Hume Cement Industries Berhad

(formerly known as Hume Industries Berhad)
A Member of the Hong Leong Group

Annual Report **2021**

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What's Inside

COMPANY PROFILE

Hume Cement Industries Berhad (formerly known as Hume Industries Berhad) ["HCIB"] is principally an investment holding company and its subsidiaries are engaged in the manufacturing and sale of cement and cement related products, manufacturing, marketing and sale of concrete and concrete related products.

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

CORPORATE INFORMATION

Directors

- **YBhg Datuk Kwek Leng San (Chairman)**
- **Mr Hugo Enrique Losada Barriola (Group Managing Director)**
- **Mr Seow Yoo Lin**
- **YBhg Dato' Ir. Tan Gim Foo**
- **YBhg Datuk Wira Azhar Bin Abdul Hamid**
- **Ms Tai Sook Yee**

COMPANY SECRETARIES

Ms Wong Wei Fong
Ms Valerie Mak Mew Chan

AUDITORS

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

REGISTRAR

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

REGISTERED OFFICE

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

COUNTRY OF INCORPORATION/ DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-first Annual General Meeting of Hume Cement Industries Berhad (formerly known as Hume Industries Berhad) ["the Company"] will be held virtually through live streaming from the broadcast venue at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Thursday, 2 December 2021 at 10.00 a.m. 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 2021.

2. To approve the payment of Director Fees of RM382,000/- (2020: RM382,000/-) for the financial year ended 30 June 2021 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM42,000/- from the Forty-first Annual General Meeting ("AGM") to the Forty-second AGM of the Company. **Resolution 1**

3. To re-elect the following Directors:
   (a) YBhg Datuk Kwek Leng San **Resolution 2**
   (b) YBhg Datuk Wira Azhar Bin Abdul Hamid **Resolution 3**
   (c) Ms Tai Sook Yee **Resolution 4**

4. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

SPECIAL BUSINESS

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

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

   "**THAT** subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to allot shares in the Company, grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so allotted on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 6**

6. **Ordinary Resolution**
   - Proposed Renewal Of And New 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 29 October 2021 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;

NOTICE OF ANNUAL GENERAL MEETING
(cont'd.)

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**

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 29 October 2021 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 8**

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 29 October 2021 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,

NOTICE OF ANNUAL GENERAL MEETING
(cont'd.)

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 9**

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

Valerie Mak Mew Chan
SSM PC No. 202008002623
MAICSA 7017944

Company Secretaries

Kuala Lumpur
29 October 2021

Notes:

1. *The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which stipulates that the main venue of the Annual General Meeting ("AGM") shall be held in Malaysia and the Chairman shall be present at the main venue of the AGM.* ***No shareholders/proxies will be allowed to be physically present at the broadcast venue of the AGM. Please refer to the Administrative Notes to Shareholders for the detailed steps on remote participation and electronic voting.***

2. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 25 November 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*

3. *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 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.*

4. *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.*

5. *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@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*

6. *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.*

NOTICE OF ANNUAL GENERAL MEETING
(cont'd.)

Explanatory Notes:

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

   Director Fees of RM382,000/- are inclusive of Board Committee Fees of RM142,000/-; and Directors' Other Benefits refer to Directors and Officers Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to an amount of RM42,000/-.

2. *Resolutions 2 to 4 - Re-election of Directors*

   The Nominating Committee ("NC") has considered the performance and contribution of each of the retiring Directors and have also assessed the independence of the Independent Non-Executive Directors ("IDs") seeking for re-election at the Forty-first Annual General Meeting ("AGM"). Based on the results of the Board Annual Assessment conducted for the financial year ended 30 June 2021, the performance of each of the retiring Directors was found to be satisfactory with the retiring IDs complied with the independence criteria as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

   The Board has endorsed the NC's recommendation on the re-election of the retiring Directors. The retiring Directors had abstained from deliberations and decisions on their own re-election at the NC and Board meetings.

   The details and profiles of the Directors who are standing for re-election at the Forty-first AGM are provided in the Board of Directors section on pages 8 to 10 of the Company's Annual Report 2021.

3. *Resolution 6 - Authority To Directors To Allot Shares*

   The proposed ordinary resolution, if passed, will renew the general mandate given to the Directors of the Company to allot ordinary shares of the Company from time to time and expand the mandate to grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being ("Renewed General Mandate"). In computing the aforesaid 10% limit, shares issued or agreed to be issued or subscribed pursuant to the approval of shareholders in a general meeting where precise terms and conditions are approved shall not be counted. The Renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next 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 5 November 2020 and which will lapse at the conclusion of the Forty-first 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.

4. *Resolutions 7 to 9 - Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature*

   The proposed ordinary resolutions, if passed, will empower the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Hume Cement Industries Berhad (formerly known as Hume Industries Berhad) Group, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company ("Proposed Shareholders' Mandate").

   Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 29 October 2021 which is available on the Company's website at www.humecementind.com/investorrelations/generalmeetings.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Details of individuals who are standing for election as Directors

   No individual is seeking election as a Director at the Forty-first 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-first Annual General Meeting.

BOARD OF DIRECTORS

YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/ Non-Independent
Age 66, 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 (formerly known as Hume 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 is a member of the Nominating 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.

MR HUGO ENRIQUE LOSADA BARRIOLA

Group Managing Director/ Non-Independent
Age 47, Male, Spanish

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

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

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

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

MR SEOW YOO LIN

Non-Executive Director/ Independent
Age 65, Male, Malaysian

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

Mr Seow joined KPMG Malaysia in 1977. In 1983, he was seconded to KPMG United States of America to gain overseas experience. He returned in 1985 and was admitted as Partner in 1990.

He has been the audit partner on a wide range of companies including public listed companies and multinationals in banking and finance, manufacturing, trading and services. He was the Managing Partner of KPMG Malaysia from 2007 to 2010. He retired from the firm in 2011.

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

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

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

BOARD OF DIRECTORS
(cont'd.)

YBHG DATO' IR. TAN GIM FOO

Non-Executive Director/ Independent
Age 63, Male, Malaysian

Dato' Ir. Tan Gim Foo graduated from University Malaya with a Bachelor of Engineering (Civil) Honours degree. He is a Professional Engineer registered with the Board of Engineers Malaysia and also holds a Master in Business Administration from Charles Sturt University, New South Wales, Australia.

He started his career as an engineer with IJM Construction Sdn Bhd ("IJMC") in 1983 and since then had held various senior management positions including as Managing Director of IJMC. Prior to his retirement, Dato' Ir. Tan was the Deputy Chief Executive Officer & Deputy Managing Director of IJM Corporation Berhad.

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

Currently, Dato' Ir. Tan is the Chairman of Aneka Jaringan Holdings Berhad, a company listed on the Ace Market of Bursa Securities.

YBHG DATUK WIRA AZHAR BIN ABDUL HAMID

Non-Executive Director/ Independent
Age 60, Male, Malaysian

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

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

In November 2001, he was appointed as Group Chief Executive of Tradewinds Corporation Berhad, a post he held until October 2002. Subsequently, in 2003, he returned to the Sime Darby Group of Companies ("Sime Darby Group") and since then, has held various key positions within the Sime Darby Group including as Managing Director of Sime Darby Plantation Sdn Bhd and Acting President and Group Chief Executive of Sime Darby, overseeing the entire Sime Darby Group's operations. In September 2011, Datuk Wira Azhar was appointed as Chief Executive Officer of Mass Rapid Transit Corporation Sdn Bhd ("MRT") and held the position until December 2014. In May 2021, he returned to MRT and assumed the position as 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 of HCIB.

Currently, Datuk Wira Azhar is a director of ICON Offshore Berhad, a company listed on the Main Market of Bursa Securities.

BOARD OF DIRECTORS
(cont'd.)

MS TAI SOOK YEE

Non-Executive Director/ Independent
Age 58, Female, Malaysian

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

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

She has close to 20 years of experience leading large businesses including industrial, lifestyle and investment groups. She was the Group Managing Director of 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 a member of the Board Audit & Risk Management Committee of HCIB.

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***
   None of the Directors has any conflict of interest with HCIB.

3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2021.

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

KEY SENIOR MANAGEMENT

MR JOONHO CHOI

Executive Director, Hume Cement Industries Berhad (formerly known as Hume Industries Berhad)
Age 41, Male, Korean

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

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

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

MR LAU PING ONG

Chief Financial Officer, Hume Cement Industries Berhad (formerly known as Hume Industries Berhad)
Age 45, Male, Malaysian

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

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

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

MR LEE SIONG SENG

Managing Director, Hume Concrete Sdn Bhd
Age 52, Male, Malaysian

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

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

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

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

Notes:

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

2. ***Conflict of Interest***
   None of the Key Senior Management has any conflict of interest with HCIB.

3. ***Conviction of Offences***
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2021.

CHAIRMAN'S STATEMENT

Dear valued shareholders,

On behalf of the Board of Directors, I would like to present to you the Annual Report and Financial Statements of the Group and the Company for the financial year ("FY") ended 30 June 2021 ("FY2021").

Revenue FY2021

RM604.6
million

(FY2020: RM585.4 million)

Reduction in loss before tax ("LBT")

RM29.4
million

(FY2020: RM55.4 million)

Our country, like many others in the world, has been battling waves of the Coronavirus disease 2019 ("COVID-19") pandemic. This has brought disruptions and adversely affected the economic and social environment. On a positive note, with vaccination levels in Malaysia reaching above 80% and measures introduced by the Government, the country is showing signs of recovery.

In response to the prolonged impact of COVID-19 pandemic, we have focused our efforts to improve operational efficiency, enhanced market facing readiness and strengthened the balance sheet. Various initiatives to this effect have been put in place, and it is showing positive impact on the business performance.

For FY2021 the Group recorded a 47% reduction in loss before tax ("LBT") to RM29.4 million (FY2020: RM55.4 million), on the back of an increase in revenue to RM604.6 million (FY2020: RM585.4 million), which was contributed mainly by improvement in profit margin from cost containment and lower rebates of the cement selling price.

Our people are our greatest asset. I am proud of them and commend them for their tremendous resilience and agility in this challenging time. Their ability to adapt and learn has always been the cornerstone for the Group to grow and progress. People development and well-being will continue to hold high priority in the Group's strategies and plans.

My heartfelt gratitude also goes out to my fellow board members and senior management team for their outstanding commitment and performance.

On behalf of the Board, I would like to take this opportunity to record my appreciation to all our valued stakeholders and shareholders for their continued trust and loyalty, most importantly, for growing with us. We always strive to grow and improve our performance with your unwavering support.

DATUK KWEK LENG SAN
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Strategic Review

Business Environment

The business performance of the Group is mainly influenced by the key factors as stated below:

Competition

Competition in the marketplace is good for customers and businesses. When companies compete with each other, they are pushed to updating and bringing out new ideas or formulas and services through innovation.

Through this principle, the Group strives to explore all possibilities on how to improve the way it operates and be sustainable at the same time.

Economy

Operating business in the current economic landscape is proven to be challenging. The uncertainties in the market mainly due to the Coronavirus ("COVID-19") pandemic and the ongoing political situation in the country had slowed down the market and various major infrastructure projects to be put on hold.

The cyclical nature of the economy will make it possible to approximate how things will move in the coming months.

Technology

Technology has transformed the social and business environment as a whole. Technology often deals with methods or tools used to gather, manipulate, store and communicate information.

The advancement of technology has enabled businesses to reduce business costs and at the same time improve the efficiency and effectiveness of production methods.

Demand

Similar to supply, demand is a variable, fluctuating with the price. Fundamental economic theory states that the lower the price of a good or service, the greater the demand.

A close and continual analysis of the supply and demand of every product line is essential to staying competitive in the market.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd.)

STRATEGIC REVIEW (cont'd.)

Stakeholder Engagement

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

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

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd.)

STRATEGIC REVIEW (cont'd.)

Our Business Model

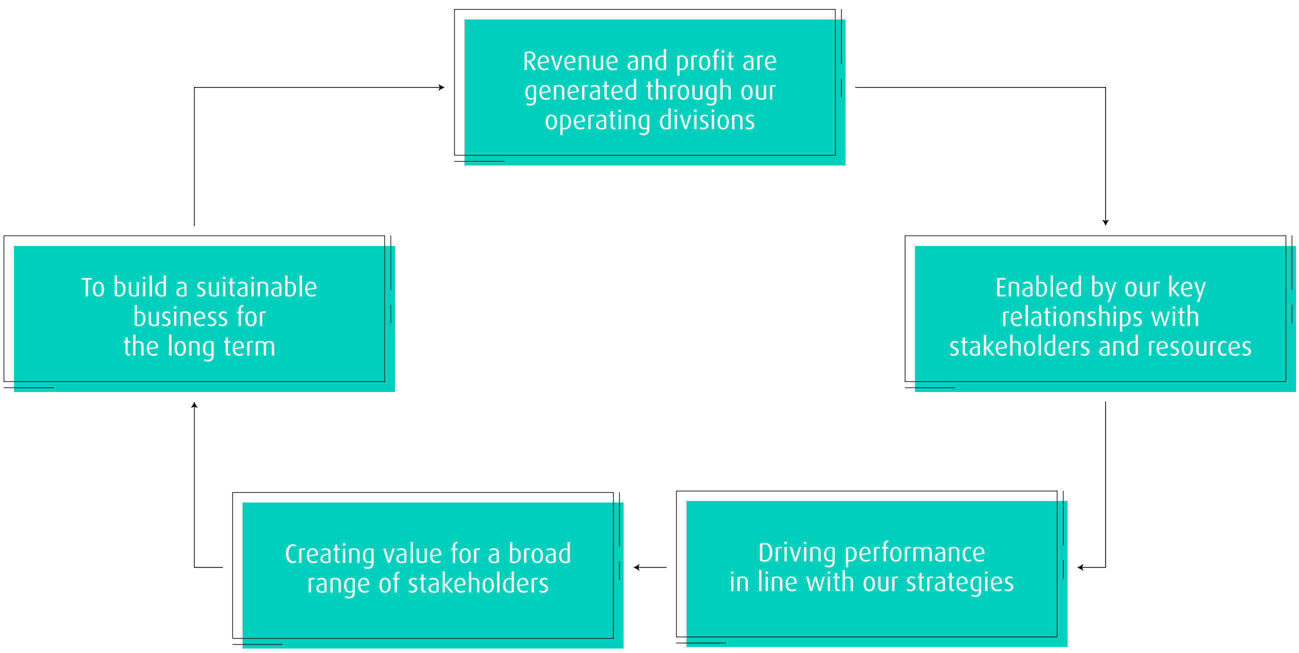
OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Hume Cement Industries Berhad ("HCIB") (formerly known as Hume Industries Berhad) 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.

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

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

Creating value for all our stakeholders through our sustainable business model.



MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd.)

STRATEGIC REVIEW (cont'd.)

Risk

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

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

Nature of Risks	Description	Strategies
Credit Risk	Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, short term deposit and bank balances and outstanding forward exchange contracts.	The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due, which are deemed to have higher credit risk, are monitored individually. The Group's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.
Liquidity Risk	Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's exposure to liquidity risk arises principally from their various payables, loans and borrowings.	The Group actively manages its 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 maintains sufficient levels of cash to meet its working capital requirements.
Market Risk	Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.	Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, on a case by case basis. The Group manages its interest rate exposure by maintaining available lines of fixed and floating rate borrowings.
Operation Risk	The Group's principal activities are subject to certain risks inherent to their respective sectors which include cost increases and availability of raw materials, manpower, critical spare parts, and changes in the legal, regulatory, health and environment requirements.	The Group adopts a regular review of all operation risk factors by incorporating a robust risk management system at all levels of operation with periodic reviewed by senior management and the Board Audit & Risk Management Committee. The risk report is discussed and affirmative action plans are developed to eliminate and to mitigate the identified risks.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd.)

Performance Review

Business Review

GROUP'S FINANCIAL PERFORMANCE

The Group reported higher revenue of RM604.6 million and lower loss before tax ("LBT") of RM29.4 million for the financial year ended 30 June 2021 ("FY2021") as compared with revenue of RM585.4 million and LBT of RM55.4 million for the financial year ended 30 June 2020.

Since the beginning of the financial year, the Group had anticipated the COVID-19 pandemic would continue to have a major impact to its businesses and had implemented various mitigation measures such as rigorous cost cutting coupled with strategic coal purchasing decision and these measures have resulted in lower production cost. The Group had also embarked on strengthening the balance sheet with the establishment of the Unrated Medium Term Notes ("MTN") Programme of RM500 million in nominal value ("MTN Programme") during the financial year. In December 2020, the Group had successfully completed the inaugural issuance of unrated MTN with a nominal value of RM100 million and tenure of 3 years under the MTN Programme.

