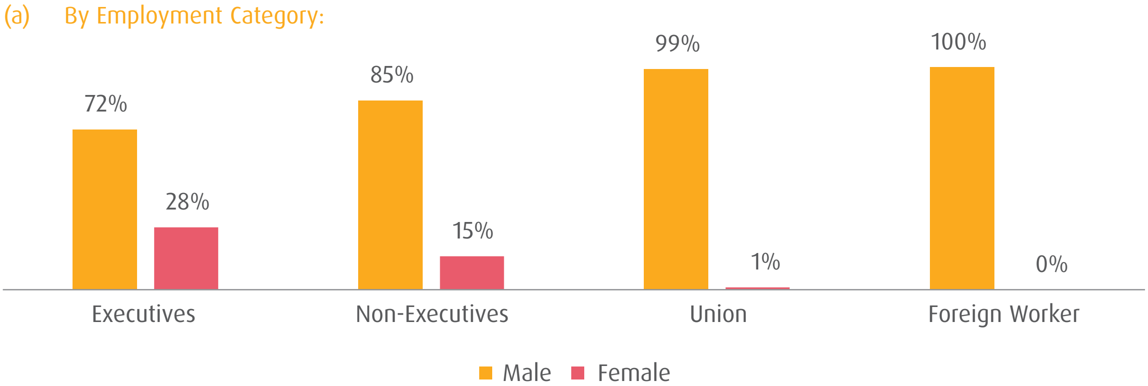
Permanent Staff - 86% (536)
Contract Staff - 14% (89)

The current gender distribution within our organisation reflects a lower percentage of women in operational roles, primarily due to the historically male-dominated nature of heavy industries like ours.

While the representation of women may be lower in operational roles, we are pleased to see a more equitable gender distribution within our Administrative and Sales & Marketing departments. This demonstrates our commitment to creating an inclusive workplace that offers equal opportunities for our Group employees, regardless of gender.

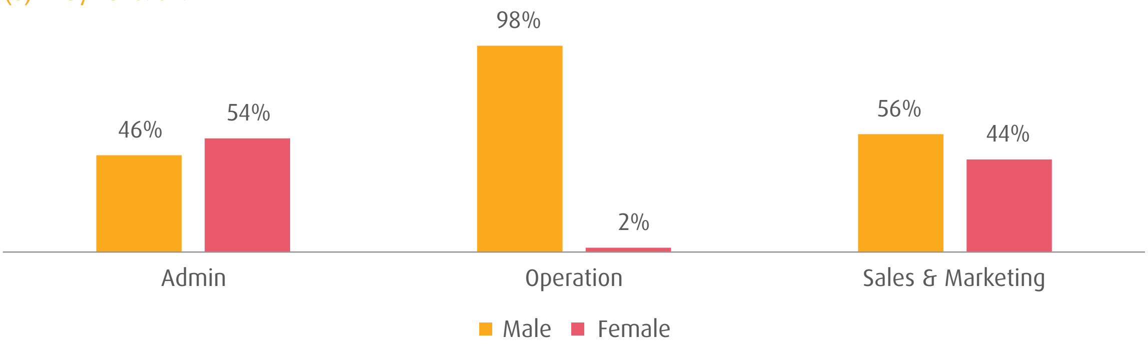
Gender Diversity in FY2023

(a) By Employment Category:



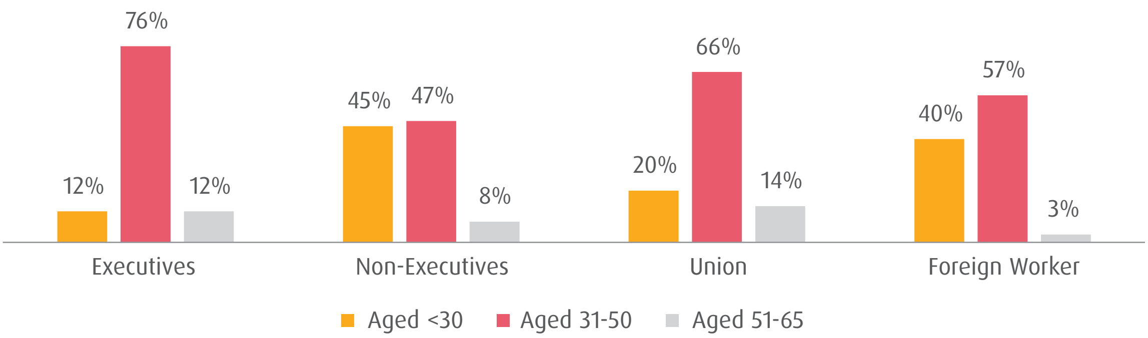
Sustainability Statement
(Cont'd)

(b) By Function:

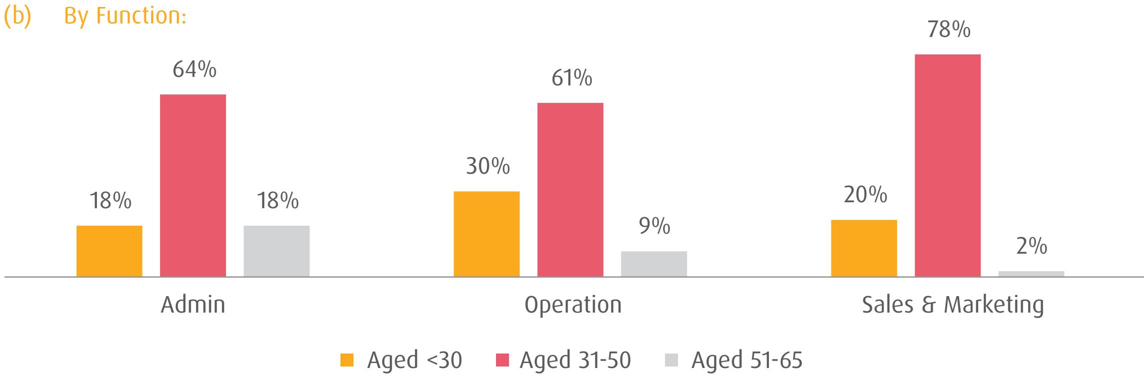


Age Diversity in FY2023

(a) By Employment Category:



(b) By Function:



11.2.2 Human Capital Development

Employee development and enhancing our human capital are at the forefront of HCIB's priorities.

We prioritise the growth and development of our employees, understanding that continuous learning is a vital investment to maintain our competitive edge. To maximise the value of this investment, it is crucial that learning and development initiatives align with our business strategies and needs.

The Human Resources ("HR") department, in collaboration with Department Heads, bears the responsibility of strategically allocating our resources to areas that generate the highest returns for our business, as well as investing in employees whom we aim to attract, retain, and develop. By ensuring a strategic approach to learning and development, we aim to optimise the benefits for both our employees and the overall success of our organisation.

Sustainability Statement
(Cont'd)

In alignment with this objective, the Group has rolled out diverse training methodologies structured around these four core principles of our Learning & Development programs. These methodologies aim to sharpen the skills of its workforce, enabling them to deliver high-quality services with a substantial impact.

Pillar 1

Culture and Values which form the main focus of the induction program for new entrants, are applicable to all levels of employees.

- Introduction to QPP & 5S training
- 5S & weekly training on Safety Fire extinguisher safety programme
- ABCMS Induction Awareness & Policy

Pillar 2

Leardership is for selected employees who need supervisory and leadership skills to work harmoniously with the team members.

- Train-the-Trainer ABCMS
- Hume Quality Leadership Journey ("HQLJ")
- Manufacturing Management Discipline
- Learning & Development Training
- Managing Process Improvement

Pillar 3

Business Specific is for the technical and process-related employees to improve their technical knowledge.

- EPICOR System for Finance Training
- Safety Induction & Policy
- Scheduled waste spill prevention, Control and Recovery Measures
- On-the-Job Training

Pillar 4

General Management focuses on system/ management-specif ic topics such as rules and regulations from government bodies.

- Anti-Bribery & Corruption Management System
- Effective Internal Audit skills of ISO 37001:2016
- Industrial First Aid, competency

On top of our structured Learning & Development programs, we also adopted the 70-20-10 approach, which recognises the significance of experiential learning (70%), learning through relationships and interactions (20%), and formal learning interventions (10%). This approach contributes to a well-rounded and holistic development experience for our employees, enabling them to thrive professionally and personally.

70%
- Learn & Develop through Experience

20%
- Learn & Develop through Others

10%
- Learn & Develop through Structured Courses & Programs

Sustainability Statement
(Cont'd)

A) Group Training Data

In FY2023, the Group's training performance as presented in the following:

	Target	FY2023
Total training hours as a company		**21,416 Hours** (FY2022: 6,997 Hours)
Average Training Hours Per Employee	**> 20 Hours**	**29.7 Hours** (FY2022: 11.2 Hours)
Average Training Days Per Employee	**> 0.8 Days**	**1.2 Days** (FY2022: 0.5)

B) Youth Development Programmes

The Group is unwavering in its commitment to nurturing and cultivating the younger generation to become skilled professionals in the manufacturing industry.

In pursuit of this objective, the Group offers the Protégé Programme and Graduate Development Programme ("GDP") to promising young talents. These programs provide selected individuals with valuable learning opportunities that empower them to become significant contributors to the industry.

11.2.3 Employee Engagement

Recognising the significance of employee satisfaction and engagement in driving overall business performance, the Group actively organises various activities to foster a strong sense of belonging and nurture employee engagement.

These initiatives are aimed at creating a positive and inclusive work environment that encourages employees to actively participate, contribute their best efforts, and feel valued within the organisation.

By promoting a sense of belonging and engagement, the Group aims to enhance employee morale and productivity and, ultimately, achieve better business outcomes.

Various employee engagement activities have been conducted in FY2023, which include:

Celebrations
- Malaysia Independent Day
- International Women's Day
- Parents Day
- Valentine's Day

Team Buildings
- Treasure Hunt
- Scavenger Hunt Challenge
- Word Guessing Game

Health & Wellness
- Sleep Apnea Talk
- Sports Tournament

Sustainability Statement
(Cont'd)

*A group photo taken with Malaysia's flag for **National Day***

*HCIB's Bear Pouring Art conducted for **International Women's Day***

*HCIB staff participated in a Photo Contest for **Parents' Day** where they could submit creative photos of themselves and their families with interesting captions.*

*HCIB employees participated in a quiz to win eye pillows during HCIB's **Sleep Apnea Talk***

*Helium balloon surprise for our staff during **Valentine's Day***

Sustainability Statement
(Cont'd)


The Group's ***Scavenger Hunt Challenge*** *and* ***Treasure Hunt*** *were fun and engaging team-building activities among employees*


HLMG Sports Tournament *between 25 February and 18 March 2023 as a healthy way to strengthen relationships among employees, while giving them the opportunity to display their skills and latent talent. 18 types of games were conducted including football, bowling, and tug-of-war.*

11.3 Occupational Health and Safety

The Group maintains a steadfast focus on ensuring the health and safety of our Group employees and workers, thereby reinforcing our credibility and reputation as a reliable company.

A strong safety, health and environment ("SHE") culture has been established, which not only boosts employee morale but also minimises disruptions that could adversely impact the overall operations of the Group, both financially and non-financially.

Furthermore, HCIB recognises that the effective implementation of an Occupational Health and Safety Management System ("OHSMS") contributes significantly to fostering a productive workforce that, in turn, drives economic growth.

Every incident, particularly those resulting in injuries or fatalities, is viewed as a tragedy that must be prevented at all costs. The OHSMS covers all employees and workers, providing them with the necessary protection.

HCIB targets achieving 'Zero' incidents and accident cases across all manufacturing plants. This unwavering commitment reflects the Group's dedication to enhancing and improving our safety and health record without compromise.

Organisational resources have been allocated to drive the Occupational Safety and Health ("OSH") agenda and performance. These resources encompass various aspects, including financial and non-financial resources.

By leveraging these organisational resources, HCIB is actively working towards promoting a culture of safety, safeguarding the well-being of our employees, and enhancing overall OSH performance.

Sustainability Statement
(Cont'd)

11.3.1 Health and Safety Policy and Compliance

HCIB strictly adheres to the applicable laws and regulations set forth by local government agencies. In addition to annual audits conducted by the Standard and Industrial Research Institute of Malaysia ("SIRIM") QAS International, audits and inspections are carried out by the Department of Occupational Safety and Health ("DOSH"), the Department of Environment ("DOE"), the Fire and Rescue Department ("BOMBA"), and insurance assessors.

The Group's SHE Policy establishes essential principles to promote optimal safety standards for employees, contractors and suppliers. As specific to business operations, each subsidiary company within HCIB has its own SHE policy.

Firefighting training

Exhibition by government agencies during HCMT's SHE week (NIOSH, KenEp, DOE, BOMBA, Health Department, SOCSO, etc.)

Launching ceremony – SHE Week

To promote compliance and adherence to established health and safety practices, the Standard Operating Procedures ("SOP") of SHE have been adopted, aligning with the requirements of ISO 45001:2018 and the Occupational Safety and Health Act ("OSHA") of 1994.

25% HCIB's plants have received ISO 45001:2018 certification

100% HCIB's operational staff underwent health surveillance

Sustainability Statement
(Cont'd)

HCMT's plant in Gopeng, Perak, has obtained ISO 45001:2018 certification, which adheres to OHSMS standards for the manufacturing of clinker and cement, including quarry operations. Additionally, SIRIM QAS International has granted HCMT the IQNet certificate for the effective implementation and practice of OHSMS.

By obtaining certifications and adhering to industry standards, we highlight our dedication to maintaining high health and safety standards, ensuring the well-being of our employees, and benchmarking our performance against recognised industry standards.

11.3.2 Health and Safety Management

At the Group level, SHE performance is reviewed during the Monthly Management Meeting. Each operating plant holds Plant Performance Meetings to assess their individual safety records.

The OSHE Committee comprises representatives from both employees and employers, which facilitates regular meetings with employee representatives from the various departments to address health and safety concerns in each plant.

These meetings serve as a platform for communication, allowing employees to actively contribute to the development, implementation, and evaluation of the OHSMS.

Alongside with OSHE Committee, an HSE officer or coordinator is responsible for establishing and discussing the safety program, considering budget limitations, operational capacity, and specific requirements.

To further enhance safety and health management, OHSMS has been implemented by the Group, where these reporting systems have successfully encouraged greater employee participation in activities aimed at improving the health and safety environment within the Group.

Whistleblowing Form

Provides stakeholders with a confidential channel to report any violations or breaches of the Group's health and safety policies and procedures.

The 5S and Safety Penalty Online Platform

Includes a reporting e-form that allows employees to lodge complaints or report incidents related to health and safety violations within HCMT. Upon completion of corresponding investigations, appropriate actions are taken against the offenders.

SHE Reporting System

Allows employees to suggest improvement ideas (*Kaizen*) or report safety concerns specific to the plants. This system provides a means for employees to actively contribute to enhancing safety measures within the Group.

11.3.3 Hazard Identification and Assessment

Risk assessments have been conducted at the operation locations within the Group to effectively manage HSE risks. These assessments are carried out using the Hazard Identification, Risk Assessment, and Risk Control ("HIRARC") framework.

In alignment with the SHE targets, a committee consisting of members from HCMT and HCCT has identified hazards, risks, and the necessary controls associated with the ongoing processes of the companies. Trained individuals-in-charge, as well as members of the SHE committee, perform these assessments.

Sustainability Statement

(Cont'd)

The assessments are conducted at least once a year, and additional reviews are carried out when required. Teams led by the respective SHE working committees, along with representatives from management and workers, are responsible for conducting these assessments. The findings from the risk assessments are reported to enable appropriate safety measures to be implemented. The measures taken are properly documented and periodically reviewed by the SHE committees.

The identified risks are categorised, and corresponding actions are taken to reduce or mitigate their impact. Yearly health and safety programs, such as medical surveillance, audiometric tests, chemical monitoring, and local exhaust ventilation monitoring, are implemented within the companies. Risks and opportunities are carefully analysed and classified into various categories, and appropriate actions are implemented to effectively manage them.

11.3.4 Incidents reporting and Management

At HCIB, our operating companies ensure SHE committees promptly report any accidents or cases of Lost Time Injury ("LTI") through the SHE Accident Investigation Report. As per DOSH requirements, the operating companies are obligated to submit reports related to JKKP 6 / JKKP 7 and JKKP 8.

