Hume Cement Industries Berhad

A Member of the Hong Leong Group

Annual Report 2022

What's Inside

Company Profile

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

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

Corporate Information

YBhg Datuk Kwek Leng San
(Chairman)

Mr Hugo Enrique Losada Barriola
(Group Managing Director)

YBhg Dato' Ir. Tan Gim Foo

YBhg Datuk Wira Azhar bin Abdul Hamid

Ms Tai Sook Yee

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-second Annual General Meeting of Hume Cement Industries Berhad ("the Company") will be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Thursday, 3 November 2022 at 10.30 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2022.

2. To approve the payment of Director Fees of RM416,382/- (2021: RM382,000/-) for the financial year ended 30 June 2022, 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-second Annual General Meeting ("AGM") to the Forty-third AGM of the Company. **Resolution 1**

3. To re-elect YBhg Dato' Ir. Tan Gim Foo as a Director pursuant to the Constitution of the Company. **Resolution 2**

4. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 3**

SPECIAL BUSINESS

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

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

   "**THAT** subject to the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ["MMLR"], the Company's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act to issue and allot new Shares in the Company, grant rights to subscribe for Shares in the Company, convert any security into Shares in the Company, or allot Shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, to any persons who are not caught by Paragraph 6.04(c) of the MMLR provided that the aggregate number of Shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued Shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional Shares so allotted on Bursa Securities and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.

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

6. **Ordinary Resolution**
   - Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Company (Malaysia) Berhad ("HLCM"), GuoLine Capital Assets Limited ("GCA") And Persons Connected With Them

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(A) of the Circular to Shareholders dated 5 October 2022 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 5**

7. **Ordinary Resolution**
- Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware")

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 5 October 2022 with Hong Bee Hardware provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to Hong Bee Hardware than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 6**

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 5 October 2022 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;

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**

9. **Ordinary Resolution**
- Proposed Establishment Of A New Executive Share Scheme Comprising A Proposed New Executive Share Option Scheme ("Proposed ESOS") And A Proposed New Executive Share Grant Scheme ("Proposed ESGS") Of Up To 10% Of The Total Number Of Issued Ordinary Shares In Hume Cement Industries Berhad ("HCIB" or "Company") (Excluding Treasury Shares) For The Eligible Executives And/Or Directors Of HCIB And Its Subsidiaries (Collectively, "Eligible Executives") (The Proposed ESOS And The Proposed ESGS Shall Collectively Be Called "Proposed ESS")
- Waiver Of Pre-Emptive Rights Over New Ordinary Shares ("Shares") Or Other Convertible Securities In HCIB Under Section 85(1) Of The Companies Act 2016 ("Act") Read Together With Clause 50 Of The Constitution Of HCIB

"**THAT**, subject to the approvals of the relevant authorities and/or parties (where applicable) being obtained, approval be and is hereby given to the Directors of HCIB ("Board of HCIB") to:

(i) approve the draft bye-laws ("Bye-Laws") of the Proposed ESS as set out in Appendix I of the Circular to Shareholders of HCIB in relation to the Proposed ESS and Proposed Allocation (as define herein) dated 5 October 2022 ("Circular - ESS");

(ii) establish and implement the Proposed ESS in accordance with the provisions of the Bye-Laws; and that the Proposed ESS shall be administered by the Board of HCIB or board of directors of the relevant subsidiaries of HCIB (as the case may be, in respect of Eligible Executives in the said subsidiary only) or a duly authorised committee thereof or an individual authorised by the relevant board of directors;

(iii) allot and issue such number of new Shares, transfer treasury Shares, transfer existing Shares and/or cash settle, from time to time to the Eligible Executives upon the exercise of options under the Proposed ESOS ("Options") and/or vesting of grants under the Proposed ESGS ("Grants"), subject to the terms and conditions of the Bye-Laws, provided that at any point of time during the existence of the Proposed ESS, the aggregate number of Shares comprised in the Options and/or Grants under the Proposed ESS, and any other executive share schemes established by HCIB which are still subsisting, shall not exceed an amount equivalent to 10% of the total number of issued Shares (excluding treasury Shares) at any one time; and that any new Shares which are to be allotted and issued pursuant to the Proposed ESS shall, upon allotment and issue, rank equally in all respects with the existing issued Shares, except that they will not rank for any dividend, right, entitlement and/or distribution, in respect of which the record date precedes the allotment date of the new Shares and will be subject to all the provisions of the Constitution of the Company relating to transfer, transmission or otherwise;

(iv) add, amend, modify and/or delete all or any part of the terms and conditions as set out in the Bye-Laws, from time to time provided that such addition, amendment, modification and/or deletion are effected in accordance with the provisions of the Bye-Laws; and

(v) do all such acts, execute all such documents and to enter into all such transactions, arrangements and agreements, deeds or undertakings and to make such rules or regulations, or impose such terms and conditions to delegate its power as may be necessary or expedient in order to give full effect to the Proposed ESS;

Notice of Annual General Meeting

(Cont'd)

AND THAT the Board of HCIB be and is hereby authorised to give effect to the Proposed ESS with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and take all such steps and do all acts, deeds and things as they may consider necessary and/or expedient to implement, finalise and give full effect to the Proposed ESS as the Board of HCIB deems fit, appropriate and in the best interest of the Company;

AND THAT pursuant to Section 85(1) of the Act read together with Clause 50 of the Constitution of HCIB, the shareholders of HCIB do hereby waive their pre-emptive rights over all Options, Grants and/or any new Shares to be issued pursuant to the exercise of such Options by and/or the vesting of such Grants in the Eligible Executives including the Group Managing Director of HCIB, such new Shares, when issued, to rank *pari passu* with the existing Shares." **Resolution 8**

10. **Ordinary Resolution**
- Proposed Allocation Of Options And/Or Grants To The Group Managing Directors Of HCIB ("Proposed Allocation")

"**THAT** subject to the passing of Ordinary Resolution 8 above and for so long as such approval remains in force and the approvals of all relevant authorities and/or parties (where applicable) being obtained, authority be and is hereby given to the Board of HCIB, from time to time, to offer to Mr Hugo Enrique Losada Barriola, the Group Managing Director of HCIB, of up to 5 million Shares comprised in the Options and/or Grants under the Proposed ESS or 10% of the Maximum Aggregate (as defined in the Bye-Laws), whichever is higher, as they shall deem fit, PROVIDED THAT not more than 10% of the Maximum Aggregate are allotted to him if he, either singly or collectively through persons connected with him, holds 20% or more of the total number of issued Shares (excluding treasury Shares) subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the Bye-Laws." **Resolution 9**

11. 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
5 October 2022

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 26 October 2022 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*

2. *Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one (1) securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*

3. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.*

Notice of Annual General Meeting

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4. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia or lodged electronically via email at cosec-hlmg@hlmg.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*

5. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to a vote by way of a poll.*

Explanatory Notes:

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

   Director Fees of RM416,382/- are inclusive of Board Committee Fees of RM142,629/-; 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. *Resolution 2 - Re-Election Of A Director*

   The Nominating Committee ("NC") has considered the performance and contribution of the retiring Independent Non-Executive Director ("ID") and has also assessed the independence of the retiring Director seeking for re-election at the Forty-second Annual General Meeting ("AGM").

   Based on the results of the Board Annual Assessment conducted for the financial year ended 30 June 2022, the performance of the retiring Director was found to be satisfactory with the retiring ID 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 Director. The retiring Director had abstained from deliberations and decisions on his own re-election at the NC and Board meetings.

   The details and profile of the Director who is standing for re-election at the Forty-second AGM are provided in the Board of Directors section on page 10 of the Company's Annual Report 2022.

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

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

   As at the date of this Notice, no new Shares in the Company were issued and allotted pursuant to the general mandate given to the Directors at the last AGM held on 2 December 2021 and which will lapse at the conclusion of the Forty-second AGM. The Renewed General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issuance and allotment of new Shares, grant of rights to subscribe for Shares, conversion of any security into Shares, or allotment of Shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

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

4. *Resolutions 5 to 7 - Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature*

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

   Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 5 October 2022, which is available on the Company's website at www.humecementind.com/index.php/pages/investor-relations-current/current-general-meetings.

Notice of Annual General Meeting

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5. *Resolution 8 – Proposed ESS*

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

   Please refer Section 85(1) of the Act and Clause 50 of the Constitution of the Company as detailed below.

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

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

"85. Pre-emptive rights to new shares

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

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

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

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

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

Detailed information on the Proposed ESS and Proposed Allocation is set out in the Circular to Shareholders dated 5 October 2022, which is available on the Company's website at www.humecementind.com/index.php/pages/investor-relations-current/current-general-meetings.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

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

Board of Directors

YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/ Non-Independent

Age 67, Male, Singaporean

Datuk Kwek Leng San graduated from University of London with a Bachelor of Science (Engineering). He also holds a Master of Science (Finance) from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing.

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

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

MR HUGO ENRIQUE LOSADA BARRIOLA

Group Managing Director/ Non-Independent

Age 48, 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 Board committee of HCIB.

YBHG DATO' IR. TAN GIM FOO

Non-Executive Director/ Independent

Age 64, 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 and a Director of IJM Corporation Berhad, a company listed on the Main Market of Bursa Securities.

Board of Directors

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YBHG DATUK WIRA AZHAR BIN ABDUL HAMID

Non-Executive Director/ Independent

Age 61, Male, Malaysian

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

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

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

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

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

MS TAI SOOK YEE

Non-Executive Director/ Independent

Age 59, Female, Malaysian

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

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

She has close to 20 years of experience leading large businesses including industrial, lifestyle and investment groups. She was the Group Managing Director of an integrated maritime and supply chain solutions provider, with operations spanning across 16 countries and employing approximately 10,000 employees. Prior to this, Ms Tai also headed the Malaysian operation of a global heavy building materials supplier. Currently, she dedicates most of her time in mentoring business leaders on sustainable and new social economic business models.

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

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 five (5) years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2022.
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*

Age 42, 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 Micalux Sdn Bhd (formerly known as 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 ("HCIB") on 16 April 2018.

MR LAU PING ONG

*Chief Financial Officer,
Hume Cement
Industries Berhad*

Age 46, 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 20 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 53, 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 five (5) years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2022.

Chairman's Statement

Dear valued shareholders,

On behalf of the Board of Directors, I thank you for the opportunity to present to you the Annual Report and audited financial statements of the Group and the Company for the financial year ended 30 June 2022 ("FY2022").

In FY2022, we witnessed a highly successful nationwide COVID-19 vaccination drive by the Malaysian government, propelling the country into the endemic stage. Following that, the Malaysian economy has steadily improved although still saddled with shortages of workers, logistics and supply chain issues, rising input costs and geopolitical uncertainties.

Our performance has improved in FY2022 with the gradual normalisation of business activities, especially in the second half of FY2022 and the positive impact of the improvement plans executed during the pandemic. For FY2022, the Group recorded a profit before tax ("PBT") of RM5.0 million on the back of a higher turnover of RM726.5 million which was better than the loss before tax ("LBT") of RM29.4 million on the back of a lower turnover of RM604.6 million in FY2021. The improved result can be attributed to the increase in sales volume and the net impact from lower rebates of cement selling price against higher input costs.

In addition, we have intensified our focus on Environmental, Social and Governance ("ESG") within the organisation and put in place a plan to drive the ESG agenda forward.

Your continuous confidence in and support for our Group is much appreciated. I wish to also express my gratitude to our Board of Directors and our management team for their contributions. A special mention and a big thank you also to all our employees who have worked very hard and given their best to our Group throughout the past year. My sincere appreciation also goes to our valued customers, business associates, financiers and the Government for their continuous confidence and support in our Group.

DATUK KWEK LENG SAN
Chairman

Revenue FY2022

RM726.5 million

(FY2021: RM604.6 million)

Profit before tax ("PBT")

RM5.0 million

(FY2021: LBT RM29.4 million)

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 fundamentally positive for both customers and businesses. When companies compete with each other, they are pushed to constantly update, bring out new ideas in terms of new services and products through innovation or via the adoption of technology.

Through this principle, the Group strives to continuously capture opportunities while operating efficiently and thriving as a sustainable business.

ECONOMY

Operating a business in the current economic landscape is proven to be challenging. Whilst the Government has gradually relaxed the COVID-19 restrictions, there was an acute labour shortage in the construction industry nationwide, which was further compounded by the Government's austerity drive of postponing projects to reduce expenditure and re-channel the funds to the people for their overall welfare. These factors prevented the market from realising its full potential.

Nevertheless, the Group is poised to take full advantage of the expected market recovery once the restrictions due to the COVID-19 pandemic have been lifted.

TECHNOLOGY

Technology has vastly transformed both the social and business environments. Technology often deals with methods or tools used to gather, process, store and communicate information.

The advancement of technology has enabled the Group 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, which fluctuates with pricing. The lower the price of a good or service, the greater the demand, in general economic terms.

The relationship between demand and price can be graphically depicted as a demand curve. In order to stay competitive in the market, two key aspects are to be considered – a close and continual analysis of the supply and demand of every product line and a swift business response to this analysis.

SUSTAINABILITY

Environment, Social and Governance or ESG is increasingly prominent and demanded of all business stakeholders and the general public.

Sustainability plays an important role in businesses as it is no longer acceptable that businesses only deliver profits. Companies are demanded to be responsible corporate citizens to deliver on business goals as well as to improve and contribute positively to the environment that they operate in.

Management Discussion and Analysis

(Cont'd)

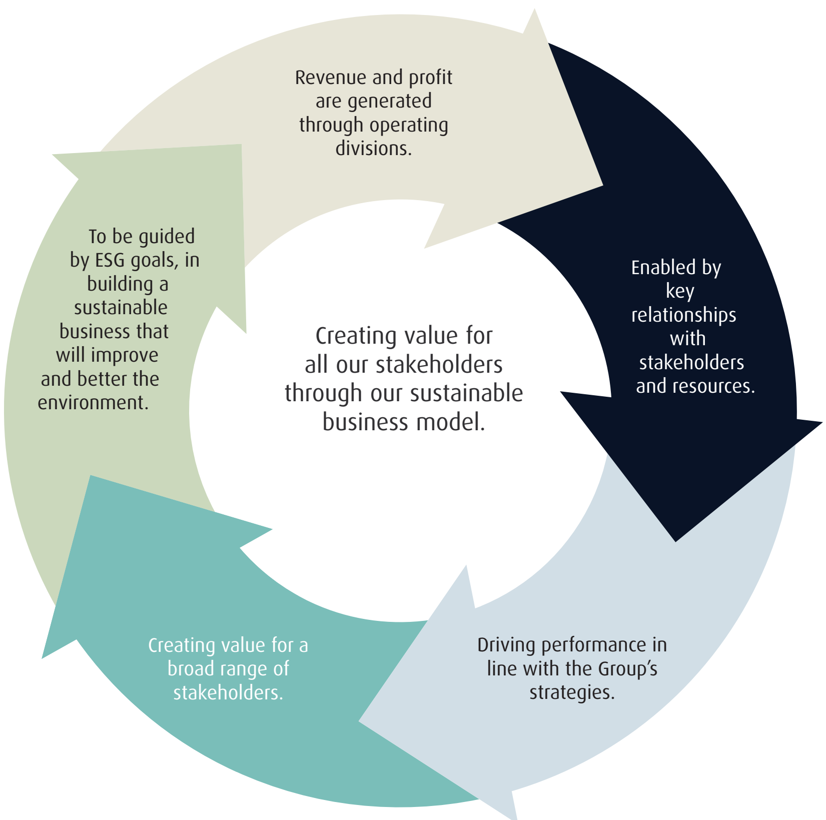
Our Business Model

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Hume Cement Industries Berhad ("HCIB" or "the Group") 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 ("HCMT") operates an integrated cement plant located in Gopeng, Perak that utilises ground-breaking technology. Commencing its operations (Line 1) in 2012, HCMT commissioned its second line in 2016 and currently has a total installed capacity of 3.0 million tonnes of clinker per annum.

Hume Concrete Sdn Bhd ("HCCT") traces its long history way back to 1929 when it opened its first precast concrete factory in Prai, Penang. Since then, it has grown to become the premier manufacturer of precast concrete products for the construction industry in Malaysia. It currently operates three factories strategically located throughout Malaysia, to supply both Peninsula and East Malaysia markets.



Management Discussion and Analysis

(Cont'd)

RISK

The Group has a structured risk management review process where financial and operational risks are thoroughly considered with affirmative action plans put in place to minimise or 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 deposits 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 a regular 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 is regular customers 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 rates 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 its various payables, loans and borrowings.	The Group actively manages operating cash flows and funding availability to meet all repayments and funding needs. 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 may 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 exposures by maintaining available lines of fixed and floating rate borrowings.
Operational 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 operational risk factors by incorporating a robust risk management system at all levels of operation with periodic reviews by senior management and the Audit & Risk Management Committee under the purview of the Board. The risk report is discussed and affirmative action plans are developed to eliminate and mitigate the identified risks.

Management Discussion and Analysis

(Cont'd)

BUSINESS REVIEW

The Group's Financial Performance

While 2022 continued with its unprecedented challenges, HCIB responded well as the Group reported a profit before tax ("PBT") of RM5.0 million for the financial year ended 30 June 2022 ("FY2022"), as compared to a loss before tax of RM29.4 million recorded in the same period of the previous year, whilst revenue rose by 20.2% to RM726.5 million from RM604.6 million in FY2021.

Despite the continuous disruption of the Coronavirus Disease ("COVID-19") on business activities, Malaysia transitioned from the COVID-19 pandemic stage to the endemic stage in the second half of FY2022 and relaxed movement restrictions.

PERFORMANCE OVERVIEW: CEMENT

Commencing from the third quarter of 2021, the Malaysian government relaxed the Movement Control Order ("MCO"), which resulted in increased cement demand as construction activities resumed. HCMT recorded a higher revenue due to a higher volume and lower rebates of the cement selling price. The company also registered a profit compared with a loss in the previous year despite an escalation of input costs.

Revenue of
RM726.5 million
for FY2022

Management Discussion and Analysis

(Cont'd)

During this period under review, HCMT's cement plant has embarked on a multi-year reengineering and continuous improvement project to increase equipment reliability to world class levels and reduce unscheduled maintenance. The Company also targets to increase the useful life and effectiveness of the equipment. In addition, the operations continue to benefit from digital transformation technologies - introduced to enhance work processes, maintenance inspections and equipment performance. Plant efficiency will continue to improve whilst containing maintenance costs.

With this operational improvement, the company is well positioned to compete as the cement industry is reeling from the pressures exerted by the increase in input costs, particularly energy. The price index of coal increased from approximately USD60 per tonne in July 2019 to about USD200 per tonne in March 2022. In addition, the revision of the electricity tariff under the Imbalance Cost Pass-Through mechanism in the beginning of 2022 resulted in a surcharge on the energy cost for the industrial sector.

As HCMT continues with its cost-saving initiatives, a new product has been launched to meet changing market needs. The launching of Panda Yellow (a Portland Limestone Cement) in the second half of FY2022 received positive feedback from the market and brought substantial new sales volumes to the Company.

PERFORMANCE OVERVIEW: CONCRETE

On top of the weaker construction market, HCCT was affected by the nationwide labour shortage. Sales volume was adversely affected as the Government implemented austerity measures and postponed numerous government-sponsored projects.

The company continuously focuses its efforts on optimisation by using alternative raw materials, such as ground granulated blast furnace slag (a by-product of iron manufacturing) and pulverised fly ash to improve concrete product properties such as workability, strength and durability, while reducing product carbon footprint.

HCCT continuously improved its operations by eliminating wastage and simplifying processes. Yearly productivity peaked at nearly 700 tonnes per man, which is set to improve. Additionally, the current quality rejection rate is below 0.3% due to a stringent risk-based quality management system.

DIVIDEND

The Group did not declare any dividend for FY2022.

The dividend payout is one of the important elements the Group takes into consideration to increase shareholder value. The Board takes into account earnings, capital expenditure requirements, borrowing repayments, capital adequacy, dividend yield and other relevant factors in determining dividend payouts/the dividend payout.

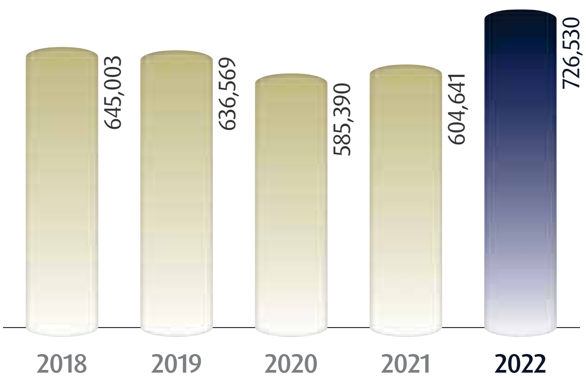
PROSPECTS AND OUTLOOK

Moving forward, the Group will remain cautiously optimistic in the current business environment. HCMT will diligently focus on improving the overall sales of all its products, especially the newly launched Panda Yellow. As for HCCT, continuous efforts will be put to optimise its operations while intensifying research and development into new innovative products to cater to the construction market's emerging needs.

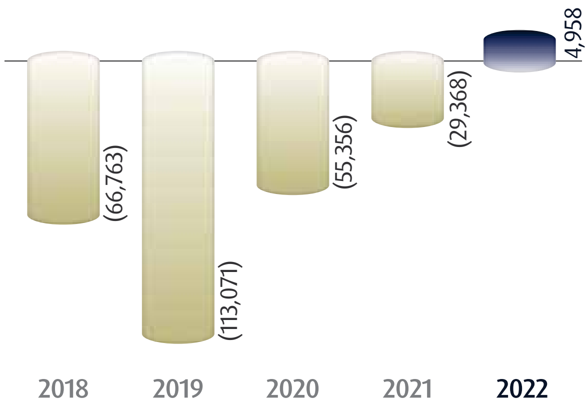
Group Financial Highlights

RM'000	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenue	645,003	636,569	585,390	604,641	**726,530**
Profit/(Loss) Before Taxation	(66,763)	(113,071)	(55,356)	(29,368)	**4,958**
Profit/(Loss) Attributable Owners Of The Group	(54,870)	(98,144)	(45,904)	(27,360)	**3,118**
Net Earnings/(Loss) Per Share (sen)	(11.5)	(20.5)	(9.3)	(5.5)	**0.6**
Net Dividend Per Share (sen)	-	-	-	-	**-**
Total Equity	389,900	436,495	391,755	364,757	**368,019**
Total Assets	1,487,348	1,439,891	1,314,744	1,210,056	**1,297,648**
Capital Expenditure	13,763	11,879	7,586	14,300	**14,712**

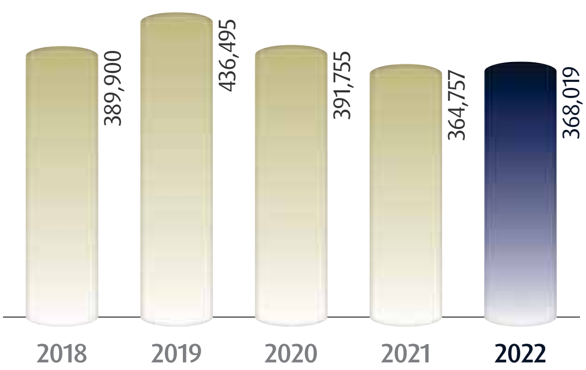
REVENUE
(RM'000)



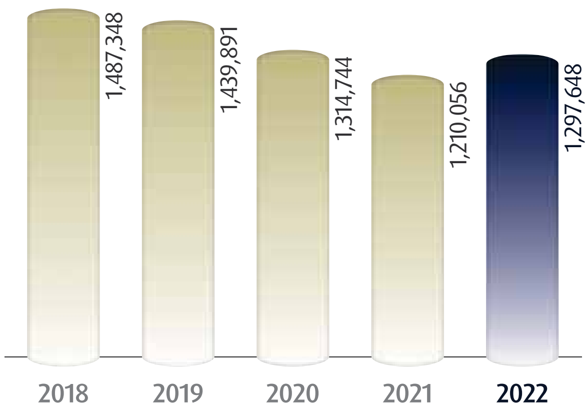
PROFIT/(LOSS) BEFORE TAXATION
(RM'000)



TOTAL EQUITY
(RM'000)



TOTAL ASSETS
(RM'000)



Sustainability Statement

Hume Cement Industries Berhad ("HCIB" or "the Group") is committed to Hong Leong Group's values in growing its business strategy and effort to create long-term value for the stakeholders by delivering sustainable business goals to the people and community while contributing positively to the environment and ecosystem.

Reporting Period of the Group's Organisational Boundary

The following statement represents the sustainability initiatives, performance and achievements for the reporting year – from 1 July 2021 to 30 June 2022 ("FY2022") which covers the following businesses in its scope:

Name of Business	Location of Operating Plants	Referred to as in this Statement
Hume Cement Sdn. Bhd.	Gopeng, Perak	HCMT
Hume Concrete Sdn. Bhd.	Beranang, Selangor; Kuantan, Pahang; Kota Kinabalu, Sabah	HCCT

Frameworks and Standards

This sustainability statement has been guided by Global Reporting Initiative ("GRI") sustainability reporting guidelines and benchmarked against the FTSE4Good Bursa Malaysia Index. The Group's business operations are contributing to and support five of the United Nations ("UN") Sustainable Development Goals ("SDGs"). This is aligned with the Group's initiatives in building a sustainable future.

The Group 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.

The Group has always prioritised the health and safety of its employees and embraced a non-discriminatory workplace environment that promotes a strong sense of belonging, sustainable growth and productive progress for employees, business partners, suppliers and customers. The Group strives to provide equal employment and career growth opportunities to each employee regardless of age, gender, race, religion, ethnicity, and nationality, in line with global standards. The Group has also implemented various measures, innovations and technology, along with management systems to practise sustainable consumption and production patterns that promote a sustainable economy. The following relevant actions have been initiated in the businesses which contribute positively to the environment and society in a progressive manner.

Sustainability Statement
(Cont'd)

3 GOOD HEALTH AND WELL-BEING	• Implement Occupational Health and Safety Management System ("OHSMS") to avoid accidents or lost time injury ("LTI") cases from the operations.
8 DECENT WORK AND ECONOMIC GROWTH	• Strictly against human rights violation, discrimination and non-compliance in workforce diversity. • Committed to local community employment.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Use waste/by-products from other industries. • Support co-processing in operations.
13 CLIMATE ACTION	• Opt for fuel and energy optimisation. • Tree-planting activities around the operating plants and quarry.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• Do not condone any form of bribery and corruption. • Adhere to the highest corporate governance standards.

Apart from contributing and supporting directly to these five UNSDGs, the Group has also taken initiatives to make contributions to other SDGs.

1 NO POVERTY	• Provide financial and in-kind supports to the community living around the operating plants (for example: school children, underprivileged families, government organisations and non-government organisations). • Offer local employment opportunities to the community around the companies.
2 ZERO HUNGER	• Contribute food supplies to the less fortunate/needy who live around the Group's operating sites.
4 QUALITY EDUCATION	• Extend Hong Leong Group Scholarship Award to the employees and their children. • Support educational programmes for schoolchildren.
5 GENDER EQUALITY	• Do not condone any form of gender discrimination. • Provide greater awareness to employees on whistleblowing and grievance channels through which cases of discrimination can be reported.

Sustainability Statement
(Cont'd)

6 CLEAN WATER AND SANITATION	• Strictly comply with the rules and regulations on water effluent management. • Actively recycle water for day-to-day plant operations.
7 AFFORDABLE AND CLEAN ENERGY	• Improve energy efficiencies by practicing the 10 Golden Rules.
10 REDUCED INEQUALITIES	• Hire a diverse workforce with employees from various races, religions, ethnicities, gender, age and nationalities.
14 LIFE BELOW WATER	• Strictly against disposing any kind of effluent to external water bodies.
15 LIFE ON LAND	• Tree-planting around operating sites.
17 PARTNERSHIPS FOR THE GOALS	• Work with authorities and important stakeholders to achieve sustainability goals.

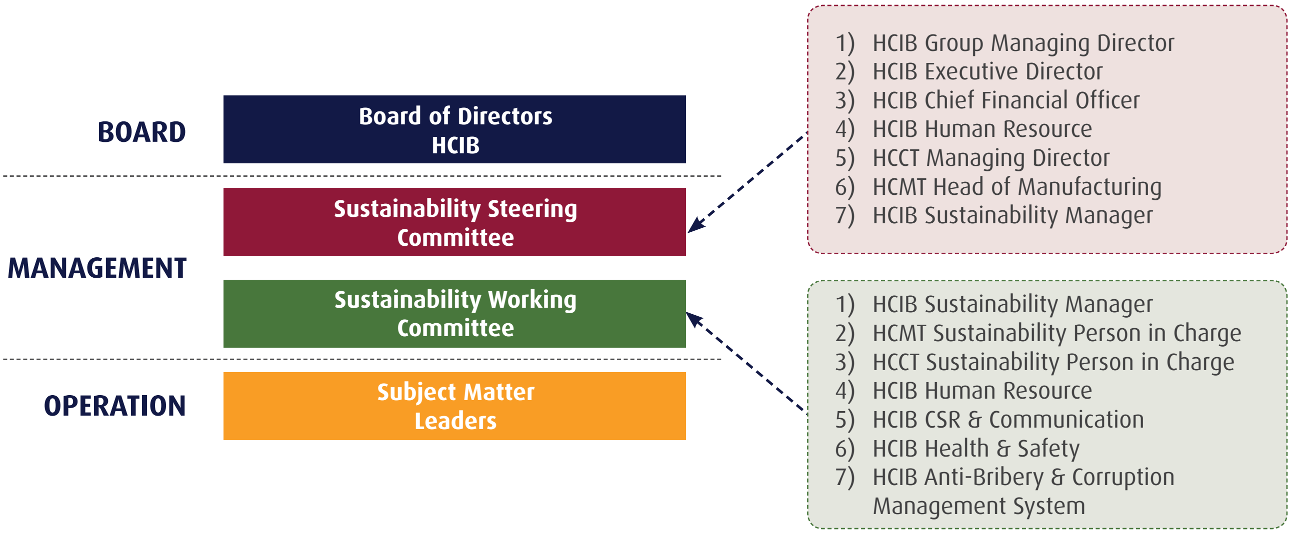
Sustainability Approach

The Group's commitment to sustainability initiatives mirrors the dedication of the top management of the organisation. The Group has a revised Sustainability Governance Structure that consists of the Board of Directors, Sustainability Steering Committee, Sustainability Working Committee and Subject Matter Leaders.

As the highest governing body, the Board of Directors plays a critical role in the Group's sustainability journey by guiding the organisation on its key business, social and environmental issues. The roles and responsibilities of the leadership team and various governing bodies within the Group and its companies are crucial in establishing a sustainable culture, besides achieving a seamless integration of the Group's core values. The Group Managing Director ("GMD"), who chairs the Sustainability Steering Committee ("SSC"), acts as a bridge between the Board of Directors and the companies, which in turn are supported by the Sustainability Working Committees ("SWC") and respective sustainability subject matter leaders. The subject matter leaders from both HCMT and HCCT are grouped according to the identified sustainability themes as delineated in the Bursa Malaysia Sustainability Reporting guide and FTSE4Good Bursa Malaysia Index indicators.

Sustainability Statement
(Cont'd)

The entire working committee has integrated sustainability into the business processes on a day-to-day basis and facilitates sustainability efforts with government organisations and respective authorities. Such collaborations have helped HCMT and HCCT adhere to environment and resource management practices, anti-bribery and corruption, and employee management. The Group is committed to maintaining the direction of corporate governance by adhering to good ethics in our business areas and by complying with the relevant laws and regulations where HCMT and HCCT operate.



Stakeholder Engagement

As a responsible provider of building materials, the Group understands each stakeholder's specific and important role in the business activities. By understanding their needs and addressing their concerns, the Group has incorporated them as part of the business direction and goals. A summary of the stakeholder groups, types of engagement and sustainability topics discussed is presented as follows:

Stakeholder Group	Types of Engagement	Sustainability Topics Discussed
Customers	• Audits and surveys • Meetings	• Product responsibility • Ethics and compliance
Employees	• Employee engagement programmes • Town hall/briefings • Training sessions • Genba walks • 5S activities	• Safety and health • Labour practices • Ethics and compliance • Kaizen/improvement
Suppliers/business partners	• Site visits and meetings • Audits & surveys • Vendor registration • Technical roadshow • Supplier's rating	• Supply chain responsibility • Procurement practices • Ethics and compliance
Regulators	• On-site inspections • Correspondence on regulation	• Regulatory compliance
Local Community	• Site visits • Corporate Social Responsibility ("CSR") activities	• Corporate Social Responsibility ("CSR") matters • Local employment opportunities
Shareholders	• Annual General Meetings • Investor briefings • Corporate Affairs correspondence	• Corporate Governance • Economic performance

Sustainability Statement
(Cont'd)

Stakeholder Group	Types of Engagement	Sustainability Topics Discussed
Management	• Management reviews • Operational reviews • Various communication sessions	• Sustainability issues • Economic performance • Regulatory compliance • Labour practices • Ethics and compliance
Employee Unions	• Formal union meetings • Various ad-hoc communication sessions	• Employees' rights • Employee welfare • Harmonious relationship between management and employees • Resolution of grievances & misunderstandings

Materiality Assessment

The sustainability initiatives of the Group are divided into three different sustainability themes: Environment, Social and Governance ("ESG"). Each of these themes carry relevant sustainability matters that are expected to influence or be influenced by the business activities as well as the internal and external environment.

The Group has performed a materiality assessment study which is steered by a set of processes to identify and validate the sustainability issues. The Group has embraced this approach to identify and manage key risk and opportunity materiality aspects that are most concerned with the potential financial, operational and reputational impact on its subsidiary companies' long-term sustainable growth. This has helped the Group in prioritising the issues that have the greatest impact on the environment, social and governance ("ESG") aspects. This systematic materiality assessment process was guided principally by the GRI, FTSE4Good Bursa Malaysia Index ESG indicators, and Bursa Malaysia Sustainability Reporting Guide.

Materiality Assessment Approach

1

Objective-setting and identification and classification of materiality issues
- Identify the most common external & internal ESG matters that are related to HCMT and HCCT
- Shortlist and consolidate common matters together at the Group level

2

Stakeholder engagement & prioritisation of materiality aspects
- Assessment conducted in a focus group which involves steering committee members, senior management and respective working committee groups

3

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

4

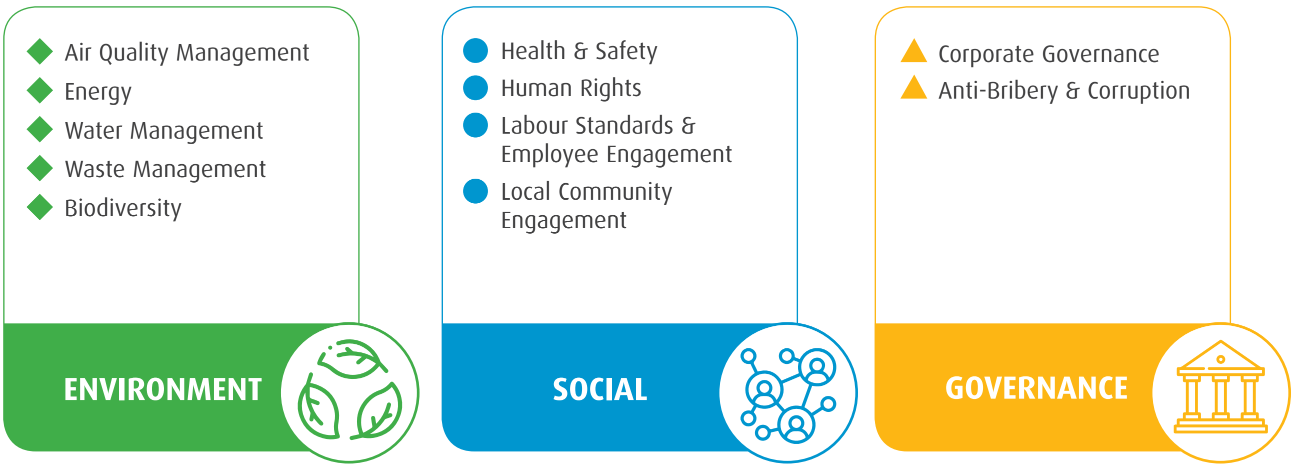
Approval from the Board
- Once finalised, the outcomes/results from the materiality assessment and priority matrix will then be presented to the Board of Directors for approval

Sustainability Statement

(Cont'd)

Materiality Matrix

The Group's materiality matrix for FY2022 is shown as below:



Sustainability Statement

(Cont'd)

A. ENVIRONMENT

The Group has implemented various initiatives and efforts to be closer to achieving its goal of being more responsible for the environment. The Group is taking initiatives to mitigate greenhouse gas emissions and pollution, optimise energy consumption, recycle water and effectively manage waste and effluents, while constantly sourcing for sustainable and alternative raw materials to reduce the impact on the environment. The Group also recognises the importance of protecting the biodiversity and ecosystems in the areas around the Group's operating sites.

FY2022 Environment Achievements

Environmental fines and penalties

ZERO

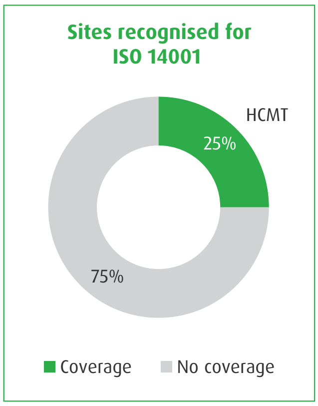
No environmental fines and penalties were recorded for all HCIB's operating companies for FY2022

HCMT Gopeng Plant, Perak obtained certification from Environmental Management Systems, ISO 14001: 2015

Commitment to the Environment

The Group has always been committed to producing quality products while continuously striving to preserve and minimise the impacts on the environment through the following initiatives:

- Minimising pollution and reducing Greenhouse Gas ("GHG") emissions
- Using raw materials, natural resources, and energy efficiently and sustainably
- Ensuring proper waste management and responsible disposal or efficient reuse
- Conserving biodiversity for current and future generations
- Reducing single-use plastics



25% of all HCIB's sites have received ISO14001 certification

Sustainability Statement

(Cont'd)

Environmental Management System

The environmental management systems of the Group are aligned with ISO14001. HCMT plant is ISO 14001:2015-certified and is regularly assessed by independent audit bodies. The Environmental Management System ("EMS") of HCMT is periodically reviewed by the management on the following aspects, as outlined below.

- Context of organisation
  - EMS risk category & criteria (actual and potential risks)
  - Internal & external issues
  - Needs & expectations of relevant stakeholders
- Top management's commitment to the environmental management system
- The environmental policy with a commitment to the protection of the environment
- Environmental objectives & target
- Management system risk and opportunities and their planning action
- Environmental aspects
- Compliance obligations
- Emergency preparedness & response
- Internal Audit
- Continual improvement

HCMT adheres to the environmental laws and regulations as outlined below:

- Environmental Quality Act 1974
- Environmental Quality Act 1974 (Amendment) Act 2012
- Environmental Quality (Clean Air) Reg 2014
- Environmental Quality (Control of Emission from Diesel Engines) Reg 1996
- Environmental Quality (Scheduled Wastes) Reg 2005
- Environmental Quality (Prescribed Activities) (Environmental Impacts Assessments) Order 1987
- Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) Regulations 1989
- Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) (Amendment) Regulations 2006
- Schedule of Compliance for scheduled off-site recovery facilities
- Schedule Compliance for designated carriers, vehicles for the purposed of collection, transfer and transportation of scheduled waste
- Detailed environmental impact assessment ("EIA") report approval requirements
- Perak Quarry Rules 1992

In support of mitigating climate change, HCMT has taken the proactive step of becoming a strategic partner with the Department of Environment ("DOE") in 2014. HCMT is also licensed as a Scheduled Waste Prescribed Premise by DOE which allows the co-processing of scheduled wastes in its operations.

Participated on International Biodiversity Day organised by DOE

One of the frequent meetings with DOE

Sustainability Statement

(Cont'd)

Governance and Environmental Compliance

The Group is guided by the Safety, Health and Environmental ("SHE") Policy and EMS in line with the environmental compliance. The Group has initiated sustainable environmental practices listed below to mitigate climate change and other environmental risks and leverage climate opportunities with a clear governance structure. HCMT's and HCCT's SHE Committees are led by the Head of Manufacturing and Plant Managers and consist of SHE members, department management representatives and employee representatives. There are periodic meetings amongst the committee members to review a range of topics relating to SHE indices and audits. The indices and action plans are then submitted through plant performance reports to the GMD for further discussions, implementation and follow-up.

1. Biodiversity

The Group recognises the importance of biodiversity & ecosystems and has implemented biodiversity conservation projects in HCMT, working towards contributing "Net Positive Impact" in all processes involved.

In conjunction with the 2022 World Environment Day, HCMT rolled out various activities, including "toolbox talk" and a special environmental quiz. Employees from all levels participated in the tree-planting session in the quarry and plant area. This effort is reflective of the Group's support for the Malaysian government's initiative known as the 100 Million Tree-Planting Campaign 2021-2025, a part of the Greening Malaysia Programme that was launched by the Prime Minister.

Toolbox gathering held at the Hume Cement Gopeng during the World Environment Day

One of the tree-planting sessions at the Hume Cement Gopeng plant

Sustainability Statement
(Cont'd)

2. Climate Change

Climate change is one of the major risks the world faces today. The Group recognises this risk and in recognising the potential impact it may have on its activities it is supportive of Malaysia's climate change ambition. The Group is ready to collaborate with various stakeholders in addressing climate change issues.

The Group is taking various initiatives to address climate change risks, such as:

- Monitoring of stack emissions.
- Use of supplementary cementitious materials ("SCM") in cement and concrete production.
- Usage of alternative fuels.

In order to mitigate climate change, HCMT has identified relevant risks and opportunities related to the environment as recommended by ISO 14001.

Theme	Sustainability Issues	Risks ("R") and/or Opportunities ("O")	Company initiatives
Biodiversity	Site erection on construction or new project	R: Habitat damage on site O: Development of local economy	• Ongoing recovery programme e.g. tree-planting • Recruitment of local communities
Resource	Use of natural resources	R: Depletion of natural resources	• Using supplementary cementitious materials ("SCM") in production
Resource	High coal usage	R: High GHG emission, and depletion of natural resources O: New technology/system developed for fuel system	• Phase 1 identification and installation of an alternative fuel system
Energy	High energy usage	R: Waste of energy usage O: Increase efficiency of finite resources	• Ongoing efforts to improve on efficiency carried out by the Energy Management Committee and Policy
Waste	Failure in scheduled waste management	R: Non-compliance, notice, fines O: Waste is taken by a licensed contractor for use in their process	• Putting in place a waste management system, scheduling and monitoring of waste management by experienced professionals • Management of waste and waste control/disposal by licensed contractors
Waste	Oil or chemical spillage (potential)	R: Land & water pollution O: Remove harmful substances through process redesign	• Training the emergency response team to handle oil and chemical spillage
Air Emission	Air emission legislation non-compliance	R: Non-compliance, notice, complaint, stop-work order, fines	• Monitoring of air emission points and online data • Inspection of bag filter and scheduling of maintenance activity • Third-party monitoring conducted on air emissions
Air Emission	High ambient dust	R: Complaints from local community	• Meetings with village heads on plant and DOE standards/ requirements
Water	Water usage for cooling	R: Large water footprint O: Reduce usage of domestic water	• Pond water recycling • No domestic water use for plant operation

Sustainability Statement

(Cont'd)

2.1. GHG Emission

The Group is continuously looking for ways to reduce Carbon Dioxide ("CO_2") emissions by identifying and implementing GHG reduction initiatives such as increasing energy efficiency, sourcing for alternative fuel and using SCMs in production.

The Group also encourages employees to use bicycles in the plant area as well as plant more trees as part of educating employees to contribute in mitigating GHG emission.

3 years GHG emission intensity from all operating sites in the Group	FY2020	FY2021	FY2022
GHG emissions per tonne of cement/cementitious material (kg CO_2)	810	761	763

2.2. Energy

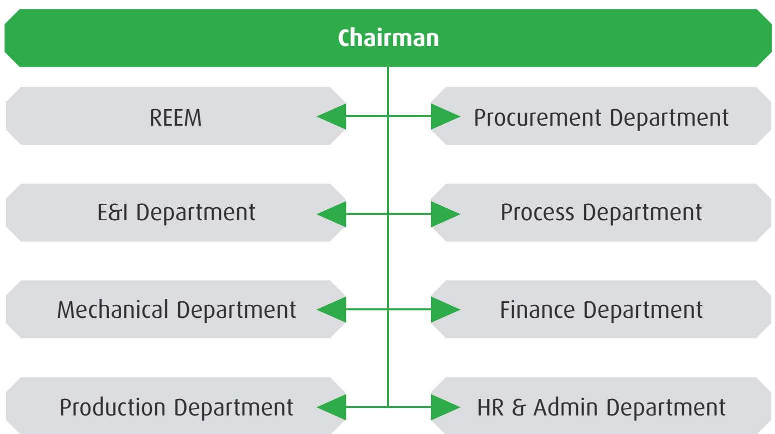
The Group recognises the importance of energy efficiency and energy conservation. The Group is taking consistent steps to improve energy efficiency throughout its plants to create a sustainable plant environment.

HCMT's Energy Policy provides fundamental guidelines which help the company to contribute towards efficient energy management and a cleaner environment. This includes executing, maintaining and regularly improving energy performance. The Energy Policy involves all levels in the plant to foster continuous effort in improving energy management in the plant where possible.

Suruhanjaya Tenaga
Energy Commission

The Energy Commission (Suruhanjaya Tenaga), established under Electricity Supply Act 1990 has validated HCMT's energy consumption and efficiency periodically.

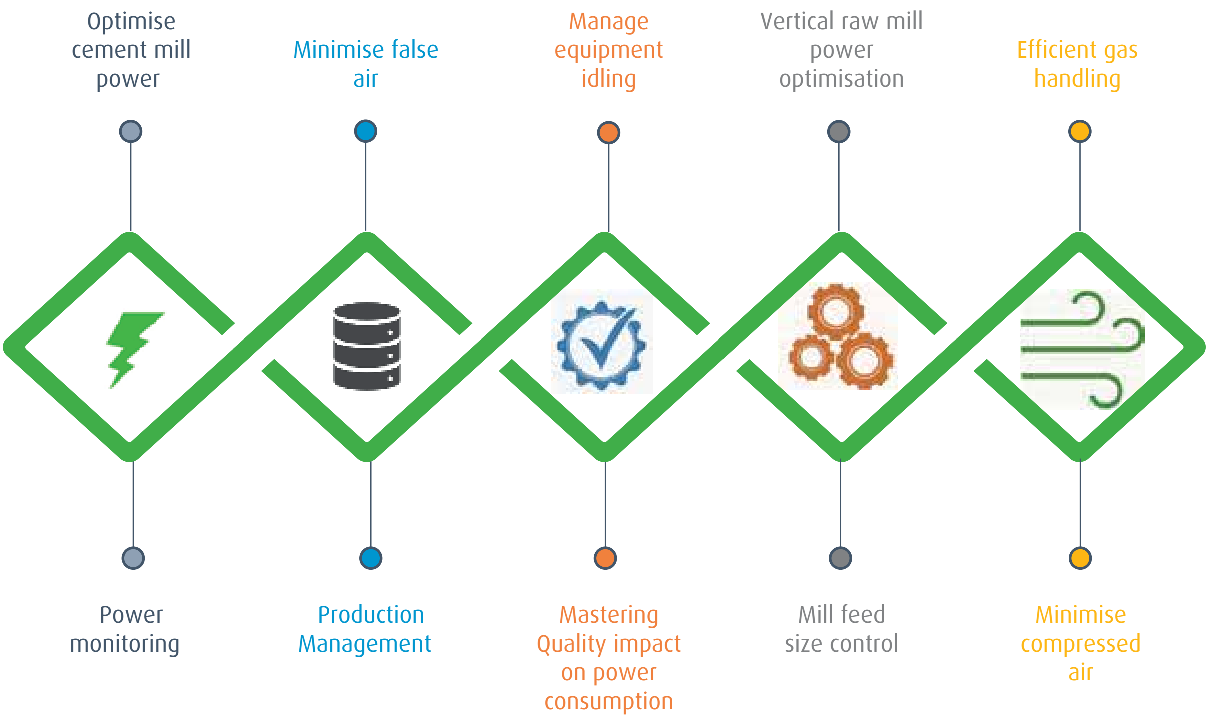
The company has also set up an Energy Management Committee comprising various departments and is led by the Head of Manufacturing. This committee aims to reduce energy consumption and improve efficiency by introducing the 10 Golden Rules.



HCMT Energy Management Committee

Sustainability Statement
(Cont'd)

10 Golden Rules for Energy Reduction



3. Pollution

3.1. Air Emission

Air emission is one of the important parameters monitored by the Department of Environment ("DOE") under the Environmental Quality (Clean Air) Regulations 2014, where DOE Malaysia has set a legal standard for emission limits. To meet this legal standard, the Continuous Emissions Monitoring System ("CEMS") is installed at the main stack for real-time monitoring. Analysers are in place to measure dust particles and emission concentrations released into the atmosphere. The emission readings, linked directly to DOE Putrajaya and DOE Perak on a continuous basis, enable DOE to monitor directly Particulate Matter ("PM"), Sulphur Dioxide ("SO_2") and Nitrogen Dioxide ("NO_2") emissions.

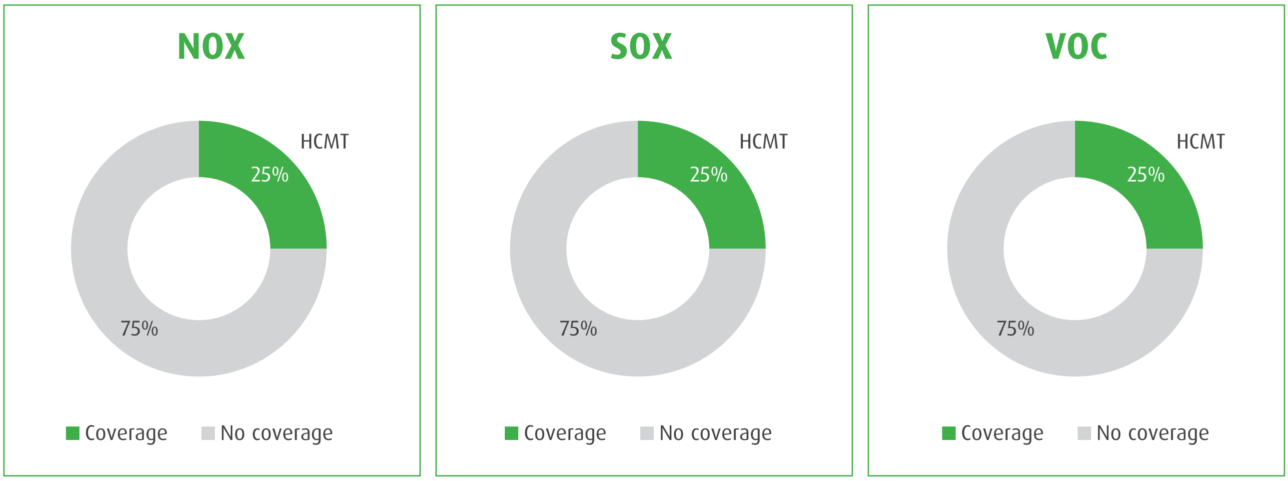
In Malaysia, HCMT pioneered the adoption of bag filter air emission control systems, thus reducing HCMT's emissions far below the limits specified by the Clean Air Regulations.

HCMT Cement Clinker Production Line 1	Malaysian Environment Quality (Clean Air) Regulation 2014	FY2020	FY2021	FY2022
Nitrogen Dioxide (mg/m³)	< 800	50	146	66
Sulfur Dioxide (mg/m³)	< 400	9	5	43
Particulate Matters (mg/m³)	< 50	18	16	14
Volatile Organic Compound (mg/m³)	< 20	N/A	< 0.5	< 0.5

Sustainability Statement

(Cont'd)

HCMT Cement Clinker Production Line 2	Malaysian Environment Quality (Clean Air) Regulation 2014	FY2020	FY2021	FY2022
Nitrogen Dioxide (mg/m^3)	< 800	214	248	102
Sulfur Dioxide (mg/m^3)	< 400	13	62	34
Particulate Matters (mg/m^3)	< 50	17	23	2
Volatile Organic Compound (mg/m^3)	< 20	N/A	N/A	< 0.5



25% coverage data for NOX, SOX and VOC

3.2. Raw Materials

Most of the raw materials used for the manufacturing of cement and concrete are natural resources. Although searching for substitutes for these natural resources can be challenging, the Group is always on the lookout for alternative raw materials such as waste or by-products from other industries to contribute to a circular economy and reduce the impact of industrial activities on our environment.

The Group utilises waste-derived alternative raw materials from other industries such as Pulverised Fly Ash and Granulated Blast-furnace Slag generated to help mitigate the environmental impacts of these materials. The Group views waste management seriously and all waste handling adheres strictly to DOE regulations and requirements.

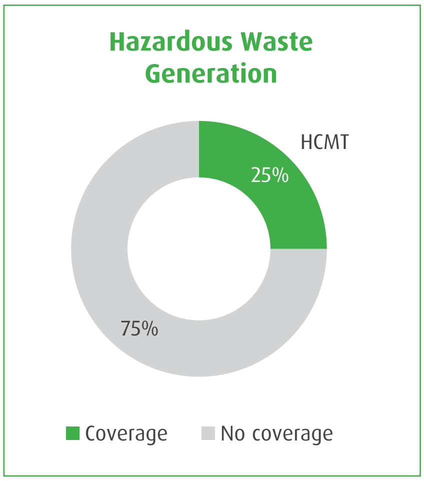
Sustainability Statement

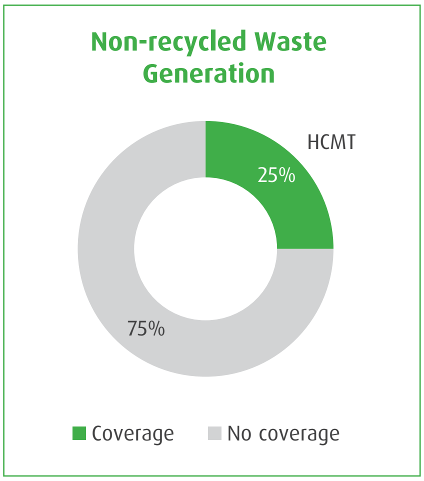
(Cont'd)

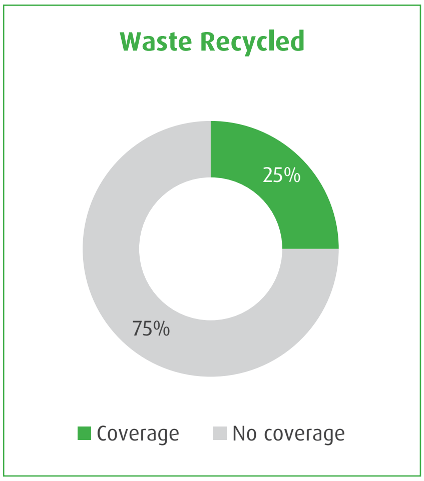
4. Waste Management

The priority is to recycle and reuse to reduce the need for waste treatment or disposal. Waste disposal at the operating plants is carried out responsibly and is in compliance with the relevant laws & regulations.

Type and quantity of waste in HCMT	FY2020	FY2021	FY2022
Hazardous Waste Generation (Tons)	65	42	62
Non-recycled Waste Generation (Tons)	181	166	164
Waste Recycled (Tons)	27,147	45,982	36,941







25% coverage data for Hazardous Waste Generation, Non-recycled Waste Generation, and Waste Recycled

Hazardous and non-hazardous waste

Hazardous waste management is crucial in mitigating environmental implications on the health & safety of the employees and the wider community. All operating plants in the Group fully abide by the strict local laws and regulations on hazardous waste management.

The Group, in collaboration with carefully assessed and selected licensed waste contractors, has put in place stringent procedures and policies which are in compliance with locally applicable laws and regulations.

Regular audits by regulatory bodies are conducted at all operating plants to ensure appropriate local regulatory compliance with waste management rules and standards. Similarly, the Group regularly audits the processes of the waste-handling contractors to ensure their compliance with local environment, health and safety regulatory requirements.

With in-depth research and development, HCCT has initiated the use of supplementary cementitious materials, including fly ash and ground granulated blast furnace slag in precast products to reduce the amount of binder from cement. This exercise not only improves the concrete properties significantly in terms of strength, durability and appearance, but also results in a lower carbon footprint for the finished products as a whole.

Sustainability Statement
(Cont'd)

5. Water Security

The Group has taken proactive initiatives to conserve water at all operating sites. The Group recognises the importance of water conservation and reduction in usage of natural resources although none of its plants is operating at water-stressed sites.

Retention pond located at the Hume Cement plant in Gopeng

In water management, we take into account the amount of water consumed from external sources, the amount of water recycled and the amount of effluents.

The strategy for efficient use of water resources revolves around recycling and reuse programmes. The Group continues to invest in programmes which help to reduce the usage of natural resources, including water. In line with the strategy, the Group identifies and implements water conservation projects across all its operational facilities

HCMT utilises rain water to cool down machinery. Rain water is recirculated and cooled to 25ºC in the cooling tower before it is re-utilised for the cooling process, reducing dependency on potable water.

Water consumption for all operating sites in the Group	FY2020	FY2021	FY2022
Water Consumption (m^3)	141,947	113,741	100,285

The HCCT plant in Beranang, Selangor has batching plants equipped with external pumps and tanks that enable the recycling of water collected from the slurry pits for production purposes.

Slurry pits located at the Hume Concrete Beranang plant

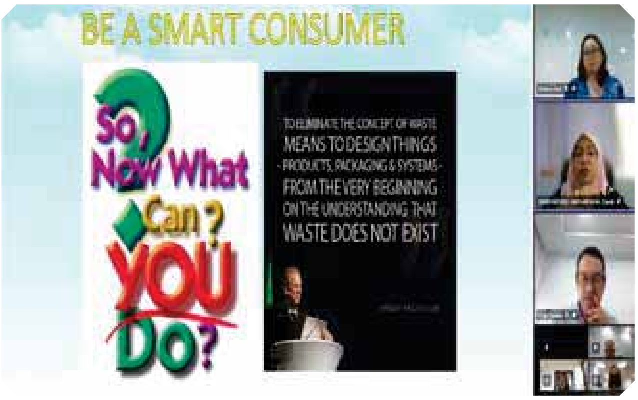
Sustainability Statement
(Cont'd)

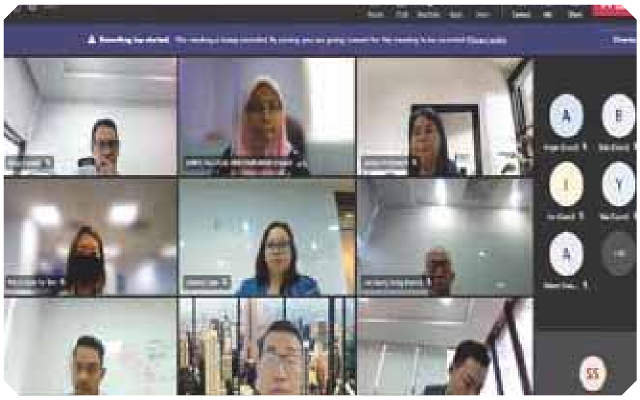
Raising Environmental Awareness amongst Employees

The Group has also initiated environment programmes to promote awareness amongst the employees on the consequences of climate change including carbon emissions, intense droughts, water scarcity, severe fires, rising sea levels, flooding, melting polar ice, catastrophic storms and declining biodiversity.

World Environment Day Talk

In conjunction with the World Environment Day, the Group's celebration was graced by the presence of the Assistant Director of Solid Waste, Majlis Bandaraya Petaling Jaya ("MBPJ"), who shared on environmental issues and recycling practices with HCMT and HCCT employees. The employees were exposed to the latest development and regulations imposed by the authorities in managing community wastes around Petaling Jaya, Selangor. Employees also had the opportunity to obtain clarification on some matters related to recycling during this session.





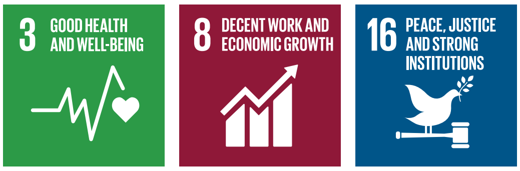
World Environment Day Activities

- HCCT has initiated measures to improve the plant's physical environment by re-using waste substances such as sediment or concrete waste from slurry instead of disposing them. For instance, the operations team re-used the waste for factory flooring in the yard and casting area.

- HCCT produces hundreds of test cubes daily as a result of quality assurance/quality control ("QAQC") activities. To reduce the number of test cubes being disposed, and as a part of factory improvement activity, the company has repurposed the concrete test cubes as its main material to build a new fence wall, QAQC lab and new maintenance store.

Sustainability Statement
(Cont'd)

B. SOCIAL



The Group is committed to creating positive impacts on the social systems within and outside its companies. Employees are one of the Group's top priorities. The Group enhances its human talent with development programmes that benefit the community in terms of business values. Improving the performance of human capital and their health & safety has always been crucial to the Group. At the same time, respecting human rights while improving workforce diversity, engagement and inclusion remain the Group's focus as well.

FY2022 Social Achievements

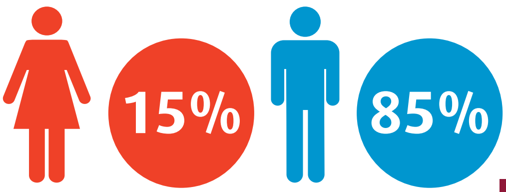
HCMT Gopeng Plant, Perak certified by OHSMS with ISO 45001:2018 Standard

Hume Cement Sdn. Bhd.

No legal actions or fines related to Health & Safety breaches or violations in any operating plants in the Group

ZERO

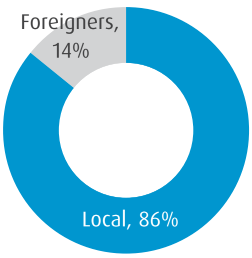
Employee Diversity (Gender)



No human rights issues reported across the Group in FY2022.

ZERO

Percentage of Malaysian and foreign employees



Sustainability Statement

(Cont'd)

1. Health & Safety

Governance and Social Compliance

The Group's Safety, Health & Environmental ("SHE") Policy provides fundamental guidelines in ensuring adequate levels of safety standards for employees, contractors and suppliers.

The Group - through the SHE Committee - engages with employee representatives from all departments to periodically discuss health and safety issues in each plant. Such SHE meetings serve as a communication channel to enable employees to participate in the development, implementation and evaluation of the Occupational Health and Safety Management System ("OHSMS"). Employees' awareness and knowledge have been enhanced regularly through various training sessions, demonstrations and plant improvements to reduce the risk of accidents.

The GMD has oversight on the Group's safety and health issues. The Plant Performance Report ("PPR") which consists of the OHSMS report and the action plan by the respective HCMT and HCCT's SHE committees are submitted for review by the GMD.

Risk Identification and Assessment

Risk assessments have been conducted in all the operations across the Group to manage health & safety risks which are driven by the Hazard Identification, Risk Assessment and Risk Control ("HIRARC"). Based on the SHE targets, the Committee from both HCMT and HCCT identified the hazards, risks and necessary controls related to the companies' ongoing processes. The assessments are performed by trained persons-in-charge as well as by the members of the SHE committee. These reviews are done at least once a year and when required by teams which are led by the respective SHE working committees at both HCMT and HCCT, along with management and worker representatives. From the risk assessments, any issues captured are reported so that safety measures can be taken. All such measures are duly documented and reviewed on a periodic basis by the SHE committees. Risks were divided into various categories and follow-through actions were taken to reduce relevant risks or mitigate their impact.

Yearly health & safety programmes such as medical surveillance, audiometric tests, chemical monitoring and local exhaust ventilation monitoring were conducted in the companies. Risks and opportunities were analysed, classified into various categories and follow-through actions were taken to manage them. In addition, programmes initiated for COVID-19 prevention were continued for the safety and well-being of the staff. Adherence to the COVID-19 prevention guidelines and COVID-19 SOPs was also expected of the contractors and suppliers who visited the plants for all business purposes.

Training and Awareness of Health & Safety

Various safety programmes and briefings were held to promote safety procedures within the plant operations as well as to boost safety awareness among employees. As part of Occupational Safety and Health Administration ("OSHA") 1994, SHE committees take responsibility to provide training in an effort to equip employees with the knowledge and understanding of the health & safety requirements.

In FY2022, the Group has conducted training across the areas enumerated below:

- Hazards identification, risk assessment, risk control ("HIRARC")
- Hearing Conservation Programme
- Electrical Safety
- Working at Height
- Gas Cylinder Safety
- Hot Work Safety
- Confined Space Area Safety
- Chemical Management / Chemical Handling
- Crane Lifting Operation Safety
- Reporting Accident or Incident
- 5S Safety Briefing Sessions
- Emergency Response Plan ("ERP")
- Visible Felt Leadership ("VFL")
- Basic Occupational First Aid
- On-the-Job Safety Training
- Forklift Driving
- COVID-19 Prevention Activities

Sustainability Statement
(Cont'd)

Visible Felt Leadership ("VFL")

Forklift Driving Training

Chemical Handling

COVID-19 Prevention Activities

Fire Extinguisher Training

5S Safety Briefing Sessions

On-the-Job Training

HCMT Health & Safety Training Data	FY2020	FY2021	FY2022
Number of staff trained on health & safety standards	395	383	373
Employee training hours on health & safety standards	2133	651	789

HCCT Health & Safety Training Data	FY2020	FY2021	FY2022
Number of staff trained on health & safety standards	331	227	252
Employee training hours on health & safety standards	1597	1231	1895

Sustainability Statement

(Cont'd)

Health & Safety Reporting System

The Group employed several reporting systems to further strengthen the OHSMS. These systems have encouraged more employees to participate in the improvement activities related to the health & safety environment of the Group.

Stakeholders can report, confidentially, through the "**Whistleblowing Form**", if there are any violations or breaches of the Group's health & safety policies and procedures.

The 5S and Safety Penalty Online Platform has an accompanying reporting e-form that enables employees to file complaints or report on health & safety violation matters within HCMT. Necessary actions are taken against the offenders upon completion of corresponding investigations.

SHE Reporting System allows employees to suggest kaizen (improvement) ideas or report their safety concerns around the plants.

Health & Safety Performance

HCMT's plant in Gopeng, Perak has gained certification from ISO 45001:2018 Standard for OHSMS for manufacturing clinker and cement including quarry. The SIRIM QAS International has also issued the IQNet certificate to HCMT for the implementation and practice of OHSMS. The SOP of SHE has been adopted following the requirements of ISO 45001:2018 as well as in complying with the Occupational Safety and Health Act (OSHA 1994).


CERTIFICATE

ISO 45001 : 2018

As of June 2022, 25% of HCIB plants have received ISO 45001:2018 certification

The Group complies with the relevant laws and regulations as governed by local governmental agencies. Aside from yearly audits by SIRIM QAS International, audits and inspections have also been performed by the Department of Occupational Safety and Health ("DOSH"), DOE, Fire Department, and Insurance assessor. SHE committee from both operating companies have practised reporting any accidents or LTI cases via the SHE Accident Investigation Report. Under DOSH requirements, the operating companies are obligated to submit reports related to JKKP 6 / JKKP 7 and JKKP 8.

The Group is always committed to pursuing its zero-accident objective across its operations. The health & safety performance monitoring entails tracking injury frequency rate data, to guide the Group's approach and execute timely actions.

Even with strict health and safety measures in place, some accidents still occurred in FY2022. Following the incidents, both operating companies took stricter control measures to mitigate and prevent similar issues from happening in the future. Lessons learnt from the cases and actions taken were subsequently shared with employees, followed by refresher training for the operational staff.

HCMT Health & Safety Performance Data (Employee and Non-employee)	FY2020	FY2021	FY2022
Coverage for LTIFR (%)	100	100	100
Lost-Time Injury Frequency Rate ("LTIFR") (number/ Per 1,000,000 HOURS worked)	0	0.9	3.7
Number of lost time injuries (including fatalities)	0	1	4

Sustainability Statement
(Cont'd)

HCCT Health & Safety Performance Data Employee and Non-employee	FY2020	FY2021	FY2022
Coverage for LTIFR (%)	100	100	100
Lost-Time Injury Frequency Rate ("LTIFR") (number/ Per 1,000,000 HOURS worked)	1.42	0	1.82
Number of lost time injuries (including fatalities)	1	0	1

Health & Safety Education for the Community

On 23 March 2022, HCMT Gopeng Plant had the special privilege of hosting a study tour for DOE Perak officers and their batch of industrial-training students.



2. Human Rights & Standards

The Group recognises that human rights are universal and every employee deserves to be treated with dignity and have their interests considered equally. The Group always maintains its commitment to continuously improving the welfare of all employees and that includes giving them a fair, respectable and safe workplace for employees across all levels in the organisation. The Group is against the use of child labour, forced labour, slavery, involuntary prison labour, and trafficking of persons at all times.

The Group is familiar with the eight fundamental Conventions of the International Labour Organisation ("ILO") covering freedom of association and the right to collective bargaining, abolition of forced labour and child labour issues and zero tolerance for any form of discrimination. The Group's commitment to human rights is aligned with Hong Leong Manufacturing Group's Code of Conduct and Ethics which is applicable to all employees. The Managing Directors of both HCMT and HCCT are responsible for the Group's labour and human rights issues.


JABATAN TENAGA KERJA SEMENANJUNG MALAYSIA
KEMENTERIAN SUMBER MANUSIA
PERAKUAN PENGINAPAN
HUME CONCRETE SDN BHD

There were no human rights violations or issues cases reported across the Group in FY 2022

The Group also complies with the HLMG Group's Workers' Accommodation and Foreign Workers' Management Standards and Procedures (including local and foreign worker's accommodation) and the Group's Standard Operating Procedures and Policies ("SOPP"). Thus, employees are provided with accommodation that complies with relevant laws.

In addition, the Group developed and held relevant training on Forced Labour in Manufacturing. It provides employees with exposure to forced labour issues and what stakeholders can do to ensure the business operations are free from forced labour practices.

In addition to Group-level hostel audits by the Group Managing Director, several rounds of hostel audits were run by the Head of Human Resources of Hong Leong Manufacturing Group. The accommodation provided and its facilities are compliant with the rules and regulations imposed by both the Ministry of Human Resources and Department of Labour, Peninsular Malaysia, leading to the certification for every hostel.

Sustainability Statement

(Cont'd)

E-learning Course: Forced Labour in Manufacturing Course

Company Level Audits

Group Level Audits

Department of Labour Audits

3. Labour Rights & Standards

The Group aims for every employee to be treated fairly and with no bias regardless of the work they undertake.

The Group strictly complies with the fundamental requirements of the Children and Young Persons (Employment) (Amendment) Act 2010, and Employment Act 1955. These laws govern the protection of labour rights through fair payment of wages, fair working hours, and fair treatment of all without tolerating any form of discrimination on race, colour, gender, language, religion or political opinion. All workers are given an employment agreement that conveys the conditions of employment in a language they understand. To ensure equal opportunity for all, the most suitable candidates are selected, regardless of gender, age, race, religion, ethnicity, and disability. HCMT and HCCT comply with the applicable anti-discrimination laws and recruitment is made based on qualifications, experience and potential.

The Group demonstrates its support for freedom of association, the right to collective bargaining and anti-discrimination practices and guidelines in the workplace to protect the civil freedoms of the employees by local laws and regulations. Employees are free to join a trade union of their choice provided they abide by local laws and the rules of the trade union. In HCCT, 10% of employees are covered by collective bargaining agreements and have signed the 18th Collective agreement in 2021 which has a validity of three years. As for HCMT, a union is established and 33% of employees are expected to be covered by the collective bargaining agreement.

The Group complies with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. Whilst in support of employees performing overtime, which usually translates into exceeding the minimum wage, the Group puts in necessary controls to prevent them from working beyond the maximum hours allowed by the local law. The Group also complies with the Minimum Wages Order 2022 by increasing the monthly minimum wage of employees to RM1, 500 effective 1 May 2022. A HR Management Dashboard is in place to monitor the employees' working hours and overtime every month to ensure compliance with the respective local laws across all the facilities.

Sustainability Statement
(Cont'd)

Grievance Procedures

Employees are expected to conduct themselves professionally and by accepted standards of behaviour in Malaysia. Use of abusive language, bullying, harassment or physical violence is not condoned.

Any non-compliance or grievance can be reported through the Whistleblowing confidential reporting channels or to the employee's immediate superior. Employees have been made aware of these reporting channels and the Group believes this reduces any such incidents from occurring. Grievances and complaints are investigated in order to be settled in a timely and adequate manner.

3.1. Human Capital Development

The Group strongly believes in promoting the development of employees. Improving the performance of human capital has always been its priority. In line with that, the Group seeks ways and means to sharpen skills among its workforce so as to deliver high impact services.

The Group Learning & Development Programmes in FY2022

The Group has rolled out different training methodologies structured around these four pillars (as shown below).

Pillar 1	Pillar 2	Pillar 3	Pillar 4
Cultures and Values which form the main focus of the induction program for new entrants, are applicable to all levels of employees.	**Leadership** is for selected employees who need supervisory and leadership skills to work harmoniously with the team members.	**Business Specific** is for the technical and process-related employees to improve their technical knowledge.	**General Management** focuses on system/ management-specific topics such as rules and regulations from government bodies.
Type of Training by Pillar			
• Introduction to QPP & 5S training • 5S & weekly training on Safety • Fire extinguisher safety programme • 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 waste spill prevention, Control and Recovery Measures • On-the-Job Training	• Anti-Bribery & Corruption Management System • Effective Internal Audit skills of ISO 37001:2016 • Industrial First Aid, competency

The Group's Training Performance

Total Training Hours	Average Training Hours per Employee	Average Training Days per Employee
6,997	11.2	0.5

Youth Development Programmes

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 Protégé Programme and Graduate Development Programme ("GDP") are offered to selected young talents who are equipped with learning opportunities to become key contributors in the industry.

Sustainability Statement
(Cont'd)

Employee Breakdown of the Group	FY2022
Full-time staff voluntary turnover rates (%)	14
Percentage of employees that are contractors or temporary staff (%)	0.6
Percentage of global staff with a disability (%)	0
Percentage of women in the workforce (%)	15

3.2. Employee Engagement

Employee satisfaction and engagement is vital to the overall business performance. In alignment with this, the Group has organised activities to promote a sense of belonging and nurture engagement amongst the employees.

Year-end Festive Get-together

Employees from all levels in the Group's headquarters gathered for a simple yet meaningful tea party to celebrate Christmas and usher in the New Year. They feasted on a variety of food and carried out gift exchange among themselves. To add a fun element to the party, a special lucky draw with attractive prizes was held.

International Women's Day Celebration

The Group celebrated International Women's Day in May 2022 with added attention to uniqueness and resilience, two key traits that have helped many of us get through the Covid-19 pandemic of the last two years. To recognise the staff's invaluable contribution, they organised a fun-filled and memorable activity of making their very own customised hand sanitisers. Whilst in strict observance of Covid-19 SOPs and guidelines, employees from across all levels and functions had a fun time choosing their preferred and unique scents. As each woman is indeed unique - creating personalised scented sanitisers was a small way to affirm and celebrate them. Additionally, the Group also released its third annual edition of "Herstory", a specially created newsletter to share inspiring stories of the Group's very own women warriors. Published once a year to mark International Women's Day, it highlights stories of strength, life and achievements. This year's "Herstory" paid tribute to the Group's women employees who displayed courage and resilience throughout the pandemic. Having recovered from the Covid-19 illness, they shared tips on surviving Covid-19.

Sustainability Statement
(Cont'd)

Parents' Day Celebration

Employees at the Group's headquarter carved out some precious time to celebrate Joint Parents' Day (Mother's Day and Father's Day) in the office. To commemorate the joyous occasion, a Guessing 'whose babies?' contest and parenthood experience sharing session were held during the tea break. Colourful carnations were also distributed to all employees.

5S Working Culture

Pursuing the 5S Working Culture within the Group has proven to be effective in enhancing work productivity, safety and engagement among the employees. It helped to uplift the physical environment and improve the companies' Total Quality Management ("TQM") processes as well. Throughout the year, many 5S activities were conducted diligently to embrace the 5S Working Culture among the employees such as:

- Monthly "Gotong-Royong" sessions to upkeep the facilities.

- Teambuilding sessions to cultivate stronger engagement and communication as well as to break down the departmental barriers.

- Spot audits and Genba walks by the working committee & 5S Group audits by the internal and external auditors to measure the effectiveness of the 5S programs

Sustainability Statement
(Cont'd)

- Circulating monthly 5S e-newsletters to publicize the 5s initiatives to all employees across the Group

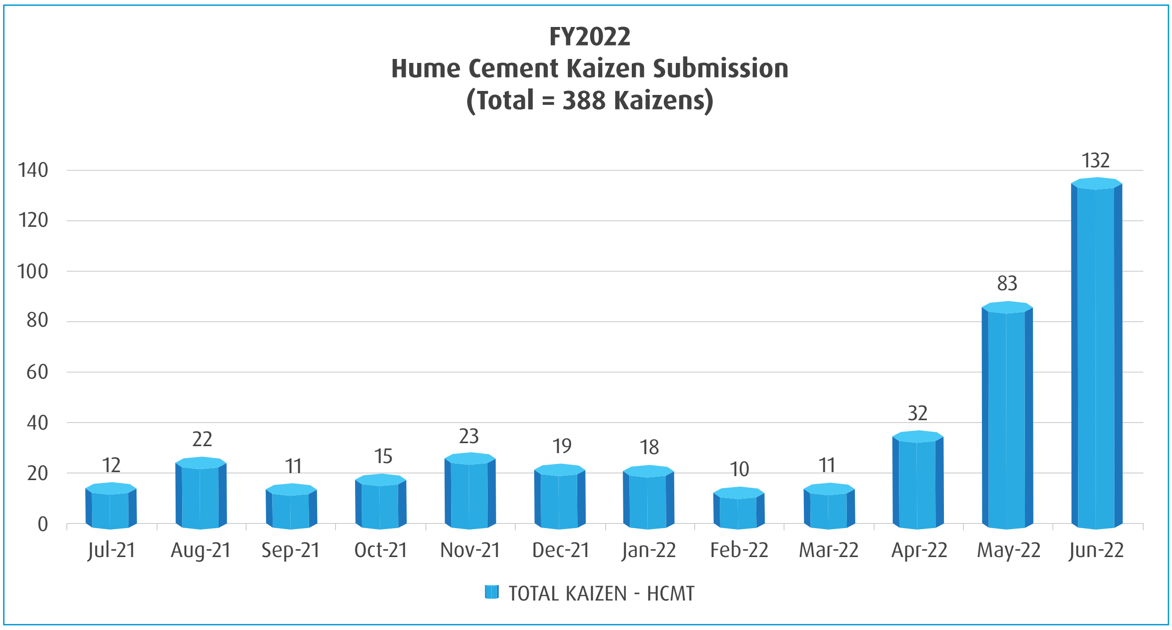
- 5S Awards and Recognition Ceremonies

- 5S Refresher Quiz to test employees 'understanding of 5S Working Culture

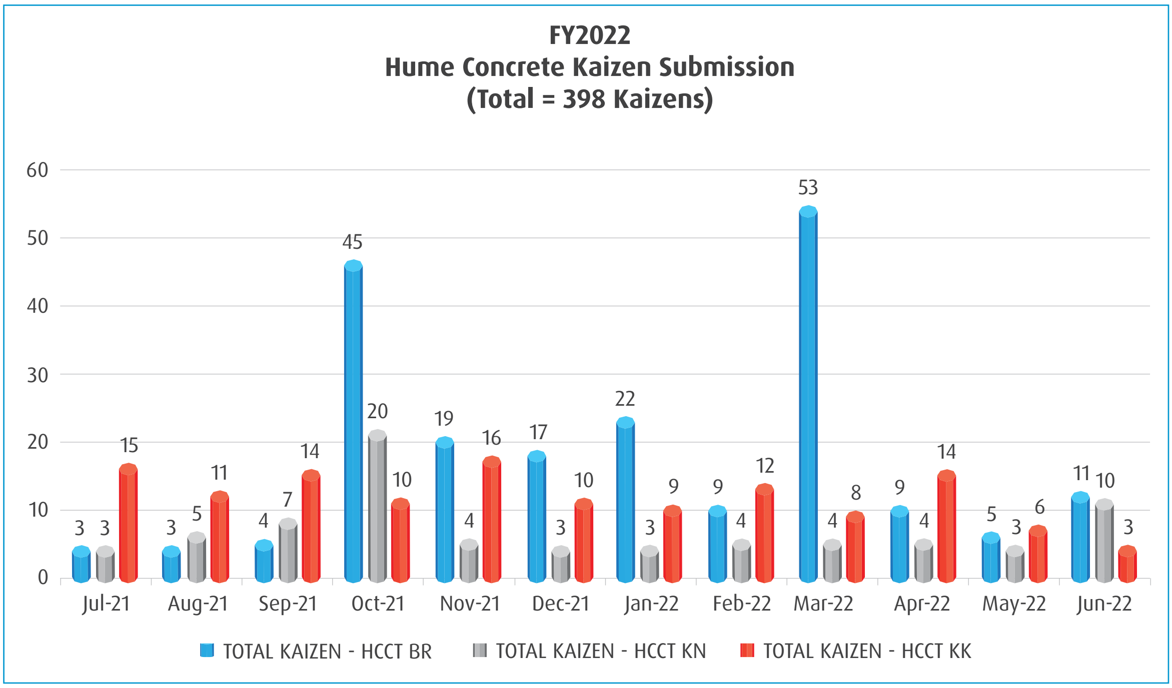
Sustainability Statement
(Cont'd)

- Continuous progress on the Kaizen Suggestion System where ideas from employees are taken into account to improve the work processes and efficiencies as well as embrace a clean, healthy, and safe working environment. In FY2022:

    o *Employees of HCMT submitted 388 Kaizens*



    o *Employees of HCCT submitted 398 Kaizens*



Sustainability Statement

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4. Community Investment & Corporate Social Responsibility ("CSR")

The Group is a firm believer of the importance of improving the livelihood of underprivileged communities and is continuously engaged in rolling out various Corporate Social Responsibility ("CSR") activities, especially for those who live within the vicinities of the operating plants. The Group's commitment towards giving back to the community is evident from its employees' active involvement in these CSR activities.

Based on the Group's regular deliberation, suitable community-based and social engagement programmes are selected. This is also in line with the Group's priorities such as local job creation, talent identification and development, supporting the underprivileged, and programmes related to the promotion of health, safety, security, civic activities, sports and recreation. Employees are encouraged to actively volunteer in activities that can strengthen their rapport with the wider community which in turn, enhances the overall welfare.

Supporting Children's Programmes

The Group supports the children's right to quality education and provides Group Scholarship Awards for selected employees and their children. Through this award, many children with outstanding achievements in their public examinations and higher studies have been granted scholarships to pursue further studies.

In addition, HCMT organised a 'Back to School' programme where they surprised 20 pre-school pupils of Taman Bimbingan Kanak-Kanak Kemas Kota Bahru, Perak with some gifts such as school bags, pencil cases and various cartoon-themed stationery. This activity was part of HCMT's 2022 CSR plan and ongoing engagement with the local community around its operations.

Representatives from HCMT accompanied children from a local orphanage in Gopeng, Perak on a Hari Raya shopping trip, made possible with the support of the DOE, Perak and in collaboration with the Perak State Committee of Health, Science, Environment and Green Technology. At the end of the outing, the children were each gifted with "Duit Raya" tokens.

Besides the activities with children, HCMT also sponsored bagged cement to SJK (C) Pei Yuan, Kampar, Perak for its classrooms improvement project. The company was earnest in its desire to uplift the infrastructure and benefit its students.

Furthermore, HCMT has sponsored SK Kota Baharu to hold its School's Yearly Athletic programme as it aims to motivate schoolchildren on their athletic excellence.

Bagged Cement Donation to SJK (C) Pei Yuan, Kampar

Sustainability Statement
(Cont'd)

Donation to Taman Bimbingan Kanak-Kanak Kemas (Tabika Kemas) Kota Bahru, Perak

Donation to SK Kota Baharu

Hari Raya Shopping which was organised by the Department Of Environment ("DOE") of Perak & Perak Exco Office

<u>*Sponsorship for Department of Health ("DOH"), Kampar, Perak*</u>

HCMT also sponsored personal protective equipment ("PPE") to front liners of DOH. Face shields, Tyvek suits, N95 face masks, rubber gloves, etc. were provided as tokens of appreciation to the front liners and government employees who valiantly fought COVID-19.

Sustainability Statement

(Cont'd)

Sponsorship for the Sports and Welfare Club ("PETANDA") of the Kampar Land Office

To motivate the community to be more active in sports activities, HCMT has extended its support by donating funds to the PETANDA Kampar, Perak to organise various sports activities and welfare activities.

Donation to Surrounding Village Communities

Aligning with the Group's aspiration of helping the surrounding community, HCMT has placed donations to enable villagers to celebrate Ramadan and Hari Raya in a more comfortable and pleasant environment. The company donated to Kampung Changkat Tualang, Kampung Redang Sawa, Kampung Bunga Tanjung, Kampung Changkat Belulang and Kampung Changkat Baru villages, located in the vicinities of the manufacturing plant in Gopeng, Perak.

Besides that, HCMT donated to local mosques to support their various programmes for the communities during the holy month. For this round, Surau As Syakirin Tamu, Malim Nawar and Masjid Ubudiah Kampung Changkat Legong, Kota Bahru, Perak were the proud recipients.

Sustainability Statement

(Cont'd)

Gotong-Royong Session at Kampar West Lake Park, Perak

HCMT employees participated in a 'gotong-royong' session around Lakeview Kampar on World Environment Day. A group of 22 employees volunteered to collect rubbish with the aim of cleaning the park for the surrounding communities to enjoy.

Local Employment

The Group is committed to the development of the local community and economy. The Group hires from local communities within 20KM of its operating plants as it is the key focus area in the overall community engagement approach.

Local Community Employment in:	FY2022
HCMT - Gopeng, Perak (%)	42
HCCT - Beranang, Selangor; Kuantan, Pahang; Kota Kinabalu, Sabah (%)	47

Meanwhile, to meet its manpower requirements for its varied business activities, the Group employs foreign workers to fill certain positions. These foreign workers are employed only as a last resort when efforts to fill the said positions by Malaysians are unsuccessful and/or exhausted. Certain management positions, however, are held by expatriates due to the specialised skills and experience demanded of the position, in which case, the locals have been assigned to understudy the expatriate to eventually take over the said position.

In FY2022, the Group consisted with:	
Malaysian Citizens (%)	86
Foreigners %	14

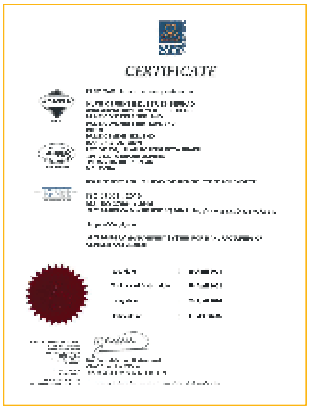
Sustainability Statement
(Cont'd)

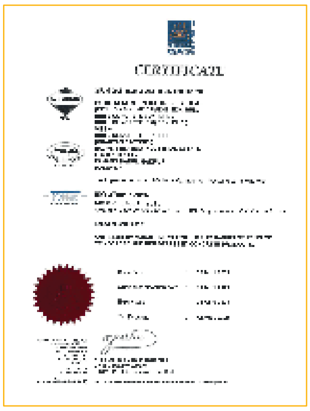
C. GOVERNANCE

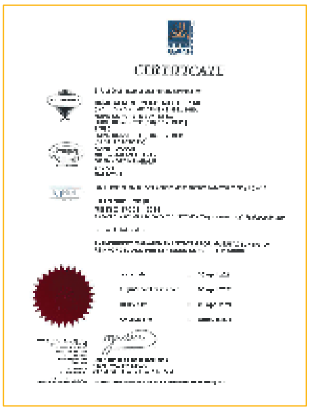
Anti-Bribery & Corruption Management System ("ABCMS")

The Group practises the ABCMS Programme based on the ISO 37001:2016 Anti-Bribery Management System to further support the country's push toward a corruption-free society. In FY2022, an audit was conducted by SIRIM to examine the Group's compliance with ISO37001:2016 Anti-Bribery Management System.

After the audit, all the operating plants and offices of HCIB proudly received the ISO 37001:2016 Anti-Bribery Management System certification.







Sustainability Statement
(Cont'd)

The Group does not condone any form of bribery and corruption. The Group has an Anti-Bribery and Corruption Policy ("ABC Policy") approved by the Board of Directors. The ABC Policy shows the commitment of the Group to conduct business ethically in compliance with the Malaysian Anti-Corruption Commission Act 2009 and all applicable anti-bribery and corruption laws. The Board of Directors and Management of the Group give top priority to the implementation, enforcement and continuous improvement of the Group's anti-bribery management system. To assist the Board and Management, a Compliance Function has been established to oversee the design and effective implementation of the Group's anti-bribery management system. This ABC Policy, which must be read in conjunction with the Hong Leong Manufacturing Group Code of Conduct and Ethics, serves to provide guidance how to prevent, deal with and combat bribery and corrupt activities and issues that may arise in the course of business. The ABC Policy applies to all employees, directors (executive and non-executive) and any person who performs services for or on behalf of the Group, which includes contractors, subcontractors, consultants, suppliers, agents, intermediaries and representatives of the Group (collectively, "Applicable Persons"). As stated in the ABC Policy, the employees are prohibited from doing any of the following:

- Carry out, offer, promise or agree to give anything of value directly or indirectly to obtain any personal or business advantage.
- Request for or accept anything of value that might influence objectivity in carrying out the employment/business.

Reports of any suspicion or concern can be made to the Head of Internal Audit or the Head of Human Resources.

The Group also has a "Whistleblowing Policy" for all employees as part of the Group's commitment to promote and maintain necessary standards of transparency, accountability and ethics. All stakeholders are welcome to raise genuine concerns about improper or wrongful conduct at the earliest opportunity, and in an appropriate way. The Board has identified the Chairman of the Board Audit and Risk Management Committee ("BARMC") to whom reports of any such concerns may be conveyed. Any complaints can be made through the "Whistleblowing Form" or emailed to the BARMC chairman. To provide a safe avenue for staff to disclose any suspected, attempted or actual act of bribery and corruption, the Group has established a confidential process to ease reporting.

The Group has published the "ABC policy" and "Whistleblowing Policy" on its corporate website and outlined the Group's commitment to perform business operations with good ethics and integrity and to comply with applicable laws and regulations requirements on anti-bribery and corruption.

Sustainability Statement

(Cont'd)

Risk Assessment & Management

With reference to ISO 37001:2016 and HLMG Risk Management Guidance, the Group identifies, registers and evaluates the bribery risks and impacts on its activities, products and services. On a quarterly basis, the Group and its authorised risk owners undertake the responsibility to monitor 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 produce risk management reports.

Key business risks and risks exceeding tolerance levels (high risk) will be escalated to the BARMC and if necessary, to the Board for deliberation. Through the BARMC, the Board reviews the Group's risk management framework and the internal control system to safeguard the shareholders' investments and the Group's assets.

Due Diligence Procedures

The Group also conducts due diligence procedures to determine whether a stakeholder is fit for the business relationship and able to operate ethically and in compliance with applicable laws and any policies set out by the Group. The internal Standard Operating Procedure ("SOP") is designed to facilitate the operating companies to conduct due diligence on all stakeholders to minimise bribery and corruption within the Group. The due diligence procedures encompass employee recruitment, selection of suppliers and tender interviews and awarding processes.

ABCMS Training

Periodic training on the anti-corruption and bribery system has been conducted for all the employees. The training areas are in the following form:

- Yearly external training for ABCMS committee members
- Yearly ABCMS internal training package for employees
- Online Quizzes to assess employees and committee members on ABCMS
- Training for internal auditors by Malaysian Anti-Corruption Academy ("MACA")

External Training for ABCMS committee

Employees ABCMS internal training package

Online training for internal auditors by MACA

Sustainability Statement
(Cont'd)

ABCMS Communication Medium

The Group also actively communicates the ABCMS objectives and initiatives to all the employees through the following mediums:

- Distribution of ABCMS Pocket Cards (in English and Bahasa Malaysia languages) to all employees
- ABCMS awareness video (in English and Bahasa Malaysia languages)
- Routine ABCMS awareness sharing to the employees through the built-in intranet "SPARX"
- Printed ABCMS banners and posters
- ABCMS Info board
- ABCMS materials made available to all employees through the Group's standard shared folder
- "ABC Policy" and ABCMS commitment published on the websites of the Group and companies

HCIB "SPARX" Website

ABCMS Pocket Cards (in English and Bahasa Malaysia languages) & printed policies and objectives

ABCMS Info Board

Awareness Video in both English and Bahasa Malaysia languages

ABCMS Posters

Sustainability Statement
(Cont'd)

The Hong Leong Manufacturing Group Self-Declaration Policy requires relevant employees from relevant departments to self-declare through the proper channel on a per-year basis, as proof of their obligation. For new employees, this means doing so upon joining the organisation. As a good practice and in acknowledgement of the Hong Leong Manufacturing Group Gift and Entertainment Policy - the Group's Anti-Bribery and Corruption Policy and Code of Ethics for Company Directors - all members of the Board of Directors of the Group have also done the same.

Integrity in Supply Chain

The Group and the operating companies expect their business partners to share the same ABCMS commitment. The Supplier Code of Conduct and Ethics ("Code") serves to set out the minimum standards of business the Group expects from all the Suppliers (as hereinafter defined). This Code applies to all Suppliers of the Group, including, without limitation, contractors, sub-contractors, consultants, suppliers, vendors, and agents across the Group. The Group expects the Suppliers to communicate the standards and expectations contained herein effectively throughout their organisation as well as their supply chain to ensure that this Code is at all times upheld throughout the entire supply chain. The offering or acceptance of any form of bribe or corruption such as, without limitation, facilitation payments, kickbacks, rewards, gifts, blackmail, gratification or behaviour involving improper advantages, benefits or incentives, is strictly prohibited.

Made available in the language of communication used, i.e., English, the Supplier Code of Conduct and Ethics is also found on the corporate website to ensure effective communication of the Group's business ethics and core values across the supply chain.

The Group does not condone any form of bribery and corruption practices

In FY2022, the Group and its employees did not face any fines, or penalties due to corruption or bribery cases. None of the Group's employees faced disciplinary or dismissal issues due to non-compliance with the ABCMS. The Group also does not offer or contribute money or any kind of political contributions to any political party officials, politicians or political parties. The Group is committed to maintaining this record.

ZERO	ZERO	ZERO
Political Contributions Made	*Penalties or Fines Imposed*	*Number of employee with disciplinary or dismissal issues due to non-compliance with ABCMS*

Moving forward

With fresh faces in the Sustainability Steering Committee, the Group will endeavour to seek ways to pursue robust sustainability focus areas. The Group aims to produce a solid sustainability blueprint which covers not only the internal exercises, but also identifies key baseline strategies which entail improvements in reporting, data management and a more structured governance process that can benefit all its stakeholders.

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 ("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 2022 of Hume Cement Industries Berhad ("the Company") in relation to this statement is published on the Company's website at www.humecementind.com ("Website").

BOARD LEADERSHIP AND EFFECTIVENESS

A. Roles And Responsibilities Of The Board

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference ("TOR") to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed annually by the Board and published on the Website. The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and broad strategies, overseeing and evaluating the conduct of the Group's businesses, identifying principal risks and ensuring the implementation of appropriate systems to manage those risks, and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

The day-to-day business of the Group is managed by the Group Managing Director ("GMD") who is assisted by the management team. The GMD and his management team are accountable to the Board for the performance of the Group. In addition, the Board delegates certain of its responsibilities to Board Committees, which operate within clearly defined TOR primarily to support the Board in the performance of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions, internal controls and risk management to the Board Audit & Risk Management Committee ("BARMC"). The Nominating Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and Chief Executive appointments and/or re-elections, and assess and evaluate the performance of the Board, Board Committees and Chief Financial Officer ("CFO"). Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The Chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the GMD. This division of responsibilities between the Chairman and the GMD ensures an appropriate balance of roles, responsibilities and accountability.

The Chairman leads the Board and ensures its smooth and effective functioning.

The GMD is responsible for formulating the vision and recommending policies and the strategic direction of the Group for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations of the Group and tracking compliance and business progress.

Corporate Governance Overview Statement, Risk Management And Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

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

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

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

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

B. Board Composition

The Board currently comprises five (5) Directors, three (3) of whom are IDs. The profiles of the members of the Board are set out in the Annual Report.

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

- The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation.
- The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Company and shall have an appropriate balance of IDs comprising at least half of the Board.
- The Board shall 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 August 2022, 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.

C. Board Committees

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

- BARMC

  The composition of the BARMC and a summary of its activities in the discharge of its functions and duties for the financial year ("FY") ended 30 June 2022 ("FY 2022") are set out in the Board Audit & Risk Management Committee Report in the Annual Report.

  The TOR of the BARMC are published on the Website.

Corporate Governance Overview Statement, Risk Management And Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees (cont'd)

- NC

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

The NC has been re-constituted as follows:

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

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

Ms Tai Sook Yee
Independent Non-Executive Director
(Appointed with effect from 1 June 2022)

YBhg Datuk Kwek Leng San
Non-Independent Non-Executive Director
(Resigned with effect from 1 June 2022)

(i) New Appointments

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

Identification of Candidates	→	NC meeting with Candidates	→	Assessment by NC • Assessment against Assessment Criteria • Declarations by Candidates • Independent background checks • If assessed to be suitable, recommendation by the NC to the Board	→	Deliberation and decision by the Board

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

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

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

Corporate Governance Overview Statement, Risk Management And Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees (cont'd)

- NC (cont'd)

(ii) Re-election

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

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

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

(iii) Removal

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

(iv) Board Committee Appointments

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

Identification of Directors for Board Committees membership		Assessment by NC		Deliberation and decision by the Board
	→	• Assessment against Assessment Criteria • If assessed to be suitable, recommendation by the NC to the Board	→	

In line with the Directors' Fit and Proper Policy, the assessment for Board Committee Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regard to Board Committees' roles and responsibilities.

In addition, a formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, Board Committees as a whole and the contribution and performance of each individual Director, Board Committee member, Chief Executive and CFO on an annual basis ("Annual Board Assessment"). For newly appointed Chairman, Directors, Chief Executive and CFO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one (1) year of service.

For management succession planning, it has been embedded in the Group's process over the years to continuously identify, groom and develop key talents from within the Group. The Group also has a talent development programme to identify, retain and develop young high potential talents.

The NC meets at least once in each FY and additional meetings may be called at any time as and when necessary. Recommendations and decisions may also be taken by way of Circular Resolutions.

Corporate Governance Overview Statement, Risk Management And Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees (cont'd)

- NC (cont'd)

  The NC met once during FY 2022 and all the NC members attended the meeting.

  The NC discharged its duties in accordance with its TOR during FY 2022. The NC considered and reviewed the following:

  - Nominating Committee Charter, policies on Independence of Directors, Board Composition, Board Diversity and Directors' Training;
  - 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 Directors.

  The NC has also considered and recommended to the Board for approval, the adoption of the Directors' Fit and Proper Policy and the re-constitution of NC.

  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 2022. The NC was satisfied that they have continued to operate effectively in discharging their duties and responsibilities. They have also fulfilled their responsibilities and are suitably qualified to hold their positions.

- Remuneration Committee ("RC")

  The Company does not have a RC. The Board is of the view that it is not necessary for the Company to establish a RC for the time being given the current size of the Board. The Board as a whole functions as the RC.

D. Remuneration

The Group's remuneration scheme for Executive Directors ("EDs") and SM is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of Non-Executive Directors reflects the scope of responsibilities and commitment undertaken by them.

The remuneration packages of EDs and key SM ("Key SM") are reviewed by the entire Board. EDs and Key SM shall not participate in the deliberations and shall vacate the meeting room during deliberations of their remuneration packages. The Board, in assessing and reviewing the remuneration packages of EDs and Key SM, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

Corporate Governance Overview Statement, Risk Management And Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

D. Remuneration (cont'd)

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 through a two-tier voting process.

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

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

The tenure of all the IDs on the Board does not exceed nine (9) years.

F. Commitment

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Board meetings are scheduled ahead in order to enable full attendance at Board meetings. The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 50% of Board meetings held in each FY pursuant to the MMLR.

Corporate Governance Overview Statement, Risk Management And Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

F. Commitment (cont'd)

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 Act. They are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators and hold practising certificates issued by CCM. The Company Secretaries support the effective functioning of the Board, provide advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitate effective information flow among the Board, Board Committees and SM. The Company Secretaries attend programmes and seminars to keep themselves abreast with, inter alia, regulatory requirements, company law and CG.

All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman of the Company.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretaries accordingly. Any Director who has an interest in the subject matter to be deliberated shall abstain from deliberating and voting on the same during the meetings.

The Board met four (4) times during FY 2022 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	4/4
Mr Hugo Enrique Losada Barriola	4/4
YBhg Dato' Ir. Tan Gim Foo	4/4
YBhg Datuk Wira Azhar bin Abdul Hamid	3/4
Ms Tai Sook Yee	4/4
Mr Seow Yoo Lin *(Retired with effect from 2 December 2021)*	*2/2

* *reflects the attendance and the number of meetings held during the period the Directors held office*

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

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Company. The Induction Programme which may include visits to the Group's business operations, is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Group's businesses. The CPD encompasses areas related to 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.

Corporate Governance Overview Statement, Risk Management And Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

F. Commitment (cont'd)

In assessing the training needs of Directors, upon recommendation by the NC, the Board has determined that appropriate training programmes covering matters on CG, risk management, internal control, 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 2022, the Directors received regular briefings and updates on the Group's businesses, strategies, operations, risk management and compliance, internal controls, CG, finance/accounting, anti-bribery and corruption management, ESG and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes/briefings were also organised for the Directors and SM of the Company.

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

During FY 2022, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- ACF Webinar on Covid-19 (Temporary Measure) Act – Issues, Challenges and Way Forward in the Singapore Construction Industry
- Audit Oversight Board Conversation with Audit Committees
- Enhancing Critical Thinking & Decision Making
- FMM Webinar on the Amendments to the Occupational Safety and Health Act 1994
- Fraud Risk Management Workshop 2021
- IJM Corporation Bhd Strategic Visioning Session
- Insights into Task Force on Climate–Related Financial Disclosures ("TCFD") and Sustainable Finance
- Invitation to IJM Group's Climate Transition Risk Discussion
- Malaysian Code on Corporate Governance
- Master Builders Association Malaysia ("MBAM") Webinar on ESG in Construction
- MBAM Webinar on Managing Disputes among Contracting Parties Post Covid-19 and Way Forward
- Strengthening Transformational Leadership Capabilities
- TCFD 101 Climate Disclosure Training Programme
- Visit to IJM IBS Factory at Bestari Jaya

YBhg Datuk Wira Azhar was unable to attend any training during FY 2022 due to his unusual heavy workload and personal matters that required him to travel frequently.

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.

Corporate Governance Overview Statement, Risk Management And Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

G. Strengthening CG Culture (cont'd)

- Anti-Bribery and Corruption Policy

  The Group has adopted MS ISO 37001:2016 as its Anti-Bribery and Corruption Management System to provide a strong framework to prevent its employees, Directors, partners or persons who perform services for or on behalf of the Group from undertaking corrupt practices in relation to its business activities. The Anti-Bribery and Corruption Policy, published on the Website, outlines the Group's commitment to conducting business ethically in compliance with all applicable anti-bribery and corruption laws of every country in which the Group operates.

  Reports of any concern or suspicion may be made to the Head of Internal Audit or Head of Human Resources.

- Whistleblowing Policy

  The Company has a Whistleblowing Policy and it provides a structured channel for all employees of the Group to report any concern on any improper conduct or wrongful act committed within the Group. The Whistleblowing Policy is published on the Website.

  The Board has identified the Chairman of the BARMC to whom reports of any such concerns may be conveyed.

EFFECTIVE AUDIT AND RISK MANAGEMENT

Accountability And Audit

The financial reporting and internal control system of the Group is overseen by the BARMC which comprises all IDs. The primary responsibilities of the BARMC are set out in the Board Audit & Risk Management Committee Report.

The BARMC is supported by the Group Internal Audit Department ("GIAD") whose principal responsibilities are to conduct risk-based audits to ensure that adequate and effective controls are in place to mitigate risks, operational audits to identify opportunities for operational improvement, and also ensure compliance with standard operating procedures of the Group.

Investigation or special review will be carried out at the request of the BARMC and SM on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

I. Financial Reporting

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

II. Directors' Responsibility In Financial Reporting

The MMLR require the Directors to prepare a statement explaining the Board of Directors' responsibility for preparing the annual audited financial statements and the Act requires the Directors to make a statement stating whether in their opinion, the audited financial statements are drawn up, in accordance with the applicable accounting standards, to give a true and fair view of the financial position and of the financial performance of the Group and of the Company for the FY.

The Directors of the Company are satisfied that the financial statements of the Group and of the Company for FY 2022 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Act in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

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

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 2022, management has structured the risk management framework using MS ISO 31000:2010. Based on the framework, management has carried out the following:

  ➢ establish the context of risk in relation to the Group's risk appetite, i.e. how risks are perceived and the levels at which they are acceptable or otherwise;
  ➢ identify risks in relation to the objectives of every business function of the Group's operating companies;
  ➢ identify emerging risks faced by the Group in the operating environment of its various industries;
  ➢ assess the likelihood and impact of such risks identified, using qualitative and also quantitative measures where applicable, to determine the risk level, i.e. "Severe", "Major", "Significant", "Minor" or "Trivial";
  ➢ evaluate the severity of the risks and their treatment options to set priority of management's attention and devise appropriate actions to avoid, share, retain or mitigate risks within reasonable timeframes; and
  ➢ record the details of risks and treatment plans in the risk registers and present to the BARMC quarterly to review the adequacy and effectiveness of the risk management measures.

  For bribery and corruption risks, the Group has adopted the Anti-Bribery Management System ("ABMS") under the MS 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. Hume Cement Industries Berhad and its active subsidiaries have been certified for MS 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.

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)

- 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 2022 covered tender & procurement, inventory management, slurry disposal management and occupational safety and health review.
  - ➢ Quarterly reporting to the BARMC on the results of control assurance and audit activities, and also the management of risks throughout the Group.

- Management and Decision-Making Processes

  The internal control and risk management processes of the Group are in place for FY 2022 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 2022 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.

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)

- 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.

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 2022, 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.

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)

Shareholders can access the Company's information at the Website which includes the Board Charter, TORs of Board Committees, corporate information, announcements/press releases/briefings, financial information, products information and investor relations. Minutes of AGM and a summary of the key pertinent matters discussed at the AGM are published on the Website.

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

Queries may be conveyed to the following person:

Name : Ms Wong Wei Fong
Tel : 03-2080 9200
Fax : 03-2080 9238
Email : IRelations@humecementind.com

II. AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to attend and vote on all resolutions. Directors, CFO and the external auditors are also available to respond to shareholders' queries during the AGM.

In light of the Covid-19 pandemic and in the interest of the health and safety of all stakeholders, the last AGM of the Company held on 2 December 2021 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 AGM either physically at the broadcast venue or virtually 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 response to the same were shared with all shareholders during the Question & Answer session at the AGM. Minutes of AGM and a summary of the key pertinent matters discussed at the 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 ("HCIB" or "the Company") was established since 20 October 1997.

COMPOSITION

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

Ms Tai Sook Yee
Chairman, Independent Non-Executive Director
(Redesignated as Chairman with effect from 2 December 2021)

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

YBhg Datuk Wira Azhar Bin Abdul Hamid
Independent Non-Executive Director
(Appointed with effect from 2 December 2021)

Mr Seow Yoo Lin
Independent Non-Executive Director
(Retired with effect from 2 December 2021)

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.

Board Audit & Risk Management Committee Report

(Cont'd)

MEETINGS (cont'd)

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.

ACTIVITIES

An annual assessment on the performance and effectiveness of the Committee and each of its members for the financial year ended 30 June 2022 ("FY 2022") 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 2022, four (4) Committee meetings were held and the attendance of the Committee members was as follows:

Members	Attendance
Ms Tai Sook Yee *(Redesignated as Chairman with effect from 2 December 2021)*	4/4
YBhg Dato' Ir. Tan Gim Foo	4/4
YBhg Datuk Wira Azhar Bin Abdul Hamid *(Appointed with effect from 2 December 2021)*	2/2*
Mr Seow Yoo Lin *(Retired with effect from 2 December 2021)*	2/2*

* *reflects the attendance and the number of meetings held during the period the Committee members held office*

The Committee carried out the following key activities during FY 2022:

- Reviewed and recommended to the Board for approval, the annual financial statements of the Group and of the Company, drawn up in accordance with the relevant accounting standards, laws and regulations so as to give a true and fair view of the financial position of the Group and of the Company.
- Reviewed and recommended to the Board for approval, the quarterly reports focusing on any changes in accounting policies and practices, significant adjustments arising from the audits and the going concern assumptions to ensure compliance with relevant accounting standards, laws and regulations.
- Reviewed the financial performance of the Group, including results against budget and rolling cash flow forecast.
- Reviewed financial obligations, including banking facilities and covenants.
- Assessed the performance, suitability, independence and objectivity of the external auditors, taking into consideration factors such as quality of service, adequacy of experience and resources of the firm and the professional staff assigned to the audit, and communication and interaction, and made recommendation to the Board for shareholders' approval on the re-appointment of the external auditors.
- Reviewed and recommended to the Board for approval, the audit fees and non-audit fees payable to the external auditors in respect of services provided to the Group. Further reviewed the provision of non-audit services by the external auditors to ascertain whether such provision of services would impair the external auditors' independence or objectivity. Details of non-audit fees incurred by the Group for FY 2022 are stated in the notes to the financial statements.
- Reviewed with the external auditors, the audit plan for FY 2022, nature and scope of the audit, considered significant changes in accounting and auditing issues, where relevant, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards.
- Held two (2) separate sessions with the external auditors without the presence of senior management to discuss all major issues, including co-operation of Group's officers rendered to the external auditors. During the separate sessions, no critical issues were raised.
- Discussed with the external auditors, the potential key audit matters and other significant audit matters identified by the external auditors.

Board Audit & Risk Management Committee Report

(Cont'd)

ACTIVITIES (cont'd)

- Reviewed and approved the annual internal audit scope and plan.
- Assessed the performance of the internal audit function as well as the adequacy and competency of internal audit resources.
- Reviewed the internal audit findings and investigation reports, and recommendations, including management responses, progress status and updates of management's action plans on internal audit's findings and recommendations thereto.
- Received and deliberated on the whistleblowing reports and further steps to be taken.
- Reviewed periodically and recommended to the Board for approval, the Whistleblowing Policy.
- Reviewed the adequacy and integrity of internal control systems, including risk management covering areas on strategic, compliance, operational and financial, COVID-19 pandemic impact and relevant management information system, including the processes in place to identify, evaluate and manage the significant risks encountered by the Group.
- Reviewed and assessed the Group's compliance with the existing occupational safety and health laws and regulations, as well as its readiness to meet the new requirements prescribed in Occupational Safety and Health (Amendment) Bill 2020.
- Reviewed and recommended to the Board for approval, the Board Audit & Risk Management Committee Charter and Internal Audit Charter.
- Reviewed the Policy and Procedures of Recurrent Related Party Transactions ("Procedures") and various recurrent related party transactions ("RRPT") carried out by the Group to ensure that the Procedures are adequate to monitor, track and identify RRPT in a timely and orderly manner, and are sufficient to ensure that the RRPT are conducted on commercial terms consistent with the Group's usual business practice and policies and on terms not more favourable to the related parties than those generally available to and/or from the public.
- Reviewed the proposed mandate for RRPT with various related parties prior to the Board's recommendation for shareholders' approval.
- Reviewed the Statement on Risk Management and Internal Control ("SORMIC") of the Group and received the report of the external auditors in respect of their review on the SORMIC prior to the Board's approval for inclusion in the Company's Annual Report.
- Reviewed and recommended to the Board for approval, the Board Audit & Risk Management Committee Report for inclusion in the Company's Annual Report.
- Acted as Governing Body of Anti-Bribery and Corruption Management System ("ABCMS") and reviewed the Governing Body Report comprised ABCMS activities, progress updates on the Group's MS ISO 37001:2016 Anti-Bribery Management System certification, bribery and corruption risk assessment and ABCMS internal audit report, on a quarterly basis.
- Recommended to the Board for approval, the Directors' annual declaration of Hong Leong Manufacturing Group Gift and Entertainment Policy, Anti-Bribery and Corruption Policy and Code of Ethics for Company Directors.

INTERNAL AUDIT ("IA")

The IA function is carried out in-house by the Group IA Department ("GIAD") of HLMG Management Co Sdn Bhd, a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group.

As at 30 June 2022, there were twelve (12) staff in the GIAD and the total cost incurred by the GIAD for FY 2022 amounted to RM2,409,090.

The purpose, authority, scope, independence and responsibilities of IA function are provided in the Internal Audit Charter, which is approved by the Committee.

The GIAD, led by the Head of IA, reports to the Committee which has the authority to decide, among others, the appointment and removal; scope of work; and performance evaluation of the IA function. Mr Teh Boon Ang has been appointed as Head of IA since 1 July 2017. Mr Teh is a Professional Member of the Institute of Internal Auditors Malaysia and holds the qualifications of Master of Criminal Justice, Certified Internal Auditor and Certified Fraud Examiners. 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.

Board Audit & Risk Management Committee Report

(Cont'd)

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

The GIAD supports the Committee in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Group. The GIAD also challenges and adds value to the efficiency, effectiveness and economy of operating companies' operations; usage of assets and resources; and the integrity of management information systems. In doing so, the IA function is performed with impartiality, proficiency and due professional care. The GIAD has received cooperation in the performance of their work and do not have any disagreement that may have adverse impact on the audit process or findings.

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 2022 whereby it is satisfied with the performance of the GIAD. The Committee had also reviewed the GIAD's resources, in particular the qualifications, experience and designations of all the IA personnel. As their continuous professional development, the IA personnel had kept abreast with developments in the profession, industry and regulations by attending internal and external training courses. The Committee is hence satisfied with the competency of the GIAD and that it has adequate resources to carry out its functions.

The annual audit plan prepared by the GIAD is submitted to the Committee for review and approval. Internal audits are carried out as per the approved annual audit plan. IA reports are discussed and issued to management for their feedback and to formulate action plans with target implementation dates for improvements. Any resulting salient control concerns are reviewed by the Committee, and the implementation status of audit recommendations are monitored and reported to the Committee on a quarterly basis. The areas of IA's review during FY 2022 are described in the SORMIC.

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

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

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

Financial Statements

Directors' Report
for the Financial Year Ended 30 June 2022

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2022.

PRINCIPAL ACTIVITIES

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

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

ULTIMATE HOLDING COMPANY

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

SUBSIDIARIES

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	3,118	5,397

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 2022.

Directors' Report

for the Financial Year Ended 30 June 2022
(Cont'd)

DIRECTORS

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

Company

YBhg Datuk Kwek Leng San*, Chairman
Mr Hugo Enrique Losada Barriola*, Group Managing Director
YBhg Dato' Ir. Tan Gim Foo
YBhg Datuk Wira Azhar bin Abdul Hamid
Ms Tai Sook Yee
Mr Seow Yoo Lin (Retired on 2 December 2021)

Subsidiaries

Mr Lau Ping Ong
Mr Lee Siong Seng
Mr Tong Woei Luen
Ms Khor Sau Mooi
Mr Goh Eng Tatt
Mr Yuen Po Seng
Mr Alvin T. Pagayatan
Ms Regene E Pagaduan

* These Directors are also Directors of subsidiaries.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who have beneficial interests in the ordinary shares and/or redeemable convertible unsecured loan stocks over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2022 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, are as follows:

	Number of ordinary shares/ordinary shares to be issued arising from the conversion of redeemable convertible unsecured loan stocks#/ordinary shares received or to be received arising from vesting of share grant*			
	At 1.7.2021	**Acquired**	**Sold**	**At 30.6.2022**
Shareholdings in which the Directors have direct interests				
Interests of YBhg Datuk Kwek Leng San in:				
Hong Leong Company (Malaysia) Berhad	160,895	-	-	160,895
Hong Leong Industries Berhad	2,588,334	44,166 (1)	-	2,632,500
	44,166 *	-	(44,166) (1)*	-
Malaysian Pacific Industries Berhad	1,108,334	90,833 (1)	-	1,199,167
	74,166 *	50,000 *	(90,833) (1)*	33,333 *
Hong Leong Bank Berhad	536,000	-	-	536,000
Hong Leong Financial Group Berhad	654,000	-	-	654,000
Hume Cement Industries Berhad	3,921,600	-	-	3,921,600
	2,017,142 #	-	-	2,017,142 #

Directors' Report

for the Financial Year Ended 30 June 2022
(Cont'd)

DIRECTORS' INTERESTS (cont'd)

	Number of ordinary shares/ordinary shares to be issued arising from the conversion of redeemable convertible unsecured loan stocks#/ordinary shares received or to be received arising from vesting of share grant*			
	At 1.7.2021	**Acquired**	**Sold**	**At 30.6.2022**
Shareholdings in which the Directors have direct interests (cont'd)				
Interest of Hugo Enrique Losada Barriola in:				
Hume Cement Industries Berhad	66,666	66,667 (1)	-	133,333
	133,334 *	-	(66,667) (1)*	66,667 *

Legend:

(1) Vesting of shares.

DIRECTORS' BENEFITS

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

	Group RM'000	**Company RM'000**
Directors of the Company:		
Fees	416	416
Remuneration and other benefits	1,550	-

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 500,968,725 ordinary shares to 503,627,609 ordinary shares by the issuance and allotment of 2,658,884 new ordinary shares arising from the conversion of RM1,861,220 nominal value of redeemable convertible unsecured loan stocks at the conversion price at RM0.70 for every 1 new ordinary share in the Company.

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

Directors' Report

for the Financial Year Ended 30 June 2022
(Cont'd)

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of Hong Leong Manufacturing Group Sdn. Bhd., together with its subsidiaries (the "Group" which includes Hume Cement Industries Berhad and its subsidiaries and where applicable, associated companies) are covered under the Directors and Officers Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Group was RM10 million. The total amount of premium paid for the Directors and Officers Liability Insurance by the Group was RM63,481 and the apportioned amount of the said premium paid by the Company was RM18,007.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts; and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent; or

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

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors' Report
for the Financial Year Ended 30 June 2022
(Cont'd)

AUDITORS

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

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

On behalf of the Board,

Hugo Enrique Losada Barriola

Tai Sook Yee

23 August 2022

Statements of Financial Position

as at 30 June 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Assets					
Property, plant and equipment	4	790,507	845,939	29	36
Right-of-use assets	5	37,728	39,114	-	-
Investment property	6	6,188	6,443	-	-
Investments in subsidiaries	7	-	-	792,414	778,914
Deferred tax assets	8	9,908	11,662	3,392	5,102
Tax credit receivables	9	144,703	145,081	-	-
Total non-current assets		989,034	1,048,239	795,835	784,052
Inventories	10	163,630	82,184	-	-
Trade and other receivables, including derivatives	11	80,549	28,293	113	81
Current tax assets		161	759	-	-
Cash and cash equivalents	12	64,274	50,581	1,134	430
Total current assets		308,614	161,817	1,247	511
Total assets		1,297,648	1,210,056	797,082	784,563
Equity					
Share capital	13	496,267	494,406	496,267	494,406
Reserves	14	(256,775)	(259,719)	15,563	10,307
RCULS – equity portion	15	128,527	130,070	128,527	130,070
Total equity attributable to owners of the Company		368,019	364,757	640,357	634,783
Liabilities					
Loans and borrowings	16	239,789	309,313	120,276	120,049
Lease liabilities		230	923	-	-
Deferred tax liabilities	8	16,073	17,137	-	-
RCULS – liability portion	15	6,873	14,218	6,873	14,218
Deferred income	17	85,380	92,916	-	-
Employee benefits	18(a)	250	479	-	-
Other payables	19	579	507	-	-
Total non-current liabilities		349,174	435,493	127,149	134,267

Statements of Financial Position

as at 30 June 2022
(Cont'd)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Loans and borrowings	16	372,602	280,565	21,000	7,200
Lease liabilities		1,068	750	-	-
RCULS – liability portion	15	7,177	6,909	7,177	6,909
Deferred income	17	7,158	7,158	-	-
Trade and other payables	19	192,187	114,344	1,324	1,324
Tax payable		263	80	75	80
Total current liabilities		580,455	409,806	29,576	15,513
Total liabilities		929,629	845,299	156,725	149,780
Total equity and liabilities		1,297,648	1,210,056	797,082	784,563

The notes on pages 88 to 147 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Revenue	20	726,530	604,641	3	2
Cost of sales		(569,521)	(480,340)	-	-
Gross profit		157,009	124,301	3	2
Distribution expenses		(111,450)	(113,145)	-	-
Administrative expenses		(24,847)	(25,886)	(1,263)	(1,418)
Other operating expenses		(7,181)	(8,077)	-	-
Other operating income		13,566	16,298	-	-
Results from operations		27,097	(6,509)	(1,260)	(1,416)
Interest income		453	567	14,752	15,072
Finance costs	21	(22,592)	(23,426)	(6,229)	(6,303)
Profit/(Loss) before taxation	21	4,958	(29,368)	7,263	7,353
Taxation	22	(1,840)	2,008	(1,866)	(1,991)
Profit/(Loss) for the year		3,118	(27,360)	5,397	5,362
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		(86)	(12)	-	-
Cash flow hedge		(1)	(11)	-	-
Total other comprehensive income/(expense) for the year	24	(87)	(23)	-	-
Total comprehensive income/(expense) for the year attributable to owners of the Company		3,031	(27,383)	5,397	5,362
Basic earnings/(loss) per ordinary share (sen)	23	0.62	(5.48)		
Diluted earnings per ordinary share (sen)	23	0.52	Anti-dilutive		

The notes on pages 88 to 147 are an integral part of these financial statements.

Statements of Changes In Equity

for the year ended 30 June 2022

Group	Share capital	RCULS - equity portion	Hedging reserve	Exchange fluctuation reserve	Reserve for own shares	Executive Share Scheme reserve	Accumulated losses	Total equity
	← Attributable to owners of the Company							→
		← Non-distributable				→		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 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 2021/1 July 2021	494,406	130,070	14	408	(100)	96	(260,137)	364,757

Statements of Changes In Equity

for the year ended 30 June 2022
(Cont'd)

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

Statements of Changes In Equity

for the year ended 30 June 2022
(Cont'd)

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

The notes on pages 88 to 147 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 30 June 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash flows from operating activities					
Profit/(Loss) before taxation		4,958	(29,368)	7,263	7,353
Adjustments for:					
Amortisation of deferred income		(7,158)	(7,161)	-	-
Depreciation of investment property		255	254	-	-
Depreciation of property, plant and equipment		64,496	64,462	12	12
Depreciation of right-of-use assets		2,095	1,739	-	-
(Reversal of)/Impairment of property, plant and equipment		(1,401)	1,401	-	-
Dividend income from other investments		(241)	(574)	(3)	(2)
Finance costs		22,592	23,426	6,229	6,303
Interest income		(453)	(567)	(14,752)	(15,072)
Property, plant and equipment written off		7,049	1,860	-	-
(Reversal)/Provision for retirement benefits		(128)	54	-	-
Share-based payments		56	128	-	-
Unrealised loss on foreign exchange		132	605	-	-
Operating profit/(loss) before changes in working capital		92,252	56,259	(1,251)	(1,406)
Inventories		(81,446)	(17,969)	-	-
Trade and other receivables		(52,339)	28,508	(32)	(26)
Trade and other payables		77,623	(752)	52	(134)
Cash generated from/(used in) operations		36,090	66,046	(1,231)	(1,566)
Tax paid		(369)	(893)	(161)	(201)
Interest income received		453	567	14,752	15,072
Finance costs paid		(20,918)	(21,928)	(5,065)	(4,904)
Dividend received from other investments		241	574	3	2
Retirement benefits paid		(101)	(33)	-	-
Net cash generated from operating activities		15,396	44,333	8,298	8,403

Statements of Cash Flows

for the year ended 30 June 2022
(Cont'd)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		-	6	-	6
Acquisition of property, plant and equipment		(14,712)	(14,300)	(5)	(7)
Addition of investment in a subsidiary company		-	-	(16,500)	-
Proceeds from capital reduction of a subsidiary		-	-	3,000	-
Net cash used in investing activities		(14,712)	(14,294)	(13,505)	(1)
Cash flows from financing activities					
Drawdown of borrowings	(ii)	316,074	514,159	20,000	157,518
Repayment of borrowings	(ii)	(293,913)	(569,643)	(6,200)	(158,342)
RCULS coupon payment	(ii)	(7,889)	(7,889)	(7,889)	(7,889)
Payment of lease liabilities	(i)	(1,101)	(713)	-	-
Interest paid in relation to lease liabilities	(i)	(76)	(99)	-	-
Net cash generated from/(used in) in financing activities		13,095	(64,185)	5,911	(8,713)
Net increase/(decrease) in cash and cash equivalents		13,779	(34,146)	704	(311)
Effect of exchange rate fluctuations on cash held		(86)	(12)	-	-
Cash and cash equivalents at 1 July 2021/2020		50,581	84,739	430	741
Cash and cash equivalents at 30 June		64,274	50,581	1,134	430

(i) Cash outflows for leases as a lessee

	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Included in net cash from operating activities				
Payment relating to short-term leases	6,865	6,259	-	-
Payment relating to leases of low-value assets	-	37	-	-
Payment relating to variable lease payments not included in the measurement of lease liabilities	19,549	17,339	-	-
Included in net cash from financing activities				
Payment of lease liabilities	1,101	713	-	-
Interest paid in relation to lease liabilities	76	99	-	-
Total cash outflows for leases	27,591	24,447	-	-

Statements of Cash Flows

for the year ended 30 June 2022
(Cont'd)

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

	At 1 July 2020	Drawdown	Repayment	Foreign exchange	Interest accreted	Others	At 30 June 2021/ 1 July 2021	Drawdown	Repayment	Foreign exchange	Interest accreted	Acquisition of new lease	Others	At 30 June 2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group														
Term loans	320,395	40,900	(191,554)	133	-	-	169,874	-	-	(380)	505	-	-	169,999
Medium term notes	-	99,318	-	-	121	-	99,439	-	-	-	227	-	-	99,666
Term revolving credit	80,000	-	(20,000)	-	-	-	60,000	-	(20,000)	-	-	-	-	40,000
Revolving credits	228,995	175,792	(145,357)	-	-	-	259,430	275,687	(271,887)	-	-	-	-	263,230
Trade Financing	-	-	-	-	-	-	-	5,280	-	-	-	-	-	5,280
Bankers acceptances	15,718	198,149	(212,732)	-	-	-	1,135	35,107	(2,026)	-	-	-	-	34,216
Total loans and borrowings	645,108	514,159	(569,643)	133	121	-	589,878	316,074	(293,913)	(380)	732	-	-	612,391
Lease liabilities	2,361	-	(713)	-	-	25	1,673	-	(1,101)	-	-	685	41	1,298
RCULS liabilities	28,155	-	(7,889)	-	1,278	(417)	21,127	-	(7,889)	-	937	-	(125)	14,050
Total liabilities from financing activities	675,624	514,159	(578,245)	133	1,399	(392)	612,678	316,074	(302,903)	(380)	1,669	685	(84)	627,739
Company														
Term loans	115,587	40,900	(135,877)	-	-	-	20,610	-	-	-	-	-	-	20,610
Medium term notes	-	99,318	-	-	121	-	99,439	-	-	-	227	-	-	99,666
Revolving credits	12,365	17,300	(22,465)	-	-	-	7,200	20,000	(6,200)	-	-	-	-	21,000
Total loans and borrowings	127,952	157,518	(158,342)	-	121	-	127,249	20,000	(6,200)	-	227	-	-	141,276
RCULS liabilities	28,155	-	(7,889)	-	1,278	(417)	21,127	-	(7,889)	-	937	-	(125)	14,050
Total liabilities from financing activities	156,107	157,518	(166,231)	-	1,399	(417)	148,376	20,000	(14,089)	-	1,164	-	(125)	155,326

Notes to the Financial Statements

1. CORPORATE INFORMATION

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

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

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

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

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2022 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 2022 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 23 August 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost basis, other than as those disclosed in Note 2.2 to the financial statements.

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

There are no other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements, other than as disclosed in the following notes:

(i) *Note 4 - Property, plant and equipment*

The management reviews for impairment indicators and decline in value of property, plant and equipment below its carrying amount. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of property, plant and equipment.

(ii) *Note 7 - Investment in subsidiaries*

Significant judgements are required when identifying impairment indicators. Where impairment indicators exist, judgements and assumptions are required to determine the recoverable amount of the investment in the subsidiaries.

(iii) *Note 8 - Deferred tax assets and Note 9 – Tax credit receivables*

The management reviews on the valuation of tax benefits recognised in the books. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of tax benefits.

(iv) *Note 10 – Inventories*

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

(v) *Note 11 - Trade and other receivables, including derivatives*

The management applied judgements to determine that financial instruments of the Group and the Company are recognised and measured in accordance to MFRS 9 as described in Note 2.2(c).

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of the Company and all values are rounded to the nearest thousand ("RM'000"), unless otherwise stated.

2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(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.

(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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(vi) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

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

(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.

Notes to the Financial Statements

(Cont'd)

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

2.2 Summary of significant accounting policies (cont'd)

(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.

(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.

Notes to the Financial Statements
(Cont'd)

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)

(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.

(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)).

Notes to the Financial Statements
(Cont'd)

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 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.

(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.

Notes to the Financial Statements
(Cont'd)

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

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

(c) **Financial instruments** (cont'd)

(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.

(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.

Notes to the Financial Statements

(Cont'd)

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 (cont'd)

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.

(v) Derecognition

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

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

(vi) Offsetting

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

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

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

(iii) Depreciation (cont'd)

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

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

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

(e) 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.

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)

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

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

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

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

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

(b) As a lessor

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

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

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

(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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(h) Cash and cash equivalents

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

(i) Impairment

(i) Financial assets

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

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

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

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

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

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

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

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

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(i) Impairment (cont'd)

(i) Financial assets (cont'd)

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(k) Compound financial instruments

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

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

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

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

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

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-saving plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Defined benefit plans

The Group operates an unfunded defined benefit scheme for the eligible employees. The present value of the defined benefit obligation as required by MFRS 119, *Employee Benefits* has not been used in deriving the provision, as the amount involved is not material to the Group. Accordingly, no further disclosure as required by the standard is made.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(l) Employee benefits (cont'd)

(iv) Share-based payments

The Group operates an equity-settled, share-based compensation plan for the employees of the Group under the Hume Cement Industries Berhad's Executive Share Scheme ("ESS").

In connection with the ESS, a trust has been set up and is administered by an appointed trustee ("ESS Trust"). The trustee will be entitled, from time to time, to accept advances from the Group, upon such terms and conditions as the Group and the trustee may agree, to purchase the ordinary shares of the Company from the open market for the ESS Trust ("ESS Trust Shares").

The fair value of the share options or grant offers granted to employees is recognised as an employment cost with a corresponding increase in the executive share scheme reserve over the vesting period. When the share options are exercised or grant offers are completed, the amount from the executive share scheme reserve is transferred to retained earnings as applicable. When the share options not exercised or grant offers not completed are expired, the amount from the executive share scheme reserve is transferred to retained earnings.

The fair value of the share options or grant offers is measured using Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The ESS Trust Shares are consolidated into the Group's consolidated financial statements as a deduction from equity and classified as reserves for own shares. Dividends received by the ESS Trust are eliminated against the Company's dividend payment.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Revenue and other income

(i) Revenue from contracts with customers

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

The Group or the Company transfers control of a good or service at a point in time unless one of the following 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.

Notes to the Financial Statements

(Cont'd)

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

2.2 Summary of significant accounting policies (cont'd)

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

(ii) Dividend income

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

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss, except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs (see Note 2.2 (o)).

(iv) Rental income

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

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Taxation

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

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

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

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(p) Taxation (cont'd)

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

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

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

The Group and the Company regard investment tax allowance and reinvestment allowance as investment tax credits ("ITCs") and these ITCs are recognised using accounting treatment similar to that of a government grant. Unutilised investment tax allowance and reinvestment allowance to the extent that it is probable that the future taxable profit will be available against which the unutilised investment tax allowance and reinvestment allowance can be utilised is recognised as a tax credit receivable with a corresponding deferred income.

The tax credit receivable will be charged out to the profit or loss based on the utilisation of investment tax allowance and reinvestment allowance in each financial period. Deferred income, on the other hand, will be amortised over the estimated remaining useful lives of the assets concerned to the profit or loss as other income.

(q) Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding, adjusted to assume full conversion of all dilutive potential ordinary shares, which consists of RCULS issued and ESS granted by the Company.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(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.

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

2.3 Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations, and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- 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 2018–2022)*

Notes to the Financial Statements
(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Statement of compliance (cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, Insurance Contracts
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, Income Taxes – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 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 is not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

Notes to the Financial Statements
(Cont'd)

3. COMPANIES IN THE GROUP

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

Name of Company	Country of incorporation	Effective interest 2022 %	Effective interest 2021 %	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 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 2021/1 July 2021	83,469	1,198,179	46,636	4,848	1,333,132
Additions	95	6,661	7,466	490	14,712
Written off	(8,390)	(3,420)	(7,837)	-	(19,647)
Reclassification	-	2,851	28	(2,879)	-
At 30 June 2022	75,174	1,204,271	46,293	2,459	1,328,197

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 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 2021/1 July 2021					
Accumulated depreciation	36,316	414,387	34,128	-	484,831
Accumulated impairment	2,214	118	30	-	2,362
	38,530	414,505	34,158	-	487,193
Charge for the year	1,444	58,417	4,635	-	64,496
Written off	(6,989)	(1,272)	(4,337)	-	(12,598)
Reversal of impairment	(1,401)	-	-	-	(1,401)
At 30 June 2022					
Accumulated depreciation	30,771	471,532	34,426	-	536,729
Accumulated impairment	813	118	30	-	961
	31,584	471,650	34,456	-	537,690
Carrying amounts					
At 1 July 2020	47,832	837,831	11,906	1,799	899,368
At 30 June 2021/1 July 2021	44,939	783,674	12,478	4,848	845,939
At 30 June 2022	43,590	732,621	11,837	2,459	790,507

Notes to the Financial Statements
(Cont'd)

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

Company	Office equipment RM'000
Cost	
At 1 July 2020	69
Additions	7
Disposal	(8)
At 30 June 2021/1 July 2021	68
Additions	5
Written off	(7)
At 30 June 2022	66
Accumulated depreciation	
At 1 July 2020	22
Charge for the year	12
Disposal	(2)
At 30 June 2021/1 July 2021	32
Charge for the year	12
Written off	(7)
At 30 June 2022	37
Carrying amounts	
At 1 July 2020	47
At 30 June 2021/1 July 2021	36
At 30 June 2022	29

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 life of the plant. The value-in-use has been calculated by forecasting and discounting future cash flows to be generated by the plant based on the following key assumptions:

Concrete

(a) The management has projected cash flows for 5 years (2021: 5 years) and extended the cash flows projections for a further 2 years (2021: 2 years) by applying no growth rate (2021: no growth rate) during the extended years;

(b) The annual growth rate for selling prices and sales volume used in the cash flows projection ranges from 0% to 11% (2021: 0% to 8%) and 1% to 92% (2021: 5% to 75%) respectively, taking into consideration past business performance and management's expectation on the current and future market conditions; and

(c) The pre-tax discount rate is 5.39% (2021: 4.26%).

Notes to the Financial Statements
(Cont'd)

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 RM4.61 million and RM0.93 million respectively.

5. RIGHT-OF-USE ASSETS

Group	Leasehold land RM'000	Premises RM'000	Office equipment RM'000	Total RM'000
At 1 July 2020	38,464	2,364	-	40,828
Lease modification	-	25	-	25
Depreciation	(983)	(756)	-	(1,739)
At 30 June 2021/1 July 2021	37,481	1,633	-	39,114
Addition	-	652	31	683
Lease modification	-	26	-	26
Depreciation	(983)	(1,096)	(16)	(2,095)
At 30 June 2022	36,498	1,215	15	37,728

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.

Notes to the Financial Statements
(Cont'd)

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 2022 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	-	19,549	19,549	195

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

5.3 Judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying 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 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.

Notes to the Financial Statements

(Cont'd)

6. INVESTMENT PROPERTY

	Group RM'000
Cost	
At 1 July 2020/30 June 2021/1 July 2021/30 June 2022	12,131
Accumulated depreciation	
At 1 July 2020	5,434
Charge for the year	254
At 30 June 2021/1 July 2021	5,688
Charge for the year	255
At 30 June 2022	5,943
Carrying amounts	
At 1 July 2020	6,697
At 30 June 2021/1 July 2021	6,443
At 30 June 2022	6,188

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.

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

	Group	
	2022 RM'000	**2021 RM'000**
Lease income	2,148	2,030
Direct operating expenses:		
- income generating investment property	544	575

Notes to the Financial Statements
(Cont'd)

6. INVESTMENT PROPERTY (cont'd)

6.1 Operating lease payments receivable

The operating lease payments to be received are as follows:

	Group	
	2022	2021
	RM'000	RM'000
Less than 1 year	2,314	2,030
1 - 2 years	2,314	2,314
2 - 3 years	193	2,314
More than 3 years	-	193
Total undiscounted lease payments	4,821	6,851

6.2 Fair value information

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

	2022	2021
	RM'000	RM'000
Land and building	51,401	55,747

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).

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022	2021
	RM'000	RM'000
At cost		
Unquoted shares	501,910	504,910
Redeemable Convertible Unsecured Loan Stock	322,500	306,000
Less: Accumulated impairment loss	(31,996)	(31,996)
	792,414	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.

Notes to the Financial Statements

(Cont'd)

8. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	-	-	(169,428)	(167,049)	(169,428)	(167,049)
Right-of-use assets	-	-	(296)	(405)	(296)	(405)
Lease liabilities	311	402	-	-	311	402
Unabsorbed capital allowances	145,119	141,681	-	-	145,119	141,681
Other deductible temporary differences	9,141	9,301	-	-	9,141	9,301
Tax losses carry-forwards	3,969	3,790	-	-	3,969	3,790
RCULS	3,392	5,102	-	-	3,392	5,102
Other items	1,627	1,703	-	-	1,627	1,703
Tax assets/(liabilities)	163,559	161,979	(169,724)	(167,454)	(6,165)	(5,475)
Set off of tax	(153,651)	(150,317)	153,651	150,317	-	-
Net tax assets/(liabilities)	9,908	11,662	(16,073)	(17,137)	(6,165)	(5,475)

Unrecognised deferred tax assets

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

Group	**2022**	**2021**
	RM'000	**RM'000**
Tax losses carry-forwards	130,972	123,228
Unutilised reinvestment allowances	3,840	3,840
Other deductible temporary differences	953	953
	135,765	128,021

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

Tax losses can be carried forward for ten consecutive years of assessment under current tax legislation. The unutilised tax losses amounting to RM71,185,000 will expire in year of assessment ("YA") 2028 while remaining of RM42,841,000 will expire in YA2029, RM9,202,000 will expire in YA2030, and RM7,744,000 will expire in YA2031. Unutilised reinvestment allowance can be carried forward for seven years after the qualifying period of fifteen years under current tax legislation.

Notes to the Financial Statements
(Cont'd)

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

Movement in temporary differences during the year

Group	At 1.7.2020	Recognised in profit or loss (Note 22)	At 30.6.2021/ 1.7.2021	Recognised in profit or loss (Note 22)	At 30.6.2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	(162,519)	(4,530)	(167,049)	(2,379)	(169,428)
Right-of-use assets	(568)	163	(405)	109	(296)
Lease liabilities	567	(165)	402	(91)	311
Unabsorbed capital allowances	129,440	12,241	141,681	3,438	145,119
Other deductible temporary differences	6,374	2,927	9,301	(160)	9,141
Tax losses carry forward	6,679	(2,889)	3,790	179	3,969
RCULS	6,799	(1,697)	5,102	(1,710)	3,392
Other items	4,873	(3,170)	1,703	(76)	1,627
	(8,355)	2,880	(5,475)	(690)	(6,165)

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

Company	2022	2021
	RM'000	RM'000
RCULS	3,392	5,102

Movement in temporary differences during the year

Company	At 1.7.2020	Recognised in profit or loss (Note 22)	At 30.6.2021 /1.7.2021	Recognised in profit or loss (Note 22)	At 30.6.2022
	RM'000	RM'000	RM'000	RM'000	RM'000
RCULS	6,799	(1,697)	5,102	(1,710)	3,392

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 RM3.9 million (2021: RM3.8 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 Nil (2021: RM2.9 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	2022 RM'000	2021 RM'000
Unutilised investment tax allowance	68,839	69,217
Unutilised reinvestment allowance	75,864	75,864
	144,703	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 (2021: 5 years) and extended the cash flows projections for a further 20 years (2021: 20 years) by applying no growth rate (2021: 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 0% to 21% (2021: -3% to 5%) and 0% to 100% (2021: -1% to 17%) 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.

Notes to the Financial Statements

(Cont'd)

10. INVENTORIES

	Group	
	2022	2021
	RM'000	RM'000
Raw materials, consumables and engineering spares	122,237	63,515
Work-in-progress	122	64
Finished goods	41,271	18,605
	163,630	82,184
Recognised in profit or loss:		
Inventories recognised as cost of sales	417,541	322,825

11. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade receivables from contracts with customers					
- Third parties		69,258	22,941	-	-
- Related companies	11.1	3,195	503	-	-
		72,453	23,444	-	-
Less: Allowance for impairment losses		(286)	(851)	-	-
		72,167	22,593	-	-
Non-trade					
Other receivables		3,075	508	60	60
Deposits		2,396	1,868	2	2
Prepayments		2,898	3,310	51	19
Derivative used for hedging - Forward exchange contract	11.2	13	14	-	-
		8,382	5,700	113	81
		80,549	28,293	113	81

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

Note 11.2
The total notional amount of the forward exchange contracts as at 30 June 2022 was USD1,834,000 (RM8,073,000) (2021: USD1,479,000 (RM6,134,000)).

Notes to the Financial Statements
(Cont'd)

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	49,933	18,284	900	-
Short term money market fund	5,000	23,423	-	-
Cash and bank balances	9,341	8,874	234	430
	64,274	50,581	1,134	430

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	49,933	18,284	900	-
Short term money market fund	5,000	23,423	-	-
Cash and bank balances	7,939	5,656	234	430
	62,872	47,363	1,134	430

13. SHARE CAPITAL

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2022	2022	2021	2021
	'000	RM'000	'000	RM'000
Issued ordinary shares:				
At 1 July	500,969	494,406	497,285	491,827
Conversion of RCULS	2,659	1,861	3,684	2,579
At 30 June	503,628	496,267	500,969	494,406

During the financial year, the issued share capital of the Company has been increased from 500,968,725 ordinary shares to 503,627,609 ordinary shares by the issuance and allotment of 2,658,884 new ordinary shares arising from the conversion of RM1,861,220 nominal value of RCULS at the conversion price of RM0.70 for every 1 new ordinary share in the Company.

Notes to the Financial Statements
(Cont'd)

14. RESERVES

		Group		Company	
	Note	2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Exchange fluctuation reserve	14.1	322	408	-	-
Executive share scheme reserve	14.2	68	96	-	-
Hedging reserve	14.3	13	14	-	-
Reserve for own shares	14.4	(50)	(100)	-	-
(Accumulated losses)/Retained earnings		(257,128)	(260,137)	15,563	10,307
		(256,775)	(259,719)	15,563	10,307

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

Note 14.2
Executive share scheme reserve represents the corresponding share-based payments expense related to the Group's Executive Share Scheme as stated in Note 2.2(l)(iv).

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

Note 14.4
Reserve for own shares represents Trust Shares purchased by the ESS Trusts as disclosed in Note 2.2(l)(iv). As at 30 June 2022, the total number of HCIB Shares held by the ESS Trusts at the Group level was 66,667 (2021: 133,334) HCIB Shares.

At the Group level, during the financial year-to-date, a total of 133,333 (2021: 66,666) 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	
	2022	2021
	RM'000	RM'000
RCULS – Equity portion	128,527	130,070
RCULS – Liability portion:		
- Non-current	6,873	14,218
- Current	7,177	6,909
	14,050	21,127
	142,577	151,197

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.

Notes to the Financial Statements
(Cont'd)

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

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, RM1,861,220 (2021: RM2,578,693) nominal value of RCULS were converted into 2,658,884 (2021: 3,683,844) new HCIB Shares. At the end of the reporting period, RM155,300,087 (2021: RM157,161,307) nominal value of RCULS remained unconverted.

	Group and Company	
	2022	**2021**
	RM'000	**RM'000**
RCULS – Equity portion		
At 1 July	130,070	132,204
Conversion of RCULS to share capital	(1,543)	(2,134)
At 30 June	128,527	130,070
RCULS – Liability portion		
At 1 July	21,127	28,155
Coupon payment	(7,889)	(7,889)
Interest accreted	937	1,278
Movement in accrued coupon payment	50	(10)
Conversion of RCULS to share capital	(175)	(407)
At 30 June	14,050	21,127

Notes to the Financial Statements

(Cont'd)

16. LOANS AND BORROWINGS

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Non-current (Unsecured)					
Term loans		140,123	169,874	20,610	20,610
Medium term notes	(a)	99,666	99,439	99,666	99,439
Term revolving credit		-	40,000	-	-
		239,789	309,313	120,276	120,049
Current (Unsecured)					
Term loans		29,876	-	-	-
Term revolving credit		40,000	20,000	-	-
Revolving credits		263,230	259,430	21,000	7,200
Trade Financing		5,280	-	-	-
Bankers acceptances		34,216	1,135	-	-
		372,602	280,565	21,000	7,200
		612,391	589,878	141,276	127,249

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

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

17. DEFERRED INCOME

	Group 2022 RM'000	Group 2021 RM'000
Non-current		
Investment tax allowance	33,930	37,647
Reinvestment allowance	51,450	55,269
	85,380	92,916
Current		
Investment tax allowance	3,394	3,422
Reinvestment allowance	3,764	3,736
	7,158	7,158
	92,538	100,074

The tax benefits arising from investment tax allowance and reinvestment allowance are being amortised over the estimated useful lives of the underlying plant and equipment for which investment tax allowance and reinvestment allowance were claimed. During the financial year, a total of RM7,158,000 (2021: RM7,161,000) has been amortised and recognised as other operating income in profit or loss of the Group.

Notes to the Financial Statements

(Cont'd)

18. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group	
	2022	2021
	RM'000	RM'000
At 1 July	479	458
(Reversal)/Provision	(128)	54
Payments	(101)	(33)
At 30 June	250	479

(b) Executive Share Scheme ("ESS")

The Company had 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.

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.

Notes to the Financial Statements
(Cont'd)

18. EMPLOYEE BENEFITS (cont'd)

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

The main features of the ESS are, inter alia, as follows: (cont'd)

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 2021 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, 66,667 free HCIB Shares have been vested during the financial year ended 30 June 2022 and 66,667 HCIB Shares remain outstanding as at 30 June 2022. The actual percentage of total HCIB Shares granted to a director/senior management of the Group was 0.04% based on the total number of issued shares of the Company as at 30 June 2022.

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.

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

	Group	
	2022	**2021**
	RM'000	**RM'000**
HCIB Shares Grant	(56)	(128)

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

	Group	
	2022	**2021**
Fair value at grant date	RM1.26	RM1.26

Notes to the Financial Statements
(Cont'd)

19. TRADE AND OTHER PAYABLES

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Non-current					
Other payables	19.1	579	507	-	-
Current					
Trade					
Trade payables					
- Third parties		165,061	80,275	-	-
- Related companies	19.2	1,467	1,218	-	-
		166,528	81,493	-	-
Non-trade					
Amount due to related companies	19.3	541	192	-	-
Other payables	19.4	6,437	7,920	-	-
Accrued expenses		18,681	24,739	1,324	1,324
		25,659	32,851	1,324	1,324
		192,187	114,344	1,324	1,324
		192,766	114,851	1,324	1,324

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

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

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

Note 19.4
Included in other payables are advances received from customers which are recognised as revenue when the Company fulfils its performance obligation under the contract with the customers. The significant changes during the year are as follows:

	Group 2022 RM'000	Group 2021 RM'000
At the beginning of the year	3,117	312
Recognised as revenue	(2,393)	(312)
Advances received	2,888	3,117
At the end of the year	3,612	3,117

Notes to the Financial Statements
(Cont'd)

20. REVENUE

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers	724,379	602,609	-	-
Other revenue				
- Rental income	2,148	2,030	-	-
- Dividend income	3	2	3	2
Total revenue	726,530	604,641	3	2

20.1 Disaggregation of revenue

	Construction materials		Total	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Major products				
Cement	671,587	555,397	671,587	555,397
Concrete	52,792	47,212	52,792	47,212
	724,379	602,609	724,379	602,609
Timing and recognition				
At a point in time	724,379	602,609	724,379	602,609

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. PROFIT/(LOSS) BEFORE TAXATION

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 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		244	234	40	40
Other services					
- Holding company's auditors		4	3	4	3
Material (income)/expenses					
Dividend income from other investments					
- Recognised in revenue		(3)	(2)	(3)	(2)
- Recognised in other operating income		(238)	(572)	-	-
Loss/(Gain) on foreign exchange					
- Realised		2,180	(959)	-	-
- Unrealised		132	605	-	-
Personnel expenses (including Directors of the Company):					
- Wages, salaries and others		40,136	47,448	-	-
- Contribution to Employees Provident Fund		4,023	4,206	-	-
- Share-based payment		56	128	-	-
Provision for slow moving inventories		186	742	-	-
Property, plant and equipment					
- Written off		5,648	1,860	-	-
- Impairment loss		-	1,401	-	-
Expenses arising from leases					
Expenses relating to short-term leases	a	6,865	6,259	-	-
Expenses relating to leases of low-value assets		-	37	-	-
Expenses relating to variable lease payments not included in the measurement of lease liabilities		19,549	17,339	-	-
Net gain on impairment of financial instruments					
Financial assets at amortised cost		(565)	(549)	-	-

Notes to the Financial Statements

(Cont'd)

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

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Finance costs					
Interest expense on lease liabilities		76	99	-	-
Other finance costs		22,516	23,327	6,229	6,303
		22,592	23,426	6,229	6,303

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 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Income taxation				
Malaysian				
- Current year	987	868	188	294
- Prior years	163	4	(32)	-
	1,150	872	156	294
Deferred taxation				
- Current year	1,562	(3,564)	1,710	1,697
- Prior years	(872)	684	-	-
	690	(2,880)	1,710	1,697
	1,840	(2,008)	1,866	1,991

Notes to the Financial Statements

(Cont'd)

22. TAXATION (cont'd)

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) before taxation	4,958	(29,368)	7,263	7,353
Taxation at Malaysian statutory tax rate of 24%	1,190	(7,048)	1,743	1,765
Non-deductible expenses	1,244	1,384	123	152
Non-taxable income	(1,776)	(1,856)	-	-
Deferred tax assets not recognised	1,859	4,750	-	-
Effect of early conversion of RCULS	32	74	32	74
	2,549	(2,696)	1,898	1,991
(Over)/Under provision in prior years	(709)	688	(32)	-
	1,840	(2,008)	1,866	1,991

23. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings/(loss) per ordinary share

The basic earnings/(loss) per ordinary share is calculated by dividing the Group's profit for the year attributable to owners of the Company of RM3,118,000 (2021: Group's loss attributable to owners of the Company of RM27,360,000) by the weighted average number of ordinary shares outstanding during the financial year of 501,301,317 (2021: 499,401,367) as follows:

	2022	**2021**
	'000	**'000**
Weighted average number of ordinary shares		
Number of ordinary shares at beginning of year	500,969	497,285
Less: trust shares held at beginning of year	(133)	-
	500,836	497,285
Effect of conversion of RCULS	438	2,221
Effect of ESS Trust Shares purchased	-	(133)
Effect of ESS Trust Shares vested	28	28
Weighted average number of ordinary shares outstanding during the year	501,302	499,401
Basic earnings/(loss) per ordinary share (sen)	0.62	(5.48)

Notes to the Financial Statements
(Cont'd)

23. EARNINGS/(LOSS) PER ORDINARY SHARE (cont'd)

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 30 June 2022 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Profit attributable to ordinary shareholders (diluted)

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

Group	2022 '000
Weighted average number of ordinary shares at 30 June (basic)	501,302
Effect of conversion of RCULS	221,857
Weighted average number of ordinary shares at 30 June (diluted)	723,159

Group	2022
Diluted earnings per ordinary share (sen)	0.52

In the previous financial year, there was no disclosure of diluted loss per ordinary share as it was anti-dilutive.

24. OTHER COMPREHENSIVE INCOME/(EXPENSE)

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

Notes to the Financial Statements

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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	
	2022	2021
	RM'000	RM'000
Segment profit/(loss)	26,765	(6,489)
Included in the measure of segment loss are:		
Revenue from external customers	724,379	602,609
Depreciation	(66,579)	(66,189)

Reconciliation of reportable segment profit/(loss)

	2022	2021
	RM'000	RM'000
Profit/(Loss)		
Reportable segment	26,765	(6,489)
Non-reportable segment	332	(20)
Interest income	453	567
Finance costs	(22,592)	(23,426)
Consolidated profit/(loss) before taxation	4,958	(29,368)

Notes to the Financial Statements

(Cont'd)

25. OPERATING SEGMENTS (cont'd)

	2022		2021	
	External revenue	Depreciation	External revenue	Depreciation
	RM'000	RM'000	RM'000	RM'000
Reportable segment	724,379	66,579	602,609	66,189
Non-reportable segment	2,151	267	2,032	266
Total	726,530	66,846	604,641	66,455

Geographical information

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

	Revenue	
	2022	2021
	RM'000	RM'000
Malaysia	698,449	551,820
Others	28,081	52,821
	726,530	604,461

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

Major customer

During the financial year, there was a single customer has contributed to 10% (2021: 6%) 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"), GuoLine Capital Assets Limited is a person connected with certain major shareholders of the Company and persons connected with them (collectively referred to as "Hong Leong Group").

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

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

Notes to the Financial Statements
(Cont'd)

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	
		2022	2021
Transaction	**Related party**	**RM'000**	**RM'000**
a) Rental of office	Hong Leong Group	830	812
b) Receipt of group management and/ or support services	Hong Leong Group	3,867	3,381
c) Payment for usage of the Hong Leong logo and trademark	A subsidiary company of HLCM	-	25
d) Purchase of goods	Hong Leong Group	3,795	3,384
	Hong Bee Hardware	1,720	1,134
	Tasek	4,560	-
e) Received of logistics related services	A subsidiary company of HLCM	-	155
f) Sale of goods	Hong Leong Group	2,761	3,175
	Hong Bee Hardware	51,592	35,005

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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Executive Director				
Remuneration and other benefits	1,550	1,529	-	-
Non-Executive Directors				
Fees	416	382	416	382

Notes to the Financial Statements

(Cont'd)

26. RELATED PARTIES (cont'd)

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. (cont'd)

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Executive Director	401	318	-	-

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

	Carrying amount	FAAC/ FLAC	FVTPL/ DUIR	Derivative used for hedging
	RM'000	RM'000	RM'000	RM'000
2022				
Group				
Financial assets				
Trade and other receivables, including derivatives (excluding prepayments)	77,651	77,638	-	13
Cash and cash equivalents	64,274	59,274	5,000	-
	141,925	136,912	5,000	13
Financial liabilities				
RCULS – Liability portion	14,050	14,050	-	-
Loans and borrowings	612,391	612,391	-	-
Trade and other payables	189,154	189,154	-	-
	815,595	815,595	-	-

Notes to the Financial Statements
(Cont'd)

27. FINANCIAL INSTRUMENTS (cont'd)

27.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	FAAC/ FLAC RM'000	FVTPL/ DUIR RM'000	Derivative used for hedging RM'000
2022 (cont'd)				
Company				
Financial assets				
Trade and other receivables (excluding prepayments)	62	62	-	-
Cash and cash equivalents	1,134	1,134	-	-
	1,196	1,196	-	-
Financial liabilities				
RCULS – Liability portion	14,050	14,050	-	-
Loans and borrowings	141,276	141,276	-	-
Trade and other payables	1,324	1,324	-	-
	156,650	156,650	-	-
2021				
Group				
Financial assets				
Trade and other receivables, including derivatives (excluding prepayments)	24,983	24,969	-	14
Cash and cash equivalents	50,581	26,149	24,432	-
	75,564	51,118	24,432	14
Financial liabilities				
RCULS – Liability portion	21,127	21,127	-	-
Loans and borrowings	589,878	589,878	-	-
Trade and other payables	111,734	111,734	-	-
	722,739	722,739	-	-

Notes to the Financial Statements
(Cont'd)

27. FINANCIAL INSTRUMENTS (cont'd)

27.1 Categories of financial instruments (cont'd)

	Carrying amount RM'000	FAAC/ FLAC RM'000	FVTPL/ DUIR RM'000	Derivative used for hedging RM'000
2021 (cont'd)				
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	-	-

27.2 Net gains and losses arising from financial instrument

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net gains/(losses) on:				
Financial assets measured at amortised cost	1,222	2,647	14,755	15,074
Financial liabilities measured at amortised cost	(24,710)	(23,932)	(6,229)	(6,302)
Derivative used for hedging	(1)	(11)	-	-
	(23,489)	(21,296)	8,526	8,772

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

Notes to the Financial Statements

(Cont'd)

27. FINANCIAL INSTRUMENTS (cont'd)

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 23% (2021: two customers – 13%) 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.

Group	Gross	Impairment loss allowance	Net
	RM'000	RM'000	RM'000
2022			
Current (not past due)	65,833	-	65,833
Past due 0 – 30 days	4,046	-	4,046
Past due 31 – 60 days	2,021	-	2,021
Past due 61 – 90 days	261	-	261
Past due more than 90 days	292	(286)	6
	72,453	(286)	72,167

Notes to the Financial Statements

(Cont'd)

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

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	
	2022	2021
	RM'000	RM'000
Balance at 1 July	851	1,400
Net reversal of impairment loss	(565)	(549)
Balance at 30 June	286	851

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.

Notes to the Financial Statements
(Cont'd)

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.

Notes to the Financial Statements

(Cont'd)

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

27.5 Liquidity risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

	Carrying amount	Contractual interest rate	Contractual cash flows	Under 1 year	1 – 5 years	More than 5 years
	RM'000	%	RM'000	RM'000	RM'000	RM'000
Group						
2022						
Non-derivative financial liabilities						
Trade and other payables	189,154	-	189,154	188,575	579	-
RCULS – Liability portion	14,050	5.0	14,849	7,765	7,084	-
Loans and borrowings	612,391	2.7 – 4.0	657,196	404,542	252,654	-
Lease liabilities	1,298	3.4 - 5.0	1,332	1,100	232	-
	816,893		862,531	601,982	260,549	-
Company						
2022						
Non-derivative financial liabilities						
Trade and other payables	1,324	-	1,324	1,324	-	-
RCULS – Liability portion	14,050	5.0	14,849	7,765	7,084	-
Loans and borrowings	141,276	2.9 – 4.1	149,269	25,909	123,360	-
	156,650		165,442	34,998	130,444	-
Group						
2021						
Non-derivative financial liabilities						
Trade and other payables	111,734	-	111,734	111,227	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	-
	724,412		761,749	412,821	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	-

Notes to the Financial Statements

(Cont'd)

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	
Group	**2022**	**2021**
	RM'000	**RM'000**
Cash and cash equivalents	163	1,715
Trade and other payables	(86,503)	(25,331)
	(86,340)	(23,616)

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 RM4,317,000 (2021: RM1,180,800). A 5% weakening of Ringgit Malaysia against USD at the end of the reporting period would have equal but opposite effect on profit or loss. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

Notes to the Financial Statements
(Cont'd)

27. FINANCIAL INSTRUMENTS (cont'd)

27.6 Market risk (cont'd)

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:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Deposits with licensed banks	49,933	18,284	900	-
RCULS – Liability portion	(14,050)	(21,127)	(14,050)	(21,127)
Loans and borrowings	(99,666)	(329,313)	(99,666)	(120,049)
Lease liabilities	(1,298)	(1,673)	-	-
	(65,081)	(333,829)	(112,816)	(141,176)
Floating rate instruments				
Short term money market fund	5,000	23,423	-	-
Loans and borrowings	(512,725)	(260,565)	(41,610)	(7,200)
	(507,725)	(237,142)	(41,610)	(7,200)

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") (2021: 50 bp) in interest rates at the end of the reporting period would have decreased the profit before taxation of the Group and the Company by RM2,539,000 and RM208,000 respectively (2021: RM1,186,000 and RM36,000 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.

Notes to the Financial Statements
(Cont'd)

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 USD1,834,000 (2021: USD1,479,000) 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
2022			
Forward exchange contracts	13	8,073	8,073
2021			
Forward exchange contracts	14	6,134	6,134

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)

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022										
Financial assets										
Short term money market fund	-	5,000	-	5,000	-	-	-	-	5,000	5,000
Forward exchange contract	-	13	-	13	-	-	-	-	13	13
Financial liabilities										
Term loans	-	-	-	-	-	-	169,999	169,999	169,999	169,999
Medium term notes	-	-	-	-	-	-	94,571	94,571	94,571	99,666
Term revolving credit	-	-	-	-	-	-	40,000	40,000	40,000	40,000
RCULS - Liability portion	-	-	-	-	-	-	14,050	14,050	14,050	14,050
Other payables	-	-	-	-	-	-	552	552	552	579
	-	-	-	-	-	-	319,172	319,172	319,172	324,294
2021										
Financial assets										
Short term money market fund	-	23,423	-	23,423	-	-	-	-	23,423	23,423
Forward exchange contract	-	14	-	14	-	-	-	-	14	14
Financial liabilities										
Term loans	-	-	-	-	-	-	169,874	169,874	169,874	169,874
Medium term notes	-	-	-	-	-	-	95,379	95,379	95,379	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
	-	-	-	-	-	-	346,828	346,828	346,828	350,947

27. FINANCIAL INSTRUMENTS (cont'd)

27.8 Fair value information (cont'd)

Company	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2022										
Financial liabilities										
Term loans	-	-	-	-	-	-	20,610	20,610	20,610	20,610
Medium term notes	-	-	-	-	-	-	94,571	94,571	94,571	99,666
RCULS - Liability portion	-	-	-	-	-	-	14,050	14,050	14,050	14,050
	-	-	-	-	-	-	129,231	129,231	129,231	134,326
2021										
Financial liabilities										
Term loans	-	-	-	-	-	-	20,610	20,610	20,610	20,610
Medium term notes	-	-	-	-	-	-	95,379	95,379	95,379	99,439
RCULS - Liability portion	-	-	-	-	-	-	21,127	21,127	21,127	21,127
	-	-	-	-	-	-	137,116	137,116	137,116	141,176

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	
	2022	**2021**
	RM'000	**RM'000**
Loans and borrowings	612,391	589,878
Lease liabilities	1,298	1,673
RCULS – Liability portion	14,050	21,127
Less: Cash and cash equivalents	(64,274)	(50,581)
Net debt	563,465	562,097
Total equity	368,019	364,757
Debt-to-equity ratio	1.53	1.54

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 79 to 147 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 2022 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Hugo Enrique Losada Barriola

Tai Sook Yee

23 August 2022

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Lau Ping Ong, the person primarily responsible for the financial management of Hume Cement Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 79 to 147 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 23 August 2022.

Lau Ping Ong

Before me:

Balwant Singh
Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report

to the members of Hume Cement Industries Berhad
(Registration No. 198001008443 (62227-X)) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hume Cement Industries Berhad, which comprise the statements of financial position as at 30 June 2022 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 79 to 147.

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 2022 and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

to the members of Hume Cement Industries Berhad
(Registration No. 198001008443 (62227-X)) (Incorporated in Malaysia)
(Cont'd)

Key Audit Matters (cont'd)

1. Tax credit receivables

   Refer to Note 9 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The Group recognised RM144.7 million of tax credit receivables as at the end of the current financial year. As disclosed in Note 9 to the financial statements, the tax credit receivables was mainly related to investment tax allowance and reinvestment allowance of RM68.84 million and RM75.86 million respectively. This is a key audit matter due to the degree of management judgement involved in determining whether it is probable that the subsidiary will have sufficient future taxable profits to utilise the tax benefits therefrom. Changes in judgements and the unpredictability of future events could impact on the amount of tax credit receivables recognised by the Group.	Our audit procedures included, amongst others: • Assessed taxable profits projection prepared by management in supporting the recognition and measurement of tax credit receivables, and the key assumptions used in the projection. • Compared current year's actual results with previous year's projection and assessed the quality of management's projection. • Assessed whether the Group's disclosure of recognised tax credit receivables appropriately reflect the Group's deferred tax position.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Independent Auditors' Report

to the members of Hume Cement Industries Berhad
(Registration No. 198001008443 (62227-X)) (Incorporated in Malaysia)
(Cont'd)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

to the members of Hume Cement Industries Berhad
(Registration No. 198001008443 (62227-X)) (Incorporated in Malaysia)
(Cont'd)

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

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the 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: 03232/02/2024 J
Chartered Accountant

Petaling Jaya

Date: 23 August 2022

Other Information

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2022

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 2022 (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	28	6,188
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	36	5,473
Lot 2407, Mukim 1 Prai Industrial Estate Pulau Pinang	Leasehold 60 years expiring 2035	Industrial land with office and factory buildings	1982	653,400	47	1,517
Lot 244, Pasir Gudang Industrial Estate Johor Bahru Johor Darul Takzim	Leasehold 60 years expiring 2045	Industrial land	1985	609,840	37	745
Lot 46, Semambu Industrial Estate, Kuantan Pahang Darul Makmur	Leasehold 66 years expiring 2041	Industrial land with office and factory buildings	1982	522,720	47	516
Lot 16280925 and 17514395 * Tuaran Road Kota Kinabalu, Sabah	Leasehold 60 years expiring 2079	Industrial land with office, store and factory buildings	1982	302,742	54/58	3,372
Lot 300254, 300255 300256 Mukim Teja Kampar, Perak	Leasehold 99 years expiring 2057/2096	Quarry and cement plant	2013	29,155,060	10	68,338

* *The approval of the Securities Commission ("SC") in respect of the Company's acquisitions of the entire equity interests in Hume Concrete Sdn Bhd ("Hume Concrete") and Hume Cement Sdn Bhd, which were completed on 20 October 2014, was subject to the remaining outstanding condition whereby the Company was to obtain the occupational certificate ("OC") for the industrial land with a double-storey detached office, 15 single-storey detached factory buildings and 15 open storage yards bearing postal address 5th Mile, Jalan Tuaran, 88300 Kota Kinabalu, Sabah ("Tuaran Plant") owned by Hume Concrete Group within 24 months from 28 April 2014, being the date of the SC's approval letter.*

The SC had, via its letter dated 4 May 2016, noted the necessary steps taken by the Company to resolve the non-compliances. In view thereof, the Company is no longer required to observe the stipulated time frame in resolving the condition imposed on the said property but instead, the Company is to continue to pursue the matter with the relevant authorities. The Company is also to disclose the efforts taken and status of the compliance of the outstanding issues in its annual report until such time the non-compliances are resolved and to update SC of such disclosure. The Kota Kinabalu City Hall via their letter dated 6 Oct 2017 granted a 5-year temporary OC to the Company. Further, on 15 December 2017, the Kota Kinabalu City Hall directed the Company to submit revised as-built plans and relevant documentation for its endorsement. On 15 March 2021, the Kota Kinabalu City Hall directed the Company to submit revised final documentation. The Company has, on 17 September 2021, submitted all the relevant revised final documentation and subsequently, changes were made to the documentation in response to comments from the Kota Kinabalu City Hall. The last changes were done in August 2022 and the application for the OC is now pending a final physical inspection by the Kota Kinabalu City Hall.

Other Information

(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2022

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

Distribution Schedule Of Shareholders As At 30 August 2022

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	624	12.78	18,006	0.00
100 – 1,000	1,039	21.29	649,904	0.13
1,001 – 10,000	2,175	44.56	9,087,914	1.80
10,001 – 100,000	847	17.35	25,608,759	5.09
100,001 – less than 5% of issued shares	195	4.00	125,115,875	24.84
5% and above of issued shares	1	0.02	343,147,151	68.14
	4,881	100.00	503,627,609	100.00

List Of Thirty Largest Shareholders As At 30 August 2022

	Name of Shareholders	No. of Shares	%
1.	Hong Leong Manufacturing Group Sdn Bhd	343,147,151	68.14
2.	AMSEC Nominees (Tempatan) Sdn Bhd - AmBank (M) Berhad (Swap)	14,538,883	2.89
3.	AmanahRaya Trustees Berhad - Public Smallcap Fund	8,860,243	1.76
4.	Kong Goon Siong	6,458,000	1.28
5.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Singular Value Fund	6,239,700	1.24
6.	AmanahRaya Trustees Berhad - Public Strategic Smallcap Fund	3,671,900	0.73
7.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Hong Leong Balanced Fund	3,150,000	0.63
8.	Soon Seong Keat	3,070,000	0.61
9.	Soft Portfolio Sdn. Bhd.	2,712,960	0.54
10.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tang Hong Cheong (029)	2,472,500	0.49
11.	Lim Chew Yan	2,349,493	0.47
12.	Hong Bee Hardware Company, Sdn. Berhad	2,185,879	0.43

Other Information
(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2022 (cont'd)

List Of Thirty Largest Shareholders As At 30 August 2022 (cont'd)

Name of Shareholders	No. of Shares	%
13. HLIB Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	2,121,120	0.42
14. RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chut Nyak Isham Bin Nyak Ariff	2,072,645	0.41
15. HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	2,057,700	0.41
16. Kim Poh Sitt Tat Feedmill Sendirian Berhad	2,000,000	0.40
17. YBhg Datuk Kwek Leng San	1,977,600	0.39
18. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for Union Bancaire Privee, UBP SA, Hong Kong Branch	1,944,000	0.39
19. 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
20. Quah Thain Khan	1,490,000	0.30
21. Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	1,480,906	0.29
22. Hong Leong Industries Berhad	1,469,982	0.29
23. AmanahRaya Trustees Berhad - Public Islamic Treasures Growth Fund	1,416,400	0.28
24. Cartaban Nominees (Asing) Sdn Bhd - Brown Brothers Harriman (Lux) SCA for Milltrust Singular Asean Fund SP (MIL INT INV SPC)	1,380,700	0.27
25. Ng Seng Beng	1,372,500	0.27
26. Quek Kon Sean	1,330,000	0.26
27. Lim Yew Chee	1,317,500	0.26
28. CIMB Group Nominees (Tempatan) Sdn Bhd - Hong Leong Asset Management Bhd for Tricia Ann Especkerman (EA131)	1,190,000	0.24
29. UOBM Nominees (Tempatan) Sdn Bhd - Singular Asset Management Sdn Bhd for Siow Chih Pyng @ Siow Chih Peng	946,700	0.19
30. Phillip Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Chen Yue	825,000	0.16
	426,813,862	84.75

Other Information

(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2022 (cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2022 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	68.14	1,469,982	0.29@
2. Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	346,708,698	68.84@
3. HL Holdings Sdn Bhd	-	-	346,708,698	68.84#
4. YBhg Tan Sri Quek Leng Chan	-	-	350,231,658	69.54**
5. Hong Realty (Private) Limited	-	-	348,894,577	69.28*
6. Hong Leong Investment Holdings Pte Ltd	-	-	348,894,577	69.28*
7. Kwek Holdings Pte Ltd	-	-	348,894,577	69.28*
8. Mr Kwek Leng Beng	-	-	348,894,577	69.28*
9. Davos Investment Holdings Private Limited	-	-	348,894,577	69.28*
10. Mr Kwek Leng Kee	-	-	348,894,577	69.28*

Notes:

@ *Held through subsidiary(ies)*
# *Held through HLCM*
* *Held through HLCM and a company in which the substantial shareholder has interest*
** *Held through HLCM and companies in which YBhg Tan Sri Quek Leng Chan and his children have interests*

3. ANALYSIS OF 5-YEAR 5.0% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (RCULS) HOLDINGS AS AT 30 AUGUST 2022

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

Distribution Schedule Of RCULS Holders As At 30 August 2022

Size of Holdings	No. of RCULS Holders	%	No. of RCULS	%
Less than 100	20	4.11	600	0.00
100 – 1,000	109	22.38	64,924	0.04
1,001 – 10,000	194	39.84	795,388	0.51
10,001 – 100,000	134	27.52	4,300,121	2.77
100,001 – less than 5% of outstanding RCULS	29	5.95	20,804,752	13.40
5% and above of outstanding RCULS	1	0.20	129,334,302	83.28
	487	100.00	155,300,087	100.00

Other Information

(Cont'd)

3. ANALYSIS OF 5-YEAR 5.0% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (RCULS) HOLDINGS AS AT 30 AUGUST 2022 (cont'd)

List Of Thirty Largest RCULS Holders As At 30 August 2022

	Name of RCULS Holders	No. of RCULS	%
1.	HLMG Capital Sdn Bhd	129,334,302	83.28
2.	Associated Land Sendirian Berhad	3,655,074	2.35
3.	AmanahRaya Trustees Berhad - Public Smallcap Fund	3,189,687	2.05
4.	Citigroup Nominees (Asing) Sdn Bhd - GSI for Lofty Dragon Management Limited	1,699,100	1.09
5.	Hong Leong Industries Berhad	1,512,121	0.97
6.	Ang Woun-Eng	981,000	0.63
7.	Soft Portfolio Sdn. Bhd.	976,665	0.63
8.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tang Hong Cheong (029)	900,000	0.58
9.	AmanahRaya Trustees Berhad - Public Dividend Select Fund	849,636	0.55
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	0.46
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	0.35
16.	Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	533,126	0.34
17.	Phillip 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	0.21
19.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Soon Seong Keat (PB)	224,000	0.15
20.	Olive Lim Swee Lian	200,000	0.13
21.	Tan Liew Cheun	194,400	0.13
22.	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 AUGUST 2022 (cont'd)

List Of Thirty Largest RCULS Holders As At 30 August 2022 (cont'd)

Name of RCULS Holders	No. of RCULS	%
23. Soon Seong Keat	150,000	0.10
24. Woo Lai Chee	150,000	0.10
25. Eu Mui @ Ee Soo Mei	136,200	0.09
26. Cheong Chen Yue	124,800	0.08
27. Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Puay Ching	118,263	0.08
28. UOB Kay Hian Nominees (Tempatan) Sdn Bhd - Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	111,664	0.07
29. Loo Soo Loong	109,600	0.07
30. Chong Boon Kok	109,288	0.07
	150,139,054	96.68

4. DIRECTORS' INTERESTS AS AT 30 AUGUST 2022

Subsequent to the financial year end, there was no change, as at 30 August 2022, to the Directors' interests in the ordinary shares and/or redeemable convertible unsecured loan stocks over ordinary shares of the Company and/or its related corporations, appearing in the Directors' Report on pages 75 to 76 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.

Hume Cement Industries Berhad

A Member of the Hong Leong Group

Registration No. 198001008443 (62227-X)

FORM OF PROXY

I/We ______________________________

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

of ______________________________

______________________ Email address ______________

being a member of **HUME CEMENT INDUSTRIES BERHAD** ["the Company"], hereby appoint ______________

______________________ NRIC/Passport No. ______________

of ______________________________

Tel No. ______________________ Email address ______________

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

of ______________________________

Tel No. ______________________ Email address ______________

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Forty-second Annual General Meeting of the Company to be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Thursday, 3 November 2022 at 10.30 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote on a poll as indicated below with an "X":

	RESOLUTIONS	FOR	AGAINST
1	To approve the payment of Director Fees and Directors' Other Benefits		
2	To re-elect YBhg Dato' Ir. Tan Gim Foo as a Director		
3	To re-appoint KPMG PLT as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
4	To approve the ordinary resolution on authority to Directors to allot shares and waiver of pre-emptive rights		
5	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad, GuoLine Capital Assets Limited and persons connected with them		
6	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Bee Hardware Company, Sdn Berhad		
7	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH		
8	To approve the proposed establishment of a new executive share scheme and waiver of pre-emptive rights		
9	To approve the proposed allocation of options and/or grants to the Group Managing Director of the Company		

Dated this ____________ day of ________________ 2022

Number of shares held: ____________________

CDS Account No.: ____________________

____

Signature(s) of Member

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 26 October 2022 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one (1) securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia or lodged electronically via email at cosec-hlmg@hlmg.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*
9. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of proxies	***% of shareholdings to be represented***

10. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the Forty-second AGM will be put to a vote by way of a poll.*

Fold this flap for sealing

Then fold here

Affix
Stamp

The Company Secretaries
HUME CEMENT INDUSTRIES BERHAD
Registration No. 1980001008443 (62227-X)
Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

1st fold here

Hume Cement Industries Berhad
Registration No. 198001008443 (62227-X)

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No. 6, Jalan Damanlela
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50490 Kuala Lumpur
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