# SO MALAYSIA BUILDS BETTER

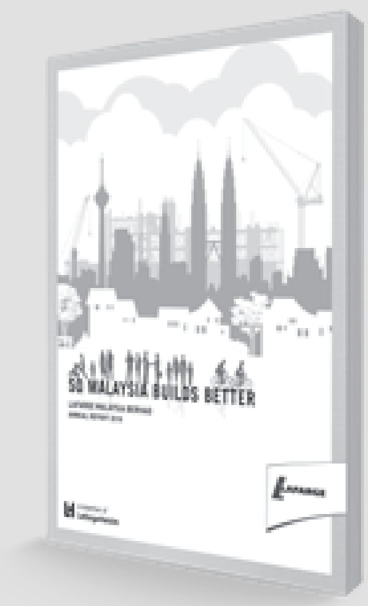
## LAFARGE MALAYSIA BERHAD
### ANNUAL REPORT 2018

LAFARGE

A member of LafargeHolcim

INSIDE

# THIS REPORT




## 01 FINANCIAL HIGHLIGHTS



## 02 KEY MESSAGES



## 03 SUSTAINABILITY STATEMENT



## 04 CORPORATE INFORMATION



## 05 CORPORATE GOVERNANCE



## 06 FINANCIAL STATEMENTS



## 07 OTHER INFORMATION


*Our Construction Development Laboratory car park using Hydromedia and Artevia concrete*

## OUR PROFILE

Lafarge Malaysia Berhad is a major player in the Malaysian construction industry. Our solutions provide cities and townships with more housing, making them more compact, more durable, more beautiful and better connected.

Headquartered in the Klang Valley, Lafarge Malaysia has facilities that include three integrated cement plants in Langkawi, Kanthan and Rawang, two grinding stations in Pasir Gudang, two Drymix plants, more than 30 ready-mix concrete batching plants and two aggregates quarries throughout Peninsular Malaysia. These facilities are supported by a wide network of depots, terminals and distribution facilities, connected by road, rail and sea.

Find our Annual Report online
https://www.lafarge.com.my/reports-presentation

# Group Financial Highlights

| | 2017 | 2018 |
|---|---|---|
| **STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME** | | |
| Revenue (RM'000) | 2,248,833 | **2,122,297** |
| EBITDA margin (%) | (1.8) | **(8.3)** |
| EBITDA (RM'000) | (39,618) | **(176,891)** |
| Loss from operations (RM'000) | (254,040) | **(371,266)** |
| Loss for the year (RM'000) | (213,585) | **(318,867)** |
| **STATEMENT OF FINANCIAL POSITIONS** | | |
| Total equity (RM'000) | 2,855,747 | **2,550,801** |
| Market capitalisations (RM'000) | 5,268,109 | **1,537,948** |
| **DIVIDEND AND EARNINGS PER SHARE** | | |
| Earnings per share (sen) | (25.32) | **(37.58)** |
| Net dividend per share (sen) | - | **-** |
| Dividend yield (%) | - | **-** |
| **STATEMENT OF CASH FLOWS** | | |
| Operating working capital % of revenue (%) | 1.6 | **4.4** |
| Operating working capital (RM'000) | 36,275 | **93,058** |
| Net cash used in operating activities (RM'000) | (91,006) | **(185,249)** |
| Capital expenditure (RM'000) | 156,607 | **148,033** |
| **FINANCIAL RATIOS** | | |
| Loss from operation/total equity (%) | (8.9) | **(14.6)** |
| Loss for the year/revenue (%) | (9.5) | **(15.0)** |

# Five-Year Financial Statistics

| | 2014<br>RM'000 | 2015<br>RM'000 | 2016<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 |
|---|---|---|---|---|---|
| **OPERATING RESULTS** | | | | | |
| Revenue | 2,743,090 | 2,750,820 | 2,552,205 | 2,248,833 | **2,122,297** |
| Profit/(loss) from operations | 335,282 | 350,284 | 97,998 | (254,040) | **(371,266)** |
| Profit/(loss) before tax | 345,183 | 346,906 | 74,281 | (279,037) | **(405,388)** |
| Profit/(loss) for the year | 256,007 | 252,562 | 77,729 | (213,585) | **(318,867)** |
| **KEY BALANCE SHEET DATA** | | | | | |
| Share capital | 849,695 | 849,695 | 849,695 | 1,950,692 | **1,950,692** |
| Total equity | 3,124,944 | 3,094,804 | 3,063,630 | 2,855,747 | **2,550,801** |
| Net (cash)/borrowings | (460,858) | 29,705 | 141,282 | 384,481 | **753,195** |
| Net tangible assets | 1,918,589 | 1,656,921 | 1,644,340 | 1,439,314 | **1,145,561** |
| **SHARE INFORMATION & FINANCIAL RATIOS** | | | | | |
| Net gearing ratio (times) | - | 0.01 | 0.05 | 0.13 | 0.30 |
| Net tangible assets per share (RM) | 2.26 | 1.95 | 1.94 | 1.69 | 1.35 |
| Net earnings/(loss) per share (EPS) (sen) | 30.13 | 29.70 | 9.02 | (25.32) | (37.58) |
| Net dividend per share (sen) | 34.00 | 31.00 | 5.00 | 0.00 | 0.00 |
| Share price (RM) – Year High | 10.64 | 10.42 | 9.29 | 7.36 | 6.29 |
| Share price (RM) – Year Low | 7.90 | 8.45 | 6.85 | 5.10 | 1.80 |

# Chairman's Statement

DEAR SHAREHOLDERS

**"ON BEHALF OF THE BOARD, I AM PLEASED TO PRESENT THE ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS OF LAFARGE MALAYSIA BERHAD FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018"**

The Group ended the year with a net loss of RM319 million compared to RM214 million last year. The bigger loss is mainly attributed to the weak market condition with more intense competition in our cement business resulting in a continuing decline in domestic selling prices. Our concrete, drymix and trading operations remained profitable. This, together with the lower Selling, General and Administrative (SG&A) expenses as a result of restructuring in the organisation and cost reduction initiatives compensated partly for the losses in our cement operations. 2019 is likely to be another challenging year with the industry still suffering from excess capacity.

In view of the Group's financial results and the challenging market conditions, the Board of Directors did not recommend any distribution of dividend in the financial year ended 31 December 2018.

We would like to take this opportunity to thank Mario Gross who took up a new assignment within the LafargeHolcim Group in November 2018. Mario played a significant role in laying the groundwork for the Company's current turnaround plan. He put in place an experienced leadership team and strengthened the fundamentals of the company, and reorganised the company to be more efficient.

With the departure of Mario, Chief Financial Officer (CFO), Yeoh Khoon Cheng has been appointed CEO. Mr Yeoh was very successful in his first stint as CFO of Lafarge Malaysia from 1999-2011 and has also thrived in various roles within the LafargeHolcim Group. Since his return to Lafarge Malaysia in August 2018, he has worked closely with Mario to implement the business turnaround plan and the Board agrees that Mr Yeoh is the right choice to see this plan through.

We would also like to express our appreciation to Executive Director, Michael Lim and Independent Non-Executive Director, Tan Sri Rebecca who left the Board on 31 July 2018 and 31 December 2018 respectively.

**Y.A.M. TUNKU TAN SRI IMRAN IBNI ALMARHUM TUANKU JA'AFAR**
Chairman

# Management Discussion & Analysis

> "Lafarge Malaysia Berhad (Lafarge Malaysia) is a major player in the building materials industry in Malaysia, providing a wide range of cement, concrete, aggregates and drymix products."

## OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

We operate a network of facilities throughout Peninsular Malaysia – three integrated cement plants in Rawang, Kanthan and Langkawi, two grinding stations in Pasir Gudang, more than 30 ready-mix concrete batching plants throughout the peninsula, two aggregates quarries in Hulu Langat and Kota Tinggi, two drymix plants in Rawang and Pasir Gudang and a premix asphalt plant in Johor. We are also involved in the trading and distribution of a wide range of other building materials through CMCM Perniagaan Sdn Bhd (CMCM) with 13 branches throughout Peninsular Malaysia.

We are in leadership positions in all the above segments and our concrete division has established itself as the leading supplier for highly-sophisticated and technically complex large scale projects while our drymix division is a leader in floor and wall mortar products. Our Langkawi plant's unique and strategic coastal location with direct sea access provides the flexibility to export clinker and cement competitively in addition to providing clinker by sea to the two grinding stations in Pasir Gudang.

Lafarge Malaysia is also involved in cement trading in Singapore through Lafarge Cement Singapore Pte Ltd and in concrete business via its 50% associate, Alliance Concrete Singapore Pte Ltd in Singapore.

## FINANCIAL PERFORMANCE

The Group recorded revenue of RM2.12 billion for the year ended 31 December 2018, a 6% decline compared to RM2.25 billion last year. This is mainly due to the competitive environment and continued pricing pressure on cement sales. In addition, the aggregates and concrete segments also recorded lower sales due to lower offtake of ready-mix concrete from major projects which were nearing completion.

The Group recorded a loss before tax of RM405 million for the year ended 31 December 2018 compared to a loss before tax of RM279 million last year while the loss after tax was RM319 million compared to RM214 million last year. The higher loss is mainly attributed to the cement segment's lower profit margin due to lower selling prices and higher production costs. Last year's result also benefited from a one-off gain from disposal of land while this year's other expenses include restructuring costs, asset impairment and foreign exchange losses.

To face the challenges in the competitive environment, we have taken actions in 2018 to restructure our organisation, simplify and de-layer management structure and optimise our cost base. The consequent reduction in management and supporting function staff hence Selling, General and Administrative (SG&A) expenses has partly contributed to reducing the loss in the year ended 31 December 2018.

## CEMENT PERFORMANCE REVIEW

The soft property market and the delay and suspension of some major infrastructure projects have impacted the construction market, which in turn has affected cement demand. Cement demand for 2018 declined marginally with contraction happening mainly in the second half of the year. The cement industry continued to be plagued by excess capacity and this has put pressure on selling prices. Coupled with higher energy costs, the profit margin in domestic sales continued to decline.

On the export front, the market has turned more positive in the second half of the year with stronger demand for clinker and improvement in export prices especially in the 4th quarter.

In the current competitive environment, we have taken steps to improve plant reliability and invest in capital expenditure projects which will improve productivity, maximise output and lower production costs. Geocycle Environmental Services Sdn Bhd (Geocycle), a unit focusing on developing and sourcing of alternative fuels and raw materials is growing from year to year and contributing to increasing our thermal fuel substitution rate.

# Management Discussion & Analysis

## AGGREGATES AND CONCRETE PERFORMANCE REVIEW

2018 brought further development in our ready-mix concrete business as the supplier of choice for infrastructure projects with the securing of packages in major projects such as the MRT2 and LRT3 railways as well as the SUKE and DASH highways. The Division continued to support other major projects such as the Merdeka PNB 118 project which will be the tallest tower in Malaysia as well as RAPID (Refinery and Petrochemical Integrated Development) in Pengerang, Johor which is nearing completion towards the end of 2018. Our concrete division sources 100% of its cement requirement from our cement plants.

The Division saw a further shift in sales to more technically sophisticated products to serve the ever-changing engineering requirements of the construction projects in Malaysia today. Additional capacity was added in the Klang Valley with investment in 3 new ready mix concrete plants and additional trucks in 2018.

The aggregates & asphalt business further invested in production efficiencies with capital expenditure to improve capacity at both the Hulu Langat Quarry as well as the Kota Tinggi Quarry. The Premix asphalt plant in Johor started production in 2018 and was successful in securing several contracts linked to the development of the RAPID project in Pengerang, Johor.

## DRYMIX, TRADING AND SINGAPORE BUSINESS PERFORMANCE REVIEW

Our drymix division offers an extended range of drymix products under the brand “Quickmix” that have created perfect walls and floors for many housing and commercial projects. We are now a leader in mortar products for wall and floor finishing and continuing to grow. In 2018, our drymix division achieved record volumes and will continue to upgrade and enhance its product portfolio in response to market needs and competition.

CMCM, Lafarge’s trading arm, continues to play an effective role in the distribution and sale of our cement and drymix products to our retail customers and contractors. At the same time, CMCM is providing our customers with a wide range of other building materials in our trading business. In 2018, CMCM continues to broaden its customer base with improvement in trading margin.

Our Singapore cement trading operations remained profitable in 2018 amidst a very challenging market while Alliance Concrete trimmed its losses significantly in 2018 with a better margin, new projects and completion of less profitable projects.

## OUR FOCUS IN 2019

Our priorities for 2019 are to enable all our plants to run at high reliability and at lowest cost possible in order to compete effectively in the market and at the same time, to improve on our services to customers in terms of product quality and delivery services. We are maximizing the production of all our plants to take full advantage of the improving export markets.

Our earlier years’ strategy to establish a Construction Development Laboratory which is also our innovation hub has started to bear fruit and we will continue to innovate and develop a niche in highly complex projects requiring more superior and sophisticated products with the backing of LafargeHolcim’s global presence and technical expertise.

We have embarked on simplifying the management structure and comprehensive cost reduction initiatives since mid-2018 and we have laid the groundwork which will improve our productivity and lower our cost base. Our ability to carry out what we plan to do relies on our employees and we are taking the necessary steps on talent retention, our employees’ learning and development and in making sure that rewards are matched with performance and results. We are also continuing our Young Engineers Programme to attract new talent.

## PROSPECTS

The domestic cement market in Malaysia is expected to remain challenging in 2019 with over-capacity in the industry and likely increase in energy prices. The outlook of the export market however is positive with demand continuing to be strong. Our Langkawi plant will maximize its production to take full advantage of the robust export market.

# Sustainability Statement

## ABOUT THIS SUSTAINABILITY STATEMENT

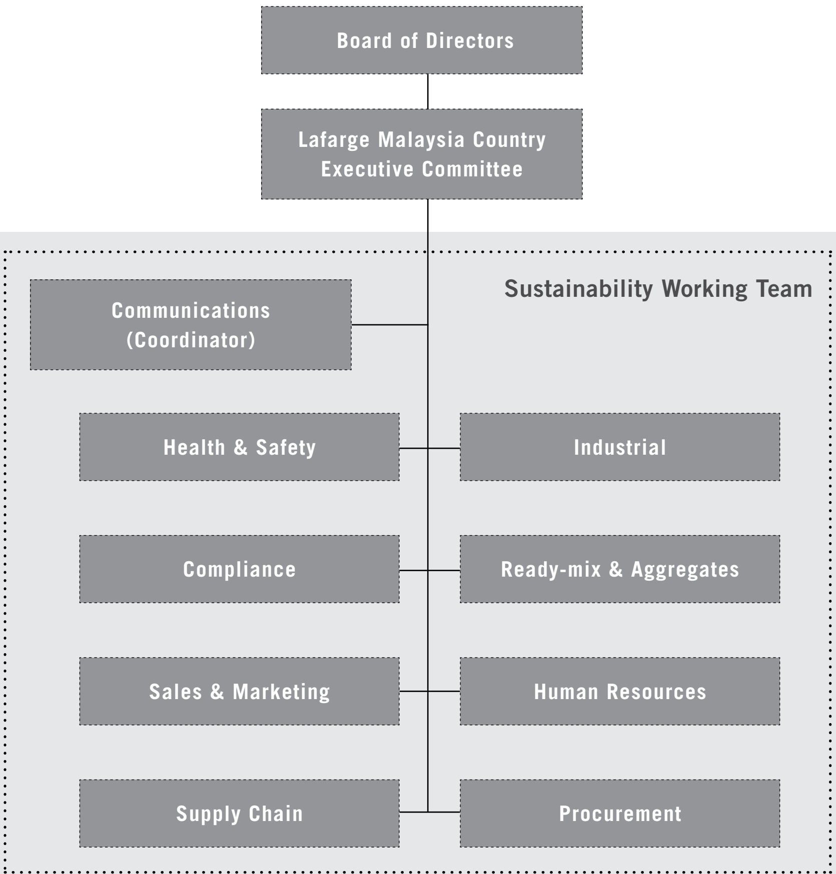
This statement covers Lafarge Malaysia's efforts in advancing sustainable development. Sustainability is one of the LafargeHolcim Group's core values, and a key focus area for Lafarge Malaysia.

**Scope of This Statement:**

| **Reporting period** | **Reporting cycle** | **Organisation covered** | **Guidelines** |
|---|---|---|---|
| 1 January 2018 – 31 December 2018 | Annually | Lafarge Malaysia Berhad and its active subsidiaries | Bursa Malaysia's Sustainability Reporting Guide (2nd Edition) |

## SUSTAINABILITY GOVERNANCE

Lafarge Malaysia Berhad's Board of Directors reviews and assesses the strategic directions required to achieve the Group's goals for long-term sustainable growth. The Executive Committee, with the help of the Sustainability Working Committee, oversees the activities executed by the various departments for conformity to agreed strategies and objectives.




**Role:**
- Develop Group strategy and policies
- Ensure that sustainability plans and goals are aligned with overall Group strategy
- Monitor sustainability performance

**Role:**
- Ensure consistent and timely implementation of sustainable practices and standards
- Regular stakeholder engagement efforts
- Employee engagement on sustainability practices

# Sustainability Statement

## STAKEHOLDER ENGAGEMENT

We recognise that our operations and business have a significant impact on our stakeholders. It is therefore essential that we consult them on a regular basis to understand their expectations of us and at the same time, for us to update them on our performance, actions and business developments.

Stakeholder engagement is carried out throughout the year by Senior Management, either through formal meetings, surveys or through regular face-to-face meet-ups.

| Stakeholder | Their Expectations | How We Engage |
|---|---|---|
| Customers | • Consistent quality products<br>• On-time delivery<br>• Good customer service<br>• Solutions to their construction needs | • "Net Promoter Score" Survey measuring customer satisfaction at every touchpoint along the supply chain<br>• Regular face-to-face meetings<br>• Technical support team provides on-site after-sales technical support to customers<br>• Construction Development Laboratory (CDL) provides platform and global network for us to work closely with our customers to develop the right product mix for their construction needs<br>• Order-to-Delivery (O2D) mobile app provides real-time update on cement delivery to customers |
| Authorities & Regulators | • Compliance with guidelines and regulations<br>• Transparency in reporting<br>• Timely response to queries and request for information related to our operations | • Annual Report<br>• Face-to-face meetings or through trade associations<br>• All queries and request for information related to our operations as and when requested by authorities are responded to at the best of our ability either by writing or through face-to-face meetings |
| Shareholders, Investors & Analysts, financial institutions | • Market and business performance outlook, business strategy<br>• Timely and transparent reporting<br>• Good corporate governance<br>• Prudent risk management | Available channels:<br>• Quarterly analyst briefings<br>• Annual General Meetings<br>• Corporate website<br>• One-on-one meetings with senior management (upon request and subject to availability) |
| Local community | • Responsible operations, compliance with laws, guidelines and regulations<br>• Open channels of communication<br>• Timely and transparent notification on matters that are material to them<br>• Contribution and involvement in local community activities | • Regular dialogue sessions with community representatives<br>• Community newsletter<br>• Direct telephone access to plant representative<br>• Community donations, school bursary awards |
| Employee unions | • Responsible operations, compliance with laws, guidelines and regulations<br>• Open channels of communication<br>• Timely and transparent notification on matters that are material to them | • Regular dialogue sessions with Senior Management<br>• Internal communications through our intranet, Facebook (FB) group and e-newsletters |
| Suppliers, contractors | • Safe, healthy and conducive work environment<br>• Professional and transparent procurement process<br>• Timely payment | Annual safety assessment and safety workshop conducted with contractors |
| NGOs | • Transparency in reporting<br>• Open channels of communication<br>• Timely and transparent notification on matters that are material to them | Fauna and Flora International (FFI), and international NGO, facilitated a stakeholder consultation workshop in 2018, attended by local NGOS, the local community representatives, local government agencies and local experts. The output of this workshop was considered in the design of all our plants' Biodiversity Management Plans |

# Sustainability Statement

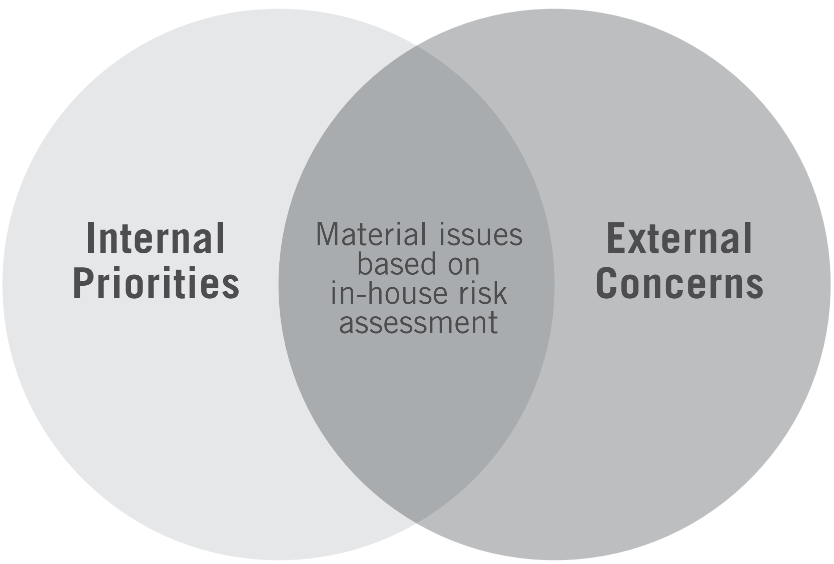
| Stakeholder | Their Expectations | How We Engage |
|---|---|---|
| Employees | • Safe, healthy and conducive work environment<br>• Timely and transparent updates on Company performance<br>• Career development<br>• Knowledge and skills enhancement<br>• Fair remuneration | • Employee Pulse Survey conducted once in 2 years. The last one was conducted in 2017 and the 2019 survey is in progress<br>• Annual Performance Management and Team Touch Points<br>• Individual Development Plan<br>• Regular employee engagements through project/team meetings<br>• Long Service Awards<br>• Sharing of knowledge, internal communications through the intranet, FB group and e-newsletters |
| Media | • Timely notification of company financial performance and material developments<br>• Easy access to timely, transparent, accurate information | • Press release: issued to all major media houses and uploaded onto the corporate website<br>• Press conferences, when necessary |

## MATERIALITY ASSESSMENT

We conducted a materiality assessment exercise which involved a combination of in-house risk assessment and identification of external stakeholder expectations. The Executive Committee and Senior Managers from key departments reviewed key Environmental, Economic and Social issues which stakeholders are most concerned with, against potential financial, operational and reputational impact on the Company. A Materiality Matrix was then drawn up based on these discussions.

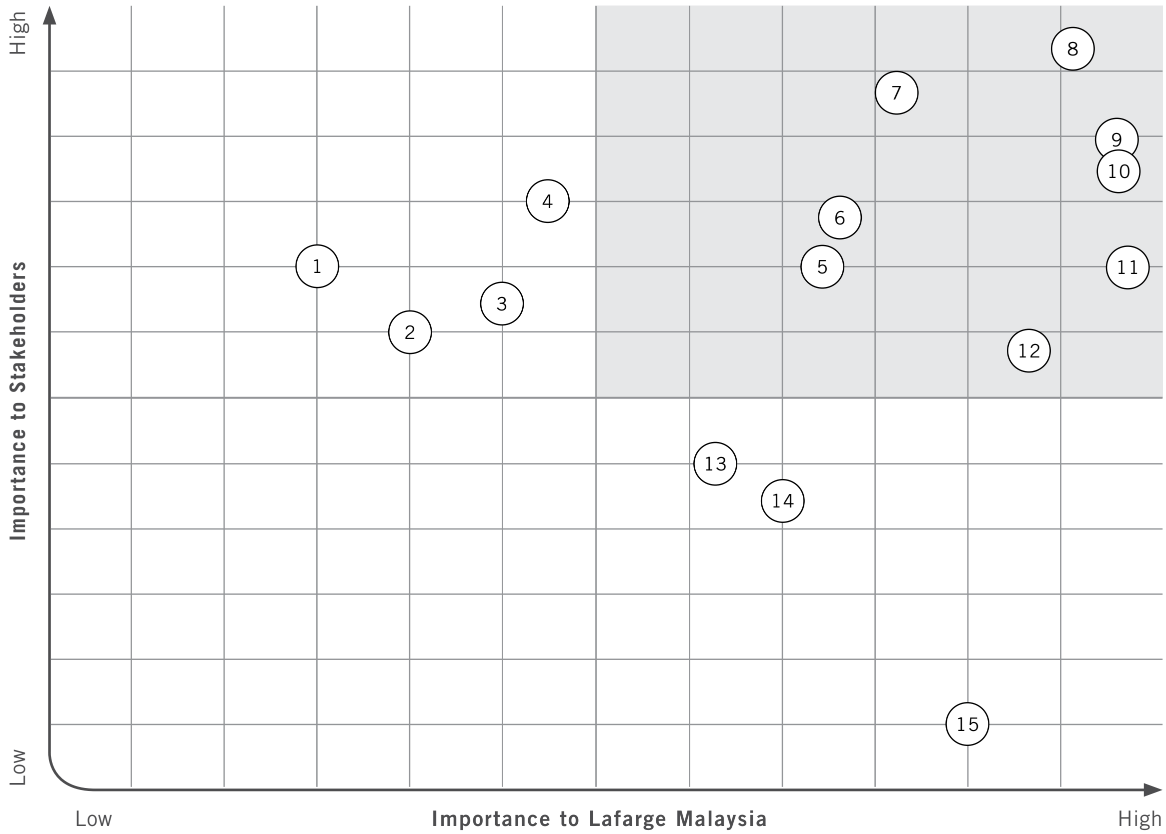
Formal stakeholder engagement sessions were not specifically conducted for the materiality assessment process. However, we engage with our identified key stakeholders on a regular and continuous basis, giving us insights of their expectations of us.