When incidents or accidents are reported within HCIB's operations, a specific protocol is followed to investigate and take appropriate actions. The details of the protocol are as follows:

Incident to be reported to SHE Department

Complete investigation report by SHE Committee and approve by Head of Manufacturing

Monthly review on SHE accident/incident performance

Follow defined SOP for Accident and Incident Investigation and Reporting

All incidents, especially LTI must be reported to DOSH

In ensuring emergency preparedness and support, the plant has a permanent Occupational Health Nurse position and is equipped with a treatment room. Additionally, an ambulance is on standby at the plant, with support from a nearby panel clinic and General Hospital.

11.3.5 Health and Safety Performance

The Group is dedicated to maintaining our zero-accident objective throughout its operations. Monitoring the performance of health and safety involves the tracking of injury frequency rate data, which guides the Group's approach and facilitates timely actions.

At HCIB, the safety data collection is carried out through internal audits as well as external audits conducted by organisations such as SIRIM, DOSH, DOE, BOMBA, or other operational company audits. These audits are reviewed on a monthly basis, taking into account incident performance and online safety reporting, alongside a yearly Management Review.

Sustainability Statement
(Cont'd)

Meanwhile, the establishment of the Unsafe Act Unsafe Condition ("UAUC") audit aims to oversee ongoing HSE concerns. A regular annual management review is scheduled to address OSH performance during the Safety Committee Meeting. Additionally, the safety audit is incorporated into the 5S audit program, where it undergoes both internal and external audits, including participation from other operating plants in Hong Leong Manufacturing Group.

As a result, the incidents have shown improvement, as a majority of unsafe reports are being rectified. Despite the implementation of rigorous health and safety measures, some accidents still occurred in FY2023.

A) HCMT Health & Safety Performance Data (Employee & Non-employee)

Health and Safety Performance	FY2021	FY2022	FY2023
Coverage for LTIFR (%)	100%	100%	100%
Lost-Time Injury Frequency Rate ("LTIFR") (number/1,000,000 hours worked)	0.91	3.66	1.60
Number of lost time injuries (including fatalities)	1	4	2
Coverage for LTIR (%)	100%	100%	100%
Lost-Time Injury Rate ("LTIR")	0.18	0.73	0.32

B) HCMT Number of Work-related Contractor Fatalities

Health and Safety Performance	FY2021	FY2022	FY2023
Coverage (%)	100%	100%	100%
Number of contractors	181	312	244
Number of fatalities	0	0	0

C) HCCT Health & Safety Performance Data (Employee & Non-employee)

Health and Safety Performance	FY2021	FY2022	FY2023
Coverage for LTIFR (%)	100%	100%	100%
Lost-Time Injury Frequency Rate ("LTIFR") (number/1,000,000 hours worked)	0	1.82	1.38
Number of lost time injuries (including fatalities)	0	1	1
Coverage for LTIR (%)	100%	100%	100%
Lost-Time Injury Rate ("LTIR")	0	0.36	0.28

In response to these incidents, both operating companies implemented stricter control measures to mitigate and prevent similar issues in the future. The lessons learned from these cases and the actions taken were subsequently shared with employees, followed by refresher training for the operational staff.

11.3.6 Health and Safety Training and Communication

Health and safety discussions are conducted regularly with worker representatives as part of the HCIB's commitment to maintaining a safe working environment. These discussions take place through the Group's SHE Committee, which engages with employee representatives from the various departments within each plant.

The SHE meetings provide a platform for open communication and collaboration, enabling employees to actively participate in the development, implementation, and evaluation of the OHSMS. By involving worker representatives, the Group values the voices and perspectives of employees in shaping and enhancing the health and safety practices within the organisation.

Sustainability Statement
(Cont'd)

To further promote employee awareness and knowledge, various training sessions, demonstrations, and plant improvements are regularly carried out. In FY2023, the Group has conducted health and safety-related training across the areas enumerated below:

Safety Training Sessions in FY2023	
	SHE Induction
	Scheduled Waste Competent Person
	Noise Awareness training
	Working at height training
	PPE Safety Handling
	Safety Conveyor Training
	Chemical Management / Chemical Handling
	Quit Smoking Training
	5S Safety Briefing Sessions
	Fire Drill and Simulation
	Emergency Response Plan ("ERP")
	Authorised Entrance Standby Person
	Basic Occupational First Aid
	On-the-Job Safety Training
	Defensive Driving Training

The following outlines HCIB's health and safety-related training data:

Health and Safety Training		FY2021	FY2022	FY2023
Number of Staff Trained	**HCMT**	383	373	402
	HCCT	227	252	319
Total Training Hours	**HCMT**	651	789	2,684
	HCCT	1,231	1,895	4,471

These initiatives aim to equip employees with the necessary skills and understanding to reduce the risk of accidents and create a safer work environment.

11.4 Community Investment and Corporate Social Responsibilities

The Group strongly believes in the significance of enhancing the well-being of underprivileged communities and is actively involved in implementing diverse Corporate Social Responsibility ("CSR") initiatives, particularly for individuals residing near our operational facilities.

To uphold these commitments, the Sustainability Working Committee ("SWC") has appointed dedicated representatives from the Group to provide feedback and guidance on the HCIB's CSR and employee program initiatives. Adequate programs will be carefully designed and implemented based on the specific requirements and priorities of the community. In FY2023, the Group invested a total of RM 31,760 towards various CSR initiatives conducted throughout the year.

Moreover, the SWC, along with a designated representative from the Group, works to align the company's investments with the needs and priorities of the community. The appointed representative is committed to being a visible presence on behalf of the company within the community, which actively participates in community events, sponsors local programs, and engages with community leaders and stakeholders. Such involvement helps foster awareness and trust among community members.

Sustainability Statement
(Cont'd)

FY2023's Employee Volunteering Snapshot

193 Volunteer Hours	34 Employees Volunteered	2,983 Beneficiaries

The Group's proactive initiatives have brought about numerous significant benefits for the community. These initiatives have had a transformative impact in several key areas:

Education Development	Workforce Development	Community Development	Strengthening Stakeholder Relationships
• Providing aid, resources, and infrastructure to underserved communities, particularly around the manufacturing plant, to improve their knowledge and social status.	• Programs such as the Graduate Trainee Program, internships, and Group Scholarship Programs have helped enhance the skills and capabilities of the current workforce, leading to better job opportunities, performance, talent retention, and increased productivity and profitability.	• Supporting infrastructure improvements and religious programs, contributing to the community's growth and positively impacting their overall well-being.	• Building strong relationships with local communities, village leaders, employees, and other stakeholders, allowing the company to engage in social and environmental initiatives, thereby improving their bottom line while making a positive impact on the world.

To demonstrate our commitment to children's rights, the Group actively promotes access to quality education and offers Group Scholarship Awards to eligible employees and their children. This scholarship program has provided numerous deserving students who have excelled in their public examinations and higher studies with the opportunity to pursue further education.

Additionally, HCMT actively provides financial support to local schools, and sponsors bagged cement for infrastructure improvement projects. The Group also sponsors annual events to support various school activities, which include:

- SK Changkat Tualang
- SJKC Ave Maria Convent, Ipoh, Perak
- SK Malim Nawar, Malim Nawar
- Sekolah Kebangsaan Changkat Tin, Tanjong Tualang, Perak
- Kindergarten Kemas, Kota Bharu, Gopeng, Perak
- SMK Kampar
- SK Kota Baharu
- Taman Bimbingan Kanak-Kanak Kemas Kota Bahru, Perak
- Tadika Islam Perak, Kampar, Perak
- Kindergarten Kemas, Kota Bharu, Gopeng, Perak

Sustainability Statement
(Cont'd)

The Group remains dedicated to supporting educational initiatives that enhance access to education for children, especially those from underprivileged communities in the vicinity of our operations.

In addition to the support for underprivileged communities, HCIB is cognisant of the development of the local community and economy. As part of our comprehensive community engagement approach, the Group prioritises hiring individuals from local communities residing within a 20-kilometre radius of our operational plants. This focus on local recruitment serves as a key strategy to actively contribute to the growth and prosperity of the nearby communities.

Sponsoring Independence Day celebrations for the Kota Bahru community

Donation of school bags and equipment to Tabika KEMAS Kg Changkat Tualang, Kota Bahru, Gopeng

HCMT has sponsored SK Changkat Tin's Yearly Athletic programme to motivate pupils on athletic excellence

The Group has donated cement to Masjid Jamek Tanjung Rambutan for the construction of parameter fencing around the mosque and school

Sustainability Statement
(Cont'd)

APPENDICES

Bursa Sustainability Disclosures Index

Common Indicators

SUSTAINABILITY MATTERS	CODE	INDICATORS	PAGE REFERENCE / EXPLANATION
Anti-corruption	C1 (a)	Percentage of employees who have received training on anti-corruption by employee category	25
	C1 (b)	Percentage of operations assessed for corruption-related risks	
	C1 (c)	Confirmed incidents of corruption and action taken	
Community/ Society	C2 (a)	Total amount invested in the community where the target beneficiaries are external to the listed issuer	55-56
	C2 (b)	Total number of beneficiaries of the investment in communities	
Diversity	C3 (a)	Percentage of employees by gender and age group for each employee category	45-46
	C3 (b)	Percentage of directors by gender and age group	23
Energy management	C4 (a)	Total energy consumption	36
Health and safety	C5 (a)	Number of work-related fatalities	54
	C5 (b)	Lost time incident rate	
	C5 (c)	Number of employees trained on health and safety standards	55
Labour practices and standards	C6(a)	Total hours of training by employee category	48
	C6 (b)	Percentage of employees that are contractors or temporary staff	45
	C6 (c)	Total number of employee turnover by employee category	43
	C6 (d)	Number of substantiated complaints concerning human rights violations	42
Supply chain management	C7 (a)	Proportion of spending on local suppliers	32
Data privacy and security	C8 (a)	Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	32
Water	C9 (a)	Total volume of water used	38
Waste management	C10 (a)	Total waste generated, and a breakdown of the following: (i) total waste diverted from disposal (ii) total waste directed to disposal	Total waste: 319 tonnes (page 40); data for items (i) and (ii) are unavailable.
Emissions management	C11 (a)	Scope 1 emissions in tonnes of CO_2e	Data combined and reported as GHG emission intensity per tonne of carbon (page 34).
	C11 (b)	Scope 2 emissions in tonnes of CO_2e	
	C11 (c)	Scope 3 emissions in tonnes of CO_2e	Data unavailable.

Sustainability Statement
(Cont'd)

Global Reporting Initiatives (GRI) Index

GRI STANDARD		DISCLOSURE	PAGE REFERENCE / REASONS FOR OMISSIONS
GRI 2: General Disclosures 2021	2-1	Organisational details	Company Profile/Corporate Information
	2-2	Entities included in the organisation's sustainability reporting	19
	2-3	Reporting period, frequency and contact point	18-19
	2-4	Restatements of information	Restatement of Information is disclosed in relevant sections where applicable.
	2-5	External assurance	Not available.
	2-6	Activities, value chain and other business relationships	Management Discussion and Analysis – Our Business Model
	2-7	Employees	45-46
	2-9	Governance structure and composition	22
	2-10	Nomination and selection of the highest governance body	Corporate Governance Overview Statement
	2-11	Chair of the highest governance body	
	2-12	Role of the highest governance body in overseeing the management of impacts	22
	2-13	Delegation of responsibility for managing impacts	
	2-14	Role of the highest governance body in sustainability reporting	
	2-15	Conflicts of interest	Board of Directors Profile
	2-16	Communication of critical concerns	26
	2-17	Collective knowledge of the highest governance body	Corporate Governance Overview Statement
	2-18	Evaluation of the performance of the highest governance body	
	2-19	Remuneration policies	
	2-20	Process to determine remuneration	
	2-21	Annual total compensation ratio	Confidentiality Constraints
	2-22	Statement on sustainable development strategy	19-20
	2-23	Policy commitments	All topics of Management Approach
	2-24	Embedding policy commitments	All topics of Management Approach
	2-25	Processes to remediate negative impacts	26
	2-26	Mechanisms for seeking advice and raising concerns	26
	2-27	Compliance with laws and regulations	26
	2-28	Membership associations	20
	2-29	Approach to stakeholder engagement	27
GRI 3: Material Topics 2021	3-1	Process to determine material topics	28-29
	3-2	List of material topics	30
	3-3	Management of material topics	

Sustainability Statement
(Cont'd)

GRI STANDARD		DISCLOSURE	PAGE REFERENCE / REASONS FOR OMISSIONS
ECONOMIC			
GRI 201: Economic Performance 2016	3-3	Management of material topics	31
	201-1	Direct economic value generated and distributed	
GRI 203: Indirect Economic Impacts 2016	3-3	Management of material topics	31
	203-1	Infrastructure investments and services supported	
	203-2	Significant indirect economic impacts	
GRI 204: Procurement Practices 2016	3-3	Management of material topics	32
	204-1	Proportion of spending on local suppliers	
GOVERNANCE			
GRI 205: Anti-corruption 2016	3-3	Management of material topics	24-25
	205-1	Operations assessed for risks related to corruption	
	205-2	Communication and training about anti-corruption policies and procedures	
	205-3	Confirmed incidents of corruption and actions taken	
GRI 418: Customer Privacy 2016	3-3	Management of material topics	32
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	
ENVIRONMENTAL			
GRI 301: Materials 2016	3-3	Management of material topics	33
GRI 302: Energy 2016	3-3	Management of material topics	35-36
	302-1	Energy consumption within the organisation	36
	302-4	Reduction of energy consumption	In the initial stages of adopting alternative fuel sources to reduce our complete reliance on fossil fuels, the Group successfully achieved a 1% reduction in energy consumption compared to FY2022.
	302-5	Reductions in energy requirements of products and services	
GRI 303: Water and Effluents 2018	3-3	Management of material topics	38
	303-1	Interactions with water as a shared resource	
	303-2	Management of water discharge-related impacts	
	303-3	Water withdrawal	
	303-4	Water discharge	
	303-5	Water consumption	38
GRI 304: Biodiversity 2016	3-3	Management of material topics	41
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
	304-2	Significant impacts of activities, products and services on biodiversity	
	304-3	Habitats protected or restored	

Sustainability Statement
(Cont'd)

GRI STANDARD		DISCLOSURE	PAGE REFERENCE / REASONS FOR OMISSIONS
ENVIRONMENTAL *(cont'd)*			
GRI 305: Emissions 2016	3-3	Management of material topics	34-35
	305-1	Direct (Scope 1) GHG emissions	34
	305-2	Energy indirect (Scope 2) GHG emissions	
GRI 306: Waste 2020	3-3	Management of material topics	39-40
	306-1	Waste generation and significant waste-related impacts	
	306-2	Management of significant waste-related impacts	
	306-3	Waste generated	
	306-4	Waste diverted from disposal	
	306-5	Waste directed to disposal	
GRI 308: Supplier Environmental Assessment 2016	3-3	Management of material topics	32
SOCIAL			
GRI 401: Employment 2016	3-3	Management of material topics	42-43
	401-1	New employee hires and employee turnover	43
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	44
45GRI 403: Occupational Health and Safety 2018	3-3	Management of material topics	50-52
	403-1	Occupational health and safety management system	52
	403-2	Hazard identification, risk assessment, and incident investigation	52-53
	403-5	Worker training on occupational health and safety	54-55
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	51-52
	403-9	Work-related injuries	54
GRI 404: Training and Education 2016	3-3	Management of material topics	46-47
	404-1	Average hours of training per year per employee	48
	404-2	Programs for upgrading employee skills and transition assistance programs	
GRI 405: Diversity and Equal Opportunity 2016	3-3	Management of material topics	44
	405-1	Diversity of governance bodies and employees	23, 45-46
GRI 406: Non-discrimination 2016	3-3	Management of material topics	42
	406-1	Incidents of discrimination and corrective actions taken	

Sustainability Statement
(Cont'd)

GRI STANDARD		DISCLOSURE	PAGE REFERENCE / REASONS FOR OMISSIONS
SOCIAL *(cont'd)*			
GRI 407: Freedom of Association and Collective Bargaining 2016	3-3	Management of material topics	42, 44
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	
GRI 408: Child Labor 2016	3-3	Management of material topics	42
	408-1	Operations and suppliers at significant risk for incidents of child labour	
GRI 409: Forced or Compulsory Labor 2016	3-3	Management of material topics	42
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	
GRI 413: Local Communities 2016	3-3	Management of material topics	55-57
	413-1	Operations with local community engagement, impact assessments, and development programs	
	413-2	Operations with significant actual and potential negative impacts on local communities	
GRI 414: Supplier Social Assessment 2016	3-3	Management of material topics	32

Sustainability Statement

(Cont'd)

Task Force on Climate-related Financial Disclosures (TCFD)

Recommended Disclosures	Location/ Explanation
Governance ***Disclose the company's governance around climate-related risks and opportunities***	
a) Board Oversight	HCIB's Board of Directors ("Board") maintains their role as the highest decision-making body by directly overseeing the Group's Sustainability Steering Committee ("SSC"). For more details, please refer to the **Sustainability Governance Structure** on page 22.
b) Management's Role	The Group's management plays an important role in driving HCIB's level through the SSC and the Sustainability Working Committee ("SWC"). The SSC assists the Board and acts as a bridge between them and the operating companies, while the SWC monitors and implements the Board's strategies and targets at the operational level. More information can be found in the **Sustainability Governance Structure** section (page 22).
Strategy ***Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material***	
a) Risks and Opportunities	ESG risk management, including climate change-associated risks, is managed directly at the operational level by the SSC and SWC, under the direct supervision of the Board. Please refer to **ESG Risk Management and Internal Control** (page 26) for additional details.
b) Resilience of Strategy	HCIB's operating company, HCMT, prescribes an Energy Policy and Objective guidelines to implement the Group's climate strategies down at the operational level. This allows the company to minimise its emissions through the efficient management of energy. HCMT has also set up an Energy Management Committee, comprised of representatives from various internal departments, that push the Group's climate resiliency through the 10 Golden Rules. These rules were established by HCMT as a strategic guideline that oversees energy optimisation within the company. For more information, refer to the **Energy Management** section on pages 35 and 36.
Metrics and Targets ***Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material***	
a) Climate-Related Metrics	HCIB records its emission by combining Scope One (from consumption of fossil fuels) and Scope Two (from purchased electricity) into total carbon emission intensity per tonne of cement produced. Additional information can be found on pages 34-35 (**Climate Change and Emissions**).
b) Scope 1, 2, and 3 GHG Emissions	HCIB has made a strategic decision not to disclose Scope One and Scope Two emissions separately. This approach is motivated by the need to safeguard proprietary industry information, as such disclosures could potentially provide competitors with insights that may compromise our competitive advantage. While still adhering to the applicable environmental reporting guidelines and regulations, the Group's priority remains in striking a balance between transparency and protecting vital business interests. As such, the Group has opted to disclose the total carbon intensity produced per tonne of cement instead. For FY2023, this was 741 kg CO_2e.

Profile of Board of Directors

YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/ Non-Independent

Age 68, 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 Cement Industries Berhad ("HCIB") on 1 July 2001 and assumed the position of Managing Director on 1 March 2003. He was appointed as the Chairman of HCIB on 21 February 2012. He does not sit on any Board committee of HCIB.

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

YBHG DATUK WIRA AZHAR BIN ABDUL HAMID

Non-Executive Director/ Independent

Age 62, Male, Malaysian

Datuk Wira Azhar bin Abdul Hamid is a Chartered Accountant by training and a member of the Malaysian Institute of Accountants ("MIA").

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

In November 2001, he was appointed as Group Chief Executive of 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 ("MRT") and held the position until December 2014. In May 2021, he returned to MRT and assumed the position as the Chairman of MRT. He was previously the Group Managing Director of Malakoff Corporation Berhad.

Datuk Wira Azhar was appointed to the Board of HCIB on 3 April 2015. He is the Chairman of the Nominating Committee and a member of the Board Audit & Risk Management Committee of HCIB.

He is a Director of ICON Offshore Berhad, a company listed on the Main Market of Bursa Securities.

Profile of Board of Directors

(Cont'd)

MS TAI SOOK YEE

Non-Executive Director/ Independent

Age 60, Female, Malaysian

Ms Tai Sook Yee is a member of the MIA and a member of the Malaysian Institute of Certified Public Accountant.

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 an integrated maritime and supply chain solutions provider, 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 dedicates most of her time in mentoring business leaders on sustainable and new social economic business models.

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

She is a Director of Hengyuan Refining Company Berhad, a company listed on the Main Market of Bursa Securities.

YBHG DATUK IR. AHMAD 'ASRI BIN ABDUL HAMID

Non-Executive Director/ Independent

Age 61, Male, Malaysian

Datuk Ir. Ahmad 'Asri bin Abdul Hamid graduated from University of Adelaide, Australia with a Bachelor in Mechanical Engineering (First Class Honours) and also holds a Master of Business Administration from Open University, the United Kingdom. He is a Professional Engineer registered with the Board of Engineers Malaysia.

He is a Fellow of the Institution of Engineers, Malaysia, a Fellow of the Chartered Institute of Building, a Member of the Royal Institution of Chartered Surveyors and an Honorary Fellow of ASEAN Federation of Engineering Organisations.

Datuk Ir. Ahmad 'Asri has extensive experience in the construction industry for almost 37 years through his services in the public sector. He served Construction Industry Development Board Malaysia ("CIDB") for the last 21 years, moving up from Senior Manager to General Manager and then to Senior General Manager before assumed the position of Chief Executive on 1 March 2016, a position he held until his retirement on 31 August 2023. Prior to joining CIDB, he was a mechanical engineer at Public Works Department (JKR) for 13 years and was later appointed as President of Professional Services Development Corporation Sdn Bhd for 3 years. Datuk Ir. Ahmad 'Asri is also an Adjunct Professor at the University of Technology Malaysia.

Datuk Ir. Ahmad 'Asri was appointed to the Board of HCIB on 1 September 2023. He is a member of the Board Audit & Risk Management Committee and Nominating Committee of HCIB.

He is a Director of IJM Corporation Berhad, a company listed on the Main Market of Bursa Securities.

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 HCIB. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of HCIB.
2. ***Conflict of Interest or Potential Conflict of Interest***
   None of the Directors has any conflict of interest or potential conflict of interest, including interest in any competing business with HCIB or its subsidiaries.
3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences (excluding traffic offences) within the past five (5) years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2023.
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.

Profile of Key Senior Management

MR TONG WOEI LUEN

*Chief Financial Officer,
Hume Cement
Industries Berhad*

Age 43, Male, Malaysian

Mr Tong Woei Luen is a Member of the Malaysian Institute of Accountants with qualification from Association of Chartered Certified Accountants.

He has more than 20 years of experience in energy and manufacturing industries where he has held various senior finance positions in Asia and the United States of America ("USA").

Before joining Hong Leong Manufacturing Group in 2022, Mr Tong worked at Schlumberger, most recently as Asia Division Controller. Prior to that, he was Northern Asia Finance Director in Beijing, where he led the finance organisation for operations in China and Japan, corporate reporting role in Houston as well as regional operations controller roles for China, Japan and Southeast Asia operations headquartered in Beijing and Kuala Lumpur.

Mr Tong is currently the Group Chief Financial Officer of Hong Leong Manufacturing Group Sdn Bhd, the holding company of Hume Cement Industries Berhad ("HCIB"). He also assumed the role of the Chief Financial Officer of HCIB on 1 October 2023.

MR LEE SIONG SENG

*Managing Director,
Hume Concrete Sdn Bhd*

Age 54, 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 Hume Cement Sdn Bhd 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.

MR WILLIAM TAN KOK SIANG

*Managing Director,
Hume Cement Sdn Bhd*

Age 36, Male, Malaysian

Mr William Tan Kok Siang graduated from National University of Malaysia with a Bachelor of Science (Honours) Degree majoring in Material Science.

Mr William Tan has 13 years of experience in cement industry. He started his career as Management Trainee in Lafarge Malayan Cement Berhad, now known as Malayan Cement Berhad, subsequently as Supply Chain Executive and thereafter was appointed as Project Analyst in Marketing Department.

In 2012, he joined Hume Cement Sdn Bhd ("HCMT") as Marketing Executive. He has held various positions in Marketing, Sales & Logistics before assumed the position of General Manager - Sales & Logistics in 2019 where he was responsible for overseeing the sales team, developing strategies, and managing customer relationships to achieve sales targets and contribute to the overall success of the cement plant. He was promoted as General Manager - Sales, Logistics & Packing Plant and subsequently as General Manager - Sales, Marketing, Logistics & Packing Plant.

Mr William Tan was appointed as Managing Director of HCMT on 1 October 2023.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   None of the Key Senior Management has any family relationship with any Director and/or major shareholder of HCIB.
2. ***Conflict of Interest or Potential Conflict of Interest***
   None of the Key Senior Management has any conflict of interest or potential conflict of interest, including interest in any competing business with HCIB or its subsidiaries.
3. ***Conviction of Offences***
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) within the past five (5) years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2023.

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 of Hume Cement Industries Berhad ("the Company") ["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 2023 of the Company in relation to this statement is published on the Company's website at www.humecementind.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.

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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

A. Roles And Responsibilities Of The Board (cont'd)

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 four (4) Directors, three (3) 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 of Bursa Malaysia Securities Berhad ("Bursa") ["MMLR"] in determining its Board composition. The policy includes the following:

- The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation.
- The Board shall have a balance of skills and experience 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 comprise at least one (1) woman Director.
- 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 2023, the Board is of the view that the 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.

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") ended 30 June 2023 ("FY 2023") 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees (cont'd)

- NC

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

The NC has been re-constituted as follows:

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

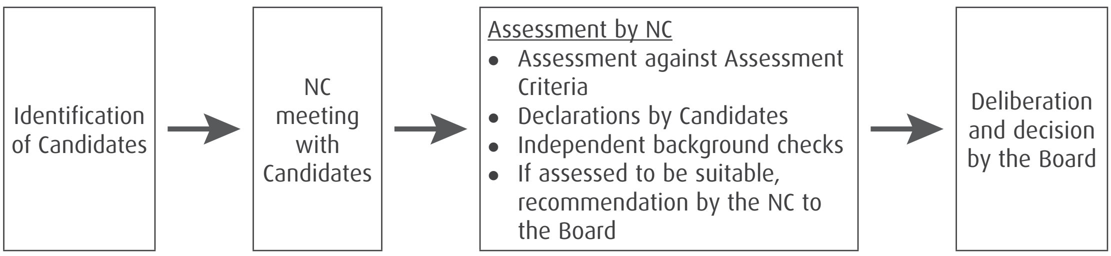
Ms Tai Sook Yee
Independent Non-Executive Director

YBhg Datuk Ir. Ahmad 'Asri bin Abdul Hamid
Independent Non-Executive Director
(Appointed with effect from 1 September 2023)

YBhg Dato' Ir. Tan Gim Foo
Independent Non-Executive Director
(Resigned with effect from 1 September 2023)

(i) New Appointments

The nomination, assessment and approval process for New Appointments, in accordance with the Directors' Fit and Proper Policy, shall be as follows:



All candidates to the Board are assessed by the NC prior to their appointments, taking into account the assessment criteria, inter alia, the candidates' character and integrity, 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, business experience, 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees (cont'd)

- NC (cont'd)

(ii) Re-election

The assessment and approval process for re-election of Directors as set out in the Directors' Fit and Proper Policy are as follows:

Assessment by NC		Deliberation and decision by the Board
• Assessment against Assessment Criteria • Declarations • If assessed to be suitable, recommendation by the NC to the Board	→	

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, fit and proper declaration and assessment in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity, 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 ("Act") 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 membership		Assessment by NC		Deliberation and decision by the Board
	→	• Assessment against Assessment Criteria • If assessed to be suitable, recommendation by the NC to the Board	→	

In line with the Directors' Fit and Proper Policy, 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 CFO, 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees (cont'd)

- NC (cont'd)

  The NC met twice during FY 2023 and all the NC members attended the meetings.

  The NC discharged its duties in accordance with its TOR during FY 2023. The NC considered and reviewed the following:

  - Policies on Board Composition and Independence of Directors and revised Nominating Committee Charter and policies on Board Diversity, Directors' Training and Directors' Fit and Proper;
  - 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;
  - training undertaken by Directors and recommendation of training programmes for Directors; and
  - re-election of Director.

  The NC has also considered and recommended to the Board for approval, the appointment of YBhg Datuk Ir. Ahmad 'Asri bin Abdul Hamid, who was identified through an independent source, as an ID of the Company.

  Having reviewed the Board composition, the NC was satisfied that the Board comprises a good mix of skills and that the 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 2023. 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") and SM 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 and key SM ("Key SM") are reviewed by the entire Board. EDs and Key SM 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 and Key SM, 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").

Corporate Governance Overview Statement, Risk Management and Internal Control
(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

D. Remuneration (cont'd)

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

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-ID. 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 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.

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, among 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

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 Act. They are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and hold practising 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 among the Board, Board Committees and SM. The Company Secretaries attend programmes and seminars to keep themselves 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 during FY 2023 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 Hugo Enrique Losada Barriola	4/4
YBhg Dato' Ir. Tan Gim Foo	4/4
YBhg Datuk Wira Azhar bin Abdul Hamid	4/4
Ms Tai Sook Yee	4/4

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 may include visits to the Group's business operations, 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, among others, the industry or business of the Company, governance, risk management, accounting, laws and regulations through a combination of courses, conferences and workshops. A training budget is allocated for Directors' training programmes.

All Directors of the Company have completed the Mandatory Accreditation Programme ("MAP") Part I except for YBhg Datuk Ir. Ahmad 'Asri bin Abdul Hamid who was appointed to the Board after FY 2023. In line with the recent amendments to MMLR in relation to sustainability training for Directors, the Directors of the Company have been advised to complete MAP Part II within the prescribed timeframe.

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

In assessing the training needs of Directors, upon recommendation by the NC, the Board has determined that appropriate training programmes covering matters on CG, finance/accounts, legal and regulatory framework, risk management, internal control, information technology, cybersecurity, anti-bribery and corruption, environmental, social and governance ("ESG"), industry-related and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

Corporate Governance Overview Statement, Risk Management and Internal Control
(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

F. Commitment (cont'd)

During FY 2023, 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, ESG and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes/ briefings 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 2023, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Overview of Voluntary Carbon Market and Bursa Carbon Exchange
- ESG Risk Identification and Materiality
- Carbon Footprint Assessment Report by Riverstone Environmental Sdn Bhd ("Riverstone")
- Annual Training on Section 17A of the Malaysian Anti-Corruption Commission Act 2009
- An Awareness Session on "Transforming Your Business with Data"
- MBAM Webinar On Building Defects and QLASSIC
- Climate Transition Risk & Opportunity Presentation by EY
- Carbon Reduction Strategy and Physical Climate Risk & Opportunities by Riverstone
- Corporate Liability - Anti-Bribery and Corruption
- The 25th Anniversary: The Future of Hong Kong
- MICPA-SFIA Complimentary Event Sustainable Finance Series 'Towards A Zero Carbon Future: The New Funding Landscape and Supply Chain Opportunities'
- Unlocking The Potential Of Digital Finance via Labuan IBFC's Digital Ecosystem
- Finding Common Values: Plurality In The Emerging New World Order
- Audit Oversight Board Conversation with Audit Committee
- Business Integrity Week 2022: R&I Talk (Upholding Integrity Through The Lenses of Risks)
- Business Integrity Week 2022: Managing Information Risk
- Investing in Stability and Prosperity: The New Multilateralism for Development
- SID-Diligent Webinar Series Part 1: The Elements of ESG Metrics. Measuring What Matters
- Getting The Board On Board With Security Governance
- SID-Diligent Webinar Series Part 2: Modern Governance and ESG: Connecting Board Effectiveness and ESG
- SID-Diligent Webinar Series Part 3: Sustainability In The Spotlight: Board ESG Oversight and Strategy
- SID-Diligent Webinar Series Part 4: How Board Can Implement An Integrated Approach To Climate Risk and Strategy
- ICDM PowerTalk – Navigating ESG Data Into Decisions
- SRI 2023: Revving Up The Race For Sustainability
- MIA Webinar Series: Board of Directors: Compliance, Resilience, Emerging Trends & Challenges
- Bursa Immersive Session: The Board "Agender"
- MIA Webinar Series: Introduction to ESG and Sustainable Finance

During FY 2023, a site visit to Hume Cement Sdn Bhd's Gopeng Plant ("Hume Cement Gopeng Plant") was organised for the Directors.

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 business and professional activities.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

G. Strengthening CG Culture (cont'd)

- Code of Conduct and Ethics (cont'd)

  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.

- Anti-Bribery and Corruption Policy

  The Group has adopted 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Accountability And Audit (cont'd)

II. Directors' Responsibility In Financial Reporting

The MMLR require the Directors to prepare a statement explaining the Board of Directors' responsibility for preparing the annual audited financial statements and the Act requires the Directors to make a statement stating whether in their opinion, the audited financial statements are drawn up, in accordance with the applicable accounting standards, to give a true and fair view of the financial position and of the financial performance 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 2023 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Act in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

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 2023, 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 adopted the Anti-Bribery Management System ("ABMS") under the ISO 37001:2016 and the Guidelines on Adequate Procedures pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009 to prevent, detect and respond to bribery and corruption risks. The Company and its core subsidiaries have been certified for ISO 37001:2016 (ABMS) by SIRIM QAS International Sdn Bhd.