"Revenue of ***RM604.6 million*** *for FY2021."*

"The Group had also embarked on strengthening the balance sheet with the establishment of the Unrated Medium Term Notes ("MTN") Programme."

CEMENT - OVERVIEW

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

CEMENT - PERFORMANCE REVIEW

For FY2021, the cement demand in Malaysia continued to be weak as in the previous financial year owing to the continuous interruptions brought by COVID-19 pandemic to the construction activities and the phases of Movement Control Order ("MCO") imposed by the Malaysian Government to combat the pandemic. MCO imposed restrictions that halted cement plant operations several times during the financial year. Nevertheless, dispatches of product from inventory to the market managed to continue thoughout the year. Furthermore, challenges arising from the pandemic did not hinder Hume Cement from continuing its plant improvement programme and productivity enhancement projects. For the financial year, Hume Cement introduced Pulverised Fly Ash ("PFA"), a by-product from the power generation plants, as a low carbon substitute to clinker in an ongoing effort to decarbonise our products.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd.)

PERFORMANCE REVIEW (cont'd.)

CONCRETE - OVERVIEW

Hume Concrete is one of the longest established and among the current leading manufacturers of precast concrete products for the infrastructure and building sectors in Malaysia. The company remains committed in its positioning as a value-brand company, supplying value-engineered solutions and products that deliver value for its stakeholders.

CONCRETE - PERFORMANCE REVIEW

FY2021 was largely dominated by COVID-19 pandemic event and its disruptive effects on the local infrastructure and building sectors. Construction sites were halted as the country went into different phases of MCO. Despite the external upheavals, Hume Concrete had positively and diligently continued to work on optimising its internal processes, carried out production-related improvements and revamped the core teams.

Research and Development ("R&D") into new products and solutions to supply the Malaysian construction market remained a key focus point of effort within the company. Continuous innovation, coupled with technical prowess will continue to provide Hume Concrete with an edge in the market. While Hume Concrete continues to compete competitively in the Central and East Coast Peninsular markets, Hume Concrete is poised to seize potential opportunities in the growing markets of Northern Peninsular and East Malaysia.

DIVIDEND

The Group did not declare any dividend for FY2021.

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

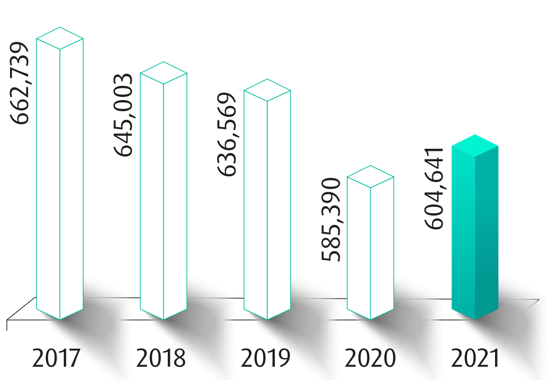
PROSPECT & OUTLOOK

The country went into Movement Control Order 3.0 since June 2021, to control the impact of the third wave of COVID-19. Though a National Recovery Plan was announced, the recovery of economic activities is uncertain. With no clear line of sight of the immediate future, the Group continues to focus on tactical strategies in responding to market volatility whilst improving internal operational efficiency.

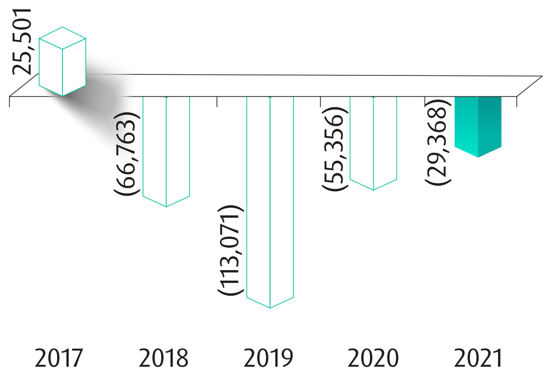
GROUP FINANCIAL HIGHLIGHTS

RM'000	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue	662,739	645,003	636,569	585,390	604,641
Profit/(Loss) Before Taxation	25,501	(66,763)	(113,071)	(55,356)	(29,368)
Profit/(Loss) Attributable Owners Of The Company	18,716	(54,870)	(98,144)	(45,904)	(27,360)
Net Earnings/(Loss) Per Share (sen)	4.0	(11.5)	(20.5)	(9.3)	(5.5)
Net Dividend Per Share (sen)	2	-	-	-	-
Total Equity	445,089	389,900	436,495	391,755	364,757
Total Assets	1,565,983	1,487,348	1,439,891	1,314,744	1,210,056
Capital Expenditure	25,536	13,763	11,879	7,586	14,300

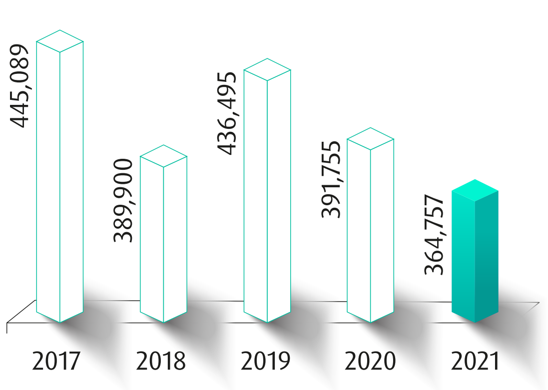
REVENUE
(RM'000)



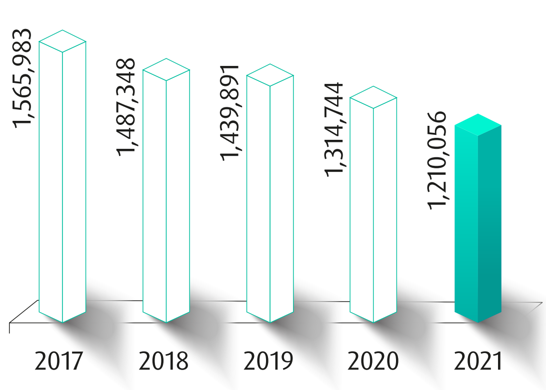
PROFIT/(LOSS) BEFORE TAXATION
(RM'000)



TOTAL EQUITY
(RM'000)



TOTAL ASSETS
(RM'000)

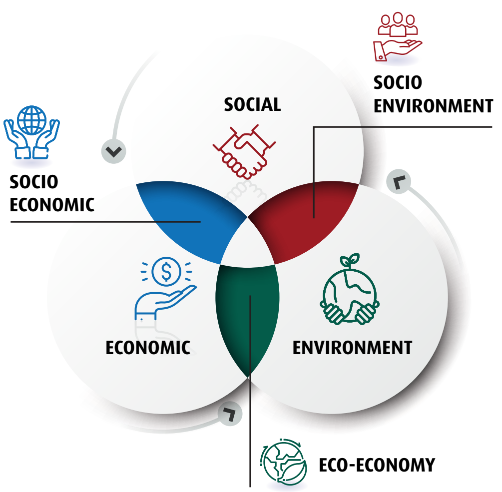


SUSTAINABILITY STATEMENT

Sustainability is integral to Hume Cement Industries Berhad (formerly known as Hume Industries Berhad) ["The Company"]. It plays a pivotal role in the Group's ongoing business strategy and effort to create long term value for stakeholders.

In line with that, the Company continues to strive hard in its commitment to balance Economic, Environment and Social ("EES") issues and opportunities in its operations. The following statement represents the Company's sustainability initiatives, performance and achievements for the reporting year – 1 July 2020 to 30 June 2021 ("FY 2021").

SUSTAINABILITY DEVELOPMENT

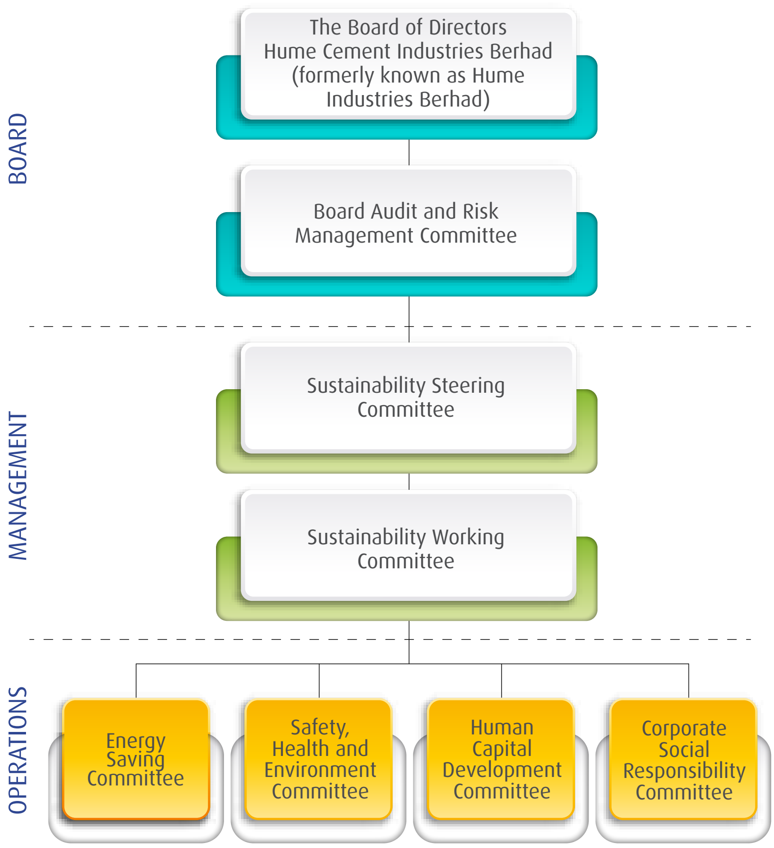


Employees of Hume Cement in Gopeng pledging their oaths towards sustainability and environmental preservation during the Environmental Week 2020

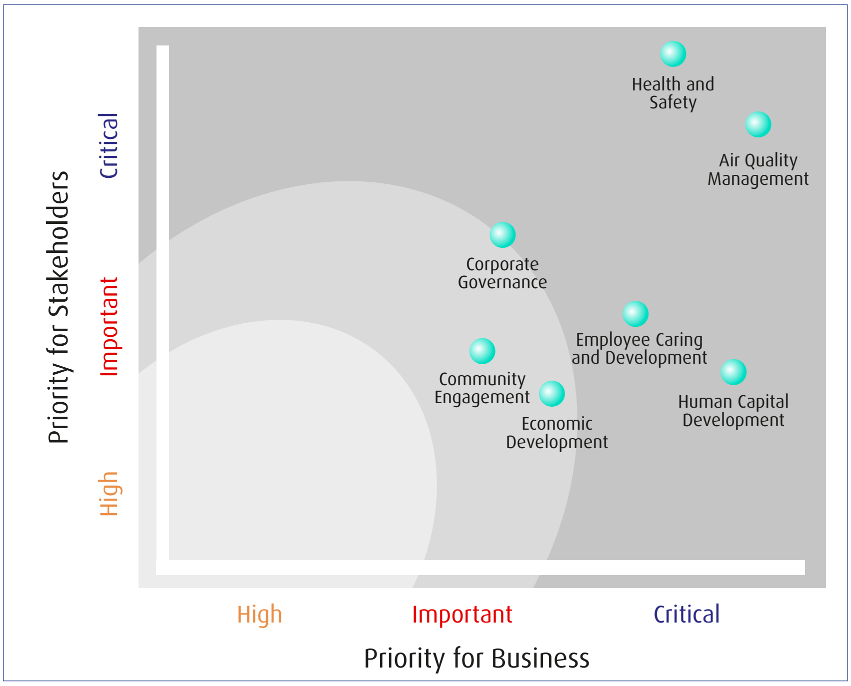
CORPORATE GOVERNANCE

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

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



SUSTAINABILITY STATEMENT
(cont'd.)



SUSTAINABILITY HIGHLIGHTS

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

ECONOMIC

A long-term goal to grow the business of the Group has been set. The main goal of this plan is to achieve a balance of being profitable and sustainable, not only to the environment but also to the surrounding communities.

HUME CEMENT PLANT IMPROVEMENT BLUEPRINT

The Plant Improvement Blueprint (PIB) is a three-year roadmap detailing quality, productivity and reliability opportunities for the Company's operations. As part of it, sustainability, safety and efficiency improvements are included with the objective of achieving world-class standards. The PIB will serve to complement the Group's efforts in developing its business strategies with key stakeholders; engaging with and supporting the surrounding communities, and ensuring a continued commitment towards protecting the environment.

The aims to bolster existing initiatives, driving down costs and mitigating potential operational and strategic risks and uncertainty. The roadmap will capitalise on current technical levers, detailing all CAPEX requirements, proficiencies and pre-requisites to achieve the Group's ambitions and support this evolutionary journey to become the best cement plant in Malaysia.

DESIGN OPTIMISATION

To further enhance their competitiveness in the market, Hume Concrete had carried out a design optimisation process on its products. This exercise resulted in cost-effective precast product designs and enabled Hume Concrete to be even more competitive in the market.

SUSTAINABILITY STATEMENT
(cont'd.)

ENVIRONMENT

Throughout the years, the Group has implemented various initiatives and efforts to pave the way to enhance its goal of being responsible to the environment.

CARBON FOOTPRINT REDUCTION

Hume Cement has always been committed to reducing the carbon footprint of its plant. For that, the company has continuously looking at ways to reduce the Carbon Dioxide ("CO2") emissions per tonne of cement produced. On top of that, the Company is continuously progressing in research on clinker reduction in cement as well as reducing the dependence on natural resources in its practice.

Besides that, small ways such as encouraging more employees to use bicycles to commute within the plant area as well as planting more trees as part of the staff activities were also carried out.

ALTERNATIVE FUEL AND RAW MATERIALS

Fuel has always been one of the major costs of production in the manufacture of clinker. With that in consideration, the team has continuously tried to assess and incorporate alternative fuel sources that can provide benefits not only to the company's bottom line, but are also friendly to the environment.

DUST MANAGEMENT

In cement manufacturing, dust emissions are an important area of focus and based on the Environmental Quality (Clean Air) Regulations 2014, the Department of Environment ("DOE") Malaysia has set a legal standard for emission limits and technical standards (by activity or industry). To meet this legal standard, all cement plants must install Continuous Emissions Monitoring System ("CEMS") at the main stack for real-time monitoring. These systems are also equipped with gas analysers that measures dust particles and emission concentrations released to the atmosphere.

Through this system, the emission readings are linked directly to the Department of Environment ("DOE") Putrajaya and DOE Perak continuously. CEMS allows DOEs to directly monitor plant emissions for Particulate Matter ("PM"), Sulphur Dioxide ("SO_2") and Nitrogen Dioxide ("NO_2").

Hume Cement is proud to be a pioneer in Malaysia, having installed one of the most advanced technologies for dust collection. The bag filters system achieves collection efficiencies of up to 99.9% to remove particulates out of the gases released from the commercial process.

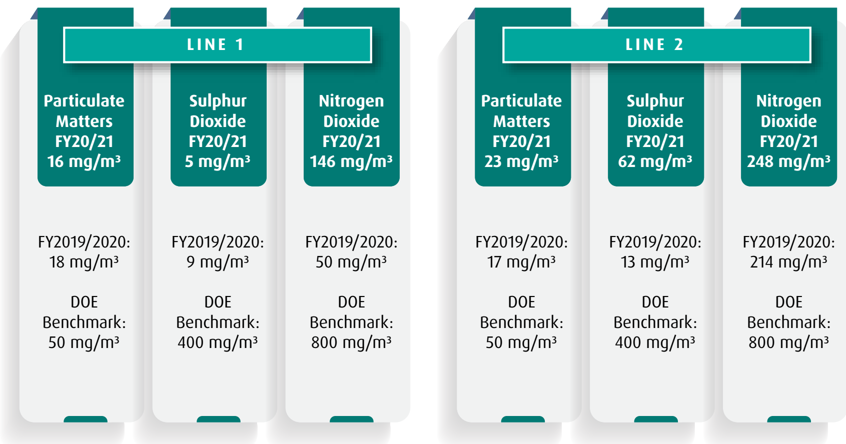


Figure 1: Environmental readings for Line 1 & Line 2 main stack

SUSTAINABILITY STATEMENT
(cont'd.)

CO_2 Emission
CO_2/Cement mt:
2020/21
0.81
2019/20
0.79

Air Quality
Ambient Air Readings:
2020/21
74 µg/m^3
2019/20
76 µg/m^3
Note: Max 100 µg/m^3 in 2020 as the legal standard under the New Ambient Air Quality Standard as per quoted in http://www.doe.gov.my/portalv1/wp-content/uploads/2013/01/Air-Quality-Standard-BI.pdf

Figure 2: Key indicators

AIR AND WASTEWATER MANAGEMENT IN HUME CONCRETE PLANTS

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

Hume Concrete's plant in Beranang, Selangor has batching plants which are equipped with external pumps and tanks which enabled the recycling of water collected from the slurry pits for production purposes.

SOCIAL

Improving the performance of human capital has always been a priority in the Group. In line with that, the Group always seeks ways to build and improve skills among its workforce in order to deliver high-quality services and efficiency to its customers.

On top of growing human capital internally, the Group is a firm believer in the importance of improving the livelihood of underprivileged communities and is continuously engaged in rolling out various corporate social responsibilities ("CSR") activities for some of them.

HUMAN CAPITAL DEVELOPMENT

Human assets are the key tangible asset for any organisation. The Group believes in the value of the intellectual capital and potential that can be derived from employees' specialised knowledge and experiences in advancing and transforming workplace. In line with that, a wide range of learning and development (L&D) activities have been introduced to not only upskill but reskill its employees from various levels.

SUSTAINABILITY STATEMENT
(cont'd.)

2021 L&D Programmes

As the whole world is affected by the COVID-19 pandemic, the Group adopted a strong belief that learning can be done in many ways. Online learning and trainings were rolled out according to the four pillars (as shown below) to ensure all areas were covered.

Pillar 1	Pillar 2	Pillar 3	Pillar 4
Cultures and Values are for all levels of employees, which focuses on the induction programme for new entry levels employees for familiarisation.	**Leadership** is for selected employees who needed supervisory and leadership skills in order to work harmoniously with the team members.	**Business Specific** is the technical and process-related employee to improve in the technical knowledge.	**General Management** focuses on system/ management-specific topics such as rules and regulations from the government bodies group of employees.
• Introduction to QPP & 5S training • 5S & Safety weekly training • Safety in the fire extinguisher • Effective Internal Audit skills of ISO 37001:2016 • ABCMS Induction Awareness & Policy	• Train-the-Trainer ABCMS • Hume Quality Leadership Journey (HQLJ) • Manufacturing Management Discipline • Learning & Development Training • Managing Process Improvement	• EPICOR System for Finance Training • Safety Induction & Policy • Scheduled wastes spill prevention, Control and Recovery Measures • FMCO Knowledge Sharing Session (Concrete Technology) • On Job Training	• Anti-Bribery & Corruption Management System • E-Appraisal Launching & Briefing • Industrial First Aid, competency • E-Hiring Work Flow (Recruitment Management System)

Figure 3: Training pillars and some of the training conducted

Target = 20 training hours/ employee	
Hume Cement	*Hume Concrete*
Average Training Hours per Employee = 7.4 hours	Average Training Hours per Employee = 23.4 hours

Figure 4: Average Training Hours

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

In supporting the country's push towards a corruption-free society, in 2020, the Group has implemented an internal ABCMS Programme based on the ISO 37001:2016 Anti-Bribery Management System. Various events and initiatives were conducted under this ABCMS Programme to gear the Group and its entire population towards better understanding, appreciation and compliance towards ISO 37001:2016 Anti-Bribery Management System.

In January 2021, a team from SIRIM audited the Group for its compliance to ISO37001:2016 Anti-Bribery Management System. Various business locations and departments were included in the comprehensive audit and in April 2021, the Group proudly received the coveted ISO 37001:2016 Anti-Bribery Management System certification from SIRIM.

SUSTAINABILITY STATEMENT
(cont'd.)

The Protégé Programme

The Group remains steadfast in its desire to nurture and develop the younger generations to be professionals in the manufacturing industry. In line with that, the Group continuously supports the Protégé Programme, a two-year hands-on plan by the Hong Leong Manufacturing Group where selected candidates will be developed into key contributors.

Under this programme, these young professionals are challenged to design and execute improvement projects in different areas of the organisation under the guidance and supervision of their Mentors and top management.

HUMAN RIGHTS

The Group recognises that human rights are universal and every employee deserves to be treated with dignity and have their interests considered equally. Progressively and throughout the business landscape, more and more corporate companies are recognising their own moral and legal responsibility, especially when it comes to the workforce.

The Group will always maintain its commitment to continuously improve the welfare of all employees and that includes giving them a fair, respectable and safe workplace for employees across all levels in the organisation.

EMPLOYEE WELFARE

Even before the COVID-19 was declared as a pandemic by the World Health Organisation, the Group had already established and implemented a pandemic preparation guideline and activated its Business Continuity Plan to mitigate the risks and most importantly to protect all employees at their workplace. The action plan established was guided by the four key principles:

1. Remote working first
2. Confine or eliminate transmission among employees
3. Maintaining high standards of hygiene and safety practices in the workplace
4. Ensuring protection of the safety of employees, their families, our customers and communities, as well as continuity of our operations

During the pandemic period, travel guidelines for employees to support the Government's effort to curb the pandemic were implemented. Additionally, the Group activated split operation teams across offices, alternate sites and work from home (WFH) arrangements. Strict Standard Operating Procedures (SOP) on physical distancing, usage of personal protection equipment (PPE), health monitoring, travel declarations and deferment of all events requiring physical attendance were also implemented in the workplace.

To facilitate a connected workforce, technological infrastructure and state of the art collaborative tools were also introduced. Digitalised approval processes and workflows are now being utilised to reduce the need for employees to commute and meet face-to-face.

SUSTAINABILITY STATEMENT
(cont'd.)

Employee Health Management

In line with the commitment to upkeep the employee healthcare, the Group had explored and identified ways to increase the access to health for its employees. A tri-way partnership with a local pharmacy chain was launched and a convenient healthcare app was created to provide a platform for qualified employees to order their long-term medication online and get it delivered to their homes safely. This platform helped to minimise the visits to clinics, hospitals and pharmacies during this pandemic.

Apart from that, a third party medical administrator company was appointed to provide a wider range of panel clinics and hospitals to be accessed by qualified employees around the clock, and regardless of their location.

The wellbeing of Foreign Workers

As part of the continued efforts for the betterment of employees' living conditions, Hume Concrete improved accommodations of its foreign workers from all plants and provided them with hostels during this pandemic period. The improved accommodation is compliant with the rules and regulations set by both the Department of Labour of Peninsular Malaysia and the Human Resource Ministry.

COVID-19 Vaccination Programme

Answering the call from relevant authorities, the Group partnered with the Ministry of International Trade and Industry to roll out the public-private partnership immunisation programme (PIKAS) which, together with efforts from Department of Health and local authorities helped expediting the vaccination of employees from the manufacturing sector.

Under this programme, manufacturing sector's employees who had signed up to receive vaccination appointments via their MySejahtera apps, received expedited slots to receive their vaccines at designated centres.

International Women's Day Celebration ("IWD")

The Group had once again taken the time to celebrate and empower its women employees on 8 March 2021. Despite that no gathering or event was allowed during the MCO period, this special day was made meaningful by sharing inspiring stories of women employees from all levels on how they overcame the challenges during the pandemic time.

The selected women shared how they juggled their roles during WFH while taking care of their aged parents, assisting their children's online classes as well as dealing with the loss of income in the family are some of the takeaways and prove that women are indeed strong and they can overcome any challenges coming their way.

A special newsletter named 'Herstory' was created to share interesting stories of the women employees of the group

SUSTAINABILITY STATEMENT
(cont'd.)

HEALTH AND SAFETY

Workplace Safety

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

Staff safety training was carried out regularly at the plant

Safety Training

As part of OSHA 1994, employers are responsible to provide sufficient training to employees to ensure they are equipped with the knowledge and understanding of the SHE requirements.

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

Accident-free

The Group remains committed to pursuing its zero-accident goal at the workplace. Various safety programmes and briefings were held to create awareness and to introduce the correct safety procedures within the plant operations. Hume Cement and Hume Concrete enhanced their employees' awareness and knowledge regularly through various training, demonstrations and plant improvements designed to reduce the risk of accidents in the manufacturing facilities.

Motorcycle riding course

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

COVID-19 related training was carried out to spread knowledge especially on prevention steps

COVID-19 related training

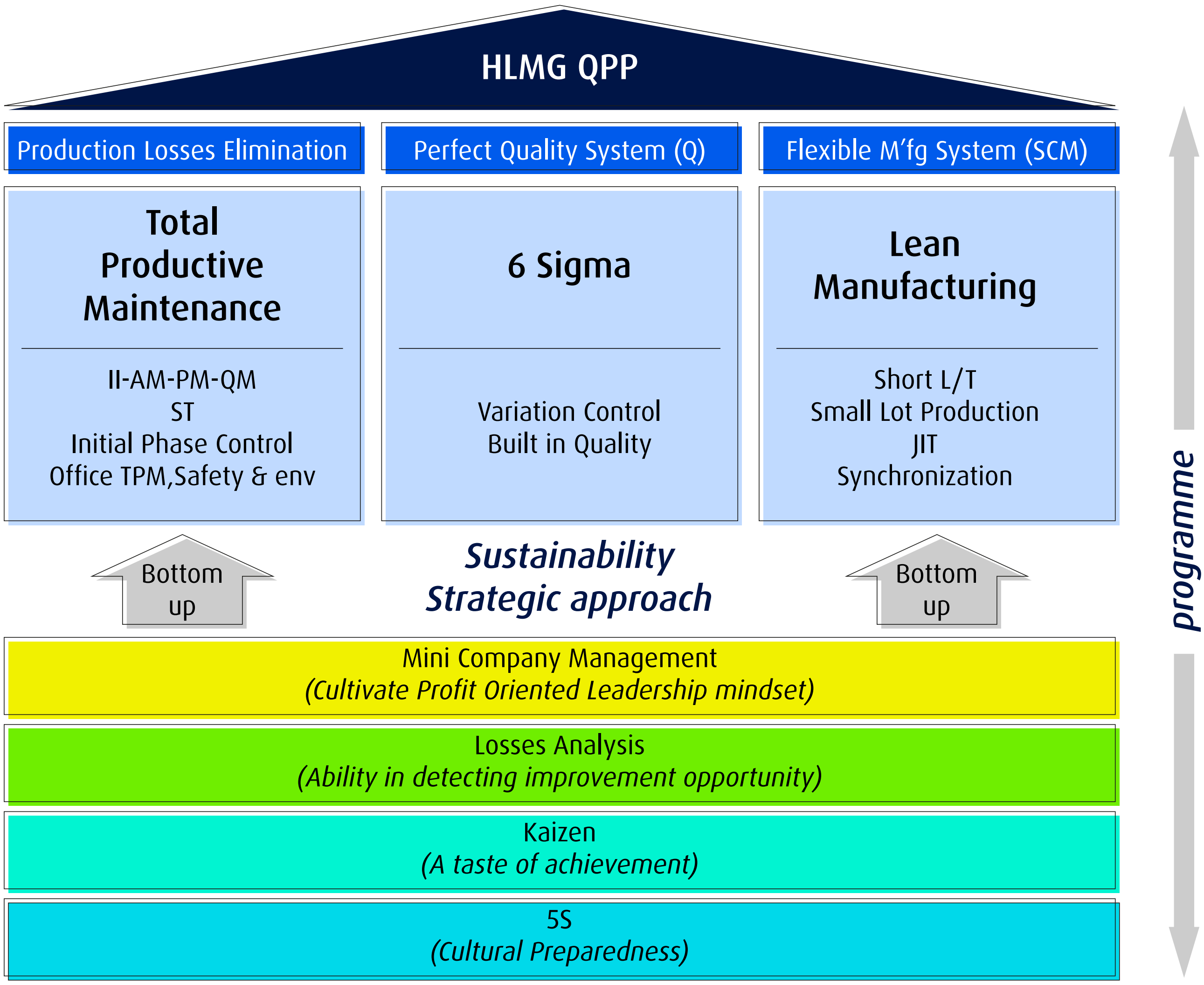
Given the current pandemic period where workplaces have played an important role in both the potential spread and also for reduction of COVID-19 cases, Hume Cement and Hume Concrete implemented various programmes for COVID-19 prevention and COVID-19 SOP training.

SUSTAINABILITY STATEMENT
(cont'd.)

5S WORKING CULTURE

After having embraced the 5S working culture for some time now, the Group continues to progress onto the next level, Kaizen, which simply means 'continuous improvement'.

Kaizen is recognised worldwide as an important pillar of an organisation's long-term competitive strategy and by embracing its systematic approach, the Group is hopeful that superior results can be achieved for their manufacturing units.



As part of the Group sustainability approach, the Group is nurturing a cultural transformation through 5S and Kaizen with the goal of improving processes and efficiencies as well as to achieve a healthy, clean, efficient & safe working environment.

The steps taken are expected to lead to the success and sustainability of every business in every region where it operates via strong, committed and discipline workforces, established in alignment with the Group's direction towards AM (Autonomous Maintenance) & PM (Planned Maintenance), as part of the overall TPM (Total Productive Maintenance) Journey.

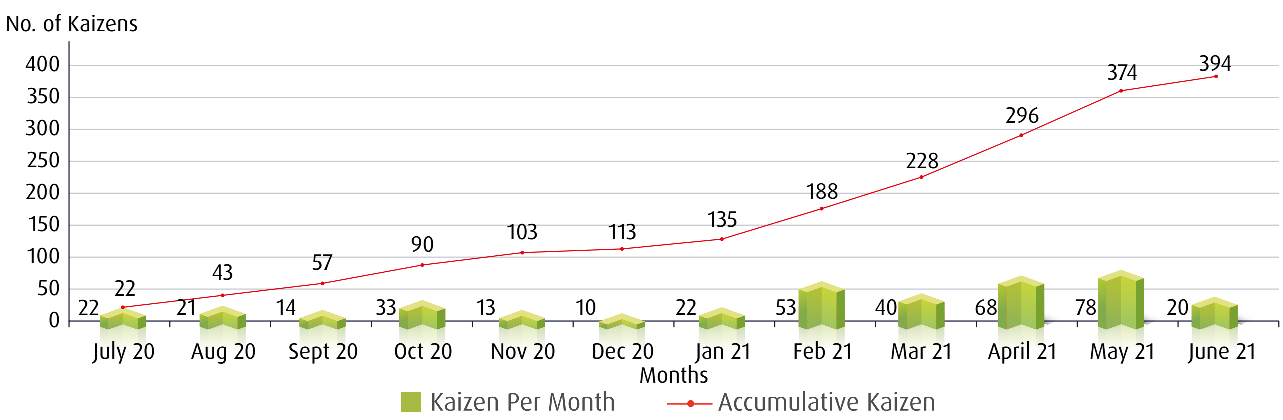
SUSTAINABILITY STATEMENT
(cont'd.)

SUSTAINABILITY STRATEGIES

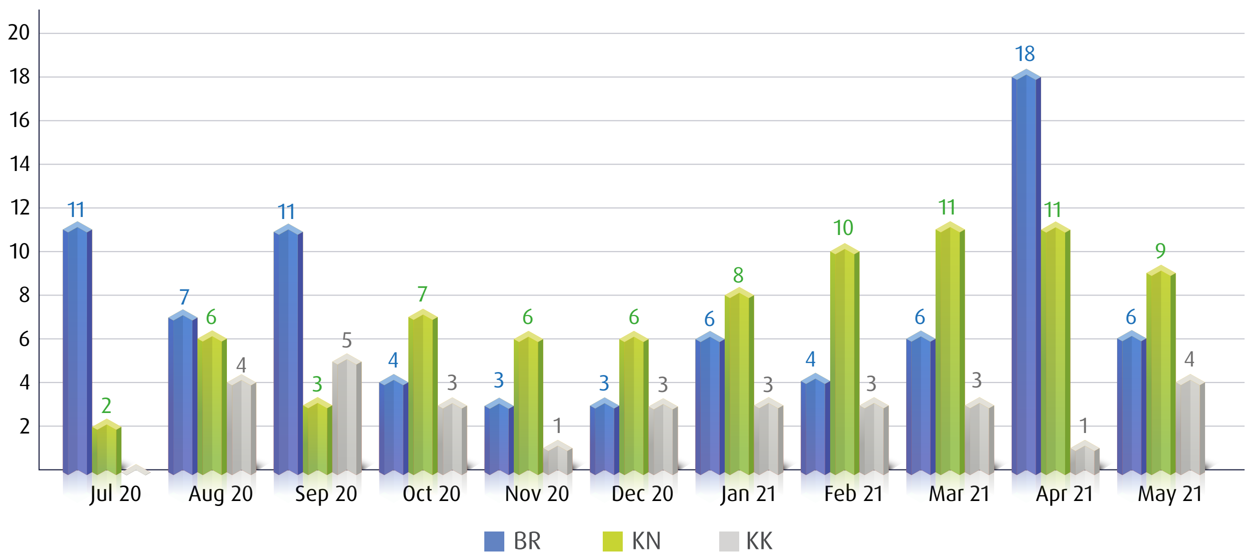
To further enhance, strengthen and simplify the 5S implementation, new versions of Visual Standard Office (VSO) and Visual Standard Plant (VSP) were introduced to the employees. Visual Standard Office had been simplified from a 25-point checklist into a 16-point checklist, while for Visual Standard Plant, higher weightage on foundation Points 1 to 6 linked to the plant Key Performance Index took effect on June 2021.

At the end of this financial year, Hume Cement had achieved its target kaizen as 394 kaizen ideas, equivalent to 116% achievement rate, were delivered.

Hume Cement Kaizen Projects



Hume Concrete Kaizen Submission FY2021



Hume Concrete plants are under Full Movement Control Order on June 2021

SUSTAINABILITY STATEMENT
(cont'd.)

In 2020, when COVID-19 hit the world, 5S also played its role in pivoting toward crisis response while transitioning to WFH. Employees adapted and embraced teleconferencing platforms and online tools to maintain lines of communication with their colleagues and external partners. 5S supported the transition period of adopting various teleconferencing platforms and online tools to maintain communications both internally and externally.

The 5S team launched numerous virtual trainings to keep the momentum of the promotion and initiative when everyone had to WFH. During this period, the team put up various trainings as an efficient and effective way to keep its employees engaged with the 5S system and its benefits not only in the workplace but in their personal lives.

2020 Most Improved 5S Zone in Gopeng Plant (Video Contest)
To further promote the 5S culture in different ways, Hume Cement plant had organised the "2020 Most Improved 5S Zone in Gopeng Plant (Video Contest)" for all its employees. A duration of 6 weeks was given to all zones members to implement improvement according to the 5S guide. Thereafter, they are required to present their improved zone in a video.

Besides putting their heads together to find ideas on how to improve their responsible zones, the employees also relished the opportunity to pick up new skills in video shooting and editing for this contest.

The winning zone was awarded four bicycles to be shared and used in the plant area as part of its effort to reduce carbon footprint whereas first runner-up and second runner-up zones were feted to a good meal.

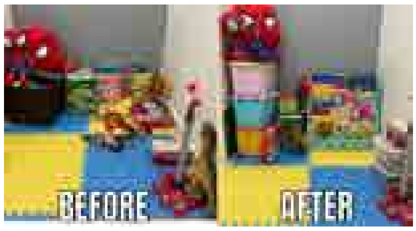
5S Zoom-in Contest
As all the headquarter office-based employees had to work from home since 2020, a 5S Zoom-in contest was held to further promote 5S culture even whilst working at home.

Employees joined the contest by showing how 5S had improved their home and personal life. They just need to snap photos on what were the improvements that were carried out at their home to stand a chance to win some prizes. Various interesting entries were received that showed how employees rearranged and repurposed some of the items at their homes.

5S Forum
To keep the 5S momentum and to maintain the connection with all employees during the pandemic period, a series of 5S online forums was created where one of the members of management will play host for each session. During the forum, the host would share on the importance of 5S and how it had improved his/her work, and also to field any questions that other attendees have on 5S.

Through these sessions, everyone in the company, be it employees or the management actively bounced ideas and suggestions to achieve the goal set.

Zone winners posing with their prizes



Employees submitted their ideas on how they implemented 5S at their home

Employees from all levels discussed and shared ideas during the 5S forum session

SUSTAINABILITY STATEMENT
(cont'd.)

CSR ACTIVITIES AND EVENTS

Hume Cement Environmental Week 2020

This activity is carried out annually by Hume Cement in Gopeng, Perak with the collaboration of the Department of Environment (DOE) Perak. A string of activities is rolled out for the participants (not only company employees but also their families members as well as the residents in the vicinities of the plant).

Children of the employees and pupils of a nearby school were given the chance to participate in a colouring contest according to the year's theme, "We are Responsible for a Better Earth".

On top of that, an E-Waste Recycling programme was also conducted where employees can drop off all their old and broken electric appliances such as mobile phones, toasters, iron, etc. for recycle. This activity was to reduce the E-waste items that are filled with veritable toxic materials that affect the human and animal body, as well as the environment. This meaningful activity was also extended to the participation of employees who are based in the headquarter in Petaling Jaya. A box was prepared for everyone to drop off the items too.

The environmental week was closed with a tree-planting ceremony in the plant area. Various fruit trees like mango and rambutan were planted by the employees. Besides that, all employees were also given a reusable water tumbler each to reduce the single-use plastic at their workplace.

Tree planting activity in conjunction with the Hume Cement Environmental Week 2020

Cement Sponsorship

Hume Cement is earnest in its desire to improve the infrastructure in areas that will benefit the people. For that, the company donated bags of cement to help improve the infrastructure of the Kampung Orang Asli in Serendah, Selangor.

Besides that, bags of cement were also delivered to the Zoo Negara, Kuala Lumpur as they needed it to further expand and refurbish certain areas in the zoo to improve the living conditions of the animals.

Bags of cement were handed over to the Orang Asli community in Serendah, Selangor

SUSTAINABILITY STATEMENT
(cont'd.)

Hari Raya hampers and monetary contribution

In conjunction with Hari Raya Aidilfitri, Hume Cement made efforts to spread some festive cheer by sending appreciation hampers to first responders, frontliners and local authorities in the Fire Department, Department of Environment, Department of Occupational Safety and Health and the Police Department of the surrounding areas during Hari Raya Aidilfitri. This small gesture was to show appreciation for their hard work and support throughout the years of operation in Gopeng, Perak.

Besides that, the Company gave out some "Duit Raya" to the villagers in the areas surrounding the plant. This activity was carried out to lend a hand to the villagers in their preparations for Hari Raya.

Snippet of the video to celebrate women employees in the Group during International Women's Day

MOVING FORWARD

The Group will continue to look for ways to pursue a robust sustainability blueprint, improve reporting and data management as well as to strive for a more structured governance process that can be effective and sustainably lead to benefits for stakeholders.

In line with that, various alternatives to reduce energy consumption, adoption of green energy and improvement of the plants' environmental footprint will continue to be explored.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

"Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders." *~ Finance Committee on Corporate Governance*

The Board of Directors ("Board") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which supports the three (3) key principles of the Malaysian Code on Corporate Governance 2017 ("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 2021 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.

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.)

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.

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

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

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

B. Board Composition

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

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

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

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

Based on the review of the Board composition in September 2021, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

C. Board Committees

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

- **BARMC**

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

  The TOR of the BARMC are published on the Website.

- **NC**

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

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

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

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

(i) New Appointments

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

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

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

(ii) Re-election

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

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

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 (cont'd.)

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

(iii) Removal

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

(iv) Board Committee Appointments

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

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

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

In addition, a formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, Board Committees as a whole and the contribution and performance of each individual Director, Board Committee member, Chief Executive and CFO on an annual basis ("Annual Board Assessment"). For newly appointed Chairman, Directors, Chief Executive and 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.

The NC met twice during FY ended 30 June 2021 ("FY 2021") where all the NC members attended the meetings.

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 discharged its duties in accordance with its TOR during FY 2021. The NC considered and reviewed the following:

- Nominating Committee Charter, policies on Board Composition, Directors' Training and Board Diversity, and revised Independence of Directors Policy;
- 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 Mr Hugo Enrique Losada Barriola as the GMD of the Company.

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

The NC has also evaluated the performance of the Board, Board Committees, each individual Director, each Board Committee member and the CFO, benchmarking their respective TOR and assessment criteria, and through the annual assessment conducted during FY 2021. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

D. Remuneration (cont'd.)

The remuneration packages of EDs and SM are reviewed by the entire Board. EDs and 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 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").

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. In the event the Board wishes to retain an ID who has served a cumulative term of twelve (12) years and above, shareholders' approval shall be annually sought through a two-tier voting process.

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

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

Save for Mr Seow Yoo Lin who will retire at the forthcoming AGM, the tenure of all the other IDs on the Board does not exceed nine (9) years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

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.

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 CA 2016. 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, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates 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 six (6) times for FY 2021 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	6/6
Mr Hugo Enrique Losada Barriola	5/5*
Mr Seow Yoo Lin	6/6
YBhg Dato' Ir. Tan Gim Foo	6/6
YBhg Datuk Wira Azhar bin Abdul Hamid	6/6
Ms Tai Sook Yee	6/6

**Reflects the attendance and the number of meetings held during the period the Director held office.*

The Company recognises the importance of continuous professional development and training for its Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

F. Commitment (cont'd.)

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Company. The Induction Programme which includes overview of business, finance and corporate, is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Group's businesses. The CPD encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

All Directors of the Company have completed the Mandatory Accreditation Programme.

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, legal and regulatory framework, risk management, cyber security, 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.

During FY 2021, the Directors received regular briefings and updates on the Group's businesses, strategies, operations, risk management and compliance, internal controls, CG, finance/accounting, anti-bribery and corruption management and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes were also organised for the Directors and SM of the Company.

The Directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

During FY 2021, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- ESG – Practical and Operational Considerations
- Mandatory Accreditation Programme
- Cyber Security Awareness
- Anti-Money Laundering Virtual Training
- JCB Workshop on Climate Change
- Ernst & Young Webcast Cloud : Game Changer
- Bank Negara Malaysia-FIDE Dialogue : The Role of ID in Embracing Present and Future Challenges
- Pre - Industry Engagement on Malaysian Palm Oil Board Strategic Direction
- Malaysian Financial Reporting Standards ("MFRS").

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd.)

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.

  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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd.)

Accountability And Audit (cont'd.)

I. Financial Reporting

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

II. Directors' Responsibility In Financial Reporting

The MMLR require the Directors to prepare a statement explaining the Board of Directors' responsibility for preparing the annual audited financial statements and the CA 2016 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 2021 have been prepared in accordance with MFRS, International Financial Reporting Standards and the CA 2016 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 2021, 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.

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.)**

  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 (MACC) Act 2009 to prevent, detect and respond to bribery and corruption risks. During FY 2021, the operating companies have been certified for ISO 37001:2016 (ABMS) by SIRIM QAS International Sdn Bhd.

  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 2021 covered logistic management and tender & procurement management.
  - Quarterly reporting to the BARMC on the results of control assurance and audit activities and also the management of risks throughout 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.)

- **Management and Decision-Making Processes**

  The internal control and risk management processes of the Group are in place for FY 2021 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.

- **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 2021 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, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd.)

Accountability And Audit (cont'd.)

IV. Relationship with Auditors (cont'd.)

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 2021, the BARMC members together with the CFO undertook an annual assessment on the performance, suitability, independence and objectivity of the external auditors. No major concerns were noted from the results of the assessment. The external auditors also gave their assurance confirming their independence and objectivity throughout the conduct of the audit engagement and the internal processes undertaken by them to determine their independence.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

A. Disclosure

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

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

B. Shareholders

I. Dialogue between Companies and Investors

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

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

Shareholders can access 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.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd.)

B. Shareholders (cont'd.)

I. Dialogue between Companies and Investors (cont'd.)

Queries may be conveyed to the following person:

Name	: Mr Lau Ping Ong
Tel No.	: 03-7866 9000
Fax No.	: 03-7866 9009
Email address	: IRelations@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, SM and the external auditors are also available to respond to shareholders' queries during the AGM.

In view of the Conditional Movement Control Order for Selangor, Kuala Lumpur and Putrajaya and in the interest of the health and safety of all stakeholders, the last AGM of the Company held on 5 November 2020 was conducted in virtual manner through live streaming and online voting using Remote Participation and Electronic Voting facilities. All Directors of the Company attended the said virtual AGM physically at the broadcast venue to engage with shareholders and address issues of concern raised by the shareholders. Questions from the shareholders, which were raised prior to and during the meeting as well as the Company's responses to the same were shared with all shareholders during the Question & Answer session at the virtual AGM. Key pertinent matters discussed during the virtual AGM are also 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.

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 (formerly known as Hume Industries Berhad) ["HCIB" or "the Company"] was established since 20 October 1997.

COMPOSITION

The composition of the Committee is as follows:

Mr Seow Yoo Lin
Chairman, Independent Non-Executive Director

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

Ms Tai Sook Yee
Independent Non-Executive Director

SECRETARY

The Secretary(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 a year and additional meetings may be called at any time as and when necessary. Recommendations and decisions may also be taken by way of Circular Resolutions. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The head of finance, head of internal audit, risk manager, Group Managing Director and senior management may attend Committee meetings, at the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend 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.

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

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
(cont'd.)

ACTIVITIES

An annual assessment on the performance and effectiveness of the Committee and each of its members for the financial year ended 30 June 2021 ("FY 2021") 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 2021, four (4) Committee meetings were held and the attendance of the Committee members was as follows:

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

The Committee carried out the following key activities during FY 2021:

- Reviewed and made recommendations to the Board for approval, the quarterly reports focusing on any changes in accounting policies and practices, significant adjustments arising from the audits and the going concern assumptions to ensure compliance with relevant accounting standards, laws and regulations.
- Reviewed bank covenants compliance and various banking facilities of the Group.
- Reviewed and made recommendations to the Board for approval, the annual financial statements of the Group and to ensure that it was drawn up in accordance with the relevant accounting standards, laws and regulations so as to give a true and fair view of the financial position of the Company and of the Group.
- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Charter and Internal Audit Charter.
- Held two (2) separate sessions with the external auditors without the presence of senior management. During the separate sessions, no critical issues were raised.
- Met with the external auditors and discussed the audit plan 2021 on the nature and scope of the audit, considered significant changes in accounting and auditing issues, where relevant, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards.
- Discussed with the external auditors the potential key audit matters, other significant audit matters and other audit matters identified by the external auditors.
- Reviewed the impact of the Coronavirus ("COVID-19") pandemic in preparing the financial statements of the Group for the FY 2021 and the external auditors' audit focus.
- Reviewed the impact of the COVID-19 pandemic on the businesses of the Group and the challenges ahead.
- Reviewed and recommended to the Board for approval of 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 2021 are stated in the Notes to the financial statements.
- Assessed the performance, suitability, independence and objectivity of the external auditors, taking into consideration factors such as quality of service, adequacy of experience and resources of the firm and the professional staff assigned to the audit, and communication and interaction, and made recommendation to the Board for shareholders' approval on the re-appointment of the external auditors.
- Reviewed the adequacy and integrity of internal control systems, including risk management covering areas on strategic, compliance, operational and financial, COVID-19 pandemic and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.
- Met with the internal auditors and approved the annual audit plan and reviewed the internal audit findings/investigation reports and recommendations. Also reviewed the status updates of the outstanding management's corrective action plans on internal audit's findings and recommendations.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
(cont'd.)

ACTIVITIES (cont'd.)

- Received and deliberated on the whistleblowing reports and decided on further steps to be taken.
- Assessed the performance of the internal audit function as well as the adequacy and competency of internal audit resources.
- 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.
- Recommended to the Board the appointment of a new risk manager.
- 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, comprises the ABCMS activities, progress update on the Group's ISO 37001:2016 Anti-Bribery Management System certification, bribery and corruption risk assessment, ABCMS internal audit report, on a quarterly basis.
- Reviewed and recommended to the Board for approval the Hong Leong Manufacturing Group Gift and Entertainment Policy and Hong Leong Manufacturing Group Business Continuity Policy and revised Hong Leong Manufacturing Group ABCMS Manual.

INTERNAL AUDIT

The internal audit ("IA") function is carried out in-house by the Group IA Department ("GIAD") of HLMG Management Co Sdn Bhd, a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group. There were 11 staff in the GIAD during FY 2021 and the total cost incurred by the GIAD amounted to RM2,115,840.

The purpose, authority, scope, independence and responsibilities of IA function are provided in the IA 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 internal audit function. Mr Teh Boon Ang has been appointed as Head of IA since 1 July 2017. Mr Teh holds the qualifications of Master of Criminal Justice, Certified Fraud Examiner from The Association of Certified Fraud Examiners, USA, Certified Internal Auditor (CIA), USA and Advanced Diploma in Commerce. He is a Professional Member of the Institute of Internal Auditors Malaysia and Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators. The Committee is satisfied that the Head of IA has the relevant experience and sufficient standing and authority to discharge his duties as Head of IA.

The GIAD supports the Committee in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Group. The GIAD also challenges and adds value to the efficiency, effectiveness and economy of operating companies' operations, usage of assets and resources, and the integrity of management information systems. In doing so, the IA function is performed with impartiality, proficiency and due professional care.

All the IA personnel had declared to the Committee that they are free from any relationships or conflicts of interest which would impair their impartiality or objectivity. The Committee had undertaken an assessment on the performance of the GIAD for FY 2021 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.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
(cont'd.)

INTERNAL AUDIT (cont'd.)

The annual audit plan prepared by the GIAD is submitted to the Committee for review and approval. Internal audits are carried out as per the approved annual audit plan. IA reports are discussed and issued to management for their feedback and to formulate action plans with target implementation dates for improvements. Any resulting salient control concerns are reviewed by the Committee, and the implementation status of audit recommendations are monitored and reported to the Committee on a quarterly basis. The areas of IA's review during FY 2021 are described in the SORMIC.

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

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

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

Contents

Financial Statements

DIRECTORS' REPORT
for the financial year ended 30 June 2021

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2021.

PRINCIPAL ACTIVITIES

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

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

ULTIMATE HOLDING COMPANY

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

SUBSIDIARIES

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

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to owners of the Company	(27,360)	5,362

RESERVES AND PROVISIONS

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

DIVIDEND

No dividend was paid during the financial year and the Directors do not recommend a final dividend for the financial year ended 30 June 2021.

DIRECTORS' REPORT
(cont'd.)

DIRECTORS OF THE COMPANY

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

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

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

DIRECTORS' INTERESTS

The 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 2021 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*			
	Nominal value per share	**At 1.7.2020/ Date of Appointment**	**Acquired**	**Sold**	**At 30.6.2021**
Shareholdings in which Directors have direct interests					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	(1)	160,895	-	-	160,895
Hong Leong Industries Berhad	(1)	2,544,167	44,167(2)	-	2,588,334
	(1)	88,333*	-	44,167*(2)	44,166*
Malaysian Pacific Industries Berhad	(1)	1,334,167	74,167(2)	300,000	1,108,334*
	(1)	148,333*	-	74,167*(2)	74,166*
Hong Leong Bank Berhad	(1)	536,000	-	-	536,000
Hong Leong Financial Group Berhad	(1)	654,000	-	-	654,000
Hume Cement Industries Berhad	(1)	3,921,600	-	-	3,921,600
(formerly known as Hume Industries Berhad)		2,017,142#	-	-	2,017,142#
Interest of Mr Hugo Enrique Losada Barriola in:					
Hume Cement Industries Berhad	(1)	-	66,666(2)	-	66,666(2)
(formerly known as Hume Industries Berhad)	(1)	200,000*	-	66,666*(2)	133,334*

DIRECTORS' REPORT
(cont'd.)

DIRECTORS' INTERESTS (cont'd.)

Note:
Following the internal restructuring carried out on 16 April 2021, the following corporations are no longer regarded as related corporations of the Company pursuant to Section 7 of the Companies Act 2016. Accordingly, the interests of YBhg Datuk Kwek Leng San in the following corporations are no longer required to be recorded in the Register of Directors' Shareholdings of the Company pursuant to Section 59 of the Companies Act 2016:

1. *Guoco Group Limited*
2. *The Rank Group Plc.*

Legend:
(1) *Concept of par value was abolished with effect from 31 January 2017 pursuant to the Companies Act 2016.*
(2) *Vesting of shares.*

DIRECTORS' BENEFITS

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

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued share capital of the Company has been increased from 497,284,881 ordinary shares to 500,968,725 ordinary shares by the issuance and allotment of 3,683,844 new ordinary shares arising from the conversion of RM2,578,693 nominal value of redeemable convertible unsecured loan stocks ("RCULS") at the conversion price of RM0.70 for every 1 new ordinary share in the Company.

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS' REPORT
(cont'd.)

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 (formerly known as Hume Industries Berhad) and its subsidiaries and where applicable, associated companies) are covered under the Directors and Officers Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Group was RM10 million. The total amount of premium paid for the Directors and Officers Liability Insurance by the Group was RM57,711 and the apportioned amount of the said premium paid by the Company was RM16,370.

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;

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

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 2021 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
(cont'd.)

AUDITORS

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

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

On behalf of the Board,

Hugo Enrique Losada Barriola

Seow Yoo Lin

Date: 15 September 2021

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	4	845,939	899,368	36	47
Right-of-use assets	5	39,114	40,828	-	-
Investment property	6	6,443	6,697	-	-
Investments in subsidiaries	7	-	-	778,914	778,914
Deferred tax assets	8	11,662	16,031	5,102	6,799
Tax credit receivables	9	145,081	145,081	-	-
Total non-current assets		1,048,239	1,108,005	784,052	785,760
Inventories	10	82,184	64,215	-	-
Trade and other receivables, including derivatives	11	28,293	56,872	81	55
Current tax assets		759	913	-	13
Cash and cash equivalents	12	50,581	84,739	430	741
Total current assets		161,817	206,739	511	809
Total assets		1,210,056	1,314,744	784,563	786,569
Equity					
Share capital	13	494,406	491,827	494,406	491,827
Reserves	14	(259,719)	(232,276)	10,307	4,983
RCULS – equity portion	15	130,070	132,204	130,070	132,204
Total equity attributable to owners of the Company		364,757	391,755	634,783	629,014
Liabilities					
Loans and borrowings	16	309,313	209,140	120,049	-
Lease liabilities		923	1,655	-	-
Deferred tax liabilities	8	17,137	24,386	-	-
RCULS – liability portion	15	14,218	21,476	14,218	21,476
Deferred income	17	92,916	100,048	-	-
Employee benefits	18(a)	479	458	-	-
Other payables	19	507	507	-	-
Total non-current liabilities		435,493	357,670	134,267	21,476

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2021
(cont'd.)

		Group		Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Loans and borrowings	16	280,565	435,968	7,200	127,952
Lease liabilities		750	706	-	-
RCULS – liability portion	15	6,909	6,679	6,909	6,679
Deferred income	17	7,158	7,187	-	-
Trade and other payables	19	114,344	114,524	1,324	1,448
Tax payable		80	255	80	-
Total current liabilities		409,806	565,319	15,513	136,079
Total liabilities		845,299	922,989	149,780	157,555
Total equity and liabilities		1,210,056	1,314,744	784,563	786,569

The notes on pages 66 to 122 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2021

		Group		Company	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	20	604,641	585,390	2	3
Cost of sales		(480,340)	(480,344)	-	-
Gross profit		124,301	105,046	2	3
Distribution expenses		(113,145)	(108,452)	-	-
Administrative expenses		(25,886)	(28,009)	(1,418)	(2,111)
Other operating expenses		(8,077)	(14,295)	-	-
Other operating income		16,298	19,142	-	-
Results from operations		(6,509)	(26,568)	(1,416)	(2,108)
Interest income		567	1,448	15,072	15,327
Finance costs	21	(23,426)	(30,236)	(6,303)	(7,118)
(Loss)/Profit before taxation	21	(29,368)	(55,356)	7,353	6,101
Taxation	22	2,008	9,452	(1,991)	(1,757)
(Loss)/Profit for the year		(27,360)	(45,904)	5,362	4,344
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		(12)	62	-	-
Cash flow hedge		(11)	400	-	-
Total other comprehensive (expense)/income for the year	24	(23)	462	-	-
Total comprehensive (expense)/income for the year attributable to owners of the Company		(27,383)	(45,442)	5,362	4,344
Basic/Diluted loss per ordinary share (sen)	23	(5.48)	(9.28)		

The notes on pages 66 to 122 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2021

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

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2021
(cont'd.)

	Attributable to owners of the Company							
		Non-distributable						
Group (cont'd.)	**Share capital RM'000**	**RCULS - equity portion RM'000**	**Hedging reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Reserve for own shares RM'000**	**Executive Share Scheme reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
At 30 June 2020/1 July 2020	491,827	132,204	25	420	-	50	(232,771)	391,755
Loss for the year	-	-	-	-	-	-	(27,360)	(27,360)
Other comprehensive income/(expense)								
- Foreign currency translation differences for foreign operations	-	-	-	(12)	-	-	-	(12)
- Cash flow hedge	-	-	(11)	-	-	-	-	(11)
Total comprehensive income/(expense) for the year	-	-	(11)	(12)	-	-	(27,360)	(27, 383)
Contribution by and distribution to owners of the Company:								
- Conversion of RCULS	2,579	(2,134)	-	-	-	-	(38)	407
- Share-based payments	-	-	-	-	-	128	-	128
- Own share acquired	-	-	-	-	(150)	-	-	(150)
- Shares vested under ESS	-	-	-	-	50	(82)	32	-
Total transactions with owners of the Company	2,579	(2,134)	-	-	(100)	46	(6)	385
At 30 June 2021	494,406	130,070	14	408	(100)	96	(260,137)	364,757

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2021
(cont'd.)

	Attributable to owners of the Company			
	Non-distributable		Distributable	
	Share capital	RCULS - equity portion	Retained earnings	Total equity
Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 July 2019	488,306	135,109	603	624,018
Profit and total comprehensive income for the year	-	-	4,344	4,344
Contribution by and distribution to owners of the Company:				
- Conversion of RCULS	3,521	(2,905)	36	652
Total transactions with owners of the Company	3,521	(2,905)	36	652
At 30 June 2020/1 July 2020	491,827	132,204	4,983	629,014
Profit and total comprehensive income for the year	-	-	5,362	5,362
Contribution by and distribution to owners of the Company:				
- Conversion of RCULS	2,579	(2,134)	(38)	407
Total transactions with owners of the Company	2,579	(2,134)	(38)	407
At 30 June 2021	494,406	130,070	10,307	634,783

The notes on pages 66 to 122 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2021

		Group		Company	
		2021	**2020**	**2021**	**2020**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities					
(Loss)/Profit before taxation		(29,368)	(55,356)	7,353	6,101
Adjustments for:					
Amortisation of deferred income		(7,161)	(7,184)	-	-
Depreciation of investment property		254	255	-	-
Depreciation of property, plant and equipment		64,462	66,608	12	10
Depreciation of right-of-use assets		1,739	1,679	-	-
Impairment of property, plant and equipment		1,401	428	-	-
Dividend income from other investments		(572)	(753)	(2)	(3)
Finance costs		23,426	30,236	6,303	7,118
Gain on disposal of property, plant and equipment		-	(240)	-	-
Interest income		(567)	(1,448)	(15,072)	(15,327)
Property, plant and equipment written off		1,860	1,577	-	-
Provision for retirement benefits		54	62	-	-
Share-based payments		128	50	-	-
Unrealised loss on foreign exchange		605	445	-	-
Operating profit/(loss) before changes in working capital		56,261	36,359	(1,406)	(2,101)
Inventories		(17,969)	28,090	-	-
Trade and other receivables		28,508	8,088	(26)	470
Trade and other payables		(752)	(33,929)	(134)	(472)
Cash generated from/(used in) operations		66,048	38,608	(1,566)	(2,103)
Tax (paid)/refunded		(893)	(234)	(201)	(1)
Interest income received		567	1,448	15,072	15,327
Finance costs paid		(21,928)	(28,457)	(4,904)	(5,457)
Dividend received from other investments		572	753	2	3
Retirement benefits paid		(33)	(14)	-	-
Net cash generated from operating activities		44,333	12,104	8,403	7,769

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2021
(cont'd.)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		6	420	6	-
Acquisition of property, plant and equipment		(14,300)	(7,586)	(7)	(31)
Acquisition of right-of-use assets	(i)	-	(3,266)	-	-
Addition of investment in a subsidiary company		-	-	-	(21,000)
Net cash used in investing activities		(14,294)	(10,432)	(1)	(21,031)
Cash flows from financing activities					
Drawdown of borrowings	(iii)	514,159	803,259	157,518	130,587
Repayment of borrowings	(iii)	(569,643)	(821,747)	(158,342)	(130,860)
RCULS coupon payment	(iii)	(7,889)	(8,053)	(7,889)	(8,053)
Payment of lease liabilities	(ii)	(713)	(672)	-	-
Interest paid in relation to lease liabilities	(ii)	(99)	(118)	-	-
Net cash used in financing activities		(64,185)	(27,331)	(8,713)	(8,326)
Net decrease in cash and cash equivalents		(34,146)	(25,659)	(311)	(21,588)
Effect of exchange rate fluctuations on cash held		(12)	62	-	-
Cash and cash equivalents at 1 July 2020/2019		84,739	110,336	741	22,329
Cash and cash equivalents at 30 June		50,581	84,739	430	741

(i) During the prior financial year, the Group acquired right-of-use assets amounting to RM4,168,000 of which RM902,000 was payable under lease liabilities. There is no acquired right-of-use asset during the year.

(ii) Cash outflows for leases as a lessee

	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Included in net cash from operating activities				
Payment relating to short-term leases	6,259	6,347	-	-
Payment relating to leases of low-value assets	37	31	-	-
Payment relating to variable lease payments not included in the measurement of lease liabilities	17,339	15,991	-	-
Included in net cash from financing activities				
Payment of lease liabilities	713	672	-	-
Interest paid in relation to lease liabilities	99	118	-	-
Total cash outflows for leases	24,447	23,159	-	-

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2021
(cont'd.)

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

Group	At 1 July 2019 RM'000	Drawdown RM'000	Repayment RM'000	Foreign exchange RM'000	Others RM'000	At 30 June 2020/ 1 July 2020 RM'000	Drawdown RM'000	Repayment RM'000	Foreign exchange RM'000	Interest accreted RM'000	Others RM'000	At 30 June 2021 RM'000
Term loans	236,210	196,427	(112,860)	618	-	320,395	40,900	(191,554)	133	-	-	169,874
Medium term notes	-	-	-	-	-	-	99,318	-	-	121	-	99,439
Term revolving credit	90,000	-	(10,000)	-	-	80,000	-	(20,000)	-	-	-	60,000
Revolving credits	313,282	227,040	(311,327)	-	-	228,995	175,792	(145,357)	-	-	-	259,430
Bankers acceptances	23,486	379,792	(387,560)	-	-	15,718	198,149	(212,732)	-	-	-	1,135
Total loans and borrowings	662,978	803,259	(821,747)	618	-	645,108	514,159	(569,643)	133	121	-	589,878
Lease liabilities	2,131	-	(672)	-	902	2,361	-	(713)	-	-	25	1,673
RCULS liabilities	35,265	-	(8,053)	-	943	28,155	-	(7,889)	-	1,278	(417)	21,127
Total liabilities from financing activities	700,374	803,259	(830,472)	618	1,845	675,624	514,159	(578,245)	133	1,399	(392)	612,678
Company												
Term loans	112,860	115,587	(112,860)	-	-	115,587	40,900	(135,877)	-	-	-	20,610
Medium term notes	-	-	-	-	-	-	99,318	-	-	121	-	99,439
Revolving credits	15,365	15,000	(18,000)	-	-	12,365	17,300	(22,465)	-	-	-	7,200
Total loans and borrowings	128,225	130,587	(130,860)	-	-	127,952	157,518	(158,342)	-	-	-	127,249
RCULS liabilities	35,265	-	(8,053)	-	943	28,155	-	(7,889)	-	1,278	(417)	21,127
Total liabilities from financing activities	163,490	130,587	(138,913)	-	943	156,107	157,518	(166,231)	-	1,278	(417)	148,376

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

The immediate and ultimate holding companies of the Company are Hong Leong Manufacturing Group Sdn. Bhd. and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2021 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 2021 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 15 September 2021.

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.

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.

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/loss is recognised directly in equity.

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.

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.)

(i) Foreign currency transactions (cont'd.)

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

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

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve 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 instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Financial instruments (cont'd.)

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

(a) Amortised cost

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Financial instruments (cont'd.)

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

Financial assets (cont'd.)

(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.

(b) Amortised cost

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Financial instruments (cont'd.)

(iii) Regular way purchase or sale of financial assets

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.

(a) Fair value hedge

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Financial instruments (cont'd.)

(iv) Hedge accounting (cont'd.)

(b) Cash flow hedge

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

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

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

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

However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(c) Financial instruments (cont'd.)

(v) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. 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.

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.)

(i) Recognition and measurement (cont'd.)

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(e) Leases

(i) Definition of a lease

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

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

(ii) Recognition and initial measurement

(a) As a lessee

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

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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(e) Leases (cont'd.)

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

(a) As a lessee (cont'd.)

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

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

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

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

(b) As a lessor

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(e) Leases (cont'd.)

(iii) Subsequent measurement (cont'd.)

(a) As a lessee (cont'd.)

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

(i) 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. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

(ii) Reclassification to/from investment property

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

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(h) Cash and cash equivalents

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

(i) Impairment

(i) Financial assets

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

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

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(j) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(k) Compound financial instruments

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

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

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

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

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

(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.

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.)

(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.

(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.

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

(i) Revenue from contracts with customers

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

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

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss, except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs (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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(p) Taxation

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

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

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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 2021
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021
- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2021)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2021)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2021)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2021)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023
- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- 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*

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 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021.
- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 1 and MFRS 141 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 July 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of 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 2021	Effective interest 2020	Principal activities
Subsidiaries		%	%	
Hume Cement Sdn Bhd	Malaysia	100	100	Manufacture and sale of cement and cement related products.
Hume Concrete Sdn Bhd	Malaysia	100	100	Manufacture, marketing and sale of concrete and concrete related products and investment holding.
• Hume Concrete (EM) Sdn Bhd	Malaysia	100	100	Manufacture and sale of concrete and concrete related products.
• Hume Concrete Products Research Centre Sdn Bhd	Malaysia	100	100	Dormant.
Hume RMX Sdn Bhd	Malaysia	100	100	Dormant.
Hume RMC Sdn Bhd	Malaysia	100	100	Investment holding.
• Top Master Construction (Philippines), Inc.*	Philippines	100	100	Dormant.

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

4. PROPERTY, PLANT AND EQUIPMENT

Group	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 2019	83,361	1,195,582	46,229	796	1,325,968
Additions	-	1,885	4,331	1,370	7,586
Disposal	-	(3,501)	(555)	-	(4,056)
Written off	-	(52)	(4,103)	-	(4,155)
Reclassification	-	224	143	(367)	-
Transfer to inventories	-	-	(3,320)	-	(3,320)
At 30 June 2020/1 July 2020	83,361	1,194,138	42,725	1,799	1,322,023
Additions	108	3,863	6,473	3,856	14,300
Disposal	-	(106)	(9)	-	(115)
Written off	-	-	(3,076)	-	(3,076)
Reclassification	-	284	523	(807)	-
At 30 June 2021	83,469	1,198,179	46,636	4,848	1,333,132

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

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

Group (cont'd.)	Buildings	Plant and machinery	Office equipment, fittings, software, spare parts and motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation and impairment loss					
At 1 July 2019					
Accumulated depreciation	32,777	301,720	27,043	-	361,540
Accumulated impairment	385	118	30	-	533
	33,162	301,838	27,073	-	362,073
Charge for the year	1,939	58,022	6,647	-	66,608
Impairment for the year	428	-	-	-	428
Disposal	-	(3,501)	(375)	-	(3,876)
Written off	-	(52)	(2,526)	-	(2,578)
At 30 June 2020/1 July 2020					
Accumulated depreciation	34,716	356,189	30,789	-	421,694
Accumulated impairment	813	118	30	-	961
	35,529	356,307	30,819	-	422,655
Charge for the year	1,600	58,304	4,558	-	64,462
Impairment for the year	1,401	-	-	-	1,401
Disposal	-	(106)	(3)	-	(109)
Written off	-	-	(1,216)	-	(1,216)
At 30 June 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
Carrying amounts					
At 1 July 2019	50,199	893,744	19,156	796	963,895
At 30 June 2020/1 July 2020	47,832	837,831	11,906	1,799	899,368
At 30 June 2021	44,939	783,674	12,478	4,848	845,939

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

Company	Office equipment RM'000
Cost	
At 1 July 2019	38
Additions	31
At 30 June 2020/1 July 2020	69
Additions	7
Disposal	(8)
At 30 June 2021	68
Accumulated depreciation	
At 1 July 2019	12
Charge for the year	10
At 30 June 2020/1 July 2020	22
Charge for the year	12
Disposal	(2)
At 30 June 2021	32
Carrying amounts	
At 1 July 2019	26
At 30 June 2020/1 July 2020	47
At 30 June 2021	36

4.1 Impairment testing of property, plant and equipment

In the current financial year, 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 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 lives of the respective plants. The value-in-use has been calculated by forecasting and discounting future cash flows to be generated by the respective plants based on the following key assumptions:

Concrete

(a) The management has projected cash flows for 5 years (2020: 5 years) and extended the cash flows projections for a further 2 years (2020: 2 years) by applying no growth rate (2020: 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 8% (2020: 1% to 7%) and 5% to 75% (2020: 2% to 18%) 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 4.26% (2020: 7.5%).

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

4.2 Impairment sensitivity analysis

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

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

Concrete

- A 1% reduction in selling price and sales volume would have decreased recoverable value by RM1.1 million and RM4.6 million respectively.

5. RIGHT-OF-USE ASSETS

Group	Leasehold land	Office premises	Total
	RM'000	RM'000	RM'000
Upon initial application of MFRS 16	36,208	2,131	38,339
Addition	3,266	902	4,168
Depreciation	(1,010)	(669)	(1,679)
At 30 June 2020/1 July 2020	38,464	2,364	40,828
Lease modification	-	25	25
Depreciation	(983)	(756)	(1,739)
At 30 June 2021	37,481	1,633	39,114

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.

Group	Lease liabilities recognised (discounted)	Potential future lease payments not included in lease liabilities (discounted)	Historical rate of exercise of extension options
	RM'000	RM'000	%
Office premises	1,673	-	100

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

5.2 Variable lease payments based on production

The quarry related machineries contain variable lease payments that are based on production that the Group makes. Fixed and variable payments for the period ended 30 June 2021 were as follows:

Group	Fixed payments	Variable payments	Total payments	Estimated annual impact on lease payments of a 1% increase in production
	RM'000	RM'000	RM'000	RM'000
Leases with lease payments based on production	-	17,339	17,339	173

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

5.3 Significant judgements and assumptions in relation to leases

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

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

5.4 Restriction imposed by lease contracts

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

6. INVESTMENT PROPERTY

	Group
	RM'000
Cost	
At 1 July 2019/30 June 2020/1 July 2020/30 June 2021	12,131
Accumulated depreciation	
At 1 July 2019	5,179
Charge for the year	255
At 30 June 2020/1 July 2020	5,434
Charge for the year	254
At 30 June 2021	5,688
Carrying amounts	
At 1 July 2019	6,952
At 30 June 2020/1 July 2020	6,697
At 30 June 2021	6,443

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.

6. INVESTMENT PROPERTY (cont'd.)

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

	Group	
	2021	2020
	RM'000	RM'000
Lease income	2,030	2,030
Direct operating expenses:		
- income generating investment property	575	546

6.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

	Group	
	2021	2020
	RM'000	RM'000
Less than 1 year	2,148	2,030
1 - 2 years	2,314	2,291
2 - 3 years	2,314	2,314
3 - 4 years	2,798	2,314
4 - 5 years	2,842	2,798
More than 5 years	3,079	5,921
Total undiscounted lease payments	15,495	17,668

6.2 Fair value information

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

	2021	2020
	RM'000	RM'000
Land and building	55,747	51,490

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	
	2021	2020
	RM'000	RM'000
At cost		
Unquoted shares	504,910	504,910
Redeemable Convertible Unsecured Loan Stock	306,000	306,000
Less: Accumulated impairment loss	(31,996)	(31,996)
	778,914	778,914

Impairment losses are recognised based on the excess of carrying amount over recoverable amount, which is determined based on either the fair value of the net assets of the subsidiaries or the recoverable amount of the cash-generating unit based on value in use and the fair value less costs of disposal whichever is higher.

The subsidiaries and their principal activities are disclosed in Note 3 to the financial statements.

8. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	2021	2020	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	-	-	(167,049)	(162,519)	(167,049)	(162,519)
Right-of-use assets	-	-	(405)	(568)	(405)	(568)
Lease liabilities	402	567	-	-	402	567
Unabsorbed capital allowances	141,681	129,440	-	-	141,681	129,440
Other deductible temporary differences	9,301	6,374	-	-	9,301	6,374
Tax losses carry-forwards	3,790	6,679	-	-	3,790	6,679
RCULS	5,102	6,799	-	-	5,102	6,799
Other items	1,703	4,873	-	-	1,703	4,873
Tax assets/(liabilities)	161,979	154,732	(167,454)	(163,087)	(5,475)	(8,355)
Set off of tax	(150,317)	(138,701)	150,317	138,701	-	-
Net tax assets/(liabilities)	11,662	16,031	(17,137)	(24,386)	(5,475)	(8,355)

Unrecognised deferred tax assets

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

	2021	2020
Group	RM'000	RM'000
Tax losses carry-forwards	123,228	101,376
Unutilised reinvestment allowances	3,840	3,840
Other deductible temporary differences	953	3,015
	128,021	108,231

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

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

Unrecognised deferred tax assets (cont'd.)

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

Tax losses can be carried forward for seven consecutive years of assessment under current tax legislation. The unutilised tax losses amounting to RM71,185,000 will expire in year of assessment ("YA") 2025 while remaining of RM42,841,000 will expire in YA2026 and RM9,202,000 will expire in YA2027. 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 1.7.2019	Recognised in profit or loss (Note 22)	At 30.6.2020/ 1.7.2020	Recognised in profit or loss (Note 22)	At 30.6.2021
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	(159,720)	(2,799)	(162,519)	(4,530)	(167,049)
Right-of-use assets	(512)	(56)	(568)	163	(405)
Lease liabilities	512	55	567	(165)	402
Unabsorbed capital allowances	108,878	20,562	129,440	12,241	141,681
Other deductible temporary differences	9,863	(3,489)	6,374	2,927	9,301
Tax losses carry forward	11,198	(4,519)	6,679	(2,889)	3,790
RCULS	8,508	(1,709)	6,799	(1,697)	5,102
Other items	(54)	4,927	4,873	(3,170)	1,703
	(21,327)	12,972	(8,355)	2,880	(5,475)

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

Company	2021	2020
	RM'000	RM'000
RCULS	5,102	6,799

Movement in temporary differences during the year

Company	At 1.7.2019	Recognised in profit or loss (Note 22)	At 30.6.2020/ 1.7.2020	Recognised in profit or loss (Note 22)	At 30.6.2021
	RM'000	RM'000	RM'000	RM'000	RM'000
RCULS	8,508	(1,709)	6,799	(1,697)	5,102

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

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

8.1 Assessment of future taxable profits

Hume Concrete Sdn. Bhd. has recognised RM3.8 million (2020: RM6.7 million) of tax losses carry forward. The Group considered that it is probable that future taxable profits will be available against which the tax benefit can be utilised. The management has applied the key assumptions as stated in Note 4.1 in arriving at the projected future taxable profits. Following the assessment, the subsidiary has reversed RM2.9 million (2020: RM4.5 million) of deferred tax assets on tax losses carry forward.

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

9. TAX CREDIT RECEIVABLES

Group	2021 RM'000	2020 RM'000
Unutilised investment tax allowance	69,217	69,217
Unutilised reinvestment allowance	75,864	75,864
	145,081	145,081

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

(a) The management has projected cash flows for 5 years (2020: 5 years) and extended the cash flows projections for a further 20 years (2020: 20 years) by applying no growth rate (2020: 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 -3% to 5% (2020: 1% to 8%) and -1% to 17% (2020: 3% to 28%) respectively, taking into consideration past business performance and management's expectation on the current and future market conditions.

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	
	2021 RM'000	2020 RM'000
Raw materials, consumables and engineering spares	63,515	48,953
Work-in-progress	64	27
Finished goods	18,605	15,235
	82,184	64,215
Recognised in profit or loss:		
Inventories recognised as cost of sales	322,825	324,617

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

11. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	**2021**	**2020**	**2021**	**2020**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Trade					
Trade receivables from contracts with customers					
- Third parties		22,941	47,326	-	-
- Related companies	11.1	503	3,757	-	-
		23,444	51,083	-	-
Less: Allowance for impairment losses		(851)	(1,400)	-	-
		22,593	49,683	-	-
Non-trade					
Amount due from related companies	11.2	-	100	-	-
Other receivables		508	2,402	60	30
Deposits		1,868	1,192	2	2
Prepayments		3,310	3,470	19	23
Derivative used for hedging					
- forward exchange contract	11.3	14	25	-	-
		5,700	7,189	81	55
		28,293	56,872	81	55

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

Note 11.2
The non-trade amounts due from related companies are unsecured, interest free and collectable on demand.

Note 11.3
The total notional amount of the forward exchange contracts as at 30 June 2021 was USD1,479,000 (RM6,134,000) (2020: USD3,877,000 (RM16,601,000)).

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits with licensed banks	18,284	40,708	-	-
Investment in money market fund	23,423	-	-	-
Cash and bank balances	8,874	44,031	430	741
	50,581	84,739	430	741

12. CASH AND CASH EQUIVALENTS (cont'd.)

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	18,284	40,708	-	-
Investment in money market fund	23,423	-	-	-
Cash and bank balances	5,656	34,131	430	741
	47,363	74,839	430	741

13. SHARE CAPITAL

	Group and Company			
	Number of shares 2021	Amount 2021	Number of shares 2020	Amount 2020
	'000	RM'000	'000	RM'000
Issued ordinary shares:				
At 1 July	497,285	491,827	492,255	488,306
Conversion of RCULS	3,684	2,579	5,030	3,521
At 30 June	500,969	494,406	497,285	491,827

During the financial year, the issued share capital of the Company has been increased from 497,284,881 ordinary shares to 500,968,725 ordinary shares by the issuance and allotment of 3,683,844 new ordinary shares arising from the conversion of RM2,578,693 nominal value of RCULS at the conversion price of RM0.70 for every 1 new ordinary share in the Company.

14. RESERVES

	Note	Group		Company	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Exchange fluctuation reserve	14.1	408	420	-	-
Executive share scheme reserve	14.2	96	50	-	-
Hedging reserve	14.3	14	25	-	-
Reserve for own shares	14.4	(100)	-	-	-
(Accumulated losses)/Retained earnings		(260,137)	(232,771)	10,307	4,983
		(259,719)	(232,276)	10,307	4,983

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

14. RESERVES (cont'd.)

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 2021, the total number of HCIB Shares held by the ESS Trusts at the Group level was 133,334 (2020: Nil) HCIB Shares.

At the Group level, during the financial year-to-date, a total of 66,666 (2020: Nil) 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.

15. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

	Group and Company	
	2021	**2020**
	RM'000	**RM'000**
RCULS – Equity portion	130,070	132,204
RCULS – Liability portion:		
- Non-current	14,218	21,476
- Current	6,909	6,679
	21,127	28,155
	151,197	160,359

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

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

The RCULS have a maturity date of 29 May 2024 ("Maturity Date"). The coupon rate of the RCULS is 5% per annum calculated on the nominal value of the RCULS then outstanding and payable semi-annually in arrears each year. The RCULS holders have the right to convert all or any part of the RCULS held by them into ordinary shares of 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, RM2,578,693 (2020: RM3,521,078) nominal value of RCULS were converted into 3,683,844 (2020: 5,030,106) new HCIB shares. At the end of the reporting period, RM157,161,307 (2020: RM159,740,000) nominal value of RCULS remained unconverted.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

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

	Group and Company	
	2021	2020
	RM'000	RM'000
RCULS – Equity portion		
At 1 July	132,204	135,109
Conversion of RCULS to share capital	(2,134)	(2,905)
At 30 June	130,070	132,204
RCULS – Liability portion		
At 1 July	28,155	35,265
Coupon payment	(7,889)	(8,053)
Interest accreted	1,278	1,661
Movement in accrued coupon payment	(10)	(33)
Conversion of RCULS to share capital	(407)	(685)
At 30 June	21,127	28,155

16. LOANS AND BORROWINGS

		Group		Company	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Non-current (Unsecured)					
Term loans		169,874	149,140	20,610	-
Medium term notes	(a)	99,439	-	99,439	-
Term revolving credit		40,000	60,000	-	-
		309,313	209,140	120,049	-
Current (Unsecured)					
Term loans		-	171,255	-	115,587
Term revolving credit		20,000	20,000	-	-
Revolving credits		259,430	228,995	7,200	12,365
Bankers acceptances		1,135	15,718	-	-
		280,565	435,968	7,200	127,952
		589,878	645,108	127,249	127,952

(a) During the financial year, 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 5.00% per annum, payable semi-annually.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

17. DEFERRED INCOME

	Group	
	2021	2020
	RM'000	RM'000
Non-current		
Investment tax allowance	37,647	41,069
Reinvestment allowance	55,269	58,979
	92,916	100,048
Current		
Investment tax allowance	3,422	3,422
Reinvestment allowance	3,736	3,765
	7,158	7,187
	100,074	107,235

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 RM7,161,000 (2020: RM7,184,000) has been amortised and recognised as other operating income in profit or loss of the Group.

18. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group	
	2021	2020
	RM'000	RM'000
At 1 July	458	410
Provision	54	62
Payments	(33)	(14)
At 30 June	479	458

(b) Executive Share Scheme ("ESS")

The Company has, on 12 November 2014 ("Effective Date"), implemented an ESS comprising an executive share option scheme ("ESOS") and an executive share grant scheme ("ESGS") of up to 10% of the total number of issued ordinary shares of the Company for the benefit of eligible executives. The ESS will be in force for a period of 10 years from the Effective Date.

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.

18. EMPLOYEE BENEFITS (cont'd.)

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

2. The aggregate number of shares comprised in:
    - (i) exercised options;
    - (ii) unexercised options;
    - (iii) unexpired option offers and unexpired grant offers pending acceptances by the eligible executives;
    - (iv) outstanding grants;
    - (v) completed grants; and
    - (vi) exercised options, unexercised options, outstanding grants, completed grants and unexpired offers pending acceptances, under any other executive share schemes established by the Company which are still subsisting,

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

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

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

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

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

ESGS

During the previous financial year ended 30 June 2020 and since the commencement of the ESS, the Group granted 200,000 ordinary shares in HCIB ("HCIB Shares"), free of consideration to a director/chief executive of the Group. Out of which, 66,666 free HCIB Shares have been vested during the financial year ended 30 June 2021 and 133,334 HCIB Shares remain outstanding as at 30 June 2021. The actual percentage of HCIB Shares granted to a director/senior management of the Group was 0.04% based on the total number of issued ordinary shares of the Company as at 30 June 2021.

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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

18. EMPLOYEE BENEFITS (cont'd.)

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

ESGS (cont'd.)

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

	Group	
	2021	2020
	RM'000	RM'000
HCIB Shares Grant	(128)	(50)

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

	Group	
	2021	2020
Fair value at grant date	RM1.27	RM1.26

19. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Non-current					
Other payables	19.1	507	507	-	-
Current					
Trade					
Trade payables					
- Third parties		83,392	85,467	-	-
- Related companies	19.2	1,218	423	-	-
		84,610	85,890	-	-
Non-trade					
Amount due to related companies	19.3	192	23	-	-
Other payables		4,803	3,097	-	-
Accrued expenses		24,739	25,514	1,324	1,448
		29,734	28,634	1,324	1,448
		114,344	114,524	1,324	1,448
		114,851	115,031	1,324	1,448

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. REVENUE

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers	602,609	583,357	-	-
Other revenue				
- Rental income	2,030	2,030	-	-
- Dividend income	2	3	2	3
Total revenue	604,641	585,390	2	3

20.1 Disaggregation of revenue

	Construction materials		Total	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Major products				
Cement	555,397	533,073	555,397	533,073
Concrete	47,212	50,284	47,212	50,284
	602,609	583,357	602,609	583,357
Timing and recognition				
At a point in time	602,609	583,357	602,609	583,357

20.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

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

20.3 Transaction price allocated to the remaining performance obligations

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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

21. (LOSS)/PROFIT BEFORE TAXATION

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 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		234	224	40	40
Other services					
- Holding company's auditors		3	3	3	3
Material (income)/expenses					
Dividend income from other investments					
- Recognised in revenue		(2)	(3)	(2)	(3)
- Recognised in other operating income		(572)	(753)	-	-
Gain on disposal of property, plant and equipment		-	(240)	-	-
(Gain)/Loss on foreign exchange					
- Realised		(959)	(1,061)	-	-
- Unrealised		605	445	-	-
Personnel expenses (including Directors of the Company):					
- Wages, salaries and others		47,448	46,105	-	-
- Contribution to Employees Provident Fund		4,206	3,623	-	-
- Share-based payment		128	50	-	-
Property, plant and equipment					
- Written off		1,860	1,577	-	-
- Impairment loss		1,401	428	-	-
Expenses arising from leases					
Expenses relating to short-term leases	a	6,259	6,347	-	-
Expenses relating to leases of low-value assets		37	31	-	-
Expenses relating to variable lease payments not included in the measurement of lease liabilities		17,339	15,991	-	-
Net loss on impairment of financial instruments					
Financial assets at amortised cost		(549)	469	-	-

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

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

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Finance costs					
Interest expense on lease liabilities		99	118	-	-
Other finance costs		23,327	30,118	6,303	7,118
		23,426	30,236	6,303	7,118

Note a
The Group leases buildings, plant and equipment, office equipment and motor 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.

22. TAXATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current taxation				
Malaysian				
- Current year	868	3,506	294	-
- Prior years	4	14	-	48
	872	3,520	294	48
Deferred taxation				
- Current year	(3,564)	(12,855)	1,697	1,691
- Prior years	684	(117)	-	18
	(2,880)	(12,972)	1,697	1,709
	(2,008)	(9,452)	1,991	1,757

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(Loss)/Profit before taxation	(29,368)	(55,356)	7,353	6,101
Taxation at Malaysian statutory tax rate of 24%	(7,048)	(13,285)	1,765	1,464
Non-deductible expenses	1,384	1,070	152	103
Non-taxable income	(1,856)	(2,247)	-	(1)
Deferred tax assets not recognised	4,750	4,949	-	-
Effect of early conversion of RCULS	74	164	74	125
	(2,696)	(9,349)	1,991	1,691
Under/(Over) provision in prior years	688	(103)	-	66
	(2,008)	(9,452)	1,991	1,757

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

23. LOSS PER ORDINARY SHARE

Basic loss per ordinary share

The basic loss per ordinary share is calculated by dividing the Group's loss for the year attributable to owners of the Company of RM27,360,000 (2020: RM45,904,000) by the weighted average number of ordinary shares outstanding during the financial year of 499,506,000 (2020: 494,727,200) as follows:

	2021 '000	2020 '000
Weighted average number of ordinary shares		
Number of ordinary shares at beginning of year	497,285	492,255
Effect of conversion of RCULS	2,221	2,472
Less:		
Trust shares purchased during the year	(133)	–
Effect of Trust shares vested	28	-
	(105)	-
Weighted average number of ordinary shares outstanding during the year	499,401	494,727
Basic loss per ordinary share (sen)	(5.48)	(9.28)

Diluted loss per ordinary share

As at the end of the reporting period, there is 157,161,307 (2020: 159,740,000) of RCULS in issue which are convertible into 224,516,153 (2020: 228,200,000) new ordinary shares of the Company.

The potential ordinary shares of 157,161,307 (2020: 159,740,000) RCULS and 133,334 (2020: 200,000) ESGS are anti-dilutive.

24. OTHER COMPREHENSIVE INCOME/(EXPENSE)

	Before tax RM'000	Taxation RM'000	Net of tax RM'000
2021			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(12)	-	(12)
Cash flow hedge	(11)	-	(11)
	(23)	-	(23)
2020			
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	62	-	62
Cash flow hedge	400	-	400
	462	-	462

25. OPERATING SEGMENTS

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

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	
	2021	2020
	RM'000	RM'000
Segment loss	(6,489)	(25,953)
Included in the measure of segment loss are:		
Revenue from external customers	602,609	583,357
Depreciation	(66,189)	(68,277)

Reconciliation of reportable segment loss

	2021	2020
	RM'000	RM'000
Loss		
Reportable segment	(6,489)	(25,953)
Non-reportable segment	(20)	(615)
Interest income	567	1,448
Finance costs	(23,426)	(30,236)
Consolidated loss before taxation	(29,368)	(55,356)

	2021		2020	
	External revenue	Depreciation	External revenue	Depreciation
	RM'000	RM'000	RM'000	RM'000
Reportable segment	602,609	66,189	583,357	68,277
Non-reportable segment	2,032	266	2,033	265
Total	604,641	66,455	585,390	68,542

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

25. OPERATING SEGMENTS (cont'd.)

Geographical information

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

	Revenue	
	2021	**2020**
	RM'000	**RM'000**
Malaysia	551,820	568,405
Others	52,821	16,985
	604,461	585,390

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

Major customer

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

26. RELATED PARTIES

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

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

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

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

26. RELATED PARTIES (cont'd.)

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

Significant transactions with related parties are as follows:

		Group	
		2021	**2020**
Transaction	**Related party**	**RM'000**	**RM'000**
a) Rental of office	Subsidiary and associated companies of HLCM	812	770
b) Receipt of security guard services	Subsidiary and associated companies of HLCM	-	335
c) Receipt of group management and/or support services	Subsidiaries of HLCM	3,381	2,398
d) Payment for usage of the Hong Leong logo and trademark	A subsidiary company of HLCM	25	14
e) Purchase of goods	Subsidiaries of HLCM	3,384	5,151
	Hong Bee Hardware	1,134	852
	Tasek	-	2,047
f) Received of logistics related services	Subsidiaries of HLCM	155	13
g) Sale of goods	Subsidiaries of HLCM	3,175	32,595
	Hong Bee Hardware	35,005	22,470
	Tasek	-	2,437

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

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

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

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors				
Remuneration and other benefits	2,946	2,056	-	-
Non-Executive Directors				
Fees	382	382	382	382

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors	47	24	-	-

27. FINANCIAL INSTRUMENTS

27.1 Categories of financial instruments

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

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

	Carrying amount RM'000	FAAC/FLAC RM'000	Derivative used for hedging RM'000
2021			
Group			
Financial assets			
Trade and other receivables, including derivatives (excluding prepayments)	24,983	24,969	14
Cash and cash equivalents	50,581	50,581	-
	75,564	75,550	14
Financial liabilities			
RCULS – Liability portion	21,127	21,127	-
Loans and borrowings	589,878	589,878	-
Trade and other payables	114,851	114,851	-
	725,856	725,856	-
Company			
Financial assets			
Trade and other receivables (excluding prepayments)	62	62	-
Cash and cash equivalents	430	430	-
	492	492	-
Financial liabilities			
RCULS – Liability portion	21,127	21,127	-
Loans and borrowings	127,249	127,249	-
Trade and other payables	1,324	1,324	-
	149,700	149,700	-

27. FINANCIAL INSTRUMENTS (cont'd.)

27.1 Categories of financial instruments (cont'd.)

	Carrying amount RM'000	FAAC/FLAC RM'000	Derivative used for hedging RM'000
2020			
Group			
Financial assets			
Trade and other receivables, including derivatives (excluding prepayments)	53,402	53,377	25
Cash and cash equivalents	84,739	84,739	-
	138,141	138,116	25
Financial liabilities			
RCULS – Liability portion	28,155	28,155	-
Loans and borrowings	645,108	645,108	-
Trade and other payables	115,031	115,031	-
	788,294	788,294	-
Company			
Financial assets			
Trade and other receivables (excluding prepayments)	32	32	-
Cash and cash equivalents	741	741	-
	773	773	-
Financial liabilities			
RCULS – Liability portion	28,155	28,155	-
Loans and borrowings	127,952	127,952	-
Trade and other payables	1,448	1,448	-
	157,555	157,555	-

27.2 Net gains and losses arising from financial instrument

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net gains/(losses) on:				
Financial assets measured at amortised cost	2,647	2,771	15,074	15,330
Financial liabilities measured at amortised cost	(23,932)	(30,680)	(6,302)	(7,118)
Derivative used for hedging	(11)	400	-	-
	(21,296)	(27,509)	8,772	8,212

27. FINANCIAL INSTRUMENTS (cont'd.)

27.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

As at the end of the reporting period, there were no significant concentrations of credit risk other than two customers which represented 13% (2020: two customers – 12%) 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.

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

27. FINANCIAL INSTRUMENTS (cont'd.)

27.4 Credit risk (cont'd.)

Receivables (cont'd.)

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

Group	Gross	Impairment loss allowance	Net
	RM'000	RM'000	RM'000
2021			
Current (not past due)	16,647	-	16,647
Past due 0 – 30 days	4,532	-	4,532
Past due 31 – 60 days	833	(188)	645
Past due 61 – 90 days	784	(90)	694
Past due more than 90 days	648	(573)	75
	23,444	(851)	22,593
2020			
Current (not past due)	44,504	-	44,504
Past due 0 – 30 days	954	-	954
Past due 31 – 60 days	1,874	(161)	1,713
Past due 61 – 90 days	1,159	(189)	970
Past due more than 90 days	2,592	(1,050)	1,542
	51,083	(1,400)	49,683

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	
	2021	2020
	RM'000	RM'000
Balance at 1 July 2020/2019	1,400	931
Net (reversal of impairment loss)/impairment loss allowance	(549)	469
Balance at 30 June	851	1,400

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.

27. FINANCIAL INSTRUMENTS (cont'd.)

27.4 Credit risk (cont'd.)

Cash and cash equivalents and forward exchange contracts

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

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

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

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

27.5 Liquidity risk

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

27. FINANCIAL INSTRUMENTS (cont'd.)

27.5 Liquidity risk (cont'd.)

Maturity analysis (cont'd.)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 5 years RM'000	More than 5 years RM'000
Group						
2021						
Non-derivative financial liabilities						
Trade and other payables	114,851		114,851	114,344	507	-
RCULS – Liability portion	21,127	5.0	22,885	7,858	15,027	-
Loans and borrowings	589,878	3.0 – 4.0	625,369	292,923	301,810	30,636
Lease liabilities	1,673	3.4 - 5.0	1,761	813	948	-
	727,529		764,866	415,938	318,292	30,636
Company						
2021						
Non-derivative financial liabilities						
Trade and other payables	1,324		1,324	1,324	-	-
RCULS – Liability portion	21,127	5.0	22,885	7,858	15,027	-
Loans and borrowings	127,249	3.0 – 4.0	140,111	11,987	128,124	-
	149,700		164,320	21,169	143,151	-
Group						
2020						
Non-derivative financial liabilities						
Trade and other payables	115,031		115,031	114,524	507	-
RCULS – Liability portion	28,155	5.0	29,563	7,013	22,550	-
Loans and borrowings	645,108	3.6 - 4.9	670,677	453,103	155,001	62,573
Lease liabilities	2,361	5.0	2,480	741	1,739	-
	790,655		817,751	575,381	179,797	62,573
Company						
2020						
Non-derivative financial liabilities						
Trade and other payables	1,448		1,448	1,448	-	-
RCULS – Liability portion	28,155	5.0	29,563	7,013	22,550	-
Loans and borrowings	127,952	3.6 - 4.4	133,211	133,211	-	-
	157,555		164,222	141,672	22,550	-

27. FINANCIAL INSTRUMENTS (cont'd.)

27.6 Market risk

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

27.6.1 Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

	Denominated in USD	
	2021	**2020**
	RM'000	**RM'000**
Group		
Cash and cash equivalents	1,715	5,647
Trade and other payables	(25,331)	(16,577)
	(23,616)	(10,930)

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 RM1,180,800 (2020: RM546,500). A 5% weakening of Ringgit Malaysia against USD at the end of the reporting period would have equal but opposite effect on profit or loss. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

27.6.2 Interest rate risk

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

Exposure to interest rate risk

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

27. FINANCIAL INSTRUMENTS (cont'd.)

27.6 Market risk (cont'd.)

27.6.2 Interest rate risk (cont'd.)

Exposure to interest rate risk (cont'd.)

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Deposits with licensed banks	18,284	40,708	-	-
RCULS – Liability portion	(21,127)	(28,155)	(21,127)	(28,155)
Loans and borrowings	(329,313)	(344,726)	(120,049)	(115,587)
Lease liabilities	(1,673)	(2,361)	-	-
	(333,829)	(334,534)	(141,176)	(143,742)
Floating rate instruments				
Investment in money market fund	23,423	-	-	-
Loans and borrowings	(260,565)	(300,382)	(7,200)	(12,365)
	(237,142)	(300,382)	(7,200)	(12,365)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase of 50 basis points ("bp") (2020: 50 bp) in interest rates at the end of the reporting period would have decreased the profit before taxation of the Group and the Company by RM1,186,000 and RM36,000 respectively (2020: RM1,502,000 and RM62,000 respectively). A decrease of 50 bp in interest rates would have had equal but opposite effect on profit or loss. This analysis assumes that all other variables remained constant.

27. FINANCIAL INSTRUMENTS (cont'd.)

27.7 Hedging activities

27.7.1 Cash flow hedge

The Group has entered into a number of forward exchange contracts to hedge the cash flow risk in relation to the variations of cash flows arising from purchase of raw materials. These forward exchange contracts have a total notional amount of USD1,479,000 (2020: USD3,877,000) and all of the forward exchange contracts have maturities of less than one year after the end of the reporting period.

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

Group	Carrying amount RM'000	Expected cash flow RM'000	Under 1 year RM'000
2021			
Forward exchange contracts	14	14	14
2020			
Forward exchange contracts	25	25	25

27.8 Fair value information

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

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

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

27. FINANCIAL INSTRUMENTS (cont'd.)

27.8 Fair value information (cont'd.)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value RM'000	Carrying amount RM'000
Group										
2021										
Financial assets										
Forward exchange contract	-	14	-	14	-	-	-	-	14	14
Financial liabilities										
Term loans	-	-	-	-	-	-	169,874	169,874	169,874	169,874
Medium term notes	-	-	-	-	-	-	99,439	99,439	99,439	99,439
Term revolving credit	-	-	-	-	-	-	60,000	60,000	60,000	60,000
RCULS - Liability portion	-	-	-	-	-	-	21,127	21,127	21,127	21,127
Other payables	-	-	-	-	-	-	448	448	448	507
	-	-	-	-	-	-	350,888	350,888	350,888	350,947
2020										
Financial assets										
Forward exchange contract	-	25	-	25	-	-	-	-	25	25
Financial liabilities										
Term loans	-	-	-	-	-	-	320,395	320,395	320,395	320,395
Term revolving credit	-	-	-	-	-	-	80,000	80,000	80,000	80,000
RCULS - Liability portion	-	-	-	-	-	-	28,155	28,155	28,155	28,155
Other payables	-	-	-	-	-	-	486	486	486	507
	-	-	-	-	-	-	429,036	429,036	429,036	429,057

27. FINANCIAL INSTRUMENTS (cont'd.)

27.8 Fair value information (cont'd.)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company										
2021										
Financial liabilities										
Term loans	-	-	-	-	-	-	20,610	20,610	20,610	20,610
Medium term notes	-	-	-	-	-	-	99,439	99,439	99,439	99,439
RCULS - Liability portion	-	-	-	-	-	-	21,127	21,127	21,127	21,127
	-	-	-	-	-	-	141,176	141,176	141,176	141,176
2020										
Financial liabilities										
Term loans	-	-	-	-	-	-	115,587	115,587	115,587	115,587
RCULS - Liability portion	-	-	-	-	-	-	28,155	28,155	28,155	28,155
	-	-	-	-	-	-	143,742	143,742	143,742	143,742

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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

28. CAPITAL MANAGEMENT

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

The debt-to-equity ratios are as follows:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Loans and borrowings	589,878	645,108
Lease liabilities	1,673	2,361
RCULS – Liability portion	21,127	28,155
Less: Cash and cash equivalents	(50,581)	(84,739)
Net debt	562,097	590,885
Total equity	364,757	391,755
Debt-to-equity ratio	1.54	1.51

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 57 to 122 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2021 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Hugo Enrique Losada Barriola
Director

Seow Yoo Lin
Director

15 September 2021

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 (formerly known as Hume Industries Berhad), do solemnly and sincerely declare that the financial statements set out on pages 57 to 122 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 15 September 2021.

Lau Ping Ong

Before me:

Abdul Shukor MD Noor
Commissioner For Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of Hume Cement Industries Berhad

(formerly known as Hume Industries Berhad)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hume Cement Industries Berhad (formerly known as Hume Industries Berhad), which comprise the statements of financial position as at 30 June 2021 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 57 to 122.

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 2021 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
(formerly known as Hume Industries Berhad)
(cont'd.)

Key Audit Matters (cont'd.)

1. Valuation of property, plant and equipment

Refer to Note 4 to the financial statements.

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

2. Recognition of tax benefits

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

The key audit matter	How the matter was addressed in our audit
The Group recognised RM11.6 million of deferred tax assets and RM145.1 million of tax credit receivables as at the end of the current financial year. As disclosed in Note 8 and 9 to the financial statements, the deferred tax assets and tax credit receivables were mainly related to respective subsidiaries' unutilised tax losses, investment tax allowance and reinvestment allowance of RM3.8 million, RM69.2 million and RM75.9 million respectively. This is a key audit matter due to the degree of management judgement involved in determining whether it is probable that the subsidiary will have sufficient future taxable profits to utilise the tax benefits therefrom. Changes in judgements and the unpredictability of future events could impact on the amount of tax credit receivables and deferred tax assets recognised by the Group.	Our audit procedures included, amongst others: • Assessed taxable profits projection prepared by management in supporting the recognition and measurement of deferred tax assets and tax credit receivables, and the key assumptions used in the projection. • Compared current year's actual results with previous year's projection and assessed the quality of management's projection. • Assessed whether the Group's disclosure of recognised deferred tax assets and tax credit receivables appropriately reflect the Group's deferred tax position.

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

INDEPENDENT AUDITORS' REPORT

to the members of Hume Cement Industries Berhad
(formerly known as Hume Industries Berhad)
(cont'd.)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

to the members of Hume Cement Industries Berhad

(formerly known as Hume Industries Berhad)

(cont'd.)

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

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.

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.

INDEPENDENT AUDITORS' REPORT

to the members of Hume Cement Industries Berhad

(formerly known as Hume Industries Berhad)

(cont'd.)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 3 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Chong Chen Kian
Approval Number: 03232/02/2022 J
Chartered Accountant

Petaling Jaya

Date: 15 September 2021

OTHER INFORMATION

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2021

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 2021 (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	27	6,443
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	35	5,810
Lot 2407, Mukim 1, Prai Industrial Estate, Pulau Pinang	Leasehold 60 years expiring 2035	Industrial land with office and factory buildings	1982	653,400	46	1,720
Lot 244, Pasir Gudang Industrial Estate, Johor Bahru, Johor Darul Takzim	Leasehold 60 years expiring 2045	Industrial land with office and factory buildings	1985	609,840	36	783
Lot 46, Semambu Industrial Estate, Kuantan Pahang Darul Makmur	Leasehold 66 years expiring 2041	Industrial land with office and factory buildings	1982	522,720	46	548
Lot 16280925 and 17514395 Tuaran Road, Kota Kinabalu, Sabah*	Leasehold 60 years expiring 2079	Industrial land with office, store and factory buildings	1982	302,312	53 /57	3,517
Lot 300254, 300255, 300256 Mukim Teja, Kampar, Perak	Leasehold 99 years expiring 2057/2096	Quarry and cement plant	2013	29,155,060	9	69,908

* 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 is now pending a physical inspection by the Kota Kinabalu City Hall.

OTHER INFORMATION
(cont'd.)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2021

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

Distribution Schedule Of Shareholders As At 30 September 2021

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	616	12.47	17,678	0.00
100 – 1,000	1,064	21.54	664,763	0.13
1,001 – 10,000	2,196	44.45	9,047,193	1.81
10,001 – 100,000	881	17.83	27,248,603	5.44
100,001 – less than 5% of issued shares	182	3.69	120,843,337	24.12
5% and above of issued shares	1	0.02	343,147,151	68.50
	4,940	100.00	500,968,725	100.00

List Of Thirty Largest Shareholders As At 30 September 2021

	Name of Shareholders	No. of Shares	%
1.	Hong Leong Manufacturing Group Sdn Bhd	343,147,151	68.50
2.	AMSEC Nominees (Tempatan) Sdn Bhd - AmBank (M) Berhad (Swap)	14,538,883	2.90
3.	AmanahRaya Trustees Berhad - Public Smallcap Fund	8,860,243	1.77
4.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Singular Value Fund	6,239,700	1.25
5.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Hong Leong Balanced Fund	3,150,000	0.63
6.	Soft Portfolio Sdn. Bhd.	2,712,960	0.54
7.	HLIB Nominees (Tempatan) Sdn Bhd - Exempt AN for HL Management Co Sdn Bhd (ESOS)	2,630,258	0.52
8.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Pheim)	2,609,900	0.52
9.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tang Hong Cheong (029)	2,372,500	0.47
10.	AmanahRaya Trustees Berhad - Public Strategic Smallcap Fund	2,347,500	0.47
11.	CGS-CIMB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tay Hock Soon (MY1055)	2,324,900	0.46
12.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Kong Goon Siong (E-JCL)	2,300,000	0.46
13.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	2,255,600	0.45

OTHER INFORMATION
(cont'd.)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2021 (cont'd.)

List Of Thirty Largest Shareholders As At 30 September 2021 (cont'd.)

	Name of Shareholders	No. of Shares	%
14.	Hong Bee Hardware Company, Sdn. Berhad	2,185,879	0.44
15.	HLIB Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	2,121,120	0.42
16.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chut Nyak Isham Bin Nyak Ariff	2,072,645	0.41
17.	Kim Poh Sitt Tat Feedmill Sendirian Berhad	2,000,000	0.40
18.	YBhg Datuk Kwek Leng San	1,977,600	0.39
19.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for Union Bancaire Privee, UBP SA, Hong Kong Branch	1,944,000	0.39
20.	Soon Seong Keat	1,635,000	0.33
21.	Maybank Nominees (Tempatan) Sdn Bhd - Singular Asset Management Sdn Bhd for The Trustees of AIA Malaysian Agents Provident Fund of AIA Bhd (421506)	1,564,400	0.31
22.	Quah Thain Khan	1,490,000	0.30
23.	Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	1,480,909	0.30
24.	Maybank Nominees (Tempatan) Sdn Bhd - MTrustee Berhad for Phillip Pearl Fund (UT-PM-PPF) (419471)	1,479,800	0.29
25.	Hong Leong Industries Berhad	1,469,982	0.29
26.	AmanahRaya Trustees Berhad - Public Islamic Treasures Growth Fund	1,416,400	0.28
27.	Cartaban Nominees (Asing) Sdn Bhd - Brown Brothers Harriman (Lux) SCA for Milltrust Singular Asean Fund SP (MIL INT INV SPC)	1,380,700	0.28
28.	Lim Chew Yan	1,343,293	0.27
29.	Quek Kon Sean	1,330,000	0.27
30.	AmanahRaya Trustees Berhad - Public Ittikal Sequel Fund	1,130,500	0.23
		423,511,823	84.54

OTHER INFORMATION
(cont'd.)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2021 (cont'd.)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 September 2021 are as follows:

		Direct Interest		Indirect Interest	
	Name of Shareholders	**No. of shares**	**%**	**No. of Shares**	**%**
1.	Hong Leong Manufacturing Group Sdn Bhd	343,147,151	68.50	1,469,982	0.29[@]
2.	Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	346,708,698	69.21[@]
3.	HL Holdings Sdn Bhd	-	-	346,708,698	69.21[#]
4.	YBhg Tan Sri Quek Leng Chan	-	-	350,231,658	69.91[**]
5.	Hong Realty (Private) Limited	-		348,894,577	69.64[*]
6.	Hong Leong Investment Holdings Pte Ltd	-	-	348,894,577	69.64[*]
7.	Kwek Holdings Pte Ltd	-	-	348,894,577	69.64[*]
8.	Mr Kwek Leng Beng	-		348,894,577	69.64[*]
9.	Davos Investment Holdings Private Limited	-	-	348,894,577	69.64[*]
10.	Mr Kwek Leng Kee	-	-	348,894,577	69.64[*]

Notes:

@ *Held through subsidiaries.*

Held through HLCM.

* *Held through HLCM and a company in which the substantial shareholder has interest.*

** *Held through HLCM and companies in which YBhg Tan Sri Quek Leng Chan and his children have interests.*

3. ANALYSIS OF 5-YEAR 5.0% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") HOLDINGS AS AT 30 SEPTEMBER 2021

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

Distribution Schedule Of RCULS Holders As At 30 September 2021

Size of Holdings	No. of RCULS Holders	%	No. of RCULS	%
Less than 100	18	3.66	519	0.00
100 – 1,000	112	22.76	65,665	0.04
1,001 – 10,000	192	39.03	771,868	0.49
10,001 – 100,000	137	27.85	4,395,895	2.80
100,001 – less than 5% of outstanding RCULS	32	6.50	22,593,058	14.38
5% and above of outstanding RCULS	1	0.20	129,334,302	82.29
	492	100.00	157,161,307	100.00

OTHER INFORMATION
(cont'd.)

3. ANALYSIS OF 5-YEAR 5.0% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") HOLDINGS AS AT 30 SEPTEMBER 2021 (cont'd.)

List Of Thirty Largest RCULS Holders As At 30 September 2021

	Name of RCULS Holders	No. of RCULS	%
1.	HLMG Capital Sdn Bhd	129,334,302	82.29
2.	HLIB Nominees (Tempatan) Sdn Bhd - Exempt AN for HL Management Co Sdn Bhd (ESOS)	5,014,780	3.19
3.	AmanahRaya Trustees Berhad - Public Smallcap Fund	3,189,687	2.03
4.	Citigroup Nominees (Asing) Sdn Bhd - GSI for Lofty Dragon Management Limited	1,699,100	1.08
5.	Hong Leong Industries Berhad	1,512,121	0.96
6.	Ang Woun-Eng	981,000	0.62
7.	Soft Portfolio Sdn. Bhd.	976,665	0.62
8.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tang Hong Cheong (029)	900,000	0.57
9.	AmanahRaya Trustees Berhad - Public Dividend Select Fund	849,636	0.54
10.	HLIB Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	763,700	0.49
11.	Kim Poh Sitt Tat Feedmill Sendirian Berhad	720,000	0.46
12.	YBhg Datuk Kwek Leng San	712,000	0.45
13.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for Union Bancaire Privee, UBP SA, Hong Kong Branch	700,000	0.45
14.	Lee Min Huat	610,000	0.39
15.	Quah Thain Khan	540,000	0.34
16.	Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	533,126	0.34
17.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Chen Yue	357,655	0.23
18.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Soon Seong Keat	320,000	0.20
19.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Soon Seong Keat (PB)	224,000	0.14
20.	Olive Lim Swee Lian	200,000	0.13
21.	Tan Liew Cheun	194,400	0.12
22.	AmanahRaya Trustees Berhad - Public Select Treasures Equity Fund	171,576	0.11
23.	Hong Leong Assurance Berhad - As Beneficial Owner (Life Ann Par)	156,773	0.10

OTHER INFORMATION
(cont'd.)

3. ANALYSIS OF 5-YEAR 5.0% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") HOLDINGS AS AT 30 SEPTEMBER 2021 (cont'd.)

List Of Thirty Largest RCULS Holders As At 30 September 2021 (cont'd.)

	Name of RCULS Holders	No. of RCULS	%
24.	Soon Seong Keat	150,000	0.10
25.	Woo Lai Chee	150,000	0.10
26.	AmanahRaya Trustees Berhad - PB Mixed Asset Conservative Fund	147,024	0.09
27.	Eu Mui @ Ee Soo Mei	136,200	0.09
28.	Cheong Chen Yue	124,800	0.08
29.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Puay Ching	118,263	0.08
30.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd - Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	111,664	0.07
		151,598,472	96.46

4. DIRECTORS' INTERESTS AS AT 30 SEPTEMBER 2021

Subsequent to the financial year end, there was no change, as at 30 September 2021, to the Directors' interests in the ordinary shares and/or redeemable convertible unsecured loan stock over ordinary shares of the Company and/or its related corporations, appearing in the Directors' Report on pages 53 to 54 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

5. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

6. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

The status of utilisation of proceeds raised from the issuance of Unrated Medium Term Notes ("MTN") with a nominal value of RM100.0 million is as follows:

Description	Total RM'000
Proceeds from MTN	100,000
Repayment of bank borrowings	(99,318)
Defray expenses in relation to the MTN	(682)
Balance as at 30 September 2021	**-**

Hume Cement Industries Berhad

(formerly known as Hume 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** (formerly known as Hume 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-first Annual General Meeting of the Company to be held virtually through live streaming from the broadcast venue at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Thursday, 2 December 2021 at 10.00 a.m. 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 Kwek Leng San as a Director		
3	To re-elect YBhg Datuk Wira Azhar Bin Abdul Hamid as a Director		
4	To re-elect Ms Tai Sook Yee as a Director		
5	To re-appoint KPMG PLT as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
6	To approve the ordinary resolution on authority to Directors to allot shares		
7	To approve the ordinary resolution on the proposed renewal of and new 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		
8	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		
9	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 ________________ 2021

Number of shares held: _______________________

CDS Account No.: _____________________________

____
Signature(s) of Member

Notes:

1. *The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which stipulates that the main venue of the Annual General Meeting ("AGM") shall be in Malaysia and the Chairman shall be present at the main venue of the AGM.* ***No shareholders/proxies will be allowed to be physically present at the broadcast venue of the AGM. Please refer to the Administrative Notes to Shareholders for the detailed steps on remote participation and electronic voting.***
2. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 25 November 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
3. *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.*
4. *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.*
5. *A proxy may but need not be a member of the Company.*
6. *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 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.*
7. *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 10 below).*
8. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
9. *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@hongleong.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*
10. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of proxies	% of shareholdings to be represented

11. *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-first AGM will be put to a vote by way of a poll.*

Fold this flap for sealing

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AFFIX STAMP

The Company Secretaries

HUME CEMENT INDUSTRIES BERHAD
(formerly known as Hume 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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Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia
Tel : 03-2080 9200
Fax : 03-2080 9238

www.humecementind.com