### Materiality Assessment: Our Approach



# Sustainability Statement

## Materiality Matrix




All matters mapped out on the matrix above have been identified as material by the assessment exercise. The ones mapped in the shaded box are the ones of highest materiality and are given most attention and priority.

1. Community Projects
2. Job Security
3. Local Economic Value Creation
4. Fair Treatment
5. Supply Chain
6. Customer Relations & Customer Satisfaction
7. Risk Management & Business Continuity
8. Environmental Impact
9. Corporate Governance
10. Compliance
11. Health & Safety
12. Employee Well-Being
13. Employee Training & Development
14. Employee Recognition
15. Pricing Integrity

Highest materiality

# Sustainability Statement

## SUSTAINABILITY PLAN, GOAL & STRATEGIES

### LafargeHolcim 2030 Plan

The LafargeHolcim Group launched its Sustainable Development Plan, “the 2030 Plan” in 2016. This plan is based on the United Nations Sustainable Development Goals and the Paris Agreement on Climate. Through the 2030 Plan, LafargeHolcim intends to incorporate proven sustainable practices into its business model and make them a key lever for growth. The LafargeHolcim Group seeks to generate 1/3 of its revenue from these “2030 solutions” through a portfolio of products and services leveraging on sustainability.

For more details, visit www.lafargeholcim.com/sustainable-development

**THE 2030 PLAN**
**BUILDING FOR TOMORROW**

We will generate 1/3 of our turnover from solutions with enhanced sustainability performance

| | CLIMATE | CIRCULAR ECONOMY | WATER AND NATURE | PEOPLE AND COMMUNITIES |
|---|---|---|---|---|
| **In house** | We will reduce net specific $CO_2$ emissions by 40% per tonne of cement (vs. 1990) | We will use 80 million tonnes of waste-derived resources per year | We will reduce freshwater withdrawal in cement operations by 30%<br><br>We will implement The WASH Pledge on all sites | We want zero fatalities<br><br>We will reduce LTIFR <0.20<br><br>We will reduce TIFR by 50%<br><br>We will reduce our disease rate <0.1<br><br>We will have 30% minimum gender diversity at all management levels |
| **Beyond LH fence** | We will help our customers avoid 10 million tonnes of $CO_2$ being released from buildings each year through our innovative solutions | We will provide end-of-life solutions for our products and will supply 4 times more recycled aggregates from CDW/RAP | We will make a positive impact on water in water scarce areas<br><br>We will show a positive change for biodiversity | We will develop initiatives to benefit 75 million people<br><br>We will engage in collective action to combat bribery & corruption in high risk countries |
| **Innovative solutions** | Low-carbon cement & concrete<br><br>Insulating concrete<br><br>Thermal-mass solutions | Recycled aggregates<br><br>Urban mining solutions<br><br>Waste management services | Rainwater harvesting<br><br>Pervious concrete<br><br>Stormwater protection<br><br>Vertical green solutions | Affordable housing materials and solutions<br><br>Affordable sanitation solutions |

*Note: All targets are for 2030. Baseline year is 2015 unless stated otherwise.*
*CDW: Construction & Demolition Waste, RAP: Reclaimed Asphalt Pavement, WASH Pledge: Water, Sanitation and Hygiene Implementation at the Workplace, LTI FR: Lost Time Injury Frequency Rate, TIFR: Total Injury Frequency Rate.*

# Sustainability Statement

### Lafarge Malaysia 2020 Goals & Strategy

Taking into consideration the output of the Materiality Matrix and the LafargeHolcim Group's 2030 plan, Lafarge Malaysia has mapped out its sustainable goals for 2020. It mirrors the larger Group's objectives on a local scale.

The following gives an overview of the goals and strategies that are employed locally under the four key areas of the 2030 plan.

| | CLIMATE | CIRCULAR ECONOMY | WATER AND NATURE | PEOPLE AND COMMUNITIES |
|---|---|---|---|---|
| **Sustainability Goals** | • Reduce net $CO_2$ emissions per ton of cement produced | • Transform waste products into resources for the production process | • Save freshwater in our businesses<br>• Deliver positive change in biodiversity at our main sites<br>• Provide hygienic working environment at all sites | • Zero harm on all our sites<br>• To have good relationships with community surrounding our major sites |
| **2020 Targets** | • Reduce net $CO_2$ emissions per ton of cement produced by 13% from 2015 levels | • Replace 20% of traditional fuels with alternative fuels<br>• Support over 50 companies with their waste management | • Reduce freshwater consumption in cement operations by 25% from 2015 levels<br>• All integrated cement plants to have and fully implement their Biodiversity Management Plan (BMP) | Health & Safety:<br>• Zero fatalities on site<br>• LTIFR <0.25 per mil hours worked<br><br>Stakeholder engagement:<br>• All major sites have a robust stakeholder plan |
| **Strategy** | • Increase the Thermal Substitution rate by using more waste derived and alternative fuels<br>• Increase the cement-clinker ratio by increasing sales of blended cement<br>• Reduce specific heat consumption by improving plant energy efficiency | • Supply alternative fuels and raw materials to our cement plants through Geocycle<br>• Collaborate with Department of Environment to raise awareness | • Address water leakage issues at all sites<br>• Increase the use of recycled water for production<br>• Collaborate with experts and environmental groups to design BMP blueprint | • All major sites to have robust stakeholder engagement plans in place |
| **2018 Actions and Progress to-date** | • A process improvement project at Rawang, when commissioned in 2019, will reduce fuel comsumption significantly<br>• Our 2019 focus is to improve plant thermal efficiency, which will move us towards our 2020 goal | • Refer to pages 17-18 | • Refer to page 16 on BMP<br>• All our cement plants are using captured rain water only. Processed municipal water only used in our buildings<br>• Rawang Plant has implemented a recycled water usage system | • All cement plants have stakeholder engagement plans following stakeholder mapping exercise<br>• For H&S progress, refer to pages 13-15 |

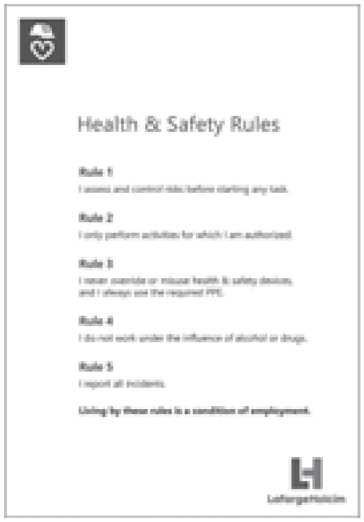
# Sustainability Statement

## SUSTAINABILITY ACHIEVEMENTS AND PROGRESS

### HEALTH & SAFETY

Health and safety (H&S) is at the core of everything Lafarge Malaysia does. Our goal is to conduct our business with zero harm to people and to create a healthy and safe environment for our employees, contractors, drivers, community and customers.

Lafarge Malaysia adopts the LafargeHolcim Group's Health & Safety Policy which sets clear expectations from the Group Executive Committee to reach our overall ambition. The policy is communicated to all individuals at all levels of the organization. All our actions are guided by this policy and the LafargeHolcim Group's H&S Rules. In addition, we refer to the LafargeHolcim Group's H&S Standards for guidance on management systems and these standards set out how to perform specific tasks in a safe and healthy manner.





**List of Standards and Guidance**

| Standards | Category | Effective Date |
|---|---|---|
| Health and Safety Management System | Management System | Apr 2016 |
| Incident Reporting, Classification and Investigation | Management System | Jan 2016 |
| Personal Protective Equipment (PPE) | Management System | Jan 2017 |
| Mobile Equipment & Traffic Management | Safety | Feb 2018 |
| Working at Height | Safety | Feb 2018 |
| Energy Isolation | Safety | Feb 2018 |
| Confined Spaces | Safety | Feb 2018 |
| Electrical Safety | Safety | Feb 2018 |
| Machine Guarding | Safety | Feb 2018 |
| Hot Work | Safety | Feb 2018 |
| Lifting & Supporting Loads | Safety | Feb 2018 |
| Railway Safety | Safety | Feb 2018 |
| Asbestos | Health | Feb 2018 |
| Hazardous Substances | Health | Feb 2018 |
| Hearing Conservation | Health | Feb 2018 |
| Ergonomics | Health | Feb 2018 |
| Vibration | Health | Feb 2018 |

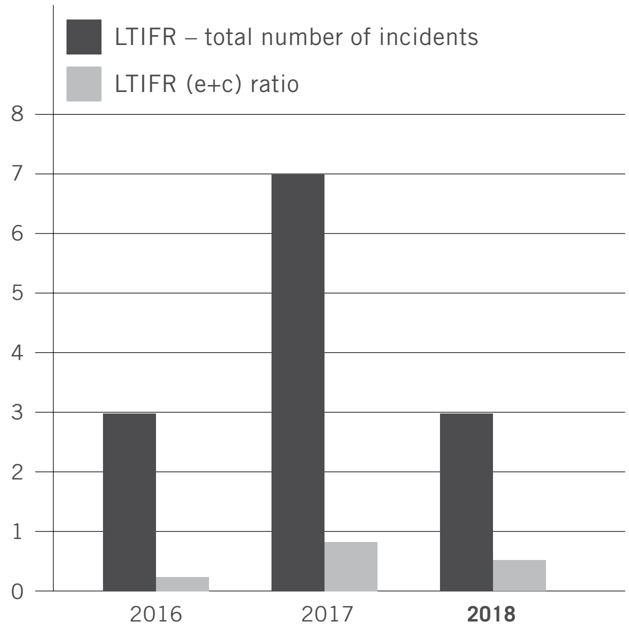
Every year, we have a Health and Safety Improvement Plan which determines where we should focus our attention and resources to improve Health and Safety performance towards the Zero Harm goal. It incorporates the focus areas of the LafargeHolcim Group and local country.

# Sustainability Statement

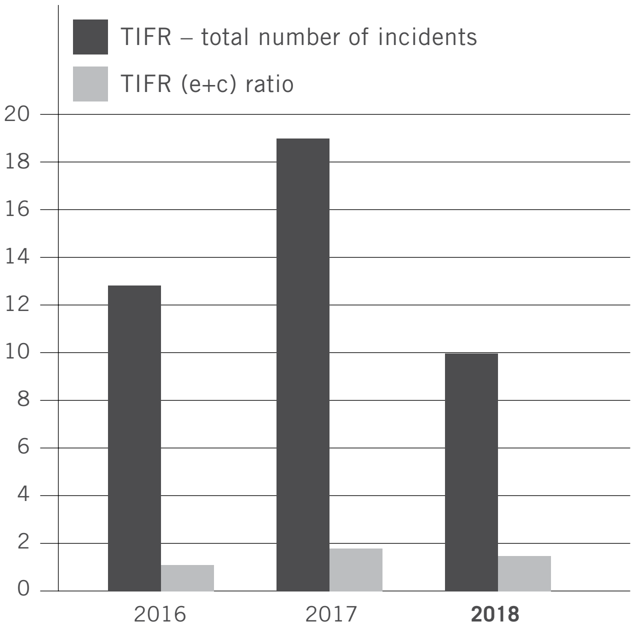
### Positive Behavioural Change

The root cause of many accidents is people and behaviour. Recognising this, we focus a lot of attention and resources into training and inculcating positive Health & Safety behaviour. At Lafarge Malaysia, we practise Visible Personal Commitment (VPC) where good Health and Safety behaviour and practices are reinforced through leadership. VPC encourages management personnel to be more visible, observing work practices, engaging with workers and front line supervisors to either praise good practices or correct unsafe ones. This is a crucial process in cultivating a consistently high level of safety performance.

| **Number of VPC Safety Engagements** | | |
|---|---|---|
| **Product Lines/Plant/Activities** | **2017** | **2018** |
| Aggregates | 431 | **613** |
| Ready-mix | 5482 | **6368** |
| Kanthan | 1540 | **1899** |
| Langkawi | 2409 | **3427** |
| Pasir Gudang | 956 | **1026** |
| Rawang | 637 | **2103** |
| Head Office Based Departments/Functions | 621 | **668** |
| Supply Chain | 148 | **338** |
| CMCM, Drymix | 232 | **408** |




**LTIFR:** Lost Time Injury Frequency Rate
**LTIFR e&c:** Total number of fatalities and lost time injuries x 1,000,000, divided by total number of hours worked




**TIFR:** Total Injury Frequency Rate
**TIFR e&c:** Total number of fatalities, lost time injuries, medical incidents x 1,000,000, divided by total number of hours worked

# Sustainability Statement

## Promoting Road Safety

Lafarge Malaysia's network of operations is spread throughout Peninsular Malaysia. We have a fleet of 1500 cement trucks and 330 ready-mix concrete mixer trucks traveling more than 100,000km daily to serve our customers. Road safety is therefore imperative.

We have aligned our logistics network around the globally recognised ISO39001 standard[1]. ISO39001 sets up the requirements for a Road Transport Safety (RTS) Management System to reduce incidents, and the risk of serious injuries related to road traffic accidents.

Our RTS Management System has seven measurable goals:

1. Achieve zero recordable fatalities
2. Maintain the Total Road Accident Frequency (TRAF) rate at zero
3. Compliance to legal requirements pertaining to road traffic safety
4. Compliance to LafargeHolcim's Mobile Equipment & Traffic Management Standard on Alcohol and Drug requirements
5. Compliance to LafargeHolcim's Mobile Equipment & Traffic Management Standard on journey, driver and vehicle management
6. RTS performance monitoring and review it with top management input on an annual basis

Lafarge was the first in the industry to receive the ISO certification in 2016, and we will be looking at its renewal in 2019.

## Better Road Safety Through Good Journey Management

Road safety is promoted in each part of our journey management:

### *Transporters And Drivers*

We use third-party transporters for our product delivery. Good driver behaviour with support from our transporters is a key to promoting road safety. Regular dialogue and engagement sessions with these transporters and their drivers are held to gain alignment on our road safety goals. Since 2005, we have been implementing our Drivers' Safety Behaviour Change (DSBC) programme. Using information from the GPS system installed in all our trucks, we are able to track driver behaviour and those who are found to be unsafe are required to undergo training and counselling to encourage changes in driver behaviour. As a result, we have significantly improved our road safety performance.

### *Vehicle, Journey Management And Loading/Unloading*

With the full support of our transporters, we ensure that all our trucks are well-maintained and meet safety requirements. Each truck is installed with a GPS system to enable us to better monitor its journeys and driver behaviour. We also put in place a journey management system to better inform drivers of potential hazards. When loading and unloading, we conduct customer site assessments to enable safe access for our trucks and that to ensure all safety pre-cautions are put in place and adhered to.


[1] *Certification is for Cement only*

# Sustainability Statement

## MANAGING OUR ENVIRONMENTAL IMPACT

All our operations comply with the LafargeHolcim Group Environmental Policy and, accordingly, implement environmental directives and standards. The policy outlines our commitment to the environment, nature and society.

Sustainability for Lafarge Malaysia starts from the beginning – at our cement quarries. Each of our cement quarries has its Biodiversity and Quarry Management Plans that guide us on management of the ecosystem of the limestone hills.

At the Plants, we reduce $CO_2$ emissions by using alternative fuel as well as alternative raw materials and cementitious materials. Through Geocycle Environmental Services Sdn Bhd (Geocycle), we co-process waste as alternative fuel. This contributes to the country's waste management solution and helps reduce the burning of fossil fuels.

Over the past few years, we have been investing to modernise our plants to be more energy efficient and to address dust emission.

### Managing Biodiversity

The Kanthan Hill (Gunung Kanthan) area, which surrounds our Kanthan Plant Quarry is home to some rare flora and fauna that are of conservation importance. The existence of the Kanthan Cave (Gua Kanthan) within Gunung Kanthan presented Lafarge Malaysia with the unique opportunity to play a significant role in the biodiversity initiatives of limestone hills.

Researchers from the University of Malaya (UM) were commissioned to conduct a biodiversity inventory survey for the whole limestone hill area in mid-2013. This later became the foundation of Lafarge Malaysia's biodiversity study and Biodiversity Managment Plant (BMP) for all its plants. Since then, numerous follow-up studies have been conducted.

In 2015, Lafarge Malaysia collaborated with international non-governmental organisation (NGO), Fauna and Flora International (FFI) to help define the criteria for developing a BMP. This process involved a consultation process with relevant stakeholders like the local community, local government agencies, local NGOs and experts. With these criteria, Lafarge Malaysia and local scientists are working together in finding ways to better understand the high value of limestone hills. These partnerships will help Lafarge Malaysia in developing sustainable action plans in minimizing disruption to the ecosystem of the limestone hills.

In 2018, Gua Kanthan was included as part of the Kinta Valley Geopark, now declared as a National Geopark. This is an acknowledgement by the local government on the progress that Lafarge Malaysia has done in its stakeholder engagement and biodiversity management programmes.

*The Sultan of Perak being briefed on Lafarge Malaysia's biodiversity conservation efforts at the official event declaring Kinta Valley Geopark as a National Geopark*

# Sustainability Statement

Bag filter installed in Kanthan Plant

**Investment in Bag Filters for Better Air Quality**

Dust emission has been one of the major concerns of the communities living near our integrated cement plants. To address this, Lafarge Malaysia has invested RM90 million to-date to install bag filters in all its integrated cement plants. The bag filter system replaced the old electrostatic precipitator dust control system and is a more efficient industrial solution to address dust emission. The bag filter captures dust particles, releasing only filtered air into the environment. The bag filter is cleaned at pre-programmed intervals and the dust particles are channelled into hoppers to be recirculated into the kiln process for efficient material utilisation.

**Promoting A Circular Economy**

Each year, Malaysia produces an estimated three million tons of scheduled waste[1], 15 million tons of non-hazardous commercial and industrial waste[2], and 86 million tons of agriculture waste[3]. A significant proportion of this waste goes into landfills. Co-processing is a more efficient and effective way of waste management. Through Geocycle, Lafarge Malaysia provides co-processing solutions to other industries in the country.

Since 2013, Geocycle has co-processed more than 1.5 mil tons of waste from various industries in Malaysia, avoiding a land area equivalent to 150 football fields from being filled with waste. Suitable waste is pre-processed and re-used in our cement plants as a replacement for natural resources. This process produces zero residue, leaving no risk to be managed by future generations.

In 2018, we also focused our resources towards the development of professional waste management in Malaysia through the following initiatives:

1. Sharing with Jabatan Alam Sekitar Malaysia methodology and good practices in quality and hazards management, including a visit to our facility. YBhg. Dato' Dr Ahmad Kamarulnajuib bin Che Ibrahim, Director General of Department of Environment (DOE), officers from DOE Putrajaya and DOE Selangor participated
2. Public training on co-processing at Jabatan Alam Sekitar Perak's Scheduled Wastes Management Seminar in December 2018. Over 300 participants from various industries attended
3. Invested in defensive driving training for 34 transporter drivers to inculcate road safety behaviours
4. Kicked off a Zero Waste Campaign with talks by founders of Zero Waste Malaysia and Kaki DIY, waste segregation awareness programme and recycling collection drive

*Note:*

[1] *Environmental Quality Report, Jabatan Alam Sekitar*

[2] *Jabatan Pengerusan Sisa Pepejal data on municipal solid waste volume and own estimate*

[3] *Perangkaan Padi Malaysia, Jabatan Pertanian Semenanjung Malaysia Statistik, Lembaga Minyak Sawit Malaysia Biomass outlook Asia, International Biomass Conference Malaysia, Argus Media solid fuels markets*

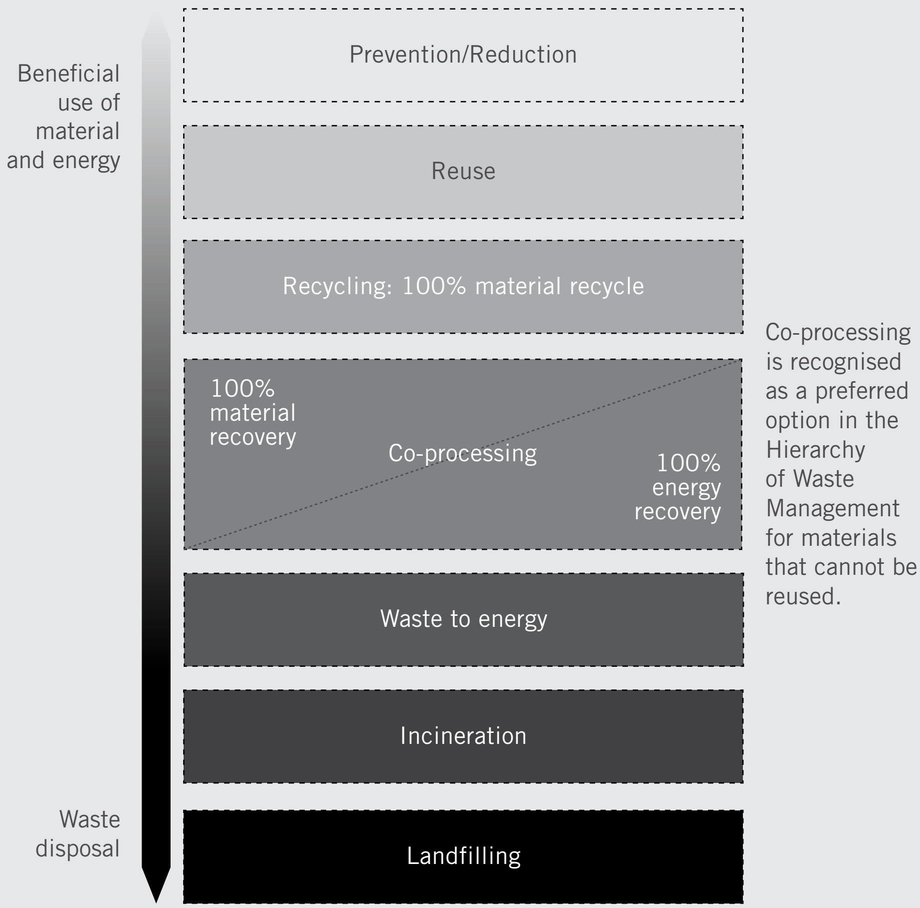
# Sustainability Statement

**What is Co-processing?**

Co-processing is the use of waste as raw material, or as a source of energy, or both to replace natural mineral resources and fossil fuels such as coal, petroleum and gas in industrial processes. It is recognised by the UNEP Basel Convention as a practical, cost efficient, safe and environmentally preferred option compared to other waste treatment options.

A cement kiln producing clinker (the main constituent of cement), is by its nature an efficient tool for the recovery of minerals and energy from waste. Kilns allow for complete burn-out of waste-derived fuel because of its high main burner flame temperature of 2,000°C. The high level of oxygen at the kiln burner allows for rapid combustion and complete oxidation and destruction of organic components. During the burn-out process, ashes are incorporated in the clinker since they consist of mineral elements that are by nature required for the clinker therefore there is a saving on the use of virgin raw materials. Emissions do not increase, as proven by numerous applications worldwide[2].