Corporate Governance Overview Statement, Risk Management and Internal Control
(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Accountability And Audit (cont'd)

III. Risk Management and Internal Control (cont'd)

- Risk Management Framework (cont'd)

  Further, on an ongoing 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 reports 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.
  - 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 2023 covered human resource manpower management, sales and marketing management, production and quality management, repair and maintenance management (contracting works) at Hume Cement Gopeng Plant and various operations of Hume Concrete (EM) Sdn Bhd's Plant.
  - 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 2023 and up to the date of approval of the SORMIC for inclusion in the annual report, and reviewed quarterly by the BARMC. The BARMC reviews the principal risks, significant audit observations and/or areas for improvement and ascertains that appropriate remedial actions or improvements are taken by the management of the Group's operating companies. These processes are intended to manage and not expected to eliminate all risks of failure to achieve business objectives. Accordingly, they can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

  The Board has received assurance from the GMD and CFO 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Accountability And Audit (cont'd)

III. Risk Management and Internal Control (cont'd)

- Review of the SORMIC by External Auditors

  Pursuant to Paragraph 15.23 of the MMLR, the external auditors have reviewed the SORMIC pursuant to the scope set out in 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 2023 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.

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's By-Laws, 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 2023, 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

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 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. Minutes of AGM and a summary of the key pertinent matters discussed at the AGM are published on the Website.

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

Queries may be conveyed to the following person:

Name	: Ms Wong Wei Fong
Tel	: 03-2080 9200
Fax	: 03-2080 9238
Email	: IRelations@humecementind.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 attend and vote on all resolutions. Directors, CFO, SM and the external auditors are also available to respond to shareholders' queries during the AGM. All Directors of the Company attended the AGM held on 3 November 2022. Minutes of AGM and a summary of the key pertinent matters discussed at the said AGM are published on the Website.

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.

Board Audit & Risk Management Committee Report

CONSTITUTION

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

COMPOSITION

The composition of the Committee has been re-constituted as follows:

Ms Tai Sook Yee
Chairman, Independent Non-Executive Director

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

YBhg Datuk Ir. Ahmad 'Asri bin Abdul Hamid
Independent Non-Executive Director
(Appointed with effect from 1 September 2023)

YBhg Dato' Ir. Tan Gim Foo
Independent Non-Executive Director
(Resigned with effect from 1 September 2023)

SECRETARY

The Secretary(ies) to the Committee shall be the Company Secretary(ies) of HCIB.

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.humecementind.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 in each financial year ("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. 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 the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

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

Board Audit & Risk Management Committee Report

(Cont'd)

MEETINGS (cont'd)

Two (2) members of the Committee 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 FY ended 30 June 2023 ("FY 2023") 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 2023, four (4) Committee meetings were held and the attendance of the Committee members was as follows:

Members	Attendance
Ms Tai Sook Yee	4/4
YBhg Datuk Wira Azhar bin Abdul Hamid	4/4
YBhg Dato' Ir. Tan Gim Foo	4/4

The Committee carried out the following key activities during FY 2023:

- Reviewed and recommended to the Board for approval, the annual financial statements of the Group and of the Company, 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 Group and of the Company.
- Reviewed and recommended 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 the financial performance of the Group, including results against budget and rolling cash flow forecast.
- Reviewed financial obligations, including banking facilities and covenants.
- 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 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 2023 are stated in the notes to the annual financial statements.
- Reviewed with the external auditors, the audit plan for FY 2023, 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.
- Held two (2) separate sessions with the external auditors, without the presence of senior management, to discuss all major issues, including co-operation of the Group's officers rendered to the external auditors. During the separate sessions, no critical issues were raised.
- Discussed with the external auditors, the potential key audit matters and other significant audit matters identified by the external auditors.
- Reviewed and approved the annual internal audit scope and plan.
- Assessed the performance of the internal audit function as well as the adequacy and competency of internal audit resources.

Board Audit & Risk Management Committee Report

(Cont'd)

ACTIVITIES (cont'd)

- Reviewed the internal audit findings and investigation reports, and recommendations, including management's responses, progress status and updates of management's action plans on internal audit findings and recommendations thereto.
- Received and deliberated on the whistleblowing reports and further steps to be taken.
- Reviewed and recommended to the Board for approval, the Anti-Bribery and Corruption Policy, Group Anti-Bribery and Corruption Management System Manual, Whistleblowing Policy and Whistleblowing Communications Plan and Investigation Procedures.
- Reviewed the adequacy and integrity of internal control systems, including risk management covering areas on strategic, compliance, operational and financial, COVID-19 pandemic impact and relevant management information system, including the processes in place to identify, evaluate and manage the significant risks encountered by the Group.
- Reviewed and recommended to the Board for approval, the Internal Audit Charter and revised Board Audit & Risk Management Committee Charter.
- Reviewed the Policy and Procedures 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 practice 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 the 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 the 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.
- Acted as Governing Body of Anti-Bribery and Corruption Management System ("ABCMS") and reviewed the Governing Body Report comprised ABCMS activities, progress updates on the Group's ISO 37001:2016 Anti-Bribery Management System surveillance audit, bribery and corruption risk assessment, and ABCMS internal audit report, on a quarterly basis.

INTERNAL AUDIT ("IA")

The 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. As at 30 June 2023, there were eleven (11) staff in the GIAD and the total cost incurred by the GIAD for FY 2023 amounted to RM2,749,397.

The purpose, authority, scope, independence and responsibilities of 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. Dr Teh Boon Ang has been appointed as Head of IA since 1 July 2017.

Dr Teh is a Professional Member of the Institute of Internal Auditors Malaysia and holds the qualifications of Doctorate of Business Administration, Master of Criminal Justice, Certified Internal Auditor and Certified Fraud Examiner. 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. The GIAD has received co-operation in the performance of their work and do not have any disagreement that may have adverse impact on the audit process or findings.

Board Audit & Risk Management Committee Report

(Cont'd)

INTERNAL AUDIT ("IA") (cont'd)

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 2023 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.

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 2023 are described in the SORMIC.

The GIAD also facilitates the maintenance of the risk management framework of the Group on an ongoing 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. In FY 2023, the Institute of Internal Auditors ("IIA") Malaysia was engaged as the external assessor to conduct Quality Assessment Review on GIAD in ascertaining whether the activities and performances are in conformance with the requirements of the International Professional Practices Framework issued by the IIA, Inc., USA.

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

Financial Statements

Directors' Report

For the financial year ended 30 June 2023

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2023.

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
Profit for the year attributable to owners of the Company	60,034	6,645

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 25 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 2023.

Directors' Report

For the financial year ended 30 June 2023

(Cont'd)

DIRECTORS

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

Company

YBhg Datuk Kwek Leng San*, Chairman
Mr Hugo Enrique Losada Barriola*, Group Managing Director
YBhg Dato' Ir. Tan Gim Foo
YBhg Datuk Wira Azhar bin Abdul Hamid
Ms Tai Sook Yee

Subsidiaries

Mr Lau Ping Ong
Mr Lee Siong Seng
Mr Tong Woei Luen
Ms Khor Sau Mooi

* These Directors are also Directors of subsidiaries.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who have 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 2023 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, are as follows:

	Number of ordinary shares/ordinary shares to be issued arising from the conversion of redeemable convertible unsecured loan stocks#/ordinary shares received or to be received arising from vesting of share grant*			
	At 1.7.2022	**Acquired**	**Sold**	**At 30.6.2023**
Shareholdings in which the Directors have direct interests				
Interests of YBhg Datuk Kwek Leng San in:				
Hong Leong Company (Malaysia) Berhad	160,895	-	-	160,895
Hong Leong Industries Berhad	2,632,500	-	-	2,632,500
Malaysian Pacific Industries Berhad	1,199,167	16,667 (1)	-	1,215,834
	33,333 *	-	(16,667) *(1)	16,666 *
Hong Leong Bank Berhad	536,000	-	-	536,000
Hong Leong Financial Group Berhad	654,000	-	-	654,000
Hume Cement Industries Berhad	3,921,600	-	-	3,921,600
	2,017,142 #	-	-	2,017,142 #

Directors' Report

For the financial year ended 30 June 2023

(Cont'd)

DIRECTORS' INTERESTS (cont'd)

	Number of ordinary shares/ordinary shares to be issued arising from the conversion of redeemable convertible unsecured loan stocks#/ordinary shares received or to be received arising from vesting of share grant*			
	At 1.7.2022	**Acquired**	**Sold**	**At 30.6.2023**
Shareholdings in which the Directors have direct interests (cont'd)				
Interest of Hugo Enrique Losada Barriola in:				
Hume Cement Industries Berhad	133,333	66,667 (1)	-	200,000
	66,667 *	95,744 *	(66,667) *(1)	95,744 *

Legend:

(1) 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 below 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.

The directors' benefit paid to or receivable by directors in respect of the financial year ended 30 June 2023 are as follows:

	Group RM'000	**Company RM'000**
Directors of the Company:		
Fees	388	388
Remuneration and other benefits	1,566	-

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 503,627,609 ordinary shares to 510,372,782 ordinary shares by the issuance and allotment of 6,745,173 new ordinary shares arising from the conversion of RM4,721,623 nominal value of redeemable convertible unsecured loan stocks at the conversion price at RM0.70 for every 1 new ordinary share in the Company.

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

Directors' Report

For the financial year ended 30 June 2023

(Cont'd)

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 Cement 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 RM63,481 and the apportioned amount of the said premium paid by the Company was RM18,007.

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 2023 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.

Directors' Report

For the financial year ended 30 June 2023

(Cont'd)

AUDITORS

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

The auditors' remuneration of the Group and of the Company during the financial year are RM247,500 and RM43,500 respectively.

On behalf of the Board,

Hugo Enrique Losada Barriola

Tai Sook Yee

Date: 24 August 2023

Statements of Financial Position

As at 30 June 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Assets					
Property, plant and equipment	4	740,637	790,507	21	29
Right-of-use assets	5	35,786	37,728	-	-
Investment property	6	5,933	6,188	-	-
Investments in subsidiaries	7	-	-	799,914	792,414
Deferred tax assets	8	4,143	9,908	1,608	3,392
Tax credit receivables	9	144,703	144,703	-	-
Total non-current assets		931,202	989,034	801,543	795,835
Inventories	10	127,156	163,630	-	-
Trade and other receivables, including derivatives	11	76,219	80,549	112	113
Current tax assets		4	161	-	-
Cash and cash equivalents	12	51,660	64,274	1,043	1,134
Total current assets		255,039	308,614	1,155	1,247
Total assets		1,186,241	1,297,648	802,698	797,082
Equity					
Share capital	13	500,989	496,267	500,989	496,267
Reserves	14	(196,776)	(256,775)	21,620	15,563
RCULS – equity portion	15	124,620	128,527	124,620	128,527
Total equity attributable to owners of the Company		428,833	368,019	647,229	640,357
Liabilities					
Loans and borrowings	16	89,637	239,789	-	120,276
Lease liabilities		52	230	-	-
Deferred tax liabilities	8	22,313	16,073	-	-
RCULS – liability portion	15	-	6,873	-	6,873
Deferred income	17	78,222	85,380	-	-
Employee benefits	18(a)	250	250	-	-
Other payable	19	579	579	-	-
Total non-current liabilities		191,053	349,174	-	127,149

Statements of Financial Position

As at 30 June 2023

(Cont'd)

	Note	Group		Company	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Loans and borrowings	16	422,665	372,602	147,503	21,000
Lease liabilities		239	1,068	-	-
RCULS – liability portion	15	6,660	7,177	6,660	7,177
Deferred income	17	7,158	7,158	-	-
Trade and other payables	19	125,453	188,575	1,251	1,324
Contract liabilities	20	3,730	3,612	-	-
Tax payable		450	263	55	75
Total current liabilities		566,355	580,455	155,469	29,576
Total liabilities		757,408	929,629	155,469	156,725
Total equity and liabilities		1,186,241	1,297,648	802,698	797,082

The notes on pages 99 to 161 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	Group		Company	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Revenue	21	1,014,281	726,530	1,401	3
Cost of sales		(767,332)	(569,521)	-	-
Gross profit		246,949	157,009	1,401	3
Distribution expenses		(124,576)	(111,450)	-	-
Administrative expenses		(27,092)	(24,847)	(1,425)	(1,263)
Other operating expenses		(8,387)	(7,181)	-	-
Other operating income		12,233	13,566	-	-
Results from operations		99,127	27,097	(24)	(1,260)
Interest income		1,537	453	15,346	14,752
Finance costs	22	(27,076)	(22,592)	(6,721)	(6,229)
Profit before taxation	22	73,588	4,958	8,601	7,263
Taxation	23	(13,554)	(1,840)	(1,956)	(1,866)
Profit for the year		60,034	3,118	6,645	5,397
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		29	(86)	-	-
Cash flow hedge		609	(1)	-	-
Total other comprehensive income/(expense) for the year	25	638	(87)	-	-
Total comprehensive income for the year attributable to owners of the Company		60,672	3,031	6,645	5,397
Basic earnings per ordinary share (sen)	24	11.91	0.62		
Diluted earnings per ordinary share (sen)	24	8.40	0.52		

The notes on pages 99 to 161 are an integral part of these financial statements.

Statements of Changes in Equity

For the year ended 30 June 2023

Group	Share capital	RCULS - equity portion	Hedging reserve	Exchange fluctuation reserve	Reserve for own shares	Executive Share Scheme reserve	Accumulated losses	Total equity
	← Attributable to owners of the Company							
	← Non-distributable							
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2021	494,406	130,070	14	408	(100)	96	(260,137)	364,757
Profit for the year	-	-	-	-	-	-	3,118	3,118
Other comprehensive income/(expense)								
- Foreign currency translation differences for foreign operations	-	-	-	(86)	-	-	-	(86)
- Cash flow hedge	-	-	(1)	-	-	-	-	(1)
Total comprehensive income/ (expense) for the year	-	-	(1)	(86)	-	-	3,118	3,031
Contribution by and distribution to owners of the Company:								
- Conversion of RCULS	1,861	(1,543)	-	-	-	-	(143)	175
- Share-based payments	-	-	-	-	-	56	-	56
- Shares vested under ESS	-	-	-	-	50	(84)	34	-
Total transactions with owners of the Company	1,861	(1,543)	-	-	50	(28)	(109)	231
At 30 June 2022	496,267	128,527	13	322	(50)	68	(257,128)	368,019

Statements of Changes in Equity

For the year ended 30 June 2023

(Cont'd)

Group (cont'd)	Attributable to owners of the Company							
	Non-distributable							
	Share capital RM'000	RCULS - equity portion RM'000	Hedging reserve RM'000	Exchange fluctuation reserve RM'000	Reserve for own share RM'000	Executive Share Scheme reserve RM'000	Accumulated losses RM'000	Total equity RM'000
At 1 July 2022	496,267	128,527	13	322	(50)	68	(257,128)	368,019
Profit for the year	-	-	-	-	-	-	60,034	60,034
Other comprehensive income/(expense)								
- Foreign currency translation differences for foreign operations	-	-	-	29	-	-	-	29
- Cash flow hedge	-	-	609	-	-	-	-	609
Total comprehensive income/ (expense) for the year	-	-	609	29	-	-	60,034	60,672
Contribution by and distribution to owners of the Company:								
- Conversion of RCULS	4,722	(3,907)	-	-	-	-	(588)	227
- Share-based payments	-	-	-	-	-	40	-	40
- Own share acquired	-	-	-	-	(125)	-	-	(125)
- Shares vested under ESS	-	-	-	-	50	(86)	36	-
Total transactions with owners of the Company	4,722	(3,907)	-	-	(75)	(46)	(552)	142
At 30 June 2023	500,989	124,620	622	351	(125)	22	(197,646)	428,833

Statements of Changes in Equity

For the year ended 30 June 2023

(Cont'd)

Company	Share capital RM'000	RCULS - equity portion RM'000	Retained earnings RM'000	Total equity RM'000
	← Attributable to owners of the Company →			
	← Non-distributable →		Distributable	
At 1 July 2021	494,406	130,070	10,307	634,783
Profit and total comprehensive income for the year	-	-	5,397	5,397
Contribution by and distribution to owners of the Company:				
- Conversion of RCULS	1,861	(1,543)	(141)	177
Total transactions with owners of the Company	1,861	(1,543)	(141)	177
At 30 June 2022/1 July 2022	496,267	128,527	15,563	640,357
Profit and total comprehensive income for the year	-	-	6,645	6,645
Contribution by and distribution to owners of the Company:				
- Conversion of RCULS	4,722	(3,907)	(588)	227
Total transactions with owners of the Company	4,722	(3,907)	(588)	227
At 30 June 2023	500,989	124,620	21,620	647,229

The notes on pages 99 to 161 are an integral part of these financial statements.

Statements of Cash Flows

For the year ended 30 June 2023

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Cash flows from operating activities					
Profit before taxation		73,588	4,958	8,601	7,263
Adjustments for:					
Amortisation of deferred income		(7,158)	(7,158)	-	-
Depreciation of investment property		255	255	-	-
Depreciation of property, plant and equipment		65,784	64,496	12	12
Depreciation of right-of-use assets		2,061	2,095	-	-
Reversal of impairment of property, plant and equipment		-	(1,401)	-	-
Dividend income from a subsidiary		-	-	(1,401)	-
Dividend income from other investments		(45)	(241)	-	(3)
Finance costs		27,076	22,592	6,721	6,229
Gain on disposal of property, plant and equipment		(222)	-	-	-
Interest income		(1,537)	(453)	(15,346)	(14,752)
Property, plant and equipment written off		3,408	7,049	-	-
Provision for slow moving inventories		4,562	186	-	-
Provision/(Reversal) for retirement benefits		17	(128)	-	-
Share-based payments		40	56	-	-
Unrealised (gain)/loss on foreign exchange		(716)	132	-	-
Operating profit/(loss) before changes in working capital		167,113	92,438	(1,413)	(1,251)
Inventories		31,912	(81,632)	-	-
Trade and other receivables		5,025	(52,339)	1	(32)
Trade and other payables		(62,531)	77,623	(55)	52
Cash generated from/(used in) operations		141,519	36,090	(1,467)	(1,231)
Tax paid		(1,205)	(369)	(192)	(161)
Interest income received		1,537	453	15,346	14,752
Finance costs paid		(26,063)	(20,918)	(5,917)	(5,065)
Dividend received from a subsidiary		-	-	1,401	-
Dividend received from other investments		45	241	-	3
Retirement benefits paid		(17)	(101)	-	-
Net cash generated from operating activities		115,816	15,396	9,171	8,298

Statements of Cash Flows

For the year ended 30 June 2023

(Cont'd)

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		222	-	-	-
Acquisition of property, plant and equipment		(19,322)	(14,712)	(4)	(5)
Addition of investment in a subsidiary company		-	-	(10,000)	(16,500)
Proceeds from capital reduction of a subsidiary		-	-	2,500	3,000
Net cash used in investing activities		(19,100)	(14,712)	(7,504)	(13,505)
Cash flows from financing activities					
Drawdown of borrowings	(ii)	1,339,527	316,074	71,550	20,000
Repayment of borrowings	(ii)	(1,439,967)	(293,913)	(65,550)	(6,200)
RCULS coupon payment	(ii)	(7,758)	(7,889)	(7,758)	(7,889)
Payment of lease liabilities	(i)	(1,126)	(1,101)	-	-
Interest paid in relation to lease liabilities	(i)	(35)	(76)	-	-
Net cash (used in)/generated from in financing activities		(109,359)	13,095	(1,758)	5,911
Net (decrease)/increase in cash and cash equivalents		(12,643)	13,779	(91)	704
Effect of exchange rate fluctuations on cash held		29	(86)	-	-
Cash and cash equivalents at 1 July 2022/2021		64,274	50,581	1,134	430
Cash and cash equivalents at 30 June		51,660	64,274	1,043	1,134

(i) Cash outflows for leases as a lessee

	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Included in net cash from operating activities				
Payment relating to short-term leases	9,480	6,865	-	-
Payment relating to leases of low-value assets	9	10	-	-
Payment relating to variable lease payments not included in the measurement of lease liabilities	20,110	19,549	-	-
Included in net cash from financing activities				
Payment of lease liabilities	1,126	1,101	-	-
Interest paid in relation to lease liabilities	35	76	-	-
Total cash outflows for leases	30,760	27,601	-	-

Statements of Cash Flows

For the year ended 30 June 2023
(Cont'd)

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

	At 1 July 2021	Drawdown	Repayment	Foreign exchange	Interest accreted	Acquisition of new lease	Others	At 30 June 2022/ 1 July 2022	Drawdown	Repayment	Interest accreted	Acquisition of new lease	Others	At 30 June 2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group														
Term loans	169,874	-	-	(380)	505	-	-	169,999	-	(30,000)	124	-	-	140,123
Medium term notes	99,439	-	-	-	227	-	-	99,666	-	-	227	-	-	99,893
Term revolving credit	60,000	-	(20,000)	-	-	-	-	40,000	-	(40,000)	-	-	-	-
Revolving credits	259,430	275,687	(271,887)	-	-	-	-	263,230	100,550	(198,050)	-	-	-	165,730
Trade Financing	1,135	40,387	(2,026)	-	-	-	-	39,496	1,238,977	(1,171,917)	-	-	-	106,556
Total loans and borrowings	589,878	316,074	(293,913)	(380)	732	-	-	612,391	1,339,527	(1,439,967)	351	-	-	512,302
Lease liabilities	1,673	-	(1,101)	-	-	685	41	1,298	-	(1,126)	-	157	(38)	291
RCULS liabilities	21,127	-	(7,889)	-	937	-	(125)	14,050	-	(7,758)	576	-	(208)	6,660
Total liabilities from financing activities	612,678	316,074	(302,903)	(380)	1,669	685	(84)	627,739	1,339,527	(1,448,851)	927	157	(246)	519,253
Company														
Term loans	20,610	-	-	-	-	-	-	20,610	-	-	-	-	-	20,610
Medium term notes	99,439	-	-	-	227	-	-	99,666	-	-	227	-	-	99,893
Revolving credits	7,200	20,000	(6,200)	-	-	-	-	21,000	71,550	(65,550)	-	-	-	27,000
Total loans and borrowings	127,249	20,000	(6,200)	-	227	-	-	141,276	71,550	(65,550)	227	-	-	147,503
RCULS liabilities	21,127	-	(7,889)	-	937	-	(125)	14,050	-	(7,758)	576	-	(208)	6,660
Total liabilities from financing activities	148,376	20,000	(14,089)	-	1,164	-	(125)	155,326	71,550	(73,308)	803	-	(208)	154,163

Notes to the Financial Statements

1. CORPORATE INFORMATION

Hume Cement 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 2023 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 2023 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 24 August 2023.

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 are revised and in any future periods affected.

Notes to the Financial Statements
(Cont'd)

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 10 – Inventories

The management reviews for slow moving and obsolescence and decline in net realisable value to below cost. This review requires management judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

(v) 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.

(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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

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

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

(ii) Business combinations

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

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

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

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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 or loss is recognised directly in equity.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(iv) Special purpose entities

Special purpose entities ("SPE") are entities defined in MFRS 10, *Consolidated Financial Statements*, which may constitute a corporation, trust, partnership or unincorporated entity created to accomplish a narrow and well defined objective with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management over the operations of the SPE. Accordingly, the ESS Trust set up as mentioned in Note 2.2(l)(iv) is amalgamated with the financial statements of the Company for the portion related to the Company and also consolidated in the financial statements of the Group.

(v) 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.

(vi) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the 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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

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

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 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 exchange fluctuation reserve 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.

(c) Financial instrument

(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.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Financial instrument (cont'd)

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

Financial assets (cont'd)

(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.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.2(i)(i)) where the effective interest rate is applied to the amortised cost.

(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.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.2(i)(i)) where the effective interest rate is applied to the amortised cost.

(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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Financial instrument (cont'd)

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

Financial assets (cont'd)

(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)).

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 recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effect of changes in the liability's credit risk would create or enlarge an accounting mismatch.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Financial instrument (cont'd)

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

Financial liabilities (cont'd)

(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 on derecognition are 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.

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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Financial instrument (cont'd)

(iv) Hedge accounting (cont'd)

(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.

(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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Financial instrument (cont'd)

(iv) Hedge accounting (cont'd)

(b) Cash flow hedge (cont'd)

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.

(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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(d) Property, plant and equipment

(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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

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

(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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

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

(iii) Depreciation (cont'd)

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.

(e) Lease

(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.

Notes to the Financial Statements

(Cont'd)

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Lease (cont'd)

(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.

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.

Notes to the Financial Statements
(Cont'd)

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Lease (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".

(f) Investment property

Investment property carried at cost

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. This includes 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.

(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.

Notes to the Financial Statements
(Cont'd)

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.

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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(i) Impairment (cont'd)

(i) Financial assets (cont'd)

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.

(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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(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.

(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.

(ii) State plans

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.

(iii) 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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(l) Employee benefits (cont'd)

(iv) Share-based payments

The Group operates an equity-settled, share-based compensation plan for the employees of the Group under the Hume Cement 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.

(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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(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 overtime criteria is met:

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

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(n) Revenue and other income (cont'd)

(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 (see Note 2.2 (o)).

(iv) Rental income

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

(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.

Notes to the Financial Statements
(Cont'd)

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(p) Taxation (cont'd)

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.

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 basic and diluted 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.

Notes to the Financial Statements
(Cont'd)

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(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.

(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 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of* MFRS 17 *and* MFRS 9 – *Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules*

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Statement of compliance (cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendment to MFRS 107, *Statement of Cash Flows and* MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

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 2023 for those amendments that are effective for annual periods beginning on or after 1 January 2023, except for amendment to MFRS 17 which is not applicable to the Group and the Company.

- from the annual period beginning on 1 July 2024 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2024.

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

Notes to the Financial Statements

(Cont'd)

3. COMPANIES IN THE GROUP

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

Name of Company	Country of incorporation	Effective interest		Principal activities
		2023	2022	
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.
• Forestwood Sdn Bhd (formerly known as Hume Concrete Products Research Centre Sdn Bhd)	Malaysia	100	100	In member's voluntary liquidation.
Hume RMX Sdn Bhd	Malaysia	100	100	Dormant.
Hume RMC Sdn Bhd	Malaysia	100	100	Investment holding.
• Top Master Construction (Philippines), Inc.*	Philippines	-	100	Dissolved.

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

Notes to the Financial Statements

(Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group	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 2021	83,469	1,198,179	46,636	4,848	1,333,132
Additions	95	6,661	7,466	490	14,712
Written off	(8,390)	(3,420)	(7,837)	-	(19,647)
Reclassification	-	2,851	28	(2,879)	-
At 30 June 2022/1 July 2022	75,174	1,204,271	46,293	2,459	1,328,197
Additions	69	6,368	11,572	1,313	19,322
Disposal	-	(11)	(861)	-	(872)
Written off	-	(435)	(4,738)	-	(5,173)
Reclassification	-	2,077	160	(2,237)	-
At 30 June 2023	75,243	1,212,270	52,426	1,535	1,341,474
Accumulated depreciation and impairment loss					
At 1 July 2021					
Accumulated depreciation	36,316	414,387	34,128	-	484,831
Accumulated impairment	2,214	118	30	-	2,362
	38,530	414,505	34,158	-	487,193
Charge for the year	1,444	58,417	4,635	-	64,496
Written off	(6,989)	(1,272)	(4,337)	-	(12,598)
Reversal of impairment	(1,401)	-	-	-	(1,401)
At 30 June 2022/1 July 2022					
Accumulated depreciation	30,771	471,532	34,426	-	536,729
Accumulated impairment	813	118	30	-	961
	31,584	471,650	34,456	-	537,690
Charge for the year	1,451	59,207	5,126	-	65,784
Disposal	-	(11)	(861)	-	(872)
Written off	-	(221)	(1,544)	-	(1,765)
At 30 June 2023					
Accumulated depreciation	32,222	530,507	37,147	-	599,876
Accumulated impairment	813	118	30	-	961
	33,035	530,625	37,177	-	600,837
Carrying amounts					
At 1 July 2021	44,939	783,674	12,478	4,848	845,939
At 30 June 2022/1 July 2022	43,590	732,621	11,837	2,459	790,507
At 30 June 2023	42,208	681,645	15,249	1,535	740,637

Notes to the Financial Statements

(Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	**Office equipment RM'000**
Cost	
At 1 July 2021	68
Additions	5
Written off	(7)
At 30 June 2022/1 July 2022	66
Additions	4
At 30 June 2023	70
Accumulated depreciation	
At 1 July 2021	32
Charge for the year	12
Written off	(7)
At 30 June 2022/1 July 2022	37
Charge for the year	12
At 30 June 2023	49
Carrying amounts	
At 1 July 2021	36
At 30 June 2022/1 July 2022	29
At 30 June 2023	21

4.1 Impairment testing of property, plant and equipment

Concrete

The Group has evaluated whether the property, plant and equipment of the concrete plant used in the operations are stated in excess of their estimated recoverable amounts. The recoverable amounts are estimated based on fair value less costs of disposal method. The fair value has been derived mainly by valuing the land and building plus net working capital of the cash-generating units. The fair value of land and building is based on market comparison of similar properties carried out by external valuers and is categorised as Level 3 in accordance with MFRS 13, *Fair Value Measurement*.

In the prior financial year, the Group has applied the value-in-use approach on the basis that the plant will continue to be in use up to the expected useful life of the plant based on the following key assumptions:

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

(b) The annual growth rate for selling prices and sales volume used in the cash flows projection ranges from 0% to 11% and 1% to 92% 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 5.39%.

The Group has determined that there is no impairment due to the recoverable amounts are higher than the carrying amounts of the cash-generating units.

Notes to the Financial Statements

(Cont'd)

5. RIGHT-OF-USE ASSETS

	Leasehold land RM'000	Premises RM'000	Office equipment RM'000	Total RM'000
Group				
At 1 July 2021	37,481	1,633	-	39,114
Addition	-	652	31	683
Lease modification	-	26	-	26
Depreciation	(983)	(1,096)	(16)	(2,095)
At 30 June 2022/1 July 2022	36,498	1,215	15	37,728
Addition	-	91	66	157
Lease modification	-	(38)	-	(38)
Depreciation	(984)	(1,061)	(16)	(2,061)
At 30 June 2023	35,514	207	65	35,786

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.

5.1 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.

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 are 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
2023				
Leases with lease payments based on production	-	20,110	20,110	201
2022				
Leases with lease payments based on production	-	19,549	19,549	195

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

Notes to the Financial Statements
(Cont'd)

5. RIGHT-OF-USE ASSETS (cont'd)

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

	Group RM'000
Cost	
At 1 July 2021/30 June 2022/1 July 2022/30 June 2023	12,131
Accumulated depreciation	
At 1 July 2021	5,688
Charge for the year	255
At 30 June 2022/1 July 2022	5,943
Charge for the year	255
At 30 June 2023	6,198
Carrying amounts	
At 1 July 2021	6,443
At 30 June 2022/1 July 2022	6,188
At 30 June 2023	5,933

Investment property comprises a commercial property that is leased to third party. The lease 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.

Notes to the Financial Statements
(Cont'd)

6. INVESTMENT PROPERTY (cont'd)

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

	Group	
	2023 RM'000	2022 RM'000
Lease income	2,314	2,148
Direct operating expenses:		
- income generating investment property	622	544

6.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

	Group	
	2023 RM'000	2022 RM'000
Less than 1 year	2,314	2,314
1 - 2 years	193	2,314
2 - 3 years	-	193
Total undiscounted lease payments	2,507	4,821

6.2 Fair value information

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

	2023 RM'000	2022 RM'000
Land and building	65,546	51,401

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).

Notes to the Financial Statements
(Cont'd)

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2023	2022
	RM'000	RM'000
At cost		
Unquoted shares	499,410	501,910
Redeemable Convertible Unsecured Loan Stock	332,500	322,500
Less: Accumulated impairment loss	(31,996)	(31,996)
	799,914	792,414

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	
	2023	2022	2023	2022	2023	2022
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	-	(156,878)	(169,428)	(156,878)	(169,428)
Right-of-use assets	-	-	(65)	(296)	(65)	(296)
Lease liabilities	70	311	-	-	70	311
Unabsorbed capital allowances	116,143	145,119	-	-	116,143	145,119
Other deductible temporary differences	10,290	9,141	-	-	10,290	9,141
Tax losses carry-forwards	8,877	3,969	-	-	8,877	3,969
RCULS	1,608	3,392	-	-	1,608	3,392
Other items	1,785	1,627	-	-	1,785	1,627
Tax assets/(liabilities)	138,773	163,559	(156,943)	(169,724)	(18,170)	(6,165)
Set off of tax	(134,630)	(153,651)	134,630	153,651	-	-
Net tax assets/(liabilities)	4,143	9,908	(22,313)	(16,073)	(18,170)	(6,165)

Notes to the Financial Statements

(Cont'd)

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	2023 RM'000	2022 RM'000
Tax losses carry-forwards	116,391	130,972
Unutilised reinvestment allowances	3,840	3,840
Other deductible temporary differences	953	953
	121,184	135,765

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 ten consecutive years of assessment under current tax legislation. The unutilised tax losses amounting to RM70,911,000 will expire in year of assessment ("YA") 2028 while remaining of RM7,750,000 will expire in YA2029, RM16,091,000 will expire in YA2030, RM8,478,000 will expire in YA2031, RM8,878,000 will expire in YA2032, and RM4,283,000 will expire in YA2033. Unutilised reinvestment allowance can be carried forward for seven years after the qualifying period of fifteen years under current tax legislation.

Movement in temporary differences during the year

Group	At 1.7.2021 RM'000	Recognised in profit or loss (Note 23) RM'000	At 30.06.2022/ 1.07.2022 RM'000	Recognised in profit or loss (Note 23) RM'000	At 30.06.2023 RM'000
Property, plant and equipment	(167,049)	(2,379)	(169,428)	12,550	(156,878)
Right-of-use assets	(405)	109	(296)	231	(65)
Lease liabilities	402	(91)	311	(241)	70
Unabsorbed capital allowances	141,681	3,438	145,119	(28,976)	116,143
Other deductible temporary differences	9,301	(160)	9,141	1,149	10,290
Tax losses carry-forwards	3,790	179	3,969	4,908	8,877
RCULS	5,102	(1,710)	3,392	(1,784)	1,608
Other items	1,703	(76)	1,627	158	1,785
	(5,475)	(690)	(6,165)	(12,005)	(18,170)

Notes to the Financial Statements

(Cont'd)

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

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

Company	2023 RM'000	2022 RM'000
RCULS	1,608	3,392

Movement in temporary differences during the year

Company	At 1.7.2021 RM'000	Recognised in profit or loss (Note 23) RM'000	At 30.6.2022/ 1.7.2022 RM'000	Recognised in profit or loss (Note 23) RM'000	At 30.6.2023 RM'000
RCULS	5,102	(1,710)	3,392	(1,784)	1,608

8.1 Assessment of future taxable profits

Hume Cement Sdn. Bhd. has recognised RM8,877,000 (2022: Hume Concrete Sdn Bhd. has recognised RM3,969,000) of deferred tax assets arising from tax losses carry-forwards. 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 9 (2022: 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 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	2023 RM'000	2022 RM'000
Unutilised investment tax allowance	68,839	68,839
Unutilised reinvestment allowance	75,864	75,864
	144,703	144,703

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 following key assumptions in arriving at the projected future taxable profits:

(a) The management has projected cash flows for 5 years (2022: 5 years) and extended the cash flows projections for a further 20 years (2022: 20 years) by applying no growth rate (2022: no growth rate) during the extended years; and

(b) The annual growth rate for selling prices and sales volume used in the cash flows projection ranges from 1% to 8% (2022: 2% to 21%) and 0% to 2% (2022: 0% to 13%) respectively, taking into consideration past business performance and management's expectation on the current and future market conditions.

Notes to the Financial Statements

(Cont'd)

9. TAX CREDIT RECEIVABLES (cont'd)

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	
	2023	**2022**
	RM'000	**RM'000**
Raw materials, consumables and engineering spares	92,363	122,237
Work-in-progress	148	122
Finished goods	34,645	41,271
	127,156	163,630
Recognised in profit or loss:		
Inventories recognised as cost of sales	607,396	417,541

11. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	**2023**	**2022**	**2023**	**2022**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Trade					
Trade receivables from contracts with customers					
- Third parties		68,379	69,258	-	-
- Related companies	11.1	718	3,195	-	-
		69,097	72,453	-	-
Less: Allowance for impairment losses		(454)	(286)	-	-
		68,643	72,167	-	-
Non-trade					
Other receivables		1,884	3,075	61	60
Deposits		2,492	2,396	2	2
Prepayments		2,578	2,898	49	51
Derivative used for hedging - forward exchange contract	11.2	622	13	-	-
		7,576	8,382	112	113
		76,219	80,549	112	113

Notes to the Financial Statements

(Cont'd)

11. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES (cont'd)

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

Note 11.2
The total notional amount of the forward exchange contracts as at 30 June 2023 was USD1,400,000 (RM5,894,980) (2022: USD1,834,000 (RM8,073,000)).

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	12,230	3,800	1,000	900
Short-term money market fund	-	5,000	-	-
Cash and bank balances	39,430	55,474	43	234
	51,660	64,274	1,043	1,134

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	6,030	3,800	1,000	900
Short-term money market fund	-	5,000	-	-
Cash and bank balances	37,856	54,072	43	234
	43,886	62,872	1,043	1,134

13. SHARE CAPITAL

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2023	2023	2022	2022
	'000	RM'000	'000	RM'000
Issued ordinary shares:				
At 1 July	503,628	496,267	500,969	494,406
Conversion of RCULS	6,745	4,722	2,659	1,861
At 30 June	510,373	500,989	503,628	496,267

Notes to the Financial Statements

(Cont'd)

13. SHARE CAPITAL (cont'd)

During the financial year, the issued share capital of the Company has been increased from 503,627,609 ordinary shares to 510,372,782 ordinary shares by the issuance and allotment of 6,745,173 new ordinary shares arising from the conversion of RM4,721,623 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	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Exchange fluctuation reserve	14.1	351	322	-	-
Executive share scheme reserve	14.2	22	68	-	-
Hedging reserve	14.3	622	13	-	-
Reserve for own shares	14.4	(125)	(50)	-	-
(Accumulated losses)/Retained earnings		(197,646)	(257,128)	21,620	15,563
		(196,776)	(256,775)	21,620	15,563

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)(iv).

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

Note 14.4
Reserve for own shares represents Trust Shares purchased by the ESS Trusts as disclosed in Note 2.2(l)(iv). As at 30 June 2023, the total number of HCIB Shares held by the ESS Trusts at the Group level was 95,800 (2022: 66,667) HCIB Shares.

At the Group level, during the financial year-to-date, a total of 66,667 (2022: 66,667) existing ordinary shares in the Company held in the ESS Trusts were transferred to the eligible executives arising from the vesting of free HCIB Shares.

Notes to the Financial Statements
(Cont'd)

15. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

	Group and Company	
	2023	2022
	RM'000	RM'000
RCULS – equity portion	124,620	128,527
RCULS – liability portion:		
– Non-current	-	6,873
– Current	6,660	7,177
	6,660	14,050
	131,280	142,577

The Company had on 30 May 2019 ("Issued Date") 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 HCIB ("HCIB 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 HCIB Shares on the Maturity Date. The conversion price has been fixed at RM0.70 per HCIB Share to be satisfied by surrendering the equivalent nominal value of RCULS for cancellation by the Company. The new HCIB Shares to be issued upon conversion of the RCULS will, upon allotment and issue, rank equally in all respects with the existing HCIB 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 HCIB 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, RM4,721,623 (2022: RM1,861,220) nominal value of RCULS were converted into 6,745,173 (2022: 2,658,884) new HCIB shares. At the end of the reporting period, RM150,578,464 (2022: RM155,300,087) nominal value of RCULS remained unconverted.

Notes to the Financial Statements

(Cont'd)

15. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (cont'd)

	Group and Company	
	2023	2022
	RM'000	RM'000
RCULS – Equity portion		
At 1 July	128,527	130,070
Conversion of RCULS to share capital	(3,907)	(1,543)
At 30 June	124,620	128,527
RCULS – Liability portion		
At 1 July	14,050	21,127
Coupon payment	(7,758)	(7,889)
Interest accreted	576	937
Movement in accrued coupon payment	19	50
Conversion of RCULS to share capital	(227)	(175)
At 30 June	6,660	14,050

16. LOANS AND BORROWINGS

		Group		Company	
	Note	2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Non-current (Unsecured)					
Term loans		89,637	140,123	-	20,610
Medium term notes	(a)	-	99,666	-	99,666
		89,637	239,789	-	120,276
Current (Unsecured)					
Term loans		50,486	29,876	20,610	-
Medium term notes	(a)	99,893	-	99,893	-
Term revolving credit		-	40,000	-	-
Revolving credits		165,730	263,230	27,000	21,000
Trade Financing		106,556	39,496	-	-
		422,665	372,602	147,503	21,000
		512,302	612,391	147,503	141,276

Notes to the Financial Statements
(Cont'd)

16. LOANS AND BORROWINGS (cont'd)

(a) In the financial year ended 30 June 2021, the Company had established an unrated medium term notes ("MTN") programme for the issuance of up to RM500 million in nominal value of MTN which provides the Company the flexibility to raise funds from time to time.

On 18 December 2020, the Company issued its first MTN of RM100 million in nominal value to refinance its existing borrowings. The MTN of RM100 million is subject to coupon rate at 4.05% per annum, payable semi-annually.

17. DEFERRED INCOME

	Group	
	2023	2022
	RM'000	RM'000
Non-current		
Investment tax allowance	30,537	33,930
Reinvestment allowance	47,685	51,450
	78,222	85,380
Current		
Investment tax allowance	3,394	3,394
Reinvestment allowance	3,764	3,764
	7,158	7,158
	85,380	92,538

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 RM7,158,000 (2022: RM7,158,000) has been amortised and recognised as other operating income in profit or loss of the Group.

18. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group	
	2023	2022
	RM'000	RM'000
At 1 July	250	479
Provision/(Reversal)	17	(128)
Payments	(17)	(101)
At 30 June	250	250

Notes to the Financial Statements

(Cont'd)

18. EMPLOYEE BENEFITS (cont'd)

(b) Executive Share Scheme ("ESS")

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.

Notes to the Financial Statements

(Cont'd)

18. EMPLOYEE BENEFITS (cont'd)

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

(i) The Company had, on 12 November 2014, 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 12 November 2014.

ESGS

During the financial year ended 30 June 2023, there was no grant of ordinary shares of HCIB ("HCIB Shares"), free of consideration, to eligible executives (including directors and chief executive) of the Group. A total of 66,667 free HCIB Shares have been vested during the financial year ended 30 June 2023 and none remained outstanding as at 30 June 2023.

Since the commencement of the ESS, the Group has granted a total of 200,000 free HCIB Shares to a director/chief executive of the Group. All of 200,000 free HCIB Shares have been vested and none remained outstanding as at 30 June 2023. The actual percentage of total HCIB 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 2023.

The aggregate allocation of HCIB Shares granted 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.

(i) Value of employee services received for HCIB Shares grant

	Group	
	2023	**2022**
	RM'000	**RM'000**
HCIB Shares Grant	(18)	(56)

(ii) HCIB Shares grant – Weighted average fair value and assumptions

	Group	
	2023	**2022**
Fair value at grant date	RM1.26	RM1.26

Notes to the Financial Statements
(Cont'd)

18. EMPLOYEE BENEFITS (cont'd)

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

(ii) The Company had, on 8 November 2022, implemented a new ESS which comprises an ESOS and an ESGS of up to 10% of the total number of issued HCIB Shares (excluding treasury shares) for eligible executives and/or directors of the Company and its subsidiaries ("ESS 2022"). The ESS 2022 will be in force for a period of 10 years from 8 November 2022.

ESGS

During the financial year ended 30 June 2023 and since the commencement of the ESS 2022, 95,744 free HCIB Shares were granted to a director/chief executive of the Group. None of the HCIB Shares has been vested during the financial year ended 30 June 2023. The actual percentage of total HCIB Shares granted to a director/senior management of the Group was 0.02% based on the total number of issued shares of the Company as at 30 June 2023.

(i) Value of employee services received for HCIB Shares grant

	Group	
	2023	**2022**
	RM'000	**RM'000**
HCIB Shares Grant	(22)	-

(ii) HCIB Shares grant – Weighted average fair value and assumptions

	Group	
	2023	**2022**
Fair value at grant date	RM1.05	-

The aggregate allocation of HCIB Shares granted to directors and senior management of the Group pursuant to the ESS 2022 is at the discretion of the Board provided that such allocation does not exceed the Maximum Aggregate.

Notes to the Financial Statements
(Cont'd)

19. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Non-current					
Other payables	19.1	579	579	-	-
Current					
Trade					
Trade payables					
- Third parties		102,389	165,061	-	-
- Related companies	19.2	1,053	1,467	-	-
		103,442	166,528	-	-
Non-trade					
Amount due to related companies	19.3	-	541	-	-
Other payables		2,307	2,825	-	-
Accrued expenses		19,704	18,681	1,251	1,324
		22,011	22,047	1,251	1,324
		125,453	188,575	1,251	1,324
		126,032	189,154	1,251	1,324

Note 19.1
The other payables are in relation to deposits received from a tenant.

Note 19.2
The trade amounts due to related companies are subject to the normal trade terms.

Note 19.3
The non-trade amounts due to related companies are unsecured, interest free and repayable on demand.

Notes to the Financial Statements

(Cont'd)

20. CONTRACT LIABILITIES

	Group	
	2023	2022
	RM'000	RM'000
Contract liabilities	3,730	3,612

The contract liabilities relate primarily to advances received from customers.

The contract liabilities are recognised as revenue when the Group fulfils its performance obligation under the contract with customer. The significant changes in the contract liabilities during the year are as follows:

	Group	
	2023	2022
	RM'000	RM'000
At the beginning of the year	3,612	3,117
Recognised as revenue	(3,592)	(2,393)
Advances received	3,710	2,888
At the end of the year	3,730	3,612

21. REVENUE

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers	1,011,967	724,379	-	-
Other revenue				
- Rental income	2,314	2,148	-	-
- Dividend income	-	3	1,401	3
Total revenue	1,014,281	726,530	1,401	3

Notes to the Financial Statements

(Cont'd)

21. REVENUE (cont'd)

21.1 Disaggregation of revenue

	Construction materials 2023 RM'000	Construction materials 2022 RM'000	Total 2023 RM'000	Total 2022 RM'000
Major products				
Cement	942,691	671,587	942,691	671,587
Concrete	69,276	52,792	69,276	52,792
	1,011,967	724,379	1,011,967	724,379
Timing and recognition				
At a point in time	1,011,967	724,379	1,011,967	724,379

21.2 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	Returns allowed only for damaged goods

21.3 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.

Notes to the Financial Statements
(Cont'd)

22. PROFIT BEFORE TAXATION

		Group		Company	
	Note	2023 RM'000	2022 RM'000	2023 RM'000	2022 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 audits					
- Holding company's auditors		242	244	40	40
Other services					
- Holding company's auditors		6	4	4	4
Material (income)/expenses					
Dividend income from a subsidiary		-	-	(1,401)	-
Dividend income from other investments					
- Recognised in revenue		-	(3)	-	(3)
- Recognised in other operating income		(45)	(238)	-	-
Loss/(Gain) on foreign exchange					
- Realised		3,421	2,180	-	-
- Unrealised		(716)	132	-	-
Personnel expenses (including Directors of the Company):					
- Wages, salaries and others		43,983	40,136	-	-
- Contribution to Employees Provident Fund		4,277	4,023	-	-
- Share-based payment		40	56	-	-
Provision for slow moving inventories		4,562	186	-	-
Property, plant and equipment					
- Written off		3,408	7,049	-	-
- Gain on disposal		(222)	-	-	-
Expenses arising from leases					
Expenses relating to short-term leases	a	9,480	6,865	-	-
Expenses relating to leases of low-value assets		9	10		
Expenses relating to variable lease payments not included in the measurement of lease liabilities		20,110	19,549	-	-

Notes to the Financial Statements

(Cont'd)

22. PROFIT BEFORE TAXATION (cont'd)

	Note	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Other than those disclosed elsewhere in the financial statements, loss before taxation is arrived at after charging/(crediting): (cont'd)					
Net loss/(gain) on impairment of financial instruments					
Financial assets at amortised cost		168	(565)	-	-
Finance costs					
Interest expense on lease liabilities		35	76	-	-
Other finance costs		27,041	22,516	6,721	6,229
		27,076	22,592	6,721	6,229

Note a
The Group leases buildings and vehicles with contract terms less than 1 year. These leases are short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

23. TAXATION

	Group 2023 RM'000	Group 2022 RM'000	Company 2023 RM'000	Company 2022 RM'000
Current taxation				
Malaysian				
- Current year	1,551	987	172	188
- Prior years	(2)	163	-	(32)
	1,549	1,150	172	156
Deferred taxation				
- Current year	12,138	1,562	1,784	1,710
- Prior years	(133)	(872)	-	-
	12,005	690	1,784	1,710
	13,554	1,840	1,956	1,866

Notes to the Financial Statements
(Cont'd)

23. TAXATION (cont'd)

The reconciliation of income tax applicable to profit before taxation at the statutory income tax rate to income tax at the effective tax rate of the Group and of the Company are as follows:

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	73,588	4,958	8,601	7,263
Taxation at Malaysian statutory tax rate of 24%	17,661	1,190	2,064	1,743
Non-deductible expenses	898	1,244	187	123
Non-taxable income	(1,412)	(1,776)	(336)	-
Deferred tax assets not recognised	5,378	1,859	-	-
Recognition of previously unrecognised tax losses	(8,877)	-	-	-
Effect of early conversion of RCULS	41	32	41	32
	13,689	2,549	1,956	1,898
Over provision in prior years	(135)	(709)	-	(32)
	13,554	1,840	1,956	1,866

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit for the year attributable to owners of the Company of RM60,034,000 (2022: RM3,118,000) by the weighted average number of ordinary shares outstanding during the financial year of 504,214,386 (2022: 501,301,317) as follows:

	2023	2022
	'000	'000
Weighted average number of ordinary shares		
Number of ordinary shares at beginning of year	503,628	500,969
Less: ESS Trust Shares held at beginning of year	(67)	(133)
	503,561	500,836
Effect of conversion of RCULS	633	437
Effect of ESS Trust Shares purchased	(8)	-
Effect of ESS Trust Shares vested	28	28
Weighted average number of ordinary shares outstanding during the year	504,214	501,301
Basic earnings per ordinary share (sen)	11.91	0.62

Notes to the Financial Statements

(Cont'd)

24. EARNINGS PER ORDINARY SHARE (cont'd)

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 30 June 2023 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Profit attributable to ordinary shareholders (diluted)

Group	Total	
	2023	2022
	RM'000	RM'000
Profit attributable to ordinary shareholders (basic)	60,034	3,118
Interest expense on RCULS, net of tax	412	672
Profit attributable to ordinary shareholders (diluted)	60,446	3,790

Group	Total	
	2023	2022
	'000	'000
Weighted average number of ordinary shares at 30 June (basic)	504,214	501,301
Effect of conversion of RCULS	215,112	221,857
Weighted average number of ordinary shares at 30 June (diluted)	719,326	723,158

Group	2023	2022
Diluted earnings per ordinary share (sen)	8.40	0.52

25. OTHER COMPREHENSIVE INCOME/(EXPENSE)

	Before tax	Taxation	Net of tax
	RM'000	RM'000	RM'000
2023			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	29	-	29
Cash flow hedge	609	-	609
	638	-	638

Notes to the Financial Statements
(Cont'd)

25. OTHER COMPREHENSIVE INCOME/(EXPENSE) (cont'd)

	Before tax RM'000	Taxation RM'000	Net of tax RM'000
2022			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(86)	-	(86)
Cash flow hedge	(1)	-	(1)
	(87)	-	(87)

26. 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.

Segment profit

Performance is measured based on segment profit before interest income, finance costs 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	
	2023 RM'000	2022 RM'000
Segment profit	98,924	26,765
Included in the measure of segment loss are:		
Revenue from external customers	1,011,967	724,379
Depreciation	(67,833)	(66,579)

Notes to the Financial Statements
(Cont'd)

26. OPERATING SEGMENTS (cont'd)

Reconciliation of reportable segment profit

	2023 RM'000	2022 RM'000
Profit		
Reportable segment	98,924	26,765
Non-reportable segment	203	332
Interest income	1,537	453
Finance costs	(27,076)	(22,592)
Consolidated profit before taxation	73,588	4,958

	2023		2022	
	External revenue RM'000	Depreciation RM'000	External revenue RM'000	Depreciation RM'000
Reportable segment	1,011,967	67,833	724,379	66,579
Non-reportable segment	2,314	267	2,151	267
Total	1,014,281	68,100	726,530	66,846

Geographical information

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

	Revenue	
	2023 RM'000	2022 RM'000
Malaysia	1,014,281	698,449
Others	-	28,081
	1,014,281	726,530

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 a single customer has contributed to 15% (2022: 10%) of the Group's revenue.

Notes to the Financial Statements

(Cont'd)

27. RELATED PARTIES

27.1 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"), GuoLine Capital Assets Limited is a person connected with certain major shareholders of the Company and persons connected with them (collectively referred to as "Hong Leong Group");

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.

Significant transactions with related parties are as follows:

		Group	
		2023	2022
Transaction	Related party	RM'000	RM'000
a) Rental of office	Hong Leong Group	834	830
b) Receipt of group management and/or support services	Hong Leong Group	5,859	3,867
c) Purchase of goods	Hong Leong Group	4,983	3,795
	Hong Bee Hardware	919	1,720
	Tasek	-	4,560
d) Sale of goods	Hong Leong Group	635	2,761
	Hong Bee Hardware	37,453	51,592

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.

Notes to the Financial Statements
(Cont'd)

27. RELATED PARTIES (cont'd)

27.2 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		Company	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors				
Remuneration and other benefits	1,566	1,550	-	-
Non-Executive Directors				
Fees	388	416	388	416

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

	Group		Company	
	2023	**2022**	**2023**	**2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors	351	401	-	-

28. FINANCIAL INSTRUMENTS

28.1 Categories of financial instruments

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

(a) Financial assets measured at amortised cost ("FAAC");
(b) Financial liabilities measured at amortised cost ("FLAC"); and
(c) Fair value through profit or loss ("FVTPL") – Designated upon initial recognition ("DUIR")

	Carrying amount	**FAAC/ FLAC**	**FVTPL/ DUIR**	**Derivative used for hedging**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2023				
Group				
Financial assets				
Trade and other receivables, including derivatives (excluding prepayments)	73,641	73,019	-	622
Cash and cash equivalents	51,660	51,660	-	-
	125,301	124,679	-	622

Notes to the Financial Statements
(Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

28.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	FAAC/ FLAC RM'000	FVTPL/ DUIR RM'000	Derivative used for hedging RM'000
2023 (cont'd)				
Group (cont'd)				
Financial liabilities				
RCULS – liability portion	6,660	6,660	-	-
Loans and borrowings	512,302	512,302	-	-
Trade and other payables	126,032	126,032	-	-
	644,994	644,994	-	-
Company				
Financial assets				
Trade and other receivables (excluding prepayments)	63	63	-	-
Cash and cash equivalents	1,043	1,043	-	-
	1,106	1,106	-	-
Financial liabilities				
RCULS – liability portion	6,660	6,660	-	-
Loans and borrowings	147,503	147,503	-	-
Trade and other payables	1,251	1,251	-	-
	155,414	155,414	-	-
2022				
Group				
Financial assets				
Trade and other receivables, including derivatives (excluding prepayments)	77,651	77,638	-	13
Cash and cash equivalents	64,274	59,274	5,000	-
	141,925	136,912	5,000	13
Financial liabilities				
RCULS – liability portion	14,050	14,050	-	-
Loans and borrowings	612,391	612,391	-	-
Trade and other payables	189,154	189,154	-	-
	815,595	815,595	-	-

Notes to the Financial Statements

(Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

28.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	FAAC/ FLAC RM'000	FVTPL/ DUIR RM'000	Derivative used for hedging RM'000
2022 (cont'd)				
Company				
Financial assets				
Trade and other receivables (excluding prepayments)	62	62	-	-
Cash and cash equivalents	1,134	1,134	-	-
	1,196	1,196	-	-
Financial liabilities				
RCULS – liability portion	14,050	14,050	-	-
Loans and borrowings	141,276	141,276	-	-
Trade and other payables	1,324	1,324	-	-
	156,650	156,650	-	-

28.2 Net gains and losses arising from financial instrument

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Net gains/(losses) on:				
Financial assets measured at amortised cost	1,408	1,222	16,747	14,755
Financial liabilities measured at amortised cost	(29,749)	(24,710)	(6,721)	(6,229)
Derivative used for hedging	609	(1)	-	-
	(27,732)	(23,489)	10,026	8,526

Notes to the Financial Statements
(Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

28.3 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

28.3.1 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 27% (2022: two customers – 23%) 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.

There 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.

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.

Notes to the Financial Statements
(Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

28.3 Financial risk management (cont'd)

28.3.1 Credit risk (cont'd)

Receivables (cont'd)

Expected credit loss ("ECL") assessment for trade receivables (cont'd)

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	Impairment loss allowance	Net
	RM'000	RM'000	RM'000
2023			
Current (not past due)	65,785	-	65,785
Past due 0 – 30 days	2,176	-	2,176
Past due 31 – 60 days	132	-	132
Past due 61 – 90 days	549	(196)	353
Past due more than 90 days	455	(258)	197
	69,097	(454)	68,643
2022			
Current (not past due)	65,833	-	65,833
Past due 0 – 30 days	4,046	-	4,046
Past due 31 – 60 days	2,021	-	2,021
Past due 61 – 90 days	261	-	261
Past due more than 90 days	292	(286)	6
	72,453	(286)	72,167

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	
	2023	2022
	RM'000	RM'000
Balance at 1 July	286	851
Net allowance/(reversal) of impairment loss	168	(565)
Balance at 30 June	454	286

Notes to the Financial Statements

(Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

28.3 Financial risk management (cont'd)

28.3.1 Credit risk (cont'd)

Receivables (cont'd)

Movements in the allowance for impairment in respect of trade receivables (cont'd)

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.

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.

28.3.2 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.

Notes to the Financial Statements

(Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

28.3 Financial risk management (cont'd)

28.3.2 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						
2023						
Non-derivative financial liabilities						
Trade and other payables	126,032	-	126,032	125,453	579	-
RCULS – liability portion	6,660	5.0	6,869	6,869	-	-
Loans and borrowings	512,302	3.9 - 5.0	529,166	432,203	96,963	-
Lease liabilities	291	3.4 - 5.0	300	243	57	
	645,285		662,367	564,768	97,599	-
Company						
2023						
Non-derivative financial liabilities						
Trade and other payables	1,251	-	1,251	1,251	-	-
RCULS – liability portion	6,660	5.0	6,869	6,869	-	-
Loans and borrowings	147,503	4.1 - 5.0	150,761	150,761	-	-
	155,414		158,881	158,881	-	-
Group						
2022						
Non-derivative financial liabilities						
Trade and other payables	189,154	-	189,154	188,575	579	-
RCULS – liability portion	14,050	5.0	14,849	7,765	7,084	-
Loans and borrowings	612,391	2.7 - 4.0	657,196	404,542	252,654	-
Lease liabilities	1,298	3.4 - 5.0	1,332	1,100	232	-
	816,893		862,531	601,982	260,549	-
Company						
2022						
Non-derivative financial liabilities						
Trade and other payables	1,324	-	1,324	1,324	-	-
RCULS – liability portion	14,050	5.0	14,849	7,765	7,084	-
Loans and borrowings	141,276	2.9 - 4.1	149,269	25,909	123,360	-
	156,650		165,442	34,998	130,444	-

Notes to the Financial Statements
(Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

28.3 Financial risk management (cont'd)

28.3.3 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.

28.3.3.1 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	
	2023	**2022**
	RM'000	**RM'000**
Group		
Cash and cash equivalents	170	163
Trade and other payables	(16,414)	(86,503)
	(16,244)	(86,340)

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 RM812,000 (2022: RM4,317,000). 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.

Notes to the Financial Statements
(Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

28.3 Financial risk management (cont'd)

28.3.3 Market risk (cont'd)

28.3.3.2 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	
	2023	**2022**
	RM'000	**RM'000**
Fixed rate instruments		
Deposits with licensed banks	12,230	3,800
RCULS – liability portion	(6,660)	(14,050)
Loans and borrowings	(99,893)	(99,666)
Lease liabilities	(291)	(1,298)
	(94,614)	(111,214)
Floating rate instruments		
Short-term money market fund	-	5,000
Loans and borrowings	(412,409)	(512,725)
	(412,409)	(507,725)

	Company	
	2023	**2022**
	RM'000	**RM'000**
Fixed rate instruments		
Deposits with licensed banks	1,000	900
RCULS – liability portion	(6,660)	(14,050)
Loans and borrowings	(99,893)	(99,666)
	(105,553)	(112,816)
Floating rate instruments		
Loans and borrowings	(47,610)	(41,610)
	(47,610)	(41,610)

Notes to the Financial Statements
(Cont'd)

28. **FINANCIAL INSTRUMENTS** (cont'd)

28.3 Financial risk management (cont'd)

28.3.3 Market risk (cont'd)

28.3.3.2 Interest rate risk (cont'd)

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") (2022: 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 RM2,062,000 and RM238,000 respectively (2022: RM2,539,000 and RM208,000 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.

28.4 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.

Notes to the Financial Statements
(Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

28.4 Fair Value information (cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
2023										
Financial assets										
Forward exchange contract	-	622	-	622	-	-	-	-	622	622
Financial liabilities										
Term loans	-	-	-	-	-	-	140,123	140,123	140,123	140,123
Medium term notes	-	-	-	-	-	-	93,764	93,764	93,764	99,893
RCULS - Liability portion	-	-	-	-	-	-	6,660	6,660	6,660	6,660
Other payables	-	-	-	-	-	-	546	546	546	579
	-	-	-	-	-	-	241,093	241,093	241,093	247,255
2022										
Financial assets										
Short-term money market fund	-	5,000	-	5,000	-	-	-	-	5,000	5,000
Forward exchange contract	-	13	-	13	-	-	-	-	13	13
Financial liabilities										
Term loans	-	-	-	-	-	-	169,999	169,999	169,999	169,999
Medium term notes	-	-	-	-	-	-	94,571	94,571	94,571	99,666
Term revolving credit	-	-	-	-	-	-	40,000	40,000	40,000	40,000
RCULS - Liability portion	-	-	-	-	-	-	14,050	14,050	14,050	14,050
Other payables	-	-	-	-	-	-	552	552	552	579
	-	-	-	-	-	-	319,172	319,172	319,172	324,294

Notes to the Financial Statements
(Cont'd)

28. **FINANCIAL INSTRUMENTS** (cont'd)

28.4 Fair Value information (cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company										
2023										
Financial liabilities										
Term loans	-	-	-	-	-	-	20,610	20,610	20,610	20,610
Medium term notes	-	-	-	-	-	-	93,764	93,764	93,764	99,893
RCULS - Liability portion	-	-	-	-	-	-	6,660	6,660	6,660	6,660
	-	-	-	-	-	-	121,034	121,034	121,034	127,163
2022										
Financial liabilities										
Term loans	-	-	-	-	-	-	20,610	20,610	20,610	20,610
Medium term notes	-	-	-	-	-	-	94,571	94,571	94,571	99,666
RCULS - Liability portion	-	-	-	-	-	-	14,050	14,050	14,050	14,050
	-	-	-	-	-	-	129,231	129,231	129,231	134,326

Notes to the Financial Statements
(Cont'd)

28. FINANCIAL INSTRUMENTS (cont'd)

28.4 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.

29. 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	
	2023	**2022**
	RM'000	**RM'000**
Loans and borrowings	512,302	612,391
Lease liabilities	291	1,298
RCULS – liability portion	6,660	14,050
Less: Cash and cash equivalents	(51,660)	(64,274)
Net debt	467,593	563,465
Total equity	428,833	368,019
Debt-to-equity ratio	1.09	1.53

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 90 to 161 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and 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 2023 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Hugo Enrique Losada Barriola

Tai Sook Yee

24 August 2023

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 Cement Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 90 to 161 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 24 August 2023.

Lau Ping Ong

Before me:

Rajeev Saigal A/L Ramlabaya Saigal
Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report

To the members of Hume Cement Industries Berhad

(Registration No. 198001008443 (62227-X)) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hume Cement Industries Berhad, which comprise the statements of financial position as at 30 June 2023 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 90 to 161.

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 2023 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 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.

Independent Auditors' Report

To the members of Hume Cement Industries Berhad

(Registration No. 198001008443 (62227-X)) (Incorporated in Malaysia)
(Cont'd)

Key Audit Matters (cont'd)

1. Tax credit receivables

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 RM144.7 million of tax credit receivables as at the end of the current financial year. As disclosed in 9 to the financial statements, the tax credit receivables was mainly related to investment tax allowance and reinvestment allowance of RM68.84 million and RM75.86 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 recognised by the Group.	Our audit procedures included, amongst others: • Assessed taxable profits projection prepared by management in supporting the recognition and measurement of 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 tax credit receivables appropriately reflect the Group's deferred tax position.

We have determined that there are no key audit matters in the audit report of the separate financial statements of the Company in our auditors' report.

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.

Independent Auditors' Report

To the members of Hume Cement Industries Berhad

(Registration No. 198001008443 (62227-X)) (Incorporated in Malaysia)
(Cont'd)

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.

- 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.

Independent Auditors' Report

To the members of Hume Cement Industries Berhad

(Registration No. 198001008443 (62227-X)) (Incorporated in Malaysia)
(Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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 subsidiary of which we have not acted as auditors is 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: 03232/02/2024 J
Chartered Accountant

Petaling Jaya

Date: 24 August 2023

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-third Annual General Meeting of Hume Cement Industries Berhad ("the Company") will be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Thursday, 2 November 2023 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 2023.

2. To approve the payment of Director Fees of RM388,000/- (2022: RM416,382/-) for the financial year ended 30 June 2023, to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM58,000/- from the Forty-third Annual General Meeting ("AGM") to the Forty-fourth AGM of the Company. **Resolution 1**

3. To re-elect YBhg Datuk Ir. Ahmad 'Asri Bin Abdul Hamid as a Director pursuant to the Company's Constitution. **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 as resolutions:

5. **Ordinary Resolution**
   - Authority To Directors To Allot Shares
   - Waiver Of Pre-Emptive Rights Over New Ordinary Shares ("Shares") Or Other Convertible Securities In The Company Under Section 85(1) Of The Companies Act 2016 ("Act") Read Together With Clause 50 Of The Company's Constitution

   "**THAT** subject to the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ["MMLR"], 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 Act to issue and allot new 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, to any persons who are not caught by Paragraph 6.04(c) of the MMLR 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 Securities and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.

   AND THAT in connection with the above, pursuant to Section 85(1) of the Act read together with Clause 50 of the Company's Constitution, the shareholders of the Company do hereby waive their pre-emptive rights over all new Shares, options over or grants of new Shares or any other convertible securities in the Company and/or any new Shares to be issued pursuant to such options, grants or other convertible securities, such new Shares when issued, to rank pari passu with the existing Shares in the Company." **Resolution 4**

Notice of Annual General Meeting

(Cont'd)

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"), GuoLine Capital Assets Limited ("GCA") And Persons Connected With Them

   "**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 4 October 2023 with HLCM, GCA and persons connected with them ("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 4 October 2023 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**

Notice of Annual General Meeting

(Cont'd)

8. **Ordinary Resolution**
- Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong 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 4 October 2023 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. To consider any other business of which due notice shall have been given.

By Order of the Board

Wong Wei Fong
SSM PC No. 201908001352
MAICSA 7006751

Zoe Lim Hoon Hwa
SSM PC No. 202108000147
MAICSA 7031771

Company Secretaries

Kuala Lumpur
4 October 2023

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 25 October 2023 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.*

Notice of Annual General Meeting

(Cont'd)

3. *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.*

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, Malaysia or lodged electronically via email at cosec-hlmg@hlmg.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 RM388,000/- are inclusive of Board Committee Fees of RM148,000/-; 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 RM58,000/-.

2. *Resolution 2 - Re-Election Of A Director*

   The Nominating Committee ("NC") has assessed the retiring Independent Non-Executive Director ("ID") seeking for re-election at the Forty-third Annual General Meeting ("AGM") in term of his quality and integrity in compliance with Paragraph 2.20A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

   Based on the results of the Fit and Proper Assessment conducted, the fit and properness of the retiring ID was found to be satisfactory with the retiring ID complied with the independence criteria as required by the MMLR.

   The Board has endorsed the NC's recommendation on the re-election of the retiring ID.

   The details and profile of the Director who is standing for re-election at the Forty-third AGM are provided in the Board of Directors section on page 65 of the Company's Annual Report 2023.

3. *Resolution 4 - Authority To Directors To Allot Shares And Waiver Of Pre-Emptive Rights*

   The proposed ordinary resolution, if passed, will renew the general mandate given to the Directors of the Company to allot ordinary shares ("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 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 3 November 2022 and which will lapse at the conclusion of the Forty-third 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.

   Please refer Section 85(1) of the Companies Act 2016 ("Act") and Clause 50 of the Company's Constitution as detailed below.

   Details Of Section 85(1) Of The Act And Clause 50 Of The Company's Constitution

   Pursuant to Section 85(1) of the Act read together with Clause 50 of the Company's Constitution, shareholders have pre-emptive rights to be offered any new Shares in the Company which rank equally to the existing issued Shares in the Company or other convertible securities.

   Section 85(1) of the Act provides as follows:

   "85. Pre-emptive rights to new shares

   (1) Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Notice of Annual General Meeting

(Cont'd)

Clause 50 of the Company's Constitution provides as follows:

"50. Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities, shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled...

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person."

In order for the Board to issue any new Shares or other convertible securities free of pre-emptive rights, such pre-emptive rights must be waived. The proposed ordinary resolutions, if passed, will exclude your pre-emptive rights over all new Shares, options over or grant of new Shares or any other convertible securities in the Company and/or any new Shares to be issued pursuant to such options, grants or other convertible securities under the Authority To Directors To Allot Shares.

4. Resolutions 5 to 7 - Proposed Renewal Of 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 Cement Industries Berhad Group, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company ("Proposed Shareholders' Mandate").

Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 4 October 2023, which is available on the Company's website at www.humecementind.com/index.php/pages/investor-relations-current/current-general-meetings.

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 Forty-third 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 3 of the Notice of the Forty-third Annual General Meeting.

Other Information

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2023

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 2023 (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	29	5,933
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	37	5,188
Lot 2407, Mukim 1, Prai Industrial Estate, Pulau Pinang	Leasehold 60 years expiring 2035	Industrial land with office and factory buildings	1982	653,400	48	1,315
Lot 244, Pasir Gudang Industrial Estate, Johor Bahru, Johor Darul Takzim	Leasehold 60 years expiring 2045	Vacant land	1985	609,840	38	707
Lot 46, Semambu Industrial Estate, Kuantan Pahang Darul Makmur	Leasehold 66 years expiring 2041	Industrial land with office and factory buildings	1982	522,720	48	485
Lot 16280925 and 17514395 * Tuaran Road, Kota Kinabalu, Sabah	Leasehold 60 years expiring 2078	Industrial land with office, store and factory buildings	1982	302,742	55/59	3,243
Lot 300254, 300255, 300256 Mukim Teja, Kampar, Perak	Leasehold 99 years expiring 2057/2096	Quarry and cement plant	2013	29,155,060	11	66,666

* *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, on 15 December 2017, the Kota Kinabalu City Hall directed the Company to submit revised as-built plans and relevant documentation for its endorsement. On 15 March 2021, the Kota Kinabalu City Hall directed the Company to submit revised final documentation. The Company has, on 17 September 2021, submitted all the relevant revised final documentation and subsequently, changes were made to the documentation in response to comments from the Kota Kinabalu City Hall. The final changes were completed in August 2022, and the OC Certificate was received and approved on 28 June 2023.

Other
Information
(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 8 SEPTEMBER 2023

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

Distribution Schedule Of Shareholders As At 8 September 2023

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	636	13.58	18,231	0.00
100 – 1,000	1,031	22.02	641,620	0.13
1,001 – 10,000	2,079	44.41	8,454,777	1.65
10,001 – 100,000	738	15.76	23,151,790	4.53
100,001 – less than 5% of issued shares	197	4.21	135,699,011	26.55
5% and above of issued shares	1	0.02	343,147,151	67.14
	4,682	100.00	511,112,580	100.00

List Of Thirty Largest Shareholders As At 8 September 2023

Name of Shareholders	No. of Shares	%
1. Hong Leong Manufacturing Group Sdn Bhd	343,147,151	67.14
2. AMSEC Nominees (Tempatan) Sdn Bhd - AmBank (M) Berhad	13,045,900	2.55
3. AmanahRaya Trustees Berhad - Public Smallcap Fund	8,860,243	1.73
4. HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Singular Value Fund	7,258,700	1.42
5. Kong Goon Siong	6,458,000	1.26
6. AmanahRaya Trustees Berhad - Public Strategic Smallcap Fund	4,583,000	0.90
7. Soon Seong Keat	3,050,000	0.60
8. Soft Portfolio Sdn. Bhd.	2,712,960	0.53
9. HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Singular Asean Fund	2,710,000	0.53
10. AmanahRaya Trustees Berhad - Public Strategic Growth Fund	2,513,300	0.49
11. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tang Hong Cheong (029)	2,472,500	0.48
12. Quek Kon Sean	2,470,000	0.48
13. Lim Chew Yan	2,421,893	0.47
14. Kong Goon Khing	2,218,600	0.44
15. Hong Bee Hardware Company, Sdn. Berhad	2,185,879	0.43
16. HLIB Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	2,121,120	0.42

Other Information

(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 8 SEPTEMBER 2023 (cont'd)

List Of Thirty Largest Shareholders As At 8 September 2023 (cont'd)

Name of Shareholders	No. of Shares	%
17. HSBC Nominees (Asing) Sdn Bhd - BNPP Lux/25 for Milltrust Singular Asean Fund SP (Milltrust SPC)	2,113,600	0.41
18. Kim Poh Sitt Tat Feedmill Sendirian Berhad	2,000,000	0.39
19. YBhg Datuk Kwek Leng San	1,977,600	0.39
20. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Credit Suisse AG (SG-CLT-A-MY PR)	1,944,000	0.38
21. Maybank Nominees (Tempatan) Sdn Bhd - Singular Asset Management Sdn Bhd for The Trustees of AIA Malaysian Agents Provident Fund of AIA Bhd (421506)	1,892,000	0.37
22. Teo Chee Hoon	1,702,600	0.33
23. Tricia Ann Especkerman	1,700,000	0.33
24. Megamix Sdn Bhd	1,621,200	0.32
25. Ng Seng Beng	1,600,000	0.31
26. Quah Thain Khan	1,570,000	0.31
27. Tan Lee Koon	1,485,000	0.29
28. Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	1,480,906	0.29
29. Hong Leong Industries Berhad	1,469,982	0.29
30. HSBC Nominees (Asing) Sdn Bhd - Morgan Stanley & Co. International PLC (FIRM A/C)	1,461,500	0.29
	432,247,634	84.57

Other Information

(Cont'd)

2. **ANALYSIS OF SHAREHOLDINGS AS AT 8 SEPTEMBER 2023** (cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 8 September 2023 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	67.14	1,469,982	0.29@
2. Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	346,708,698	67.83@
3. HL Holdings Sdn Bhd	-	-	346,708,698	67.83#
4. YBhg Tan Sri Quek Leng Chan	-	-	350,231,658	68.52**
5. Hong Realty (Private) Limited	-	-	348,894,577	68.26*
6. Hong Leong Investment Holdings Pte Ltd	-	-	348,894,577	68.26*
7. Kwek Holdings Pte Ltd	-	-	348,894,577	68.26*
8. Mr Kwek Leng Beng	-	-	348,894,577	68.26*
9. Davos Investment Holdings Private Limited	-	-	348,894,577	68.26*
10. Mr Kwek Leng Kee	-	-	348,894,577	68.26*

Notes:

@ *Held through subsidiary(ies)*
# *Held through HLCM*
* *Held through HLCM and a company in which the substantial shareholder has interest*
** *Held through HLCM and companies in which 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 8 SEPTEMBER 2023**

Voting Rights : 1 vote for each RM1.00 nominal amount of RCULS held

Distribution Schedule Of RCULS Holders As At 8 September 2023

Size of Holdings	**No. of RCULS Holders**	**%**	**No. of RCULS**	**%**
Less than 100	28	7.05	980	0.00
100 – 1,000	101	25.44	58,793	0.04
1,001 – 10,000	164	41.31	621,836	0.41
10,001 – 100,000	77	19.40	2,869,030	1.91
100,001 – less than 5% of outstanding RCULS	26	6.55	17,175,664	11.45
5% and above of outstanding RCULS	1	0.25	129,334,302	86.19
	397	100.00	150,060,605	100.00

Other Information

(Cont'd)

3. ANALYSIS OF 5-YEAR 5.0% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") HOLDINGS AS AT 8 SEPTEMBER 2023 (cont'd)

List Of Thirty Largest RCULS Holders As At 8 September 2023

	Name of RCULS Holders	No. of RCULS	%
1.	HLMG Capital Sdn Bhd	129,334,302	86.19
2.	AmanahRaya Trustees Berhad - Public Smallcap Fund	3,189,687	2.13
3.	Citigroup Nominees (Asing) Sdn Bhd - GSI for Lofty Dragon Management Limited	1,699,100	1.13
4.	Hong Leong Industries Berhad	1,512,121	1.01
5.	Ang Woun-Eng	1,049,400	0.70
6.	Soft Portfolio Sdn. Bhd.	976,665	0.65
7.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tang Hong Cheong (029)	900,000	0.60
8.	AmanahRaya Trustees Berhad - Public Dividend Select Fund	849,636	0.57
9.	Associated Land Sendirian Berhad	841,074	0.56
10.	HLIB Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	763,700	0.51
11.	YBhg Datuk Kwek Leng San	712,000	0.47
12.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Credit Suisse AG (SG-CLT-A-MY PR)	700,000	0.47
13.	Lee Min Huat	610,000	0.41
14.	Quah Thain Khan	540,000	0.36
15.	Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	533,126	0.35
16.	Phillip Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Chen Yue	362,655	0.24
17.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Soon Seong Keat	320,000	0.21
18.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Soon Seong Keat (PB)	224,000	0.15
19.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Chen Yue	211,500	0.14
20.	Olive Lim Swee Lian	200,000	0.13
21.	Kang Peck Jee	169,500	0.11
22.	Hong Leong Assurance Berhad - As Beneficial Owner (Life Ann Par)	156,773	0.10
23.	Woo Lai Chee	150,000	0.10
24	Soon Seong Keat	150,000	0.10
25.	Cheong Chen Yue	124,800	0.08

Other Information

(Cont'd)

3. ANALYSIS OF 5-YEAR 5.0% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") HOLDINGS AS AT 8 SEPTEMBER 2023 (cont'd)

List Of Thirty Largest RCULS Holders As At 8 September 2023 (cont'd)

Name of RCULS Holders	No. of RCULS	%
26. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Puay Ching	118,263	0.08
27. UOB Kay Hian Nominees (Tempatan) Sdn Bhd - Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	111,664	0.07
28. Kim Poh Sitt Tat Feedmill Sendirian Berhad	100,000	0.07
29. Ong Sew Geok	100,000	0.07
30. HLIB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Saw Wah Theng (CCTS)	100,000	0.07
	146,809,966	97.83

4. DIRECTORS' INTERESTS AS AT 8 SEPTEMBER 2023

Subsequent to the financial year end, there was no change, as at 8 September 2023, to the Directors' interests in the ordinary shares and/or redeemable convertible unsecured loan stocks over ordinary shares of the Company and/or its related corporations, appearing in the Directors' Report on pages 86 to 87 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 except for the change set out below:

Direct interest of Mr Hugo Enrique Losada Barriola in:	No. of ordinary shares	%
Hume Cement Industries Berhad	210,000	0.04

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.

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Hume Cement Industries Berhad

A Member of the Hong Leong Group

Registration No. 198001008443 (62227-X)

FORM OF PROXY

I/We ____

NRIC/Passport/Company No. ______________________ Tel No. ______________

of ____

______________________ Email address ______________________

being a member of **HUME CEMENT INDUSTRIES BERHAD** ("the Company"), hereby appoint ______________________

______________________ NRIC/Passport No. ______________________

of ____

Tel No. ______________________ Email address ______________________

or failing him/her ______________________ NRIC/Passport No. ______________________

of ____

Tel No. ______________________ Email address ______________________

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 Forty-third Annual General Meeting of the Company to be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Thursday, 2 November 2023 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 YBhg Datuk Ir. Ahmad 'Asri Bin Abdul Hamid 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 and waiver of pre-emptive rights		
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, GuoLine Capital Assets Limited and persons connected with them		
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		

Dated this __________ day of ______________ 2023

Number of shares held: ______________________

CDS Account No.: ______________________

____
Signature(s) of Member

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 25 October 2023 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 duly authorised officer or 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, Malaysia or lodged electronically via email at cosec-hlmg@hlmg.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 Forty-third Annual General Meeting will be put to a vote by way of a poll.*

Fold this flap for sealing

Then fold here

Affix
Stamp

The Company Secretaries
HUME CEMENT INDUSTRIES BERHAD
Registration No. 198001008443 (62227-X)
Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

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Registration No. 198001008443 (62227-X)

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

www.humecementind.com