**The Waste Hierarchy**




## GROWING OUR MOST IMPORTANT ASSET

We believe that our people are our greatest asset. We are convinced that investment in skills development, diversity in our team and open communication are key to deliver on our goals and strategic objectives.

We grow and develop our people through coaching and training. In 2018, more than 27,500 hours were spent on training our employees. This is lower than the previous year as we conducted a rationalisation and restructuring exercise in 2018. Some planned training sessions were not conducted as a result.

[2] *The Cement Industry. Creating solutions for safe, resource-efficient waste management by WBCSD*

# Sustainability Statement

## Training hours

| Training topic | 2018 Men | 2018 Women | 2018 Total Hours |
|---|---|---|---|
| Technical training | 5,839 | 1,081 | 6,920 |
| Health and safety training | 7,769 | 875 | 8,644 |
| Language training | 192 | 288 | 480 |
| Management training | 4,013 | 2,098 | 6,111 |
| Human Rights training | 24 | 40 | 64 |
| Environment awareness | 468 | 200 | 668 |
| Anti Bribery and Corruption policies, and Fair Competition | 473 | 120 | 593 |
| Other type of training | 2,566 | 1,688 | 4,254 |
| | | | 27,734 |

## Lafarge School Plant

A dedicated cement plant training centre that focuses on technical competency development of our employees, School Plant, located at our Kanthan Plant, allows our employees to enhance their knowledge and skills with minimum disruption to daily operations as there is no longer the necessity of traveling overseas for training programmes.

The School Plant provides a platform for knowledge transfer for our employees and our colleagues from the LafargeHolcim Group, and also external stakeholders like our cement customers, Government agencies and college students. The training programmes, designed to meet our cement plant needs, are carried out by Lafarge Malaysia's local engineers and managers. By teaching, our Engineers and Managers will learn to become leaders and subject experts, contributing to their personal development and career advancement.

In 2018 we held a total of 33 technical programmes in the School Plant for over 370 participants.

## Building a Talent Pipeline

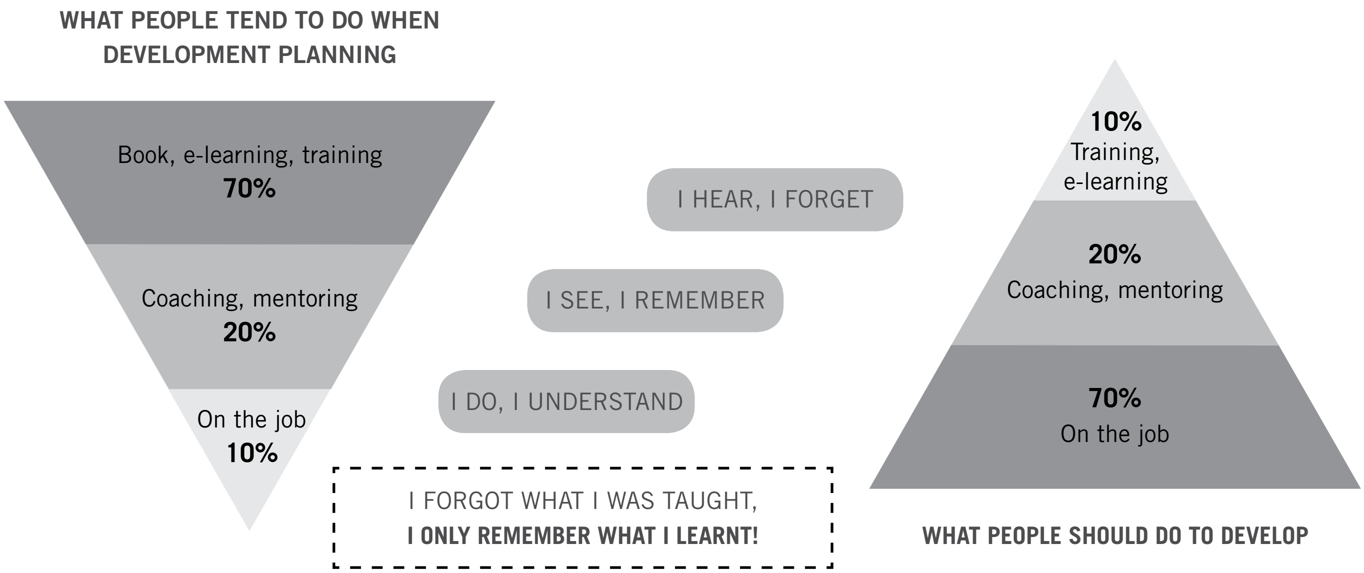
The Lafarge Young Engineers Programme (LYEP) was launched in 2004 to provide a steady supply of engineers, primarily for our plant operations. Every year, over 200 applicants are invited to take an aptitude test, with only the top quarter going through to the challenging interviewing process. Over the years, this programme has become an important component of our talent pipeline. Most recently, 20 Young Engineers from various disciplines were recruited for this 12-month programme, which ran from May June 2017 to July 2018. This programme gives our Young Engineers a chance to experience life in a cement plant. As of writing, we are proud to say that the LYEP has produced more than 60 engineers, many of whom are still with Lafarge Malaysia.

# Sustainability Statement

**Individual Development Plan**

All employees have Individual Development Plans which list areas of development for their career advancement. These development plans, drawn up from one-on-one discussions with their line managers, are captured and followed through according to the 70/20/10 rule:

- **70% experience-based** (job expansion, empowerment, development projects, lateral/vertical moves, cross-functional project assignment)
- **20% relationship-based** (internal networks, knowledge sharing, external networks, coaching, mentoring)
- **10% education-based** (internal or external training programs, independent study, e-learning)




**Team Touch Points & Individual Check-ins**

We can make a difference in team performance collectively, at all levels. Our managers play an important role and meet with their team at least once per quarter, to discuss, update and follow through on agreed plans/action to improve team performance and delivery.

Our managers are also encouraged to have regular informal conversations (at least once per quarter) to help individuals improve their performance, develop their skills and ultimately contribute to our business performance. The role of line managers is to coach our employees and to unlock their potential. Our leaders ask questions that inspire others to perform more, think more, learn more, do more, and become more.

**Encouraging Workplace Diversity and Inclusion**

Diversity and inclusion is a key enabler to performance. 23% of Lafarge Malaysia's total workforce are women in management positions.

We have, in our workforce, a small team of employees who are deaf and mute. Fondly known as "Angels" internally, they have been attached to the Supply Chain Department since 2010 and are now very much a part of the fabric of the company.

# Corporate Information

## Board of Directors

**Y.A.M. TUNKU TAN SRI IMRAN IBNI ALMARHUM TUANKU JA'AFAR**
*Chairman, Independent Non-Executive Director*

**MARTIN KRIEGNER**
*Vice Chairman, Non-Independent Non-Executive Director*

**YEOH KHOON CHENG**
*Executive Director, Chief Executive Officer*

**Y.M. TUNKU AFWIDA BINTI TUNKU A.MALEK**
*Independent Non-Executive Director*

**DATUK MUHAMAD NOOR BIN HAMID**
*Independent Non-Executive Director*

**AR. DATUK TAN PEI ING**
*Non-Independent Non-Executive Director*

**JOHN STULL**
*Non-Independent Non-Executive Director*

## Audit and Risk Management Committee

**Y.M. TUNKU AFWIDA BINTI TUNKU A.MALEK** *(Chairman)*

**DATUK MUHAMAD NOOR BIN HAMID**

**AR. DATUK TAN PEI ING**

## Remuneration and Nomination Committee

**Y.A.M. TUNKU TAN SRI IMRAN IBNI ALMARHUM TUANKU JA'AFAR** *(Chairman)*

**DATUK MUHAMAD NOOR BIN HAMID**

**MARTIN KRIEGNER**

## Company Secretaries

**KOH POI SAN** *(L.S. No. 0009701)*

**SERENE LEE HUEY FEI** *(L.S. No. 0009912)*

## Registered Office and Head Office

**LAFARGE MALAYSIA BERHAD** *(1877-T)*

Level 1, Wisma Lafarge
No. 2, Jalan Kilang 51/206
46050 Petaling Jaya
Selangor Darul Ehsan

Tel : 603-7787 4800
Fax : 603-7770 1162

## Auditors

**DELOITTE PLT** *(AF: 0080)*

Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur

Tel : 603-7610 8888
Fax : 603-7726 8986

## Share Registrars

**BOARDROOM SHARE REGISTRARS SDN BHD** *(378993-D)*
*(Formerly known as Symphony Share Registrars Sdn Bhd)*

Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan

Tel : 603-7841 8000
Fax : 603-7841 8008

## Stock Exchange Listing

**MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD**

Website : www.lafarge.com.my

# Profiles of the Board of Directors

## Y.A.M. TUNKU TAN SRI IMRAN IBNI ALMARHUM TUANKU JA'AFAR

**DKYR, PSM, SPNS, AMN, PJK**

*Chairman, Independent Non-Executive Director*

—

Age 71, Malaysian (Male)

**Date Appointed to the Board:** 16 July 1979
**Years of Directorship:** 40 years
**Date of Last Reappointment:** 23 May 2018
**Number of Board Meetings attended in the Financial Year:** 4/4

**Qualifications:**

- Bachelor of Law (Hons), Nottingham University, United Kingdom, Gray's Inn (Barrister-at-Law)

**Membership of the Board Committee:**

- Remuneration and Nomination Committee (Chairman)

**Present Directorship**
**Listed Entity:** Nil
**Other Public Companies:** Nil

**Professional Experience:**

Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar has held senior management positions with various companies including Perbadanan Nasional Berhad and Haw Par (Malaysia) Sdn Bhd from 1971 to 1976. He was the Chief Executive Officer of the Antah Group of Companies from 1976 until he stepped down at the end of February 2001.

## MARTIN KRIEGNER

*Vice Chairman, Non-Independent Non-Executive Director*

—

Age 57, Austrian (Male)

**Date Appointed to the Board:** 26 August 2016
**Years of Directorship:** 2 years
**Date of Last Reappointment:** 23 May 2018
**Number of Board Meetings attended in the Financial Year:** 4/4

**Qualifications:**

- Doctorate in Law, Vienna University, Austria
- Masters of Business Administration, Vienna University of Economics and Business, Austria

**Membership of the Board Committee:**

- Remuneration and Nomination Committee (Member)

**Present Directorship**
**Listed Entity:** Nil
**Other Public Companies:** Nil

**Professional Experience:**

Mr Martin Kriegner has been a member of the Executive Committee of LafargeHolcim Ltd. since August 2016 and is responsible for Asia.

Mr Kriegner joined Lafarge in 1990 and became the CEO of Lafarge Perlmooser AG, Austria in 1998. He moved to India as CEO of the Lafarge Cement operations in 2002 and later served as Regional President Cement for Asia, based in Kuala Lumpur. In 2012, he was appointed CEO of Lafarge India for Cement, RMX and Aggregates.

In July 2015 he became Area Manager Central Europe for LafargeHolcim operations and was appointed Head of India effective March 1, 2016.

# Profiles of the Board of Directors

## YEOH KHOON CHENG

*Chief Executive Officer,*
*Executive Director*

—

Age 60, Malaysian (Male)

**Date Appointed to the Board:** 1 August 2018
**Years of Directorship:** Not more than one (1) year
**Number of Board Meetings attended in the Financial Year (since date of appointment):** 2/2

**Qualifications:**
- A Member of the Malaysian Institute of Accountants
- A Member of the Malaysian Institute of Certified Public Accountants

**Membership of the Board Committee:** Nil

**Present Directorship**
**Listed Entity:** Nil
**Other Public Companies:** Nil

**Professional Experience:**
Mr Yeoh Khoon Cheng started his career as an Audit Assistant with Deloitte Kassim Chan in 1979. He joined Lafarge Malaysia Berhad in 1987 as Finance Manager and has held various positions involving business development, mergers and acquisitions and corporate finance activities and acted as Company Secretary from 1990 to 1998. He was appointed as Executive Director & Chief Financial Officer in January 1999 and held the position until July 2011. From August 2011 to December 2015, he was the Chief Financial Officer of Lafarge Cement China Limited. Mr Yeoh was the Chief Financial Officer of Huaxin Cement Limited, China from January 2016 to July 2017.

He then rejoined Lafarge Malaysia Berhad as the Chief Financial Officer in August 2018 and was appointed the Interim Chief Executive Officer in November 2018. Mr Yeoh was redesignated as Chief Executive Officer on 13 March 2019. Consequent to this appointment, he stepped down from the position of Chief Financial Officer.

## Y.M. TUNKU AFWIDA BINTI TUNKU A.MALEK

*Independent*
*Non-Executive Director*

—

Age 53, Malaysian (Female)

**Date Appointed to the Board:** 29 February 2016
**Years of Directorship:** 3 years
**Date of Last Reappointment:** 23 May 2017
**Number of Board Meetings attended in the Financial Year:** 4/4

**Qualifications:**
- Bachelor in Science (Hons), The City University (London), United Kingdom
- A Chartered Accountant from the Institute of Chartered Accountants in England and Wales
- A Member of the Malaysian Institute of Accountants

**Membership of the Board Committee:**
- Audit and Risk Management Committee (Chairman)

**Present Directorship**
**Listed Entity:**
- Gamuda Berhad
- Telekom Malaysia Berhad

**Other Public Companies:**
- Export-Import Bank of Malaysia Berhad
- i-VCAP Management Berhad

**Professional Experience:**
Y.M. Tunku Afwida Binti Tunku A.Malek is currently a director and shareholder of Asia Equity Research Sdn Bhd, a company licensed by Securities Commission of Malaysia to provide advisory services in corporate finance including compliance related and funding advisory related services. Prior to that, she was Chief Executive Officer and Executive Director of Kenanga Investment Bank Berhad from 2006 until 2008, Chief Executive Officer and Executive Director of MIMB Investment Bank Berhad from 2003 until 2006 and Executive Director and Chief Investment Officer of Commerce Asset Fund Managers Sdn Bhd from 1995 until 2003.

# Profiles of the Board of Directors

## DATUK MUHAMAD NOOR BIN HAMID

*Independent*
*Non-Executive Director*
—
Age 67, Malaysian (Male)

**Date Appointed to the Board:** 21 February 2016
**Years of Directorship:** 3 years
**Date of Last Reappointment:** 23 May 2018
**Number of Board Meetings attended in the Financial Year:** 4/4

**Qualifications:**
- Post Graduate Diploma Gas Eng. Technology, Institute of Gas Technology, Chicago, United States of America
- Bachelor of Science (Hons) in Mechanical Engineering, Sunderland Polytechnic, Sunderland, England

**Membership of the Board Committee:**
- Audit and Risk Management Committee (Member)
- Remuneration and Nomination Committee (Member)

**Present Directorship**
**Listed Entity:**
- Sapura Energy Berhad

**Other Public Companies:** Nil

**Professional Experience:**
Datuk Muhamad Noor Bin Hamid has more than 30 years of direct working experience in the oil and gas industry, ranging from project planning and implementation, operation, consulting and contracting. His latest position was the Managing Director of Gas Malaysia Sdn Bhd responsible for the overall management of all strategic issues of the Company. He was appointed as the Managing Director in April 2006.

He has held numerous positions in Petronas Gas Bhd, including Head of the PGU II pipeline project team and Head of the Transmission Division responsible for the whole pipeline operation in Malaysia. He also worked in OGP Technical Services Sdn Bhd, a Petronas/Novacorp joint venture company, where he was the General Manager of the Pipeline Division. His expertise has taken him to overseas assignments mainly in Sudan and Thailand. He left Petronas in 2000.

Prior to joining Gas Malaysia, Datuk Muhamad Noor was the Chief Operating Officer of Projass Engineering Sdn Bhd, a class A Bumiputra contractor involved in infrastructure, electrical and oil and gas construction.

## AR. DATUK TAN PEI ING

*Non-Independent*
*Non-Executive Director*
—
Age 59, Malaysian (Female)

**Date Appointed to the Board:** 20 April 2018
**Years of Directorship:** 1 year
**Date of Last Reappointment:** 23 May 2018
**Number of Board Meetings attended in the Financial Year (since date of appointment):** 3/3

**Qualifications:**
- Bachelor of Architecture (Hons), University of Melbourne, Australia
- A member of the Board of Architects Malaysia

**Membership of the Board Committee:**
- Audit and Risk Management Committee (Member)

**Present Directorship**
**Listed Entity:** Nil
**Other Public Companies:** Nil

**Professional Experience:**
Ar. Datuk Tan Pei Ing started her own practice, P I Architect, as a sole proprietor in 1989. Over the years, her firm has grown from a one-person practice to the current size of around 30 professionals. She has completed a wide range of projects including IOI Mall & IOI Mall Extension and most recently IOI City Mall.

Ar. Datuk Tan is very active in her professional involvement. After serving the Pertubuhan Arkitek Malaysia (PAM) under various capacities on voluntary basis, she was elected as PAM's first ever-female President after 80 years in 2001.

She was also appointed as a Member of the Board of Architects Malaysia since 2001 and she remains as an active Board member. Ar. Datuk Tan has also been involved in many other committees under other government bodies and organisations i.e. Focus Group in Dealing with Construction Permits and Working Groups established under Malaysia Productivity Corporation (MPC) to improve the efficiency in the delivery system in 2016. She is also a member of the monitoring committee for both ASEAN Architect Malaysia and APEC Architect Project.

She is also very active in the regional and international levels. She was the President of Architects Regional Council Asia (ARCASIA) (2013-2014), Immediate Past President (2015-2016), Advisor (2017-2018) and is currently still serving as an Advisor (2019-2020) in ARCASIA. She is also the International Union Architect (UIA) Region IV council member (2017-2020).

# Profiles of the Board of Directors

## JOHN STULL

*Non-Independent*
*Non-Executive Director*
—
Age 58, American (Male)

**Date Appointed to the Board:** 20 April 2018
**Years of Directorship:** 1 year
**Date of Last Reappointment:** 23 May 2018
**Number of Board Meetings attended in the Financial Year (since date of appointment):** 3/3

**Qualifications:**
- Advance Management Degree, Harvard University, Massachusetts
- B.S Chemical Engineering, University of Akron, Ohio

**Membership of the Board Committee:** Nil

**Present Directorship**
**Listed Entity:** Nil
**Other Public Companies:** Nil

**Professional Experience:**
Mr John Stull is currently the President of Holcim Philippines, Inc. Prior to the merger, Mr Stull was the President and CEO of Lafarge USA, comprising both cement and aggregate construction materials businesses. During his tenure, he led the formation of a new country structure from multiple divisions to one commercial approach resulting in stronger performance. In this role, he also oversaw the Lafarge aggregates and construction materials operations.

He has worked all over the world for Lafarge. He served as regional president Sub-Saharan Africa in Cairo, Egypt in 2009, and regional president, Latin America, based in Paris, France in 2008. From 2005 to 2008, Mr Stull served as senior vice president of Marketing and Supply Chain.

His diverse professional background also includes roles responsible for cement and ready-mix operations for several US divisions, as well as at the Alpena Cement plant in Michigan as plant manager.

# Profiles of the Company Secretaries

## KOH POI SAN

*Vice President, Legal Compliance & Land Management and Company Secretary*

—

Malaysian (Female)

**Date of Appointment as Company Secretary:** 1 September 2012

**Qualifications:**

- LLB (Hons), University of London, United Kingdom
- Certificate in Legal Practice
- Diploma in Investment Analysis, Research Institute of Investment Analysis Malaysia jointly with Royal Melbourne Institute of Technology

**Directorship in Public Listed Companies:** Nil

**Professional Experience:**

Ms Koh Poi San was admitted as an Advocate & Solicitor of the High Court of Malaya in December 2000 after which she practised in Kadir Andri & Partners from December 2000 to December 2011, as a legal assistant and was made partner in January 2010 specialising in mergers & acquisitions and equity capital markets. She joined Lafarge Malaysia Berhad as Senior Legal Counsel in January 2012 and was appointed General Counsel & Company Secretary in September 2012. Since February 2016, her role was enlarged to include the land management portfolio of the Lafarge Malaysia Group and in July 2018, her role was further enhanced to include the Compliance function for Malaysia and Singapore. She was appointed to the Management Team on 1 October 2018. She is a licensed secretary under Section 20(G) of the Companies Commission of Malaysia Act 2001.

## SERENE LEE HUEY FEI

*Senior Manager, Legal – Cement & Drymix and Joint Company Secretary*

—

Malaysian (Female)

**Date of Appointment as Company Secretary:** 15 October 2018

**Qualifications:**

- LLB (Hons), University of London, United Kingdom
- Certificate in Legal Practice

**Directorship in Public Listed Companies:** Nil

**Professional Experience:**

Ms Serene Lee Huey Fei was admitted as an Advocate and Solicitor of the High Court of Malaya in February 2006. Her first stint of legal practise was with Messrs Abdullah, Ooi & Chan and thereafter, with Messrs Wang & S. B. Wong. She has in total, 8 years of solid experience as a practising lawyer, handling a wide range of corporate, commercial, banking and conveyancing matters.

She then took her career to another level by joining the national oil and gas company, Petroliam Nasional Berhad (PETRONAS) as a Legal Counsel. During her 5 years in PETRONAS, she held different legal portfolios, which include legal advisory in respect of operational, corporate and commercial matters for the listed entity, PETRONAS Dagangan Berhad. Her oil and gas legal experience was further sharpened through her management of legal portfolios in the upstream facet, in which she was handling international oil and gas projects and dealings for Liquefied Natural Gas (LNG).

In addition to her legal advisory and practising qualification, she is a licensed secretary under Section 20(G) of the Companies Commission of Malaysia Act 2001. She joined Lafarge Malaysia Berhad as a Senior Legal Counsel and Joint Company Secretary in August 2018, managing legal portfolios for the Cement, Drymix and Geocycle Operations divisions.

*Save as disclosed, none of the Directors and Company Secretaries has:*

1. *Any family relationship with any directors and/or major shareholders of the Company;*
2. *Any conviction for offences within the past five years other than traffic offences; and*
3. *Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

# Profiles of the Executive Committee Members

**YEOH KHOON CHENG**
*Chief Executive Officer*
—
Age 60, Malaysian (Male)

**Date of Appointment to the Management Team:** 13 March 2019

Please refer to Mr Yeoh Khoon Cheng's Profile on page 23 of the Annual Report.

**EDWARD COULTRUP**
*Chief Financial Officer*
—
Age 40, British (Male)

**Date of Appointment to the Management Team:** 13 March 2019
**Qualifications:**
- Bachelor of Engineering, University of Sheffield, United Kingdom
- Fellow of the Institute of Chartered Accountants (FCA), England & Wales
- Member of the Hong Kong Institute of Certified Public Accountants (CPA), Hong Kong

**Directorship in Public Listed Companies:** Nil

**Professional Experience:**
Mr Edward Coultrup has over 19 years of professional experience in auditing, accounting and financing, which he has garnered from various reputable audit firms such as BDO Stoy Hayward LLP, PKF (UK) LLP, KPMG and Moore Stephens located in the United Kingdom, Hong Kong and Monaco. He joined LafargeHolcim Group in 2014 as Head of Internal Audit Hub, Asia Pacific wherein he was responsible for the delivery of internal audits in the Asia Pacific region (including South Asia, China, South East Asia and Australasia). His portfolio included delivering process based audits on a range of operational topics covering internal controls, financial processes, corporate functions, governance and strategy

Edward was most recently the Head of Controlling of PT Holcim Indonesia TBK, a post he held from July 2018 to March 2019 He leads the Controlling Function in Indonesia on all aspects of controlling, budgeting, forecasting and statutory filings of financial statements.

**NIGEL WONG**
*Vice President, Concrete, Aggregates and Infrastructure*
—
Age 49, Malaysian (Male)

**Date of Appointment to the Management Team:** 1 April 2019

**Qualifications:**
- Bachelor of Law, LLB (Hons) – University of North London, United Kindgom

**Directorship in Public Listed Companies:** NIl

**Professional Experience:**
After graduating from Law School, Mr Nigel Wong joined Lafarge Concrete in 1994. He dedicated 25 years of his career working solely for Lafarge. He has held numerous positions in all three divisions in Malaysia before his international assignment and eventually moving to Singapore as CEO of Alliance Concrete in 2010. He is therefore well versed not only with the Malaysian operations but also in the industry on a global basis too.

**CHEN LEE SIONG**
*Vice President, Sales & Marketing*
—
Age 49, Malaysian (Male)

**Date of Appointment to the Management Team:** 15 May 2017

**Qualifications:**
- Bachelor of Public Administration (Hons), Universiti Utara Malaysia, Malaysia

**Directorship in Public Listed Companies:** Nil

**Professional Experience:**
Mr Chen Lee Siong has over 20 years of experience in Sales and Marketing. He has broad-based experience in managing major brands in South East Asia and China for paints. Prior to that, Chen spent 10 years with a leading home appliances brand for the Malaysian market.

# Profiles of the Executive Committee Members

## JUNG RAK (JR) KIM

*Vice President, Industrial*

—

Age 58, South Korean (Male)

**Date of Appointment to the Management Team:** 1 August 2018

**Qualifications:**
- BA, Inorganic Material Engineering, Seoul National University, Republic of Korea

**Directorship in Public Listed Companies:** Nil

**Professional Experience:**
Mr Jung Rak (JR) Kim has over 30 years of experience in the Building Materials Industry worldwide having worked in South Korea, Philippines, Russia, East & West Africa, the Middle East, France, Singapore and Malaysia. He started his career as a Cadet Engineer with Tong Yang Cement, Korea in 1985 and climbed through the ranks in his 14 years with the Company to be Vice President Plant Manager & Expansion Project before joining Lafarge Philippines in 1999 as Vice President, Operations & Plant Manager. Since then he has served in Senior Industrial roles within the LafargeHolcim Group across different countries, including a 7-year stint in Malaysia from 2005 to 2011. Most recently, before his return to Malaysia, JR was Head of Industrial Service for the Asia Pacific Region, based in Singapore.

## MEHA KASBUN

*Vice President,*
*Human Resources*

—

Age 49, Malaysian (Female)

**Date of Appointment to the Management Team:** 2 January 2019

**Qualifications:**
- Degree in Agribusiness, Universiti Pertanian Malayasia

**Directorship in Public Listed Companies:** Nil

**Professional Experience:**
Puan Meha Kasbun started her career with Sime Darby Group of Companies. She is a seasoned HR professional and has been involved with full spectrum of human resources functions in various divisions within Sime Darby. Meha brings together with her, 25 years of experience in human resources.

## YAP POH ONN (PAUL)

*Vice President,*
*Supply Chain*

—

Age 42, Malaysian (Male)

**Date of Appointment to the Management Team:** 10 May 2018
**Qualifications:**
- Master in Business Administration, Southwest Missouri State University, United States of America
- Bachelor of Science in International Business Management, Southwest Missouri State University, United States of America

**Directorship in Public Listed Companies:** Nil

**Professional Experience:**
Mr Paul Yap joined Lafarge Malaysia in 2009 as the Vice President, Supply Chain and took on additional responsibilities in 2014 as the Vice President, Supply Chain & Strategic Sourcing. In 2015, he was appointed as LafargeHolcim's Regional Head of Logistics for Asia Pacific. After a 3-year stint at the Regional Office, he returned to Lafarge Malaysia as the Vice President, Supply Chain in May 2018.

Prior to his experience with Lafarge, he joined Johnson & Johnson upon graduation and had held various Supply Chain focused positions involving ERP system implementation (Malaysia), Affiliates Export Deployment (Malaysia), Regional Supply Chain Modeling (Singapore), Regional Supply Chain Manager (Singapore) and Senior Supply Chain Manager (Shanghai).

## KOH POI SAN

*Vice President, Legal Compliance & Land Management and Company Secretary*

—

Age 43, Malaysian (Female)

**Date of Appointment to the Management Team:** 1 October 2018
Please refer to Ms Koh Poi San's Profile on page 26 of the Annual Report.

*Save as disclosed, none of the Management Executive Committee has:*
1. *Any family relationship with any directors and/or major shareholders of the Company;*
2. *Any conviction for offences within the past five years other than traffic offences; and*
3. *Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

# Corporate Governance Overview Statement

## INTRODUCTION

The Board of Directors ("**Board**") of Lafarge Malaysia Berhad ("**Company**") believes that a sound corporate governance structure is vital to ensure sustainability as well as business growth. Hence, the Board continues to be fully committed in maintaining a high standard of corporate governance within the Company through its support and application of the principles and practices in corporate governance as set out in the Malaysian Code on Corporate Governance 2017 ("**Code**"). In this regard, the Board also continues to evaluate its governance practices in response and alignment to evolving industry best practices to ensure that the Company remains competitive and relevant in every aspect.

The Board is pleased to report an overview of the extent to which the Principles set out in the Code were applied throughout the financial year ended 31 December 2018 ("**FY2018**") in this Corporate Governance Overview Statement ("**CG Overview Statement**"). Where appropriate, this CG Overview Statement also seeks to disclose all information that is required pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**").

For the period under review, the Company has essentially complied with the recommended practices of the Code. The status of the Company's application to the Code is disclosed in our Corporate Governance Report ("**CG Report**") that may be downloaded from the Company's corporate website (**www.lafarge.com.my**)

## PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

## BOARD OF DIRECTORS

### Roles and Responsibilities of the Board

The Board plays an active role in the development of the Company's strategy. The Company's strategies and business plan are presented to the Board during Board meetings and the Board reviews and deliberates on Management's proposals and recommendations.

At each meeting, the CEO together with other members of the Management team present reports to the Board on various management issues. The Board also receives a comprehensive summary of the Company's financial performance during each reporting period.

The relevant members of the Management team will be in attendance at the Board Meeting to support the CEO in presenting these updates and to provide clarifications on the challenges and issues raised by the Board.

### Board Charter

The Board Charter formalises and sets out the roles and responsibilities, composition, operation and processes of the Board. It is reviewed periodically and published on the Company's website. The Board Charter sets out the Board's authority and power to delegate certain functions to its Committees and the Management. The Board Charter is assessable on the Company's website at **www.lafarge.com.my**

### The Role of Chairman

The Chairman ensures that the Company is guided by good corporate governance practices. The Chairman facilitates robust dialogue during Board meetings and draws out diverse perspective from the Board members. He ensures that there is a good balance between the time allocated to governance matters and discussions on business performance and strategies at board meetings.

### Separation of positions of the Chairman and CEO

There is a clear division of responsibility between the Chairman and the CEO. This division of duties is spelt out in the Board Charter. The Chairman is an independent director who has never assumed an executive position in the Company. The CEO is an appointee of the major shareholder and heads the Executive Management team.

### Appointment Process

The Board, through the Remuneration & Nomination Committee, is responsible for ensuring that there is an effective and orderly succession planning in the Company. The Committee reviews candidates for key management positions and formulates nomination, selection and succession policies for members of the Board. The Board then deliberates on the Committee's recommendations.

In respect of the appointment of all directors, the Committee considers shortlisted candidates based on their profiles, professional achievements and personality assessments. Appropriate candidates for independent directors are sourced through recruitment firms based on the needs of the Board. The Committee then ensures that the candidates are suitable and of sufficient calibre for recommendation to the Board for approval, by reviewing the profiles of candidates professional achievements and personality assessments and where deemed appropriate, conducting interview with the shortlisted candidates.

Upon the appointment of independent directors, the director will receive a letter of appointment enclosing the Board Charter and Directors' Manual which outlines his/her duties and

# Corporate Governance Overview Statement

responsibilities and disclosure required of him/her in compliance with the relevant sections of the Companies Act 2016, Capital Market & Services Act 2007 and the Listing Requirements. Where appropriate, an on-boarding program for newly appointed independent directors will be organized by the Company's Human Resources Department to introduce the new independent director to members of Management and familiarize themselves with the Company's operations and the industry as a whole.

## Board Composition, Balance and Diversity

The Board currently consists of 3 independent directors and 4 non independent directors. This is in compliance with paragraph 15.02 of the Listing Requirements which requires at least 2 Directors or one-third of the membership of the Board to be independent, whichever is higher. The Chairman of the Board and Chairmen of the Board Committees are all Independent Non-Executive Directors.

The Board considers the size of the Board to be appropriate and that the composition fairly reflects the investment of minority shareholders. The proportion of the independent directors ensures effective check and balance on the Board with the independent directors acting as caretakers for the minority shareholders.

The Board has taken into account the environment that the Company operates in, size and complexity, and the nature of risks and challenges faced in applying the Corporate Governance Code. It agrees that LafargeHolcim is required to control the majority representation on the Board of Directors of all its listed subsidiaries in view that the Company is in the building materials industry which has high barriers to entry, is capital intensive in nature and has immense foreign direct investment.

Where there is an equality of votes then the independent Chairman of the Board has a further or casting vote under the existing Constitution. In practice, decisions of the Board are only carried with the unanimous approval of the entire Board and in the case of approvals for related party transactions, decisions are only deliberated and voted on by the independent directors and only carried with their unanimous approval. In the unlikely situation of any dissenting views by the directors, the proposal is deferred pending further information from Management or the proposal is abandoned.

The Chairman of the Remuneration & Nomination Committee is always an independent director. This is contained in the Terms of Reference for the Committee.
The Company has a policy on gender diversity which is contained in the LafargeHolcim Group Code of Business Conduct. The policy promotes a workplace which is fair and inclusive irrespective of race, religion, gender, sexual orientation or any other difference. This Code is published on the Company's website. Currently, there are 2 women directors out of 7 directors on the Board. The Board acknowledges the importance of maintaining at least 30% female representation on the Board.

The Company's Board and Management consist of qualified individuals with a good mix of technical and commercial experience. Members of the Board and Management have both local and international operational experience and together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience.

## Tenure of Independent Director

The Board currently has only one independent director who has served for more than 12 years i.e. the Chairman of the Board. In the past 2 years the Board has appointed 4 new directors of diverse skills and experience. However they are still new to the industry and the Chairman's experience is more pertinent than ever to help steer the Company through the current challenging environment. The Board believes that a phased approach on the issue of succession should be taken and will not introduce the 2 tier voting process at the AGM until a suitable successor to the Chairman can be determined.

## Qualified and Competent Company Secretaries

Both the company secretaries have legal credentials, are qualified to act as company secretary under Section 235 of the Companies Act 2016 and are part of the Company's Management team. All Board members have access to the advice and services of the company secretaries in carrying out their duties. The company secretaries facilitate overall compliance with the Listing Requirements, the Companies Act 2016 and the recommendations in the Code.

## Access to Information and Advice

All Board members are furnished with the agenda and board papers which set out the matters to be discussed not less than 7 days prior to the meeting. All proceedings of board meetings are minuted and circulated to the Board members well in advance of the next Board meeting.

# Corporate Governance Overview Statement

Further details on Board meetings are set out below.

## Meetings of the Board

The Board meets at least four (4) scheduled Board meetings a year and more depending on business exigencies, where appropriate. In FY2018, 4 Board meetings were held in total. In addition to the scheduled Board meeting, all of the Board members are also required to attend the Company's Annual General Meeting. Likewise, decisions of the Board are also made by way of circular resolutions in between scheduled meetings during the financial year.

Directors' attendance at Board meetings and the Annual General Meeting for the year ended 31 December 2018 are as follows:

| | Scheduled Meetings | | |
|---|---|---|---|
| | **Attendance** | **%** | **AGM** |
| **Current Board Members** | | | |
| Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar *(Chairman, Independent Non-Executive Director)* | 4/4 | 100 | 1/1 |
| Martin Kriegner *(Vice Chairman, Non-Independent Non-Executive Director)* | 4/4 | 100 | 0/1 |
| Yeoh Khoon Cheng[(1)] *(Chief Executive Officer, Executive Director)* | 2/2 | 100 | 0/0 |
| Y.M. Tunku Afwida Binti Tunku A.Malek *(Independent Non-Executive Director)* | 4/4 | 100 | 1/1 |
| Datuk Muhamad Noor Bin Hamid *(Independent Non-Executive Director)* | 4/4 | 100 | 1/1 |
| Ar. Datuk Tan Pei Ing[(2)] *(Non-Independent Non-Executive Director)* | 3/3 | 100 | 1/1 |
| John Stull[(3)] *(Non-Independent Non-Executive Director)* | 3/3 | 100 | 1/1 |
| **Former Board Members** | | | |
| Mario Bastian Gross[(4)] *(President & Chief Executive Officer, Executive Director)* | 2/3 | 67 | 1/1 |
| Tan Sri Rebecca Fatima Sta Maria[(5)] *(Independent Non-Executive Director)* | 3/4 | 75 | 1/1 |
| Michael Lim Yoke Tuan[(6)] *(Chief Financial Officer, Executive Director)* | 2/2 | 100 | 1/1 |
| Thierry Legrand[(7)] *(President & Chief Executive Officer, Executive Director)* | 1/1 | 100 | 0/0 |
| Daniel Nikolaus Bach[(8)] *(Non-Independent Non-Executive Director)* | 1/1 | 100 | 0/0 |
| Jean Desazars de Montgailhard[(9)] *(Non-Independent Non-Executive)* | 1/1 | 100 | 0/0 |
| **Current Company Secretaries** | | | |
| Koh Poi San *(Company Secretary)* | 4/4 | 100 | 1/1 |
| Serene Lee Huey Fei[(10)] *(Joint Company Secretary)* | 2/2 | 100 | 0/0 |
| **Former Company Secretary** | | | |
| Katina Nurani Abd Rahim[(11)] *(Company Secretary)* | 1/1 | 100 | 0/0 |

*Notes:*

(1) *Appointed as Chief Financial Officer w.e.f. 1 August 2018 and subsequently as Interim Chief Executive Officer w.e.f. 16 November 2018 and resigned as Chief Financial Officer and re-designated as Chief Executive Officer on w.e.f. 13 March 2019;*
(2) *Appointed as Non-Independent Non-Executive Director w.e.f. 20 April 2018;*
(3) *Appointed as Non-Independent Non-Executive Director w.e.f. 20 April 2018;*
(4) *Appointed as President & Chief Executive Officer, Executive Director w.e.f. 1 April 2018 and re-designated as Non-Independent Non-Executive Director w.e.f. 16 November 2018, following which resigned as Non-Independent Non-Executive Director w.e.f. 31 December 2018;*
(5) *Resigned as Independent Non-Executive Director w.e.f. 31 December 2018;*
(6) *Resigned as Chief Financial Officer, Executive Director w.e.f. 31 July 2018;*
(7) *Resigned as President & Chief Executive Officer, Executive Director w.e.f. 1 April 2018;*
(8) *Resigned as Non-Independent Non-Executive Director w.e.f. 20 April 2018;*
(9) *Resigned as Non-Independent Non-Executive Director w.e.f. 20 April 2018;*
(10) *Appointed as Joint Company Secretary w.e.f. 15 October 2018; and*
(11) *Resigned as Company Secretary w.e.f. 8 March 2018.*

# Corporate Governance Overview Statement

## Remuneration Policy

The Company's Remuneration policy is set out below:

### The Company's Remuneration Policy

| Executive Directors | Non-Executive Directors |
|---|---|
| i. Following a benchmarking exercise and recommendation by the Company's Human Resources Director, the Remuneration & Nomination Committee considers and recommends to the Board for approval, the framework for the Executive Directors' remuneration and final remuneration package<br><br>ii. Executive Directors receive performance bonuses based on the achievement of specific goals related to their respective performance as well as the performance of the Company<br><br>iii. The Executive Directors' remuneration package comprises fees, benefits in-kind and other emoluments<br><br>iv. The Executive Directors' performance bonus in respect of each financial year is reviewed and approved by the Remuneration & Nomination Committee, for recommendation to the Board in the first quarter of each financial year | i. Non-Executive Directors receive directors' fees. They do not receive any performance related remuneration. Any increase in the Non-Executive Directors' fees is recommended by the Remuneration & Nomination Committee and approved by the Board and ratified by the shareholders' at the annual general meeting<br><br>ii. The Non-Executive Directors' remuneration reflects the level of responsibilities undertaken by the Non-Executive Director and time commitments expected of him/her, and is benchmarked against other public listed companies of similar size and/or industry<br><br>iii. The remuneration for the Non-Executive Directors of the Board and members of the Board Committees which was approved by the shareholders at the 66th AGM held on 24 May 2016 are as follows:<br><br>Non-Executive Chairman — RM126,000 p.a<br>Non-Executive Directors — RM55,125 p.a.<br>Chairman of Audit & Risk Management Committee — RM22,750 p.a.<br>Members of Audit & Risk Management Committee — RM15,600 p.a.<br>Chairman of Remuneration & Nomination Committee — RM12,600 p.a.<br>Members of Remuneration & Nomination Committee — RM5,250 p.a. |

# Corporate Governance Overview Statement

## a) Directors' Remuneration

The detailed disclosure on named basis for the remuneration of individual independent directors started in the financial year 2016 and the same is disclosed in the Annual Report 2017. For Executive Directors, the disclosure was on an aggregated basis.

The aggregate remuneration of all Directors for FY2018, which is paid by the Company are categorised into appropriate components as set out below.

(i) Details of Non-Executive Directors' fees and other remuneration (including benefits-in-kind) for FY2018 are as follows:

| | Salary and *Other Emoluments (RM) | Directors' Fees & Other Remuneration (RM) | Benefits In-Kind (RM) | Total (RM) |
|---|---|---|---|---|
| **Non-Executive Directors** | | | | |
| Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar | – | 138,600 | – | – |
| Martin Kriegner | – | – | – | – |
| Y.M. Tunku Afwida Binti Tunku A.Malek | – | 77,875 | – | – |
| Datuk Muhamad Noor Bin Hamid | – | 75,975 | – | – |
| Ar. Datuk Tan Pei Ing | – | – | – | – |
| John Stull | – | – | – | – |
| **Former Non-Executive Directors** | | | | |
| Tan Sri Dr Rebecca Fatima Sta Maria | – | 60,375 | – | – |
| Daniel Nikolaus Bach | – | – | – | – |
| Jean Desazars de Montgailhard | – | – | – | – |

(ii) Aggregates Remuneration of Executive Directors categorised into appropriate components for FY2018 is as follows:

| | Salary and *Other Emoluments (RM) | Directors' Fees & Other Remuneration (RM) | Benefits In-Kind (RM) | Total (RM) |
|---|---|---|---|---|
| **Executive Directors** | 4,005,661 | – | 191,155 | 4,196,816 |

* *Other emoluments include bonus, fixed/cash allowance and the Company's contribution to pension/retirement benefit schemes/ Employees' Provident Fund.*

# Corporate Governance Overview Statement

## b) Senior Management' Remuneration

The top 2 senior members of management are Executive Directors of the Company and their remuneration is in Aggregates Remuneration of Executive Directors in Page 33.

Disclosure of the remaining top 5 senior management (not on named basis, but described as SM3, SM4, SM5, indicating their remuneration bands are as set out below.

### Remuneration of members of Senior Management

| | Range (RM) | 0 to 50,000 | 50,001 to 400,000 | 400,001 to 450,000 | 450,001 to 500,000 | 500,001 to 550,000 | 550,001 to 600,000 |
|---|---|---|---|---|---|---|---|
| SM3 | Salaries plus Other Emoluments | | | | | X | |
| | Benefits In-Kind | X | | | | | |
| | Total | | | | | | X |
| SM4 | Salaries plus Other Emoluments | | | | X | | |
| | Benefits In-Kind | X | | | | | |
| | Total | | | | | X | |
| SM5 | Salaries plus Other Emoluments | | | X | | | |
| | Benefits In-Kind | X | | | | | |
| | Total | | | | X | | |

The alternative measure as described above is sufficiently transparent and allows stakeholders to assess the reasonableness of the remuneration packages of the Company's Senior Management.

# Corporate Governance Overview Statement

## Evaluation of Board Effectiveness and Review of the Board Committees

The Board undertakes an annual evaluation of the Board's effectiveness. The Board's effectiveness was analysed and evaluated and the Board then reviewed and implemented measures against any issues discovered. The assessment for FY2018 was conducted internally and facilitated by the company secretaries.

The evaluation was carried out using questionnaires which covered the areas of Impact of the Board in Critical Issues, Drivers of Board Effectiveness, Board Composition & Structure, Individual Director Effectiveness and the Effectiveness of the Board Committees.

There was 100% participation in this exercise by the Board of Directors as well as members of the Management Team who have constant interaction with the Board of Directors. The strengths of the Board and the areas for improvement which were identified following the evaluation have been noted and discussed by the Board and appropriate steps will be taken to address them.

The Remuneration & Nomination Committee analysed the results of the evaluation on Board Effectiveness and made recommendations on the same. Further, in accordance with the requirements of the Listing Requirements, the Committee also undertakes an annual review of the term of office and performance of the Audit Committee and its individual members. These reviews were carried out in November 2018 and results of the review were presented to and noted by the Board on 27 February 2019.

In carrying out the evaluation, the Board also considered whether the members have adequately refreshed their skills and knowledge. In this connection, the training undertaken by the Directors is set out below.

The Company will also carry out review of Board Effectiveness using independent consultants on a periodic basis.

## Directors' Training

| Directors | Topics |
|---|---|
| **Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar** | • New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018) |
| **Martin Kriegner** | • New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018)<br>• The International CEO Circle Meet (2 August 2018) |
| **Yeoh Khoon Cheng** | • Update on MFRS 16 Impact on Financial Statement (16 November 2018)<br>• Materiality Assessment Workshop (29 November 2018)<br>• Anti-Bribery and Corruption Training (6 December 2018)<br>• Fair Competition Training (6 December 2018) |
| **Y.M. Tunku Afwida Binti Tunku A.Malek** | • Gamuda Cyber Security Awareness 2018 (12 February 2018)<br>• New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018)<br>• 5th BNM-FIDE Forum Annual Dialogue (19 April 2018)<br>• Fundamentals of Financial Statement (7-8 May 2018)<br>• Understanding Fintech and Its Implications for Banks (3 July 2018)<br>• 1st PIDM-FIDE FORUM Dialogue (10 July 2018)<br>• Islamic Finance for Board Programme (11-2 July 2018)<br>• International Malaysia Law Conference 2018 (14 August 2018)<br>• AMLATFPUAA 2001: Risk, Challenges & Vulnerabilities towards Risk Based Approach (12 September 2018)<br>• Islamic Finance for Board Programme (19-20 September 2018)<br>• Update on MFRS 16 Impact on Financial Statement (16 November 2018)<br>• BNM-FIDE Forum Board Conversations: Dialogue with Senior Officials of BNM (27 November 2018) |
| **Datuk Muhamad Noor Bin Hamid** | • Briefing on the MCCG 2017 (10 January 2018)<br>• New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018)<br>• Update on MFRS 16 Impact on Financial Statement (16 November 2018) |
| **Ar. Datuk Tan Pei Ing** | • Mandatory Accreditation Program (23-24 July 2018)<br>• Update on MFRS 16 Impact on Financial Statement (16 November 2018) |
| **John Stull** | • Mandatory Accreditation Program (23-24 July 2018) |

# Corporate Governance Overview Statement

| Former Directors | Topics |
|---|---|
| **Mario Gross** | • Mandatory Accreditation Program (29-30 November 2018) |
| **Tan Sri Dr Rebecca Fatima Sta Maria** | • Presented paper on "Non-Tariff Measures in Asean and the Reduction of Unnecessary Regulatory Burden" at the Research Institute Network Meeting, Jakarta (29 January 2018)<br>• Roundtable on Connectivity and Innovation (30 January 2018)<br>• Panellist Asean Forum, National University of Singapore-AEC: Challenges and Opportunities (1 February 2018)<br>• Panellist Sweden-South East Asia Business Summit & South East Asia: sustainable growth strategies in a changing international economic environment (6 February 2018)<br>• New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018)<br>• Briefing on guidelines of the Malaysian Code of Corporate Governance (28 February 2018)<br>• Panellist Asean-EU Business Summit (2 March 2018)<br>• Cyber Risk Management for Industry 4.0 (19 March 2018)<br>• Beyond Compliance: Achieving Cyber Resiliency (27 March 2018)<br>• Briefing by Dr Mark Zandi on Global Economic & Markets Outlook (29 March 2018)<br>• EUMCCI Business sustainability forum (5 April 2018)<br>• Panel moderator for the AMCHAM APCAC Business Summit (5 April 2018)<br>• Panellist in the Singapore's ASEAN Chairmanship 2018: Towards Resilience Conference (28 May 2018)<br>• Panellist in the Forum on Globalisation and Industrialisation: Global Value Chains as Drivers of Structural Change, UNIDO Vienna (18 June 2018)<br>• Keynote speaker at China-ASEAN Think Tanks Seminar: How to Reach Agreement on RCEP (22 June 2018)<br>• Financial Institutions Directors' Education (FIDE) module A (9-12 July 2018)<br>• FIDE module B (16-19 July 2018)<br>• Panellist on Business Foresight Forum, Securities Industry Development Corp (SIDC) (8 August 2018)<br>• Panellist on 1st Hongqiao Forum, Shanghai (5 November 2018) |
| **Thierry Legrand** | • New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018) |
| **Michael Lim Yoke Tuan** | • New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018) |
| **Daniel Bach** | • New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018) |
| **Jean Desazars de Montgailhard** | • New Malaysian Accounting Standards (MFRS 9 and MFRS 15) (23 February 2018) |

## Code of Business Conduct and Ethics

Specific principles and procedures in the manner the Company conducts its business are clearly spelt out in the LafargeHolcim Group Code of Business Conduct. This Code promotes:

- integrity in the workplace with focus on health & safety, diversity, fairness and respect, protection of Company assets and information systems, email and social media
- integrity in business practices with focus on anti-bribery and anti-corruption, gifts and hospitality, fair competition, accurate recording and reporting, conflicts of interest, insider trading, conducting international business and preventing money laundering
- integrity in the community with focus on environment, human rights and community engagement

The Company has also adopted LafargeHolcim's Anti-Bribery and Corruption Directive and the LafargeHolcim Third Party Due Diligence Directive in relation to Third Parties who interact on the Company's behalf with Public Officials. The Code and all these Directives are published on the Company's corporate website (**www.lafarge.com.my**).

# Corporate Governance Overview Statement

### Whistleblowing Policy & Integrity Line

The Company has adopted LafargeHolcim's Integrity Line which is a global business ethics advice and reporting system accessible to all LafargeHolcim's employees and external parties to report on any misconduct in the business activities and this policy affords the whistle-blowers proper protection for reporting any misconduct.

## REMUNERATION & NOMINATION COMMITTEE

The Company has a Remuneration & Nomination Committee for more than 16 years. The Terms of Reference of the Committee is published on the Company's website. The Committee's terms of reference, composition and activities for FY2018 are set out below.

### Composition of the Remuneration & Nomination Committee

The Remuneration & Nomination Committee establishes for itself the procedure and frequency of its meetings, but shall meet at least once annually. The quorum for the meeting shall consist of any two Independent Non-Executive Directors appointed to the Committee. The Executive Directors and members of Management may also be invited to attend meetings of the Remuneration & Nomination Committee as the Committee deems fit.

The Remuneration & Nomination Committee for the year ended 31 December 2018 comprised 2 Independent Non-Executive Directors and 1 Non-Independent Non-Executive Director. Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar is the Chairman of the Committee.

In 2018, the Committee met five (5) times and the attendance of each member is set out below:

| | Attendance | % |
|---|---|---|
| **Current Members** | | |
| Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar *(Chairman, Independent Non-Executive Director* | 5/5 | 100 |
| Datuk Muhamad Noor Bin Hamid *(Member, Independent Non-Executive Director)* | 5/5 | 100 |
| Martin Kriegner[1] *(Vice Chairman, Non-Independent Non-Executive Director)* | 2/2 | 100 |

| | Attendance | % |
|---|---|---|
| **Former Members** | | |
| Tan Sri Rebecca Fatima Sta Maria[2] *(Independent Non-Executive Director)* | 3/5 | 60 |
| Ar. Datuk Tan Pei Ing[3] *(Non-Independent Non-Executive Director)* | 2/2 | 100 |
| Daniel Nikolaus Bach[4] *(Non-Independent Non-Executive Director)* | 3/3 | 100 |
| Jean Desazars de Montgailhard[5] *(Non-Independent Non-Executive)* | 3/3 | 100 |
| **Current Secretaries of the Committee** | | |
| Koh Poi San *(Company Secretary)* | 4/4 | 100 |
| Serene Lee Huey Fei *(Joint Company Secretary)* | 2/2 | 100 |
| **Former Secretary of the Committee** | | |
| Katina Nurani Abd Rahim *(Company Secretary)* | 1/1 | 100 |

*Notes:*
*(1) Appointed as Member of the R&N Committee with effect on 20 April 2018;*
*(2) Resigned as Member of the R&N Committee with effect on 31 December 2018;*
*(3) Resigned as Member of the R&N Committee with effect on 31 December 2018;*
*(4) Resigned as Member of the R&N Committee with effect on 20 April 2018; and*
*(5) Resigned as Member of the R&N Committee with effect on 20 April 2018.*

## Terms of Reference of the Remuneration & Nomination Committee

(a) To recommend to the Board, candidates for all directorships to be filled. In making such recommendation, the Remuneration & Nomination Committee will:

   i. Consult with the CEO on the nomination of Non-Executive Directors for final approval by the Board. The appointment of Non-Executive Directors shall be for a term limited to the time when the Director concerned is obliged under the Company's Constitution to stand for re-election by rotation.

   ii. Consider the CEO's nomination of senior managers as Executive Directors of the Board.

(b) To recommend to the Board, Non-Executive Directors (majority of whom must be independent) to fill the vacant seats of the Committees.

(c) To review and identify the required mix of skills and experience and other qualities, including core competencies that Non-Executive Directors should bring to the Board.

(d) To assess the effectiveness of the Board (as a whole), the various committees of the Board and assess the contribution of each individual Director in relation to that Director's ability to contribute to the effective decision making of the Board.

(e) To recommend to the Board the terms of service of all Executive Directors of the Company. For the avoidance of doubt, such terms of service shall include base salary, performance related elements and benefits in kind.

(f) To recommend to the Board the compensation and remuneration package of Executive Directors/Senior Management. The remuneration of Non-Executive Directors shall be a matter for the Board to consider.

(g) To consult annually with the CEO regarding his succession plans in relation to Executive Directors.

During the financial year under review, the Remuneration and Nomination Committee in its meetings carried out the following activities in discharging its functions and duties:

(a) Reviewed the Annual Evaluation of the Effectiveness of the Board, as a whole, the Board Committees and each Individual Director;

(b) Reviewed the Corporate Governance Report for inclusion in the 2017 Annual Report;

(c) Reviewed and recommended to the Board on retention of Independent Director;

(d) Reviewed the appointment of Chief Executive Positions;

(e) Reviewed and assessed the size, required mixed of skills, experience, diversity and other qualities of the Board of Directors;

(f) Reviewed and recommended to the Board the appointment of member to the Board of Directors;

(g) Reviewed and recommended to the Board on matters regarding remuneration for Executive Directors.

# Corporate Governance Overview Statement

## PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

### AUDIT AND RISK MANAGEMENT COMMITTEE

#### Composition of the Audit and Risk Management Committee

In line with Paragraph 15.09 of the Listing Requirements, the Audit and Risk Management Committee consists of a majority of independent directors. Over the course of FY2018, the Committee comprises of 3 members (2 independent directors and 1 non-independent director).

The Board considers the composition of the Audit and Risk Management Committee as fairly reflecting the investment of minority shareholders. The proportion of the independent directors ensures effective check and balance on the Board with the independent directors acting as caretakers for the minority shareholders.

The Audit and Risk Management Committee comprises members who are financially literate from a diverse range of background and skill sets. The Chairperson, Y.M. Tunku Afwida Binti Tunku A. Malek is a member of The Malaysian Institute of Accountants and a Chartered Accountant from The Institute of Accountants in England and Wales. She has extensive experience in the provision of advisory services in corporate finance including compliance related and funding advisory related services, and has held positions in several financial organisations in Malaysia. While the Committee members, Datuk Muhamad Noor Bin Hamid has more than 30 years of working experience in the oil and gas industry ranging from project planning and implementation, operation, consulting and contracting.

Daniel Nikolaus Bach (resigned w.e.f. 20 April 2018) joined Holcim Ltd in 1994 and has been a member of the senior management team of Holcim Ltd since 1 January 2014. He has held various positions in the South East Asia Region including the positions of Technical Director for Holcim Indonesia and Senior VP Manufacturing of Holcim Philippines. His last posting was as the LafargeHolcim Area Manager for South East Asia. Ar. Datuk Tan Pei Ing (appointed w.e.f. 20 April 2018) has over 30 years of working experience as a professional architect. She has her own architect firm by the name and style of "P.I. Architect". She has carried out and completed a wide range of projects which includes construction designing of industrial buildings and hotels.

Apart from the continuous trainings attended by each Director, the Audit and Risk Management Committee receives periodic updates from the Company's external auditors, in particular, on new Accounting Standards.

#### Responsibilities of the Audit and Risk Management Committee

The Terms of Reference of the Audit and Risk Management Committee establishes the power, duties and responsibilities of the Audit and Risk Management Committee which is assessable on the Company's website at **www.lafarge.com.my.** The Terms of Reference is reviewed on a regular basis to ensure alignment with the new requirements and regulations.

The Audit and Risk Management Committee also annually assesses independence, suitability, objectivity and cost effectiveness of the external auditors. The procedure is set out in the Report of the Audit and Risk Management Committee contained in this Annual Report.

#### Internal Audit

The Company has an in-house internal audit and internal control department which reports directly to the Audit and Risk Management Committee and assists the Committee in the discharge of its duties and responsibilities. Its role is to provide independent assurance of the adequacy and the effectiveness of the risk management, internal control and internal audit process as well as conduct investigations into complaints lodged through the Integrity Line and other complaint streams. The investigation findings and audit recommendations and measures are reported by the Head of Internal Audit to the Audit and Risk Management Committee at each meeting.

# Corporate Governance Overview Statement

## PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### COMMUNICATION, INTERACTION AND RELATIONSHIP WITH STAKEHOLDERS

The Company holds quarterly results briefings to analyst after the announcement of relevant quarterly results to Bursa Malaysia and actively responds to requests for discussions with institutional shareholders and analysts.

The Executive Director and the Management participates in visits to project sites, small group meetings, luncheons, roadshows and investor conferences.

The Company's corporate website (**www.lafarge.com.my**) contains the corporate profile, corporate structure, Board of Directors profiles, awards and achievements, press releases, corporate news, financial results, Bursa Securities announcements, share and dividend information as well as an overview of the Company's performance and operations.

A comprehensive report on the Company's operations and financial performance is contained in the Annual Report. The Annual Report is printed in summary form together with a digital version of the Annual Report in CD-ROM format. A downloadable online version of the Annual Report is also available on the Company's website.

The Board also takes reasonable steps to encourage shareholder participation at general meetings. Shareholders are encouraged to participate in the Question and Answer session and shareholders who are unable to attend are allowed to appoint proxies in accordance with the Company's Constitution to attend and vote on their behalf.

### Annual General Meeting

The Company's Notice of AGM is typically published in newspapers and issued to shareholders at least 28 days prior to the date of the AGM. The Board is committed to attending the AGM. It is highly unusual and only due to unforeseen circumstances that a director is unable to attend the AGM.

The Chairman ensures that the Chairman of the Audit and Risk Management Committee and the Chairman of the Remuneration and Nomination Committee provide meaningful responses to questions from shareholders which are addressed to them.

Voting for the resolutions laid for the coming AGM shall continue to be by electronic voting platform and this platform was adopted at the AGM held since year 2017. Shareholders are also able to participate in the AGM without being present at the meeting by way of proxy voting. The Company's meetings are always held in reputable hotels and convention centres in the Klang Valley and are not held in remote locations.

### Additional Compliance Statements

(a) Share Buyback

The Company did not undertake any share buyback during FY2018. As at the date of this Statement, there are no ordinary shares held in treasury.

(b) Audit Fees

(i) Audit Fees for the Company:

The Company's internal audit function is performed in-house by a team of internal auditors led by the Head of Internal Audit and Internal Control. The total cost incurred by the Internal Audit and Internal Control department in relation to the conduct of its functions for FY2018 was RM1.3 million.

The amount of audit fees paid to external auditors by the Company and its subsidiaries for the FY2018 is RM860,918.00.

(ii) Non-Audit Fees:

The amount of non-audit fees paid to external auditors by the Company and its subsidiaries for the FY2018 is RM9,000. The non-audit fees paid is in respect of a review of interim financial information, agreed upon procedures, review of statement of internal control and tax service fees.

(c) Material Contracts Involving Substantial Shareholders

Save and except for the recurrent related party transactions entered into pursuant to the shareholders' mandate, there were no material contracts either still subsisting at or entered into by the Company and/or its subsidiaries which involved Directors' and/or substantial shareholders' interest.

This CG Overview Statement is made in accordance with the resolution of the Board of Directors dated 27 February 2019.

# Statement on Risk Management and Internal Control

## INTRODUCTION

The Board of Directors of Lafarge Malaysia Berhad is pleased to provide the following Statement on Risk Management and Internal Control prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Practice 9.2 of the Malaysian Code on Corporate Governance 2017, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

### Board Responsibility

The Board of Directors of Lafarge Malaysia Berhad ("LMB" or "the Company") recognises the importance of a sound risk management and internal control system and good corporate governance. The Board affirms its overall responsibility for the Company's system of risk management and internal control which includes the establishment of an appropriate control environment and risk management and internal control framework as well as reviewing the adequacy and integrity of the said systems to safeguard shareholders' investment and the Company's assets. The Board is pleased to provide the following statement, which outlines the nature and scope of internal control of the Company during the year.

As there are limitations that are inherent in any systems of risk management and internal control, such systems are designed to manage rather than eliminate the risk that may impede the achievement of the Company's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations.

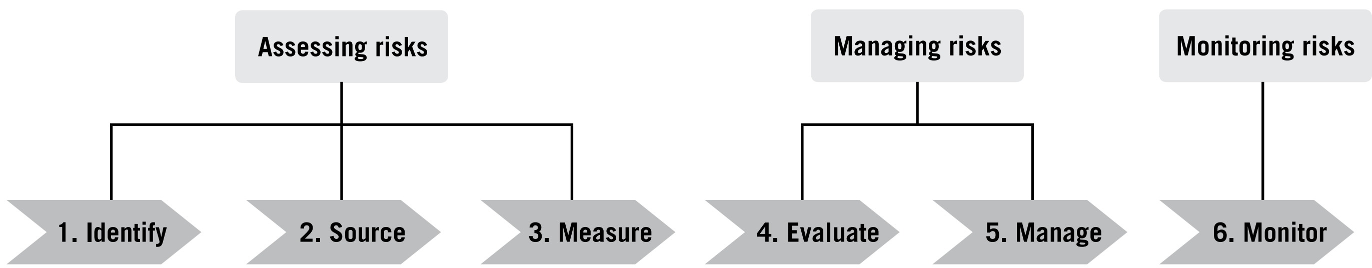
The Company's system of internal control has been in place for the entire year under review. The key features of the internal control systems which operated throughout the period covered by the financial statements are described under the following headings:

## THE COMPANY'S RISK MANAGEMENT AND INTERNAL CONTROL STRUCTURE

### 1. RISK MANAGEMENT

The Company has an embedded process for the identification, evaluation and reporting of the major business risks within the Company. The Company Risk Management Policy covers all types of risks in terms of their nature, their source and their consequences. There is a Business Risk Management (BRM) process to identify, evaluate, prevent and control the risks to which the Company is exposed to utilizing a Company risk model. The identified risks as well as the risk responses are tracked and reported to the Board.

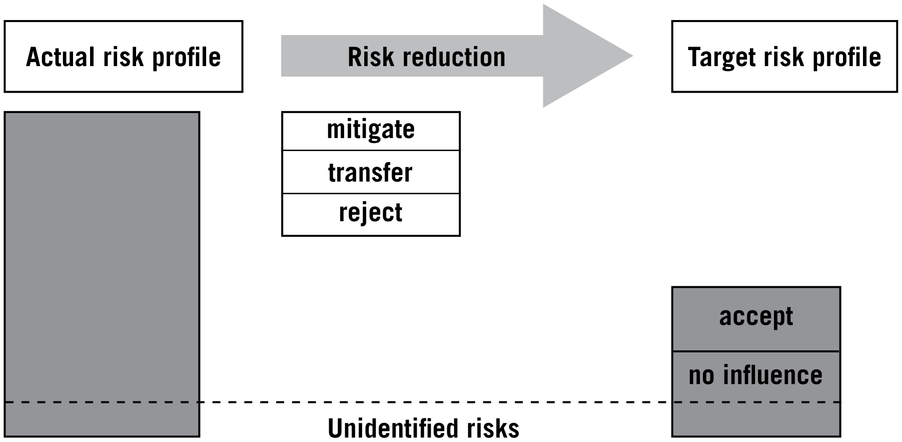
**Risk Definition**



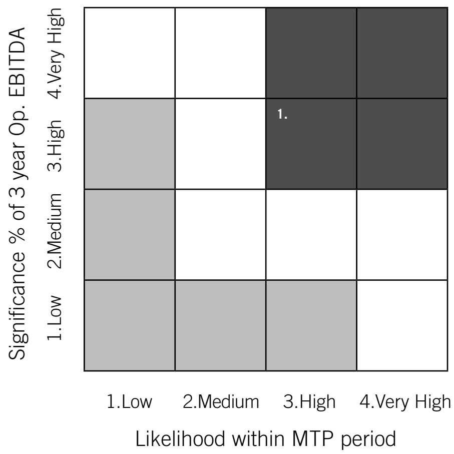

The BRM process comprise of 6 steps to assess, manage and monitor business risks. Identified risks are evaluated based on the risk significance and risk likelihood and plotted on a risk map.

# Statement on Risk Management and Internal Control

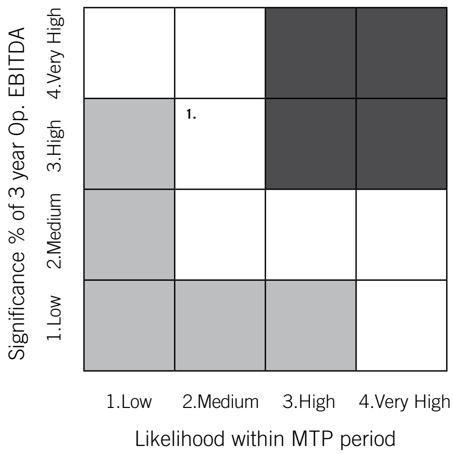
## Risk Management Approach




Current Risk Map




Target Risk Map




Identified business risks are treated in four different ways to arrive at a target risk map.

- Risk mitigation
- Risk assumption
- Risk transfer
- Risk rejection

The action plans to mitigate risks are monitored regularly and reported to the Board.

The Company's risk management and internal control extends to all aspects of its activities. The Board is dedicated to ensure that the Company's corporate strategies are set in congruence with its risk profile and degree of tolerance.

The risk management structure and control mechanism for financial, operational, environmental and compliance matters with Board's participation, is put in place and embedded throughout the Company during the financial year under review and up to the date of approval of this Statement, so as to manage the significant risks that may affect the Group's business objectives on a continuous basis and they also allow any new significant risk identified being subsequently evaluated and managed. As the Company is operating in a competitive and challenging business environment, the effectiveness of the risk management and internal control system may vary from time to time and therefore the relevant processes and practices will be adjusted to add value to the existing framework.

# Statement on Risk Management and Internal Control

## 2. INTERNAL CONTROL STRUCTURE

The Company has in place a sound internal control structure with sufficient assurance mechanism to safeguard the Company's assets. There is a clearly defined operating structure with lines of responsibilities and delegated authority. The control structure and environment are supported by the following activities:

### Board Committees

The Board has set up board committees to promote corporate governance, transparency and accountability. Each committee plays an important role in directing, monitoring and providing on-going assessment that business operations are carried out in accordance with the Company's approved long-term and short-term business plans and established policies.

1. The Audit and Risk Management Committee includes Independent Non-Executive Members of the Board and provides direction and oversight over the internal audit function to enhance its independence from management. The Audit and Risk Management Committee meets quarterly to review internal audit findings, discuss internal control issues and ensures that weaknesses in controls highlighted are appropriately addressed by management.

2. The Remuneration and Nomination Committee consists of a majority of Independent Non-Executive Directors who provide recommendations to the Board on new candidates to the Board, ensuring an appropriate range and mix of skills set among members; reviewing and recommending to the Board the appointment of members to Board Committees.

### Organisation Structure

The Company has in place divisional structure which defines clear lines of authority; responsibility and accountability have been established to support the Company in achieving its vision, mission, strategies and operational objectives. The divisional structure enhances the ability of each division to focus on its assigned core and support functions within the Company.

### Main Control Procedures

The Company has defined procedures and controls, including information system controls, to ensure the reporting of complete and accurate financial information. These procedures and controls include obtaining authority for major transactions and ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured to ensure appropriate segregation of duties.

### Financial Reporting and Operational Control Framework

There is a comprehensive budgeting system with an annual budget approved by the Board each year. Management accounts containing actual and budget results and revised forecasts for the year are prepared and reported to the Board. These management reports analyze and explain variances against plan and report on key indicators.

### The Lafargeholcim Group's Code of Business Conduct

The Code defines rules of conduct. This Code promotes:

- Integrity in the workplace with focus on:
  - o Health & safety
  - o Diversity, fairness and respect
  - o Protection of Company assets
  - o Information systems, email and social media

- Integrity in business practices with focus on:
  - o Anti-bribery and anti-corruption
  - o Gifts and hospitality
  - o Fair competition
  - o Accurate recording and reporting
  - o Conflicts of interest
  - o Insider trading
  - o Conducting international business
  - o Preventing money laundering

- Integrity in the community with focus on:
  - o Environment
  - o Human rights
  - o Community engagement

In addition to the Code of Business Conduct, the LafargeHolcim Group has also issued a policy to conduct business in an honest and ethical manner i.e. the Anti-Bribery and Corruption Directive ("ABC Directive") which must be observed by all LafargeHolcim employees at all times. Further, the LafargeHolcim Group has issued the Third Party Due Diligence ("TPDD") Directive which sets out the relevant mandatory principles, the necessary guidance as well as the measures needed to take to protect the Company when engaging and dealing with Third Parties, particularly those interacting on the Company's behalf with Public Officials.

# Statement on Risk Management and Internal Control

## 3. INTERNAL AUDIT

The annual risk based internal audit plan is reviewed and approved by the Audit and Risk Management Committee before the beginning of the year. The objectives of the said audit plan is to ensure, through regular internal audit reviews, that the Company's policies and procedures are being complied with in order to provide assurance on the adequacy and effectiveness of the Company's system of internal controls. Follow up reviews on previous audit reports are carried out to ensure that appropriate actions are taken to address internal control weaknesses highlighted.

### Internal Control

Compliance review and tests are carried out in ensuring operating effectiveness of key controls in accordance with LafargeHolcim internal control requirements.

### Monitoring

The monitoring of control procedures is achieved through management review by the responsible Executive Director reporting to the Board. These are supplemented by comprehensive reviews undertaken by the internal audit function on the controls in operation in each individual business. Regular reports are produced for senior management to assess the impact of control issues and recommend appropriate actions.

### Control Environment

The Company has in place effective Internal Control systems at each level of responsibility supported by commitment of management and a culture of internal control. It is also supported by a Code of Business Conduct which has to be strictly applied by the Company's employees.

## 4. OTHER KEY ELEMENTS ON RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

- Proper documentations which define the duties and responsibilities of the Board and each of its committees as well as management team
- Key functional units are managed by experienced and dedicated team of personnel
- Clear organisation structure comprising legal, human resources, business operations and finance, to facilitate the implementation of risk management and control procedures
- Financial reports are reviewed by the Audit and Risk Management Committee and the Board on quarterly and annual basis
- The Executive Directors participate directly in the daily management of the Company, and report to the Board on significant changes in business environment as well as relevant corporate, legal, accounting and market developments which might affect the business of the Company

# Statement on Risk Management and Internal Control

## CONCLUSION

The Board has received assurance from the CEO and the CFO on the company's risk management and internal control system are operating adequately and effectively in all material aspect. The system of internal control was satisfactory and has not resulted in material losses, contingencies or uncertainties that would require disclosure in this Annual Report.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Company.

Signed on behalf of the Board of Directors in accordance with the resolution of the Board of Directors dated 16 April 2019.

**Y.M. TUNKU AFWIDA BINTI TUNKU A.MALEK**
Chairman of Audit and Risk Management Committee

**YEOH KHOON CHENG**
Chief Executive Officer

# Report of the Audit and Risk Management Committee

## A. COMPOSITION

### Chairman

Y.M. Tunku Afwida Binti Tunku A.Malek *(Independent Non-Executive Director)*

### Members

Datuk Muhamad Noor Bin Hamid *(Independent Non-Executive Director)*
Ar. Datuk Tan Pei Ing[(1)] *(Non-Independent Non-Executive Director)*

### Former Member

Daniel Nikolaus Bach[(2)] *(Non-Independent Non-Executive Director)*

*Notes:*
*(1) Appointed as Member of the Audit and Risk Management Committee on 20 April 2018*
*(2) Resigned as Member of the Audit and Risk Management Committee on 20 April 2018*

The Audit and Risk Management Committee is chaired by Y.M. Tunku Afwida Binti Tunku A. Malek who is a member of the Malaysian Institute of Accountants and a Chartered Accountant from the Institute of Chartered Accountants in England and Wales. She has had extensive experience in the provision of advisory services in corporate finance including compliance related and funding advisory related services, and has held various positions in several financial organisations in Malaysia.

The other members of the Audit and Risk Management Committee are Datuk Muhamad Noor Bin Hamid and Ar. Datuk Tan Pei Ing. Datuk Muhamad Noor has many years of experience serving on the Boards of listed companies in Malaysia and has more than 30 years of working experience in the oil and gas industry ranging from project planning and implementation, operation, consulting and contracting. Ar. Datuk Tan Pei Ing has over 30 years of working experience as a professional architect in her own practice, P.I. Architect and has carried out and completed a wide range of projects including construction designing of industrial buildings and hotels.

## B. TERMS OF REFERENCE

### Structure of the Audit and Risk Management Committee

The Audit and Risk Management Committee is a committee appointed by the Board and shall comprise at least 3 directors. All members should be non-executive directors with the majority of the members to be independent non-executive directors. At least one member must be a member of The Malaysian Institute of Accountants, or if he is not a member of The Malaysian Institute of Accountants, he must have at least 3 years' working experience and (i) he must have passed the examinations specified in Part I of the First Schedule of Accountants Act 1967, or (ii) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967, or fulfills such other requirements as prescribed by the Exchange. The Chairman of the Committee shall be an independent non-executive director and be elected from amongst their members. All members of the Committee, including the Chairman, will hold office until otherwise determined by the Board. In the event of any vacancy in the Audit and Risk Management Committee resulting in non-compliance with the Listing Requirements, the Board of Directors shall within 3 months of that event appoint such new member(s) as may be required to comply with the Listing Requirements. The Audit and Risk Management Committee shall require that a former key audit partner observes a cooling-off period of at least 2 years from his/her last engagement before being appointed as a member of the Audit and Risk Management Committee.

### Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from the Management and any employee. The Management and employees are directed to co-operate with any request made by the Committee. The Committee may convene meetings with external auditors or internal auditors without the presence of Management, if deemed necessary.

The Committee is authorised by the Board to obtain independent legal and professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this to be necessary.

# Report of the Audit and Risk Management Committee

## Functions

i. To review the effectiveness of the Company's policies and plans for risk management, internal controls and governance systems, including overseeing the Company's identification of risks;
ii. To review the effectiveness and implementation of the policies, governance systems and ensure proper action is taken to address or mitigate the risks;
iii. To review and/or identify the adoption of appropriate steps for potential or unpredictable risks;
iv. To ensure that risks are managed within the appropriate and adequate levels of tolerance as approved by the Board;
v. To ensure that risks management plans are widely disseminated throughout the Group and integrated in the Group's day-to-day activities;
vi. To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
vii. To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
viii. To consider if the annual financial statements are in compliance with applicable accounting standards in accordance with the approved Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act;
ix. To review the quarterly and year-end financial statements of the Company, focusing particularly on:
    - any change in accounting policies and practices;
    - significant adjustments arising from the audit;
    - significant matters highlighted, significant judgments made by management, significant and unusual events or transactions, and how each of the foregoing matters were addressed;
    - the going concern assumption; and
    - compliance with accounting standards and other legal requirements;
x. To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of Management, where necessary);
xi. To review the external auditors' evaluation of the system of internal control, management letter and management's response;
xii. To do the following in relation to the internal audit function:
    - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
    - Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
    - Review any appraisal or assessment of the performance of members of the internal audit function;
    - Approve any appointment or termination of senior staff members of the internal audit function; and
    - Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
xiii. To consider any related-party transactions and conflict of interest situation that may arise within the company or group;
xiv. To consider the major findings of internal investigations and Management's response;
xv. To consider other topics as defined by the Board; and
xvi. To meet with external auditors at least twice in a financial year without the presence of Management to discuss any issues or reservations arising from the audits and any other matter the external auditor may wish to discuss.

# Report of the Audit and Risk Management Committee

## C. MEETINGS AND MINUTES

The Committee shall meet at least 4 times a year and the quorum for any meeting shall be 2 members, who must be independent directors. The Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit will be invited to attend all meetings of the Committee. There shall be at least 2 meetings a year with external auditors including 2 meetings without the members of Management and the external auditors will also be invited to attend additional meetings, where appropriate. The external auditors may request a meeting if they consider it necessary. Other Board members may attend meetings upon the invitation of the Committee.

The Company Secretaries shall be the secretaries of the Committee and as a reporting procedure, the minutes of each Committee meeting shall be circulated to all members of the Board.

A total of 5 meetings were held during the year 2018. The membership status and attendance record of each of the members are as follows:

| | Attendance | % |
|---|---|---|
| **Current Members** | | |
| Y.M. Tunku Afwida Binti Tunku A.Malek *(Chairman, Independent Non-Executive Director)* | 5/5 | 100 |
| Datuk Muhamad Noor Bin Hamid *(Member, Independent Non-Executive Director)* | 5/5 | 100 |
| Ar. Datuk Tan Pei Ing *(Member, Non-Independent Non-Executive Director)*[(1)] | 4/4 | 100 |
| **Former Members** | | |
| Daniel Nikolaus Bach *(Member, Non-Independent Non-Executive Director)*[(2)] | 1/1 | 100 |
| **Secretaries** | | |
| Koh Poi San | 5/5 | 100 |
| Serene Lee Huey Fei | 2/3 | 67 |
| **Former Secretary** | | |
| Katina Nurani Abd Rahim | 1/1 | 100 |

*Notes:*
[(1)] *Appointed as Member of the Audit and Risk Management Committee on 20 April 2018*
[(2)] *Resigned as Member of the Audit and Risk Management Committee on 20 April 2018*

## D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Audit & Risk Management Committee carried out its duties in accordance with its terms of reference during FY2018.

The main activities undertaken by the Committee during the year were as follows:

### (i) Financial Results

- Reviewed the annual financial statements of the Company prior to submission to the Board for their consideration and approval focusing particularly on any changes of accounting policy, significant matters highlighted, significant judgments made by Management, significant and unusual events or transactions, and how these matters were addressed.
- Reviewed the annual financial statements for compliance with applicable accounting standards in accordance with the approved Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act.
- Reviewed the quarterly unaudited financial results announcements prior to recommending them for approval by the Board.

# Report of the Audit and Risk Management Committee

### (ii) External Audit

In totality, the Committee had 2 meetings with the external auditors in 2018 including 2 discussions without the presence of Management. During these meetings, the following were carried out:

- Reviewed the Progress Report to Those Charged with Governance with the external auditors, covering the financial highlights, significant risks and other areas of focus, materiality threshold and audit misstatements, audit process and execution, any significant deficiencies in internal control and other management letters, critical accounting judgments and any key sources of uncertainty, written representations, independence and analysis of professional fees.

- Reviewed the Professional Services Planning Memorandum with the external auditors, covering the primary audit objectives and approach, client service team, materiality, audit risk assessment, significant risks, areas of audit focus, consideration of fraud, internal control plan, involvement of internal auditors and internal specialists, involvement of audit data analytics, involvement of component auditors, timing of audit, engagement of quality control, independence policies and procedures, and relevant technical pronouncements and accounting standards issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and the requirements of the Companies Act and the Malaysian Code on Corporate Governance.

- Reviewed the results of the audit and the audit report with the external auditors, in particular, to the accounting issues and significant audit adjustments arising from the external audit, significant risks/key audit areas which include the risk of management override of controls, revenue recognition, allowance for inventory obsolescence, and assessment of impairment of goodwill.

- Reviewed the areas of audit focus with the external auditors, which include impairment assessment of tangible and intangible assets, assessment of tax claims against a subsidiary of the Company, review of related party transactions, and assessment of impairment for intercompany receivables between two of the Company's subsidiaries.

### (iii) Assessing Independence, Suitability, Objectivity and Cost Effectiveness of the External Auditors

- Reviewed the independence, suitability, objectivity and cost effectiveness of the external auditors before approving their remuneration and recommending their appointment to the Shareholders. The Committee scrutinized and discussed the external auditors' annual fees before recommending to the Board for approval.

- Reviewed the suitability and independence of the external auditors during the review of the Progress Report to Those Charged with Governance. The factors considered include the competency and the adequacy of experience and resources of the firm and professional staff assigned to perform the audit.

- As part of the annual audit exercise, the Committee obtained assurance from the external auditors confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Following the above stated reviews and the assurance obtained, the Committee remains confident of the external auditor's independence and suitability.

### (iv) Internal Audit/Internal Control

- Instructed for a forensic audit investigation on a stock issue and reviewed the result of the forensic audit investigation and ensured appropriate actions and remediation are taken by the Company.

- Reviewed the annual audit plan to ensure adequate scope and coverage on the activities of the Company taking into consideration the assessment of the key internal control risks areas.

- Reviewed the resource requirements of the Internal Audit Department for the year and assessed the performance of the Internal Audit Department.

# Report of the Audit and Risk Management Committee

- Reviewed the internal audit reports, audit recommendations made and Management's response to these recommendations and actions taken to improve the system of internal control and procedures.

- Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.

- Monitored and reviewed the impact and progress of compliance with the system of internal control and procedures.

- Reviewed risk management processes and updates from Management on the existence of mitigating controls and action plans identified to mitigate the business risks identified.

### (v) Related Party Transactions

- Reviewed significant related party transactions entered into/to be entered into by the Company and the LafargeHolcim Group.

- Reviewed the processes and procedures on related party transactions/recurrent related party transactions to ensure that related parties are appropriately identified and are declared, approved and reported appropriately.

- Reviewed the procedures and processes for monitoring, tracking and identifying recurrent related party transactions in a timely and orderly manner to ensure adequacy and sufficiency of the procedures in determining that the recurrent related party transactions are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.

- Reviewed the Circular to Shareholders with regards to the proposed renewal of shareholders' mandate for existing recurrent related party transactions and proposed new shareholders' mandate for additional recurrent related party transactions of a revenue or trading nature for recommendation to the Board for approval.

### (vi) Governance

- Reviewed the Report of the Audit and Risk Management Committee and recommended to the Board for inclusion in the 2018 Annual Report.

- Reviewed the Statement of Risk Management and Internal Control and recommended to the Board for inclusion in the 2018 Annual Report.

## E. INTERNAL AUDIT FUNCTIONS AND SUMMARY OF ACTIVITIES

The Company has an in-house Internal Audit Department that reports directly to the Audit and Risk Management Committee and assists the Audit and Risk Management Committee in the discharge of its duties and responsibilities. Its role is to provide independent assurance on the adequacy and effectiveness of the risk management, internal control and governance process.

Risk assessment is carried out to examine the Company's business activities and the inherent risks. Audits are prioritised taking into consideration the assessment of the key risks areas.

Internal audit covers amongst others the review of the adequacy of risk management, operation controls, compliance with established procedures, guidelines, statutory requirements and management efficiency. International standards and best practices are adopted from the LafargeHolcim Group to enhance the effectiveness of the internal audit activities. The areas of coverage in 2018 include audits on plant shutdown management and control processes, the enterprise resource planning system, management of stock and inventory, management of logistics and supply chain, security, and other ad hoc reviews.

Further details of the activities of the Internal Audit Department are set out in the Statement on Risk Management and Internal Control under pages 41 to 45 of the Annual Report.

# FINANCIAL STATEMENTS



06

# Directors' Report

The Directors of **LAFARGE MALAYSIA BERHAD** hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The information on the name, place of incorporation, principal activities and percentage of issued share capital held by the Company in each subsidiaries are set out in Note 16.

## RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

| | Group RM'000 | Company RM'000 |
|---|---|---|
| (Loss)/profit before tax | (405,388) | 49,301 |
| Income tax credit/(expense) | 86,521 | (33) |
| (Loss)/profit for the year | (318,867) | 49,268 |
| (Loss)/profit attributable to: | | |
| Owners of the Company | (319,351) | 49,268 |
| Non-controlling interests | 484 | - |
| | (318,867) | 49,268 |

In the opinion of the Directors, the results of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any payment of dividend in respect of the current financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

# Directors' Report

## DIRECTORS

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar
Martin Kriegner
Y.M. Tunku Afwida binti Tunku A.Malek
Datuk Muhamad Noor bin Hamid
John William Stull (appointed on 20 April 2018)
Ar. Datuk Tan Pei Ing (appointed on 20 April 2018)
Yeoh Khoon Cheng (appointed on 1 August 2018)
Thierry Marie Robert Legrand (resigned on 1 April 2018)
Daniel Nikolaus Bach (resigned on 20 April 2018)
Jean Desazars de Montgailhard (resigned on 20 April 2018)
Lim Yoke Tuan (resigned on 31 July 2018)
Tan Sri Dr Rebecca Fatima Sta Maria (resigned on 31 December 2018)
Mario Bastian Gross (appointed on 1 April 2018 and resigned on 31 December 2018)

The Directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Ghazali bin Yacob
Kelvin Low Teck Swee
Tadashi Matsunami
Loh Siew Yee
Chen Lee Siong
Soh Puay Wee
Susumu Ando (alternate Director to Tadashi Matsunami)
Yap Poh Onn (appointed on 10 May 2018)
Jung Rak Kim (appointed on 16 November 2018)
Wong Chee Leong (appointed on 1 April 2019)
Rey Ausan Cervera (resigned on 11 May 2018)
Liew Chee Yin (resigned on 25 June 2018)
Lim Swat Hah (resigned on 31 July 2018)
Richard Enrico Pucci (resigned on 1 April 2019)

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefits (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Note 5.6 to the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any 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 except for any benefit which may be deemed to have arisen by virtue of the transaction between the Company and certain companies in which certain Directors of the Company are also Directors and/or shareholders as disclosed in Note 24 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby the Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the shares issued or acquired under the Performance Shares Plan and Employee Share Purchase Plan as disclosed below.

## DIRECTORS' INTERESTS

The shareholdings in the Company and its related corporations of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 are as follows:

| | No. of ordinary shares | | | |
|---|---|---|---|---|
| | Balance as at 1.1.2018/ date of appointment | Bought | Sold | Balance as at 31.12.2018 |
| **Shares in the ultimate holding company, LafargeHolcim Ltd. held by:** | | | | |
| Direct interest: | | | | |
| Martin Kriegner | 4,094 | 3,940 | - | 8,034 |
| Ar. Datuk Tan Pei Ing | 1,600 | - | - | 1,600 |

| | No. of options over ordinary shares | | | |
|---|---|---|---|---|
| | Balance as at 1.1.2018/ date of appointment | Granted | Exercised/ Expired | Balance as at 31.12.2018 |
| **Options over the ordinary shares of the ultimate holding company, LafargeHolcim Ltd. held by:** | | | | |
| Martin Kriegner | 45,410 | 23,553 | - | 68,963 |
| John William Stull | 15,000 | - | - | 15,000 |

| | No. of options over ordinary shares | | | |
|---|---|---|---|---|
| | Balance as at 1.1.2018/ date of appointment | Granted | Exercised/ Expired | Balance as at 31.12.2018 |
| **Options over the ordinary shares of the penultimate holding company, Lafarge S.A. held by:** | | | | |
| Martin Kriegner | 13,886 | - | - | 13,886 |
| John William Stull | 20,000 | - | - | 20,000 |

Other than as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during and at the end of the financial year.

# Directors' Report

**Performance Shares Plan**

LafargeHolcim Ltd. Performance Shares Plan

LafargeHolcim Ltd. set up a performance share plan ("The Plan") in 2015. The Plan's principles were adopted by the Board of Directors of Holcim Ltd. on 1 November 2014. The amended version was validated by the Nomination, Compensation and Governance Committee of the Board of LafargeHolcim Ltd. ("The Committee") on 10 December 2015 and approved by the Board of Directors of LafargeHolcim Ltd. on 14 December 2015.

Performance shares and/or options ("Awards") are granted to executives, senior management and other employees for their contribution to the continuing success of the business. These shares and options will be delivered after a three-year vesting period following the grant date and are subject to satisfaction of any performance conditions imposed on the shares and/or options. The salient features of the Plan are as follows:

(a) The Plan is a discretionary benefit offered by LafargeHolcim Ltd. for the benefit of selected employees of LafargeHolcim Ltd. and its subsidiaries;
(b) Shares received under the Plan, any cash received under the Plan and any gains obtained under the Plan are not part of salary for any purpose (except to any extent required by local laws);
(c) The Plan is being offered for the first time in 2015 and the Committee shall have the right to decide, in its sole discretion, whether or not further Awards will be granted in the future and to which employees those Awards will be granted;
(d) An individual is eligible to be granted an Award only if he is an employee (including an executive director) of LafargeHolcim Ltd. and its subsidiaries and is not, at the date of the grant, under notice as a result of which he would cease employment;
(e) The shares to be issued by LafargeHolcim Ltd. will be satisfied by the transfer of treasury shares, or to the extent available out of conditional share capital, or with cash alternative as determined by the Committee;
(f) The subsidiaries included in the Plan are those entities in which LafargeHolcim Ltd. holds directly or indirectly 20% or more of the share capital or of the voting rights;
(g) An Award granted to any person:
    (i) shall not be transferred, assigned, charged or otherwise disposed of by him except on his death to his personal representatives; and
    (ii) shall lapse immediately if he is declared bankrupt unless the Committee determines otherwise.
    and;
(h) The vesting period of an Award is on the later of:
    (i) the date on which the Committee determines whether or not any performance condition imposed on the vesting of the Award has been satisfied (in whole or part); and
    (ii) the third anniversary of the date of the grant (or such other anniversary or date set by the Committee for an Award on or prior to the date of the grant).

Lafarge S.A. Performance Shares Plan

In 2007, the penultimate holding company, Lafarge S.A., implemented the Performance Shares Plan ("PSP") under which performance shares of Lafarge S.A. were granted to selected employees and executive officers of Lafarge S.A. and its subsidiaries. The PSP is governed by French laws and the plan was approved by the Board of Directors of Lafarge S.A. on 3 May 2007.

The salient features of the PSP are as follows:

(a) The shares to be issued by Lafarge S.A. will be derived from either existing or to be issued ordinary shares;
(b) The subsidiaries included in the PSP are those entities in which Lafarge S.A. holds directly or indirectly at least 10% of the share capital or of the voting rights;
(c) The vesting period of the performance shares is four (4) years from the date of grant during which ownership of the shares is not transferred. The shares cannot be sold and no dividend is paid on these shares during this period;
(d) Following the vesting period, the Board of Directors of Lafarge S.A. may set a holding period during which the shares may not be transferred;
(e) The shares granted are conditional upon the specific performance condition designated by the Board of Directors of Lafarge S.A. from time to time that must be met within a specific time period for the grant to vest. This condition could apply to a portion of the grant, the whole of the grant, or not at all. This is only when the performance shares in part or in total will vest; and
(f) Upon termination of employment as a result of resignation, dismissal or redundancy during the vesting period, the beneficiary will lose any right to the performance shares which have not been definitively allotted, unless the Board of Directors of Lafarge S.A. decides otherwise.

# Directors' Report

**Performance Shares Plan (Continued)**

The movements in the number of performance shares granted to Directors of the Company during the financial year are as follows:

| | No. of ordinary shares | | | |
|---|---|---|---|---|
| | Balance as at 1.1.2018/ date of appointment | Granted | Sold | Balance as at 31.12.2018 |
| **Shares in the ultimate holding company, LafargeHolcim Ltd. in respect of Performance Shares Plan held by:** | | | | |
| Martin Kriegner | **38,016** | 14,752 | - | **52,768** |
| John William Stull | **5,000** | - | - | **5,000** |

| | No. of ordinary shares | | | |
|---|---|---|---|---|
| | Balance as at 1.1.2018/ date of appointment | Granted | Sold | Balance as at 31.12.2018 |
| **Shares in the penultimate holding company, Lafarge S.A. in respect of Performance Shares Plan held by:** | | | | |
| Martin Kriegner | **2,019** | - | - | **2,019** |
| John William Stull | **10,000** | - | - | **10,000** |

## EMPLOYEE SHARE PURCHASE PLAN

In financial year 2009 and 2011, the penultimate holding company, Lafarge S.A., extended its Employee Share Purchase Plan ("ESPP") to eligible Directors and employees of the Group to purchase Lafarge S.A. shares at a preferential rate. The Group will also subsidise 60% of the purchase cost at preferential rate for the first 15 shares purchased by eligible Directors and employees of the Group.

The salient features of the ESPP are as follows:

(a) The shares under ESPP to be issued by Lafarge S.A. will be derived from ordinary shares;
(b) Eligible persons are employees including the Directors of the Company or any company within the Group that meets a minimum employment condition of two (2) months at the beginning of the subscription period. In addition, such person must also be an employee of the Group on the last day of the subscription period;
(c) The subscription price of the shares is fixed in Euros prior to the opening of the subscription period on 12 October 2009 and 1 June 2011 respectively, equal to 80% of the average opening price of Lafarge S.A. share on Euronext Paris S.A. over the twenty (20) trading days preceding of such fixing date ("discounted value");
(d) The minimum purchase of the shares under the ESPP is one (1) share and the maximum payment under the plan is 25% of the total gross annual compensation received by the eligible persons; and
(e) The shares purchased are locked in for a period of five (5) years from the date of grant during which ownership of the shares is not to be transferred, except in the case of early release events, as determined by Lafarge S.A..

## INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a Directors' Liability Insurance for the purposes of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover for the Directors of the Company. The amount of insurance premium paid during the financial year amounted to RM6,896.

# Directors' Report

## OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
(b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
(d) not otherwise dealt with in this report or financial statements which 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:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
(b) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability 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 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, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

# Directors' Report

## HOLDING COMPANIES

The Company is a subsidiary of Associated International Cement Limited ("AIC"), a company incorporated in the United Kingdom. The Directors regard AIC and LafargeHolcim Ltd., a public-listed company incorporated in Switzerland as the immediate holding company and ultimate holding company, respectively.

## AUDITORS

The auditors, Deloitte PLT, have expressed their willingness to continue in office.

## AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors for the financial year ended 31 December 2018 is as disclosed in Note 10 to the financial statements.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

**Y.A.M. TUNKU TAN SRI IMRAN IBNI ALMARHUM TUANKU JA'AFAR**

**YEOH KHOON CHENG**

Petaling Jaya, Selangor Darul Ehsan
16 April 2019

# Statement By Directors

The Directors of **LAFARGE MALAYSIA BERHAD** state that, in their opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and 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.

Signed on behalf of the Board in accordance with a resolution of the Directors,

**Y.A.M. TUNKU TAN SRI IMRAN IBNI ALMARHUM TUANKU JA'AFAR**

**YEOH KHOON CHENG**

Petaling Jaya, Selangor Darul Ehsan
16 April 2019

# Statutory Declaration

I, **KELVIN LOW TECK SWEE**, being the Officer primarily responsible for the financial management of **LAFARGE MALAYSIA BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**KELVIN LOW TECK SWEE**

Subscribed and solemnly declared by the abovenamed
**KELVIN LOW TECK SWEE** at **PETALING JAYA, SELANGOR DARUL EHSAN**
on this 16th day of April 2019.

Before me,

**COMMISSIONER FOR OATHS**

# Independent Auditors' Report

To the Members of Lafarge Malaysia Berhad (Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **LAFARGE MALAYSIA BERHAD**, which comprise the statements of financial position as at 31 December 2018 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 65 to 174.

In our opinion, the accompanying financial statements of the Group and of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and 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 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 Requirements

We are independent of the Group and 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' *Code of Ethics for Professional Accountants* ("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 presented below are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company of 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 Lafarge Malaysia Berhad (Incorporated in Malaysia)

**Key Audit Matters (Continued)**

| *Key audit matter* | *How the matter was addressed in the audit* |
|---|---|
| <u>Going Concern</u><br>The financial statements of the Group and of the Company as at 31 December 2018 have been prepared on a going concern basis.<br><br>As at 31 December 2018, the Group's and the Company's current liabilities exceeded its current assets by RM309,463,000 and RM26,621,000, respectively.<br><br>Additionally, the Group has incurred loss before tax of RM405,388,000 for the financial year ended 31 December 2018.<br><br>These events and conditions may cast significant doubt on the Group's and the Company's ability to continue as a going concern.<br><br>This is considered to be a key audit matter because the evaluation of events and conditions, including the actions taken by the Directors in addressing them involve judgment. The judgment is in respect of the key assumptions used in their assessment and management's plan for future action and on the feasibility of those plans.<br><br>Refer to "Going Concern" in Note 3.2 to the financial statements. Note 3.2 discloses the Directors' assessment on the ability of the Group and of the Company to continue as a going concern. | The procedures that we have performed to address the matter include:<br><br>• Evaluated management's future plan in improving the operating cash flow of the Group in the next 12 months, which includes evaluating the cash flow forecasts for the next 12 months.<br>• Challenged management on the key assumptions (including the cement selling price and sales volumes) underpinning the cash flow forecasts to evaluate whether they are reasonably made in the circumstance. In challenging the assumptions, we took into account actual results, external data and market conditions.<br>• Assessed the reasonableness of management's assessment that the Group has the ability to meet its debt repayment obligations, taking into consideration sources of funding currently available to the Group to meet its obligations as and when they fall due.<br>• Obtained from and discussed with management the terms and availability of the credit facilities, which are available for the 12 months period after the date of issuance of the financial statements (as disclosed in Note 3.2).<br>• Assessed the Group's compliance with its debt covenants of bank borrowings.<br>• Performed retrospective evaluation by comparing cash flow forecasts for prior periods to actual outcomes to assess management's ability to make reasonably reliable forecasts.<br>• Assessed the adequacy and appropriateness of disclosures made in the Group's and the Company's financial statements in respect of events and conditions identified that may cast a significant doubt on the Group's and the Company's ability to continue as a going concern as disclosed in Note 3.2 to the financial statements. |
| <u>Assessment of Impairment of Goodwill</u><br>As at 31 December 2018, the Group recorded a goodwill on consolidation amounting to RM1,387,089,000 as disclosed in Note 15 to the financial statements and this represented 42% and 32% of non-current assets and total assets of the Group, respectively.<br><br>Goodwill is required to be tested for impairment annually. Management tested goodwill for impairment by measuring the recoverable amount of the group of cash generating units ("CGUs") to which goodwill has been allocated and comparing this with the carrying amount of the CGUs. Recoverable amount was measured by calculating the value-in-use of the CGUs. Calculating value-in-use involved making significant assumptions with respect to the estimated amount and timing of operating cash flows of the CGUs and applying suitable discount rates to these cash flows. Due to the inherent uncertainty and judgement by management involved in forecasting and discounting future cash flows, this is a key audit matter.<br><br>Refer to "Key Sources of Estimation Uncertainty" in Note 4.2.1 to the financial statements. | The procedures that we have performed to address the matter include:<br><br>• Challenged and reviewed the reasonableness of the key assumptions (including the cement selling price and sales volumes) underpinning the model of estimating value-in-use as a recoverable amount.<br>• Reviewed the reasonableness of the impairment model, discount rate and terminal growth rate with the involvement of our internal valuation specialists.<br>• Performed retrospective review of the past cash flow projections used in the model to assess the reliability of management's forecasts.<br>• Performed sensitivity analysis on management's assumptions to assess if any reasonably possible changes in these assumptions may lead to impairment loss.<br>• Assessed the adequacy and appropriateness of the disclosures in the financial statements. |

# Independent Auditors' Report

To the Members of Lafarge Malaysia Berhad (Incorporated in Malaysia)

**Key Audit Matters (Continued)**

| *Key audit matter* | *How the matter was addressed in the audit* |
|---|---|
| Provision for Inventory Obsolescence - Engineering Parts and Consumables<br>As at 31 December 2018, the Group has inventory of critical and non-critical engineering parts and consumables amounting to RM131,391,000 as disclosed in Note 21 to the financial statements. As of that date, RM24,443,000 has been recognised as provision for inventory obsolescence with respect to non-critical engineering parts and consumables with RM49,000 being recognised as inventory obsolescence charge in profit or loss during the financial year. No provision for inventory obsolescence was required to be made for critical engineering parts and consumables.<br><br>Significant judgement is required to be made by management in making an estimate for the provision for inventory obsolescence and in determining the adequacy of the provision made, taking into consideration the age and volumes of the engineering parts and consumables as well as the methodology used to estimate the provision amounts. Accordingly, the making of provision for inventory obsolescence with respect to engineering parts and consumables is considered a key audit matter due to the nature and significance of the inventory balance to the financial statements as a whole, combined with the judgement associated with determining the amounts for the provision.<br><br>Refer to "Key Sources of Estimation Uncertainty" in Note 4.2.2 to the financial statements. | The procedures that we have performed to address the matter include:<br><br>• Obtained an understanding of the inventory obsolescence provisioning policy and processes implemented by the management. We have assessed the reasonableness of the provision made by the management based on the policy and tested the relevant controls surrounding the provisioning process for inventory obsolescence.<br>• Assessed the reasonableness of the recorded level of provision with reference to the ageing of inventories.<br>• Inquired with engineers of the entity during our observation of inventory counts to test the classification between critical and non-critical engineering parts and consumables.<br>• Performed retrospective review to assess the reasonableness of provision and evaluated the appropriateness of the percentages applied and tested the accuracy and completeness of the inventory ageing analysis.<br>• Assessed the adequacy and appropriateness of the disclosures in the financial statements. |

**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 annual report but does not include the financial statements of the Group and of the Company and our auditor's report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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.

**Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements so as to 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 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 Group's and the Company's ability 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.

# Independent Auditors' Report

To the Members of Lafarge Malaysia Berhad (Incorporated in Malaysia)

**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 in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism 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 the Group's and of the Company's internal control.

- 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 Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 achieves fair presentation.

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

We communicate with the Directors, 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, related safeguards.

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 of 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent Auditors' Report

To the Members of Lafarge Malaysia Berhad (Incorporated in Malaysia)

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we also report that in the case of consolidated financial statements, the names of the subsidiaries, of which we have not acted as auditors, are indicated in Note 16 to the financial statements.

**Other Matters**

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.

**DELOITTE PLT (LLP0010145-LCA)**
**Chartered Accountants (AF 0080)**

**WONG YEW CHOONG**
**Partner - 03195/06/2019 J**
**Chartered Accountant**

16 April 2019

# Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| Revenue | 5 | **2,122,297** | 2,248,833 | **61,149** | 87,400 |
| Cost of sales | 5 | **(2,004,976)** | (1,961,678) | **-** | - |
| Gross profit | | **117,321** | 287,155 | **61,149** | 87,400 |
| Selling and distribution expenses | 5 | **(383,295)** | (423,173) | **-** | - |
| Administration expenses | 5 | **(84,269)** | (114,097) | **(6,090)** | (7,482) |
| Other expenses | 5 | **(33,641)** | (43,831) | **(1,394)** | (8,769) |
| Other income | | **5,202** | 33,748 | **222** | 4,975 |
| Investment income | 6 | **10,289** | 9,902 | **-** | - |
| Other losses - net | 7 | **(2,873)** | (3,744) | **-** | - |
| (Loss)/profit from operations | | **(371,266)** | (254,040) | **53,887** | 76,124 |
| Interest income | 6 | **3,809** | 5,117 | **146** | 257 |
| Finance costs | 8 | **(36,007)** | (25,099) | **(4,732)** | (6,501) |
| Share of results in joint venture | 17 | **(1,924)** | (5,015) | **-** | - |
| **(Loss)/profit before tax** | | **(405,388)** | (279,037) | **49,301** | 69,880 |
| Income tax credit/(expense) | 9 | **86,521** | 65,452 | **(33)** | (56) |
| **(Loss)/profit for the year** | 10 | **(318,867)** | (213,585) | **49,268** | 69,824 |
| **Other comprehensive income** | | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | | |
| Defined benefits retirement plan actuarial gains | | **12,639** | 5,901 | **25** | 4 |
| Net fair value gains on investments in equity instruments designated as at FVTOCI | | **1,078** | - | **-** | - |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences on translating foreign operations | | **647** | 235 | **-** | - |

# Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Net fair value gains on available-for-sale financial assets | | **-** | 778 | **-** | - |
| Net fair value gains/(losses) on cash flow hedges | | **1,107** | (1,212) | **-** | - |
| **Other comprehensive income for the year, net of tax** | | **15,471** | 5,702 | **25** | 4 |
| **Total comprehensive (loss)/income for the year** | | **(303,396)** | (207,883) | **49,293** | 69,828 |
| **(Loss)/profit attributable to:** | | | | | |
| Owners of the Company | | **(319,351)** | (215,160) | **49,268** | 69,824 |
| Non-controlling interests | | **484** | 1,575 | **-** | - |
| | | **(318,867)** | (213,585) | **49,268** | 69,824 |
| **Total comprehensive (loss)/income attributable to:** | | | | | |
| Owners of the Company | | **(303,965)** | (209,493) | **49,293** | 69,828 |
| Non-controlling interests | | **569** | 1,610 | **-** | - |
| | | **(303,396)** | (207,883) | **49,293** | 69,828 |
| Loss per ordinary share (sen) Basic and diluted | 11 | **(37.58)** | (25.32) | | |

The accompanying Notes form an integral part of the financial statements.

# Statements of Financial Position

As at 31 December 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 12 | **1,652,634** | 1,734,758 | **-** | - |
| Investment property | 13 | **3,132** | 3,135 | **-** | - |
| Prepaid lease payments on leasehold land | 14 | **69,043** | 71,974 | **-** | - |
| Intangible assets | 15 | **1,405,240** | 1,416,433 | **-** | - |
| Investment in subsidiaries | 16 | **-** | - | **2,415,761** | 2,415,761 |
| Investment in joint venture | 17 | **18,322** | 20,249 | **-** | - |
| Deferred tax assets | 18 | **170,086** | 61,255 | **-** | - |
| Other financial assets | 19 | **4,106** | 3,209 | **1,255** | 1,255 |
| Total non-current assets | | **3,322,563** | 3,311,013 | **2,417,016** | 2,417,016 |
| **Current assets** | | | | | |
| Inventories | 21 | **345,368** | 358,964 | **-** | - |
| Trade receivables | 22 | **355,646** | 408,819 | **-** | - |
| Other receivables, prepaid expenses and refundable deposits | 23 | **74,359** | 70,664 | **725** | 572 |
| Amounts owing by holding and other related companies | 24 | **22,493** | 23,085 | **-** | 535 |
| Amounts owing by subsidiaries | 20 | **-** | - | **165,706** | 183,772 |
| Other financial assets | 19 | **60** | 69 | **-** | - |
| Current tax assets | | **72,568** | 83,100 | **-** | - |
| Cash and bank balances | 34 | **84,238** | 99,906 | **4,370** | 3,913 |
| Total current assets | | **954,732** | 1,044,607 | **170,801** | 188,792 |
| **Total assets** | | **4,277,295** | 4,355,620 | **2,587,817** | 2,605,808 |

# Statements of Financial Position

As at 31 December 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 25 | **1,950,692** | 1,950,692 | **1,950,525** | 1,950,525 |
| Reserves | 26 | **30,643** | 27,811 | **-** | - |
| Retained earnings | 27 | **563,907** | 870,704 | **439,755** | 390,462 |
| Equity attributable to owners of the Company | | **2,545,242** | 2,849,207 | **2,390,280** | 2,340,987 |
| Non-controlling interests | 28 | **5,559** | 6,540 | **-** | - |
| **Total equity** | | **2,550,801** | 2,855,747 | **2,390,280** | 2,340,987 |
| **Non-current liabilities** | | | | | |
| Borrowings | 29 | **279,639** | 279,387 | **-** | - |
| Retirement benefits | 30 | **54,462** | 71,514 | **115** | 144 |
| Deferred tax liabilities | 18 | **128,198** | 117,205 | **-** | - |
| Total non-current liabilities | | **462,299** | 468,106 | **115** | 144 |
| **Current liabilities** | | | | | |
| Trade payables | 31 | **456,540** | 504,852 | **-** | - |
| Other payables and accrued expenses | 32 | **152,524** | 203,049 | **3,444** | 6,000 |
| Amounts owing to holding and other related companies | 24 | **79,163** | 82,631 | **-** | 2 |
| Amounts owing to subsidiaries | 20 | **-** | - | **193,969** | 258,665 |
| Loans from other related companies | 24 | **257,159** | - | **-** | - |
| Borrowings | 29 | **300,635** | 205,000 | **-** | - |
| Other financial liabilities | 33 | **2,500** | 1,643 | **-** | - |
| Contract liabilities | 35 | **14,141** | 33,151 | **-** | - |
| Current tax liabilities | | **1,533** | 1,441 | **9** | 10 |
| Total current liabilities | | **1,264,195** | 1,031,767 | **197,422** | 264,677 |
| **Total liabilities** | | **1,726,494** | 1,499,873 | **197,537** | 264,821 |
| **Total equity and liabilities** | | **4,277,295** | 4,355,620 | **2,587,817** | 2,605,808 |

The accompanying Notes form an integral part of the financial statements.

# Statements of Changes In Equity

For The Year Ended 31 December 2018

| Group | Share Capital RM'000 | Share premium RM'000 | Capital redemption reserve RM'000 | Exchange equalisation reserve RM'000 | Investment revaluation reserve RM'000 | Hedging reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| | ← Attributable to owners of the Company → | | | | | | | | | |
| | | ← Non-distributable → | | | | | Distributable | | | |
| As at 1 January 2017 | 849,695 | 1,067,199 | 33,798 | 27,634 | 356 | 20 | 1,079,998 | 3,058,700 | 4,930 | 3,063,630 |
| Loss for the year | - | - | - | - | - | - | (215,160) | (215,160) | 1,575 | (213,585) |
| Other comprehensive income for the year, net of tax | - | - | - | 235 | 778 | (1,212) | 5,866 | 5,667 | 35 | 5,702 |
| Transfer arising from "no par value regime" | 1,100,997 | (1,067,199) | (33,798) | - | - | - | - | - | - | - |
| As at 31 December 2017/ 1 January 2018 | **1,950,692** | **-** | **-** | **27,869** | **1,134** | **(1,192)** | **870,704** | **2,849,207** | **6,540** | **2,855,747** |
| Loss for the year | **-** | **-** | **-** | **-** | **-** | **-** | **(319,351)** | **(319,351)** | **484** | **(318,867)** |
| Other comprehensive income, for the year, net of tax | **-** | **-** | **-** | **647** | **1,078** | **1,107** | **12,554** | **15,386** | **85** | **15,471** |
| Dividends paid to non-controlling interests | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1,550)** | **(1,550)** |
| As at 31 December 2018 | **1,950,692** | **-** | **-** | **28,516** | **2,212** | **(85)** | **563,907** | **2,545,242** | **5,559** | **2,550,801** |

The accompanying Notes form an integral part of the financial statements.

# Statements of Changes In Equity

For the year ended 31 December 2018

| | | ← Non-distributable | → | Distributable | |
|---|---|---|---|---|---|
| **Company** | **Share capital RM'000** | **Share premium RM'000** | **Capital redemption reserve RM'000** | **Retained earnings RM'000** | **Total equity RM'000** |
| As at 1 January 2017 | 849,695 | 1,067,191 | 33,639 | 320,634 | 2,271,159 |
| Total comprehensive income for the year | - | - | - | 69,828 | 69,828 |
| Transfer arising from "no par value regime" | 1,100,830 | (1,067,191) | (33,639) | - | - |
| As at 31 December 2017/1 January 2018 | **1,950,525** | - | - | **390,462** | **2,340,987** |
| Total comprehensive income for the year | - | - | - | **49,293** | **49,293** |
| As at 31 December 2018 | **1,950,525** | **-** | **-** | **439,755** | **2,390,280** |

The accompanying Notes form an integral part of the financial statements.

# Statements of Cash Flows

For the year ended 31 December 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES** | | | | | |
| (Loss)/profit before tax | | **(405,388)** | (279,037) | **49,301** | 69,880 |
| Adjustments for: | | | | | |
| Depreciation of property, plant and equipment | | **182,639** | 201,672 | **-** | - |
| Provision/(reversal of provision) for retirement benefits | | **4,540** | 3,754 | **(4)** | 21 |
| (Reversal of provision)/provision for inventory obsolescence | | **(544)** | 1,044 | **-** | - |
| Amortisation of prepaid lease payments on leasehold land | | **5,776** | 4,772 | **-** | - |
| Property, plant and equipment written off | | **4,687** | 8,202 | **-** | - |
| Finance costs | | **36,007** | 25,099 | **4,732** | 6,501 |
| Loss allowance/(reversal of loss allowance) for trade receivables | | **3,593** | (1,391) | **-** | - |
| Amortisation of intangible assets | | **2,148** | 2,857 | **-** | - |
| Depreciation of investment property | | **3** | 4 | **-** | - |
| Interest income | | **(3,809)** | (5,117) | **(146)** | (257) |
| Unrealised loss/(gain) on foreign exchange | | **1,035** | 5,256 | **(169)** | 8,070 |
| Share of results in joint venture | | **1,924** | 5,015 | **-** | - |
| Dividend income | | **(225)** | (198) | **(61,149)** | (87,400) |
| Net unrealised (gain)/loss arising on: | | | | | |
| - hedge ineffectiveness on cash flow hedges | | **(51)** | 144 | **-** | - |
| - financial assets/liabilities designated as at fair value through profit or loss | | **2,240** | 203 | **-** | - |
| Loss/(gain) on disposal of: | | | | | |
| - property, plant and equipment | | **519** | (5,837) | **-** | - |
| - leasehold land | | **-** | (8,984) | **-** | - |
| - unquoted investments | | **96** | 10 | **-** | - |
| Impairment loss of goodwill | | **9,045** | - | **-** | - |

# Statements of Cash Flows

For the year ended 31 December 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Operating Loss Before Working Capital Changes | | **(155,765)** | (42,532) | **(7,435)** | (3,185) |
| Decrease/(increase) in: | | | | | |
| Inventories | | **13,346** | (81,593) | **-** | - |
| Receivables | | **45,921** | (11,006) | **(153)** | 370 |
| Amounts owing by holding and other related companies | | **2,640** | (6,468) | **535** | 53 |
| Amounts owing by subsidiaries | | **-** | - | **18,235** | 18,411 |
| Increase/(decrease) in: | | | | | |
| Payables | | **(57,276)** | 37,189 | **(2,556)** | 2,737 |
| Amounts owing to holding and other related companies | | **(3,200)** | 59,834 | **(2)** | (15) |
| Amounts owing to subsidiaries | | **-** | - | **(68,851)** | 171,600 |
| Contract liabilities | | **(19,010)** | (2,211) | **-** | - |
| Cash (Used In)/Generated From Operations | | **(173,344)** | (46,787) | **(60,227)** | 189,971 |
| Retirement benefits paid | | **(7,212)** | (4,635) | **-** | - |
| Income tax paid | | **(4,693)** | (39,584) | **(34)** | (12) |
| Net Cash (Used In)/From Operating Activities | | **(185,249)** | (91,006) | **(60,261)** | 189,959 |
| **CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES** | | | | | |
| Payment for prepaid lease payments | | **-** | (290) | **-** | - |
| Purchase of property, plant and equipment | **(a)** | **(148,033)** | (156,607) | **-** | - |
| Proceeds from disposal of property, plant and equipment | | **558** | 6,452 | **-** | - |
| Proceeds from disposal of leasehold land | | **-** | 11,644 | **-** | - |
| Proceeds from disposal of an unquoted investment | | **85** | 50 | **-** | - |
| Interest received | | **3,809** | 5,117 | **146** | 257 |
| Dividends received | | **225** | 198 | **61,149** | 87,400 |
| Net Cash (Used In)/From Investing Activities | | **(143,356)** | (133,436) | **61,295** | 87,657 |

# Statements of Cash Flows

For the year ended 31 December 2018

| | Note | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES** | | | | | |
| Drawdown of borrowings | | **150,216** | 430,282 | **-** | - |
| Repayment of borrowings | | **(100,000)** | (287,000) | **-** | (280,000) |
| Loans from other related companies | | **256,350** | - | **-** | - |
| Interest paid | | **(37,578)** | (17,881) | **(577)** | (560) |
| Dividends paid to non-controlling interests | | **(1,550)** | - | **-** | - |
| Net Cash From/(Used In) Financing Activities | | **267,438** | 125,401 | **(577)** | (280,560) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | **(61,167)** | (99,041) | **457** | (2,944) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | **80** | (771) | **-** | - |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **99,906** | 199,718 | **3,913** | 6,857 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | (b) | **38,819** | 99,906 | **4,370** | 3,913 |

**(a) The additions to property, plant and equipment consist of the following:**

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| Payment by cash in current year | **148,033** | 156,607 |
| Other payables and accrued expenses | **40,143** | 79,981 |
| Advance payment in previous year | **-** | 5,679 |
| Payment by cash for previous year acquisition | **(79,981)** | (39,797) |
| Total (Note 12) | **108,195** | 202,470 |

**(b) The closing cash and cash equivalents consist of:**

| | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|
| Cash and bank balances (Note 34) | **84,238** | 99,906 | **4,370** | 3,913 |
| Less: Bank overdrafts (Note 29) | **(45,419)** | - | **-** | - |
| | **38,819** | 99,906 | **4,370** | 3,913 |

The accompanying Notes form an integral part of the financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is investment holding. The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the Company in each subsidiaries are set out in Note 16.

The Company is a subsidiary of Associated International Cement Limited ("AIC"), a company incorporated in the United Kingdom. The Directors regard AIC and LafargeHolcim Ltd., a public-listed company incorporated in Switzerland as the immediate holding company and ultimate holding company, respectively.

The Company's registered office and principal place of business are located at Level 1, Wisma Lafarge, No. 2, Jalan Kilang 51/206, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance on 16 April 2019.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

At the beginning of the current financial year, the Group and the Company adopted new and amended MFRSs that are mandatory for financial periods beginning on or after 1 January 2018 as fully described in Note 2.1.

### 2.1 Adoption of New Malaysian Financial Reporting Standards, Amendments to MFRSs, and Issues Committee Interpretations ("IC Interpretations")

In the current financial year, the Group and the Company adopted all the new MFRSs, amendments to MFRSs and IC Interpretations issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to their operations and effective for annual financial periods commencing on or after 1 January 2018:

| | |
|---|---|
| MFRS 9 | Financial Instruments (IFRS 9 issued by IASB in July 2014) |
| MFRS 15 | Revenue from Contracts with Customers (and the related Clarifications) |
| Amendments to MFRS 2 | Classification and Measurement of Shared-based Payment Transactions |
| Amendments to MFRS 140 | Transfers of Investment Property |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to MFRSs | Annual Improvements to MFRSs 2014 - 2016 Cycle |

The adoption of these new MFRSs, amendments to MFRSs and IC Interpretations did not result in significant changes to the accounting policies of the Group and of the Company and had no significant effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 9 and MFRS 15 as disclosed in Note 42.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.2 Standards, Amendments to MFRSs and IC Interpretations in issue but not yet effective

At the date of the authorisation for issue of these financial statements, the new Standards, Amendments to MFRSs and IC Interpretations that are relevant to the Group and the Company which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

| | |
|---|---|
| MFRS 16 | Leases[1] |
| Amendments to MFRS 3 | Definition of a Business[2] |
| Amendments to MFRS 9 | Prepayment Features with Negative Compensation[1] |
| Amendments to MFRS 101 and MFRS 108 | Definition of Material[2] |
| Amendments to MFRS 10 and MFRS 128 | Sale or Contribution of Assets between and Investor and its Associate or Joint Venture[3] |
| Amendments to MFRSs | Annual improvements to MFRSs 2015 - 2017 Cycle[1] |
| IC Interpretation 23 | Uncertainty over Income Tax Payments[1] |
| MFRSs | Amendments to References to the Conceptual Framework in MFRS Standards[2] |

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective date deferred to a date to be determined and announced by MASB, with earlier application permitted

The Directors anticipate that the abovementioned Standards, Amendments and IC Interpretations will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards, Amendments and IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of initial application except as further discussed below:

**MFRS 16 Leases**

MFRS 16 replaces existing leases guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases* - Incentives and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on balance sheet lease accounting for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating leases.

The Group and the Company have assessed the estimated financial impact on its financial statements upon initial application of MFRS 16. As allowed by the transitional provision of MFRS 16, the Group and the Company have elected the modified retrospective approach with no restatement of comparative and cumulative adjustments resulting from the initial application of MFRS 16 to be recognised in retained earnings and reserves as at 1 January 2019, as disclosed below:

| | Estimated adjustments at 1 January 2019 Group RM'000 |
|---|---|
| Increase in right-of-use of assets | 58,113 |
| Decrease in other receivables, prepaid expenses and refundable deposits | (1,705) |
| Increase in finance lease receivables | 21,191 |
| Increase in lease liabilities | (74,993) |
| Increase in retained earnings | (2,606) |

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

### 2.2 Standards, Amendments to MFRSs and IC Interpretations in issue but not yet effective (Continued)

**Impact on the statements of profit or loss**

Profit before tax is expected to decrease as operating lease rentals which were previously recorded as expenses and investment income within profit before tax, will be replaced by interest expense on the lease liabilities and interest income on the finance lease receivables, respectively and amortisation of the right-of-use assets.

**Impact on the statements of cash flows**

For lease liabilities, operating cash flows are expected to increase with a corresponding increase in financing cash outflows, as repayment of the principal portion of the lease liabilities will be classified as cash outflows from financing activities.

For finance lease receivables, operating cash flows are expected to decrease with a corresponding increase in investing cash inflows, as receipt from the principal portion of the finance lease receivables will be classified as cash inflows from investing activities.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of Accounting

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transaction that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 36.5.

The principal accounting policies are set out below.

### 3.2 Going Concern

As at 31 December 2018, the Group's and the Company's current liabilities exceeded its current assets by RM309,463,000 and RM26,621,000, respectively. The Group and the Company have committed borrowings amounting to RM837,433,000 and RMNil; with undrawn facilities of RM731,700,000 and RM280,200,000, respectively.

As at the end of the reporting period, the credit facilities of the Group and of the Company consisted of the following:

Group

- Loans from other related companies of RM257,159,000 with remaining undrawn facilities of RM169,700,000;
- Sukuk Wakalah of RM279,639,000 maturing in year 2020 with remaining undrawn facilities of RM220,000,000;
- Bank overdrafts of RM45,419,000 with remaining undrawn facilities of RM24,100,000; and
- Other credit facilities of RM255,216,000 with remaining undrawn facilities of RM317,900,000.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Going Concern (Continued)

**Company**

- Bank overdrafts with remaining undrawn facilities of RM21,100,000; and
- Other credit facilities with remaining undrawn facilities of RM259,100,000.

Notwithstanding the net current liabilities position, the Group and the Company still have significant long-term assets which it could use as a security for banking facilities or to divest to generate additional cash flow.

The Directors are of the opinion that the growing demand for clinker in the export market with higher price, expected recovery of cement industry and cost improvement arising from better plant reliability and operational efficiency and the Group's ability to secure loan facilities will enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

### 3.3 Subsidiaries and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Subsidiaries and Basis of Consolidation (Continued)

3.3.1 Changes in Group's Ownership Interest in Existing Subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

3.3.2 Subsidiaries

Investments in subsidiaries which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

### 3.4 Business Combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under MFRS 3 (revised) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with MFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Business Combinations (Continued)

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one year.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another MFRS.

### 3.5 Investment in Joint Venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint venture are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in joint venture are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture.

### 3.6 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Impairment of Goodwill

At the end of each reporting period, the net book value of goodwill is tested for impairment by income approach (value-in-use). In the income approach, value-in-use is applied by estimating the discounted value of the sum of the expected future cash flows. If the carrying value of the cash-generating unit exceeds the higher of the value-in-use of the related assets and liabilities, an impairment of goodwill will be recognised in the profit or loss. Evaluations for impairment are impacted by estimates of future sales volume and selling prices of products, economic trends in the local and international construction sector and other factors. The result of these evaluations requires the Group to estimate the future cash flows expected to arise from the cash-generating units, constant growth rates and a suitable discount rate.

### 3.8 Revenue Recognition

3.8.1 <u>Revenue</u>

Prior to the adoption of MFRS 15, the Group's revenue is recognised at fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. With the adoption of MFRS 15 *Revenue from Contracts with Customers* in the current financial year, the Group's revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer.

A contract with customer exists when the contract has commercial substance, the Group and their customers have approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled in exchange of those goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and service tax. If the amount of consideration varies due to discounts, rebates, penalties or other similar items, the Group estimates the amount of consideration that it expects to be entitled based on the expected value method or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Revenue of the Company represents gross dividend received and/or receivable from subsidiaries.

3.8.2 <u>Dividend Income</u>

Dividend income is recognised when the shareholder's right to receive payment is established.

### 3.9 Leasing

Leases of property, plant and equipment where a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under such leases are charged to the profit or loss as rental charges. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

3.9.1 <u>The Group as Lessor</u>

The Group's Lorry-Owner-Driver ("LOD") scheme has been accounted for as property, plant and equipment that are leased to the drivers under operating leases based on the economic substance of the arrangement. Payments received under the lease are credited to profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Leasing (Continued)

3.9.2 The Group as Lessee

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined of the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

### 3.10 Prepaid Lease Payments on Leasehold Land

Lease of land with title not expected to pass to the lessee by the end of the lease term is treated as operating lease as land normally has an indefinite economic life. The up-front payments made on entering into a lease or acquiring a leasehold land that is accounted for as an operating lease are accounted for as prepaid lease payments that are amortised over the lease term on a straight line basis except for leasehold land classified as investment property.

The leasehold land was last revalued in 1993. Upon the adoption of MFRS 117, the leasehold land previously classified as property, plant and equipment was reclassified as prepaid lease payment at its revalued amount which was taken as the surrogate carrying amount of the prepaid lease payment less accumulated amortisation up to 1 January 2011, being the transition date in adopting the MFRS framework.

### 3.11 Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Ringgit Malaysia ("RM"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see 3.21 below for hedging accounting policies).
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a separate component of equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Foreign Currencies (Continued)

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of joint arrangement that do not results in the Group losing joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

### 3.12 Borrowing Costs

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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 3.13 Employee Benefits

3.13.1 Short-Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company.

3.13.2 Post-Employment Benefits

The Group and the Company have various post-employment benefit schemes in accordance with local conditions and practices in the countries in which they operate. These benefit plans are either defined contribution or defined benefit plans.

(a) Defined Contribution Plan

The Group and the Company make statutory contributions to approved provident funds and the contributions are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(b) Defined Benefit Plan

The Group and the Company operate an unfunded final salary defined benefit plan covering eligible employees. The retirement benefits accounting cost is assessed using the Projected Unit Credit Method, with actuarial valuation being carried out at the end of each reporting period. The latest actuarial valuation was undertaken on 4 January 2019.

The retirement benefits obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.13 Employee Benefits (Continued)

3.13.2 Post-Employment Benefits (Continued)

(c) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

3.13.3 Share-Based Payments

(a) Performance Shares Plan ("PSP")

The fair values of shares issued by the ultimate and penultimate holding companies under the PSP are measured at grant date. The financial impact of PSP granted to selected employees and executive officers of the Group and of the Company for the current and previous financial years is not material and has been accounted for accordingly in the financial statements of the ultimate and penultimate holding companies, respectively.

(b) Employee Share Purchase Plan ("ESPP")

In financial year 2009 and 2011, the penultimate holding company's ESPP was extended to the eligible Directors and employees of the Group.

The Group records a compensation cost when the conditions of the shares granted for purchase to eligible Directors and employees of the Group are significantly different from market conditions.

This cost is measured at the grant date.

The measurement of the cost takes into account the subsidised amount by the Group and discount granted on the share price. Subsidised amount of this compensation cost is expensed in the period in which they are incurred (considered as compensation for past services) but the discount granted is recognised as an expense over the vesting period attached to the shares issued.

The financial impact of the ESPP on the financial statements of the Group and of the Company is not material.

### 3.14 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

3.14.1 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Taxation (Continued)

3.14.2 Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries and interests in joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle their current tax assets and liabilities on a net basis.

3.14.3 Current and Deferred Tax for the Period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

3.14.4 Goods and Services Tax ("GST")

Where the GST incurred in a purchase of assets or services is not recoverable from the taxation authorities, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of GST being the difference between output and input of GST, payable to or receivable from the taxation authorities at the reporting date, is included in other payables or other receivables accordingly in the statements of financial position.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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 costs of self-constructed assets also include the cost of materials and direct labour.

Purchased software including development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group 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 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 available and replacement cost when appropriate.

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.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the profit or loss.

The Group's policy is to state its property, plant and equipment at cost. Revaluation of the Group's freehold land and building in 1993 was carried out primarily to cater for the bonus issue exercise and was not intended to effect a change in accounting policy to revalue its properties. Hence, in accordance with the transitional provisions of MASB Approved Accounting Standard IAS 16 (Revised) *Property, Plant and Equipment*, these properties were previously stated at their last revalued amounts less accumulated depreciation up to 1 January 2011, being the transition date in adopting the MFRS framework.

Freehold land is not depreciated. Depreciation of other property, plant and equipment is computed on a straight line basis to write off the cost or valuation over their estimated useful lives.

The principal annual rates are:

| | **2018**<br>**Over the remaining period of leases ranging** | **2017**<br>**Over the remaining period of leases ranging** |
|---|---|---|
| Land improvement | **from 5 to 80 years** | from 5 to 81 years |
| Buildings | **2% to 10%** | 2% to 10% |
| Office equipment, furniture and fittings and motor vehicles | **10% to 33.33%** | 10% to 33.33% |
| Plant, machinery and cement silos | **2% to 20%** | 2% to 20% |

Capital work-in-progress is not depreciated until they have been completed and ready for commercial operation.

At the end of each reporting period, the residual values, useful lives and depreciation method of the property, plant and equipment are reviewed, and the effects of any changes in estimates are recognised prospectively.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and provision for any impairment losses. Freehold land is not depreciated. Building is depreciated on a straight line basis to write off the cost over its estimated useful life at annual rate of 4%.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year in which they arise.

### 3.17 Quarry Rights

Quarry rights represent the consideration paid to obtain limestone and is amortised on a straight line basis to write off the cost over the lives of the quarry agreements. Where an indication of impairment exists, the carrying amount of quarry right is assessed and written down immediately to its recoverable amount. The amortisation period and the amortisation method for the quarry rights are reviewed at the end of each reporting period.

### 3.18 Impairment of Non-financial Assets Excluding Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets excluding goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the assets does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.19 Inventories

Inventories comprising fuels, raw and packing materials, finished and semi-finished goods, engineering parts and consumables are stated at the lower of cost and net realisable value. The cost of inventories is determined on the weighted average basis.

Cost of fuels, raw and packing materials, engineering parts and consumables comprises the original purchase price plus costs incurred in bringing the inventories to their present location and condition. Cost of finished and semi-finished goods comprises fuels, raw and packing materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provision for inventory obsolescence is made when an item has been identified as obsolete or excess inventory. The identification of an item as obsolete is done on an item by item basis after proper analysis has been conducted.

### 3.20 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, when it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate on the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 3.21 Financial Instruments

MFRS 9 replaces the provisions of MFRS 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets. The adoption of MFRS 9 *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group and the Company have elected to apply the transitional exemption in MFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a consequence:

(a) any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings,
(b) financial assets and liabilities are not reclassified in the statements of financial position for the comparative period,
(c) provisions for impairment have not been restated in the comparative period.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial Instruments (Continued)

3.21.1 Financial Assets

Financial Assets - Classification and Measurement

***Current financial year***

(a) Classification

From 1 January 2018, the Group and the Company classify their financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Group and the Company have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVTOCI").

The Group and the Company reclassify debt investments when and only when the business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest ("SPPI").

Debt Instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial Instruments (Continued)

3.21.1 Financial Assets (Continued)

Financial Assets - Classification and Measurement (Continued)

***Current financial year (Continued)***

(c) Measurement (Continued)

Debt Instruments (Continued)

(i) 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.

(ii) Fair Value through Other Comprehensive Income ("FVTOCI")

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.

(iii) Fair Value through Profit or Loss ("FVTPL")

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.

Equity Instruments

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 are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial Instruments (Continued)

3.21.1 Financial Assets (Continued)

Financial Assets - Classification and Measurement (Continued)

***Previous financial year***

(a) Classification

Until 31 December 2017, the Group and the Company classified their financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets ("AFS").

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Financial assets at Fair Value through Profit or Loss ("FVTPL")

The Group and the Company classified financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

The Group's and the Company's loans and receivables comprise 'trade receivables', 'other receivables and refundable deposits', 'amounts owing by holding and other related companies', 'amounts owing by subsidiaries' and 'cash and bank balances' in the statements of financial position.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative quoted financial assets with fixed or determinable payments and fixed maturities that the Group's and the Company's management has the positive intention and ability to hold to maturity. If the Group and the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as AFS. Held-to-maturity financial assets are in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Available-for-sale financial assets ("AFS")

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial Instruments (Continued)

3.21.1 Financial Assets (Continued)

Financial Assets - Classification and Measurement (Continued)

***Previous financial year (Continued)***

(b) Reclassification

The Group and the Company may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or AFS categories if the Group and the Company have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust the effective interest rates prospectively.

(c) Subsequent measurement

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

AFS financial assets and financial assets at FVTPL were subsequently carried at fair value.

Changes in the fair values of financial assets at FVTPL, including the effects of currency translation, interest income and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of AFS financial assets are recognised in other comprehensive income, except for impairment losses.

Financial Assets - Impairment

***Current financial year***

Impairment for debt instruments

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(a) Impairment for debt instruments

The Group and the Company assess on a forward-looking basis the expected credit losses ("ECL") model associated with its debt instruments carried at amortised cost and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial Instruments (Continued)

3.21.1 Financial Assets (Continued)

Financial Assets - Impairment (Continued)

***Current financial year (Continued)***

Impairment for debt instruments (Continued)

(a) Impairment for debt instruments (Continued)

The Group and the Company have financial instruments that are subject to the ECL model as follows:

- trade receivables,
- other receivables and refundable deposits,
- debentures, and
- amounts owing by holding, subsidiaries and other related companies.

While cash and bank balances are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between the present value of contractual cash flows and the present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

General 3-stage approach for other receivables, debentures, amounts owing by holding, subsidiaries and other related companies and financial guarantees

At the end of each reporting period, the Group and the Company measure ECL through a loss allowance at an amount equal to the 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Note 36.4.2 sets out the measurement details of ECL.

Simplified approach for trade receivables

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

Note 36.4.2 sets out the measurement details of ECL.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial Instruments (Continued)

3.21.1 Financial Assets (Continued)

Financial Assets - Impairment (Continued)

***Current financial year (Continued)***

Impairment for debt instruments (Continued)

(b) Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit assessment;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 60 days past due in making a contractual payment.

(c) Definition of default and credit impaired financial assets

The Group and the Company define a financial instrument as default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group and the Company define a financial instrument as in default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicate the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the debtor is insolvent.

Financial instruments that are credit impaired are assessed on individual basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial Instruments (Continued)

3.21.1 Financial Assets (Continued)

Financial Assets - Impairment (Continued)

***Current financial year (Continued)***

Impairment for debt instruments (Continued)

(d) Groupings of instruments for ECL measured on collective basis

(i) Collective assessment

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics, geographical location and the days past due.

(ii) Individual assessment

Trade receivables, other receivables and refundable deposits, debentures, amounts owing by holding and other related companies and financial guarantees which are in default or credit-impaired are assessed individually. Amount owing by subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each amount owing by a subsidiary.

(e) Write-off

(i) Trade receivables

Trade receivables are written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Indicators that there is no realistic prospect of recovery include amongst others, the failure of a debtor to engage in a repayment plan with the Group and the Company, and the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Impairment losses on trade receivables are presented as net impairment losses within profit before taxes. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other receivables and refundable deposits, debentures, amounts owing by holding, subsidiaries and other related companies and financial guarantees.

The Group and the Company write-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial Instruments (Continued)

3.21.1 Financial Assets (Continued)

Financial Assets - Impairment (Continued)

***Previous financial year***

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and joint venture) were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial assets was estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the assets's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial assets.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale was not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

3.21.2 Financial Liabilities

Financial Liabilities - Recognition and Initial Measurement

***Current financial year***

Upon adoption of MFRS 9 *Financial Instruments* in the current financial year, financial liabilities are classified as measured at fair value through profit or loss or at amortised cost, as appropriate. Financial liabilities are recognised initially at fair value plus or minus, in the case of financial instrument not at fair value through profit or loss, any directly attributable transaction costs incurred at the acquisition or issuance of financial instrument.

The Group's and the Company's financial liabilities include 'borrowings', 'trade payables', 'other payables and accrued expenses', 'amounts owing to holding and other related companies', 'amounts owing to subsidiaries', 'loans from other related companies' and 'derivative financial instruments'.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial Instruments (Continued)

3.21.2 Financial Liabilities (Continued)

Financial Liabilities - Recognition and Initial Measurement (Continued)

***Previous financial year***

Financial liabilities were classified as financial liabilities at fair value through profit or loss, or financial liabilities measured at amortised cost, as appropriate. The Group and the Company determined the classification of financial liabilities at initial recognition.

Financial liabilities were recognised initially at fair value less, in the case of borrowings, any directly attributable transaction costs.

The Group's and the Company's financial liabilities include 'borrowings', 'trade payables', 'other payables and accrued expenses', 'amounts owing to holding and other related companies', 'amounts owing to subsidiaries' and 'derivative financial instruments'.

Financial Liabilities - Classification and Subsequent Measurement

***Current financial year***

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at 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 recognised in the profit or loss.

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (refer to Note 3.21.5).

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial Liabilities - Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss. In the case of waiver of debt from owners, the gain is recognised in equity as other reserve.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial Instruments (Continued)

3.21.2 Financial Liabilities (Continued)

Financial Liabilities - Classification and Subsequent Measurement (Continued)

***Previous financial year***

The subsequent measurement of financial liabilities were dependent on their classification as follows:

Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprised financial liabilities that were derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that were specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair value with gains or losses recognised in the profit or loss.

Financial liabilities measured at amortised cost

Subsequent to initial recognition, other financial liabilities were measured at amortised cost using the effective interest method (refer to Note 3.21.5).

Gains and losses were recognised in the profit or loss when the liabilities were derecognised as well as through the amortisation process.

3.21.3 Derivative Financial Instruments

The Group uses derivative financial instruments such as forward rate contracts to manage certain exposures to fluctuations in foreign currency exchange rates.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives financial instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives financial instruments during the financial year are recognised in the profit or loss.

***Current financial year***

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.

In general, contracts to sell or purchase non-financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled or which contain written options are required to be recognised at fair value, with gains and losses recognised in the profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial Instruments (Continued)

3.21.3 Derivative Financial Instruments (Continued)

***Previous financial year***

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

3.21.4 Financial Guarantee Contract

A financial guarantee contract is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

***Current financial year***

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15 *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other provisions.

***Previous financial year***

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in the statements of profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the statements of profit or loss.

3.21.5 Effective Interest Method

***Current financial year***

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

***Previous financial year***

Amortised cost was computed using the effective interest method. This method uses effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial Instruments (Continued)

#### 3.21.6 Hedge Accounting

At inception of a designated hedging relationship, the Group documents the risk management objective and strategy for undertaking the hedge. The Group 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 expect to offset each other.

Cash flow hedge

***Current financial year***

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.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. 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 immediately.

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.

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.

***Previous financial year***

Cost of hedging was expensed to profit or loss.

Hedge of a net investment

A hedge of a net investment is a hedge in the interest of the net assets of a foreign operation. In a net investment 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 the ineffective portion is recognised in profit or loss. The cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss on disposal of the foreign operation.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Financial Instruments (Continued)

3.21.7 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 3.22 Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents comprise cash and bank balances, term deposits and other short-term, highly liquid investments that are readily convertible into cash with insignificant risk of changes in value, against which bank overdrafts, if any, are deducted.

### 3.23 Interest Income

Interest income is recognised on an accrual basis by reference to the principal outstanding and at the effective interest rate applicable.

### 3.24 Current and Non-current Classification

The Group and the Company present assets and liabilities in statements of financial position based on current and non-current classification.

An asset is classified as current when it is:
- expected to be realised or intended to be sold or consumed in normal operating cycle; or
- held primarily for the purpose of trading; or
- expected to be realised within 12 months after the reporting period; or
- cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:
- it is expected to be settled in normal operating cycle; or
- it is held primarily for the purpose of trading; or
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

### 3.25 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event not wholly within the control of the Group or of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.26 Contract Asset/Liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9 *Financial Instruments* (refer to Note 3.21.1).

A contract liability is stated at cost and represents obligation of the Group or of the Company to transfer goods or services to a customer for which consideration has been received from the customers.

### 3.27 Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved for payment.

The transaction costs of an equity transaction are accounted for as a deduction from equity. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares. Treasury shares may be acquired and held by the Company. Consideration paid or received is recognised directly in equity.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimation judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1 Critical Judgements in Applying the Group's Accounting Policies

The following are the judgements made by the Directors in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

4.1.1 Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (refer to Note 3.21.1). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

4.1.2 Significant Increase in Credit Risk

As explained in Note 3.21, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. MFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

- Stage 1 assets are financial assets whose credit risk has not increased significantly since initial recognition or that have low credit risk at the reporting date.
- Stage 2 assets are financial assets whose credit risk has increased significantly since initial recognition.
- Stage 3 assets are financial assets that have objective evidence of impairment.

### 4.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities of the Group and of the Company within the next financial year is discussed below.

4.2.1 Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use ("VIU") of the cash-generating unit ("CGU") to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of the Group's goodwill as at 31 December 2018 was approximately RM1,387,089,000 (2017: RM1,396,134,000). Further details are disclosed in Note 15.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### 4.2 Key Sources of Estimation Uncertainty (Continued)

#### 4.2.2 Engineering Parts and Consumables

Engineering parts and consumables are replacement parts and consumables of a plant. Their obsolescence is based on the analysis of the ageing of the parts and consumables as well as the analysis of the capacity of such materials to be used based on their levels of preservation and maintenance, and their potential obsolescence due to technological change. Details on engineering parts and consumables can be found in Note 21.

#### 4.2.3 Retirement Benefits

The Group has engaged an independent external actuary to assess the provision for retirement benefits. Projected Unit Credit Cost Method is used to determine the present value of the defined benefit obligation and the related current service cost. Under this method, a “projected accrued benefit” is calculated based upon service as of the date of valuation. However, when the benefit formula is based on future compensation and social security levels, assumptions about the growth of those amounts projected to the age at which the employee is assumed to leave active service will be used. Financial and demographic assumptions are used in assessing the actuarial value of the benefit obligations. Financial assumptions used include discount rate, price inflation rate and salary increment rate. While demographic assumptions include staff turnover rate, pre-retirement mortality, normal retirement age and new entrant profile. Further details are disclosed in Note 30.

## 5. REVENUE AND OPERATING COSTS

### 5.1 Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM’000 | 2017 RM’000 | 2018 RM’000 | 2017 RM’000 |
| Revenue from contracts with customers | **2,122,297** | 2,248,833 | **-** | - |
| Other revenue: | | | | |
| - Dividend income | **-** | - | **61,149** | 87,400 |
| | **2,122,297** | 2,248,833 | **61,149** | 87,400 |

## 5. REVENUE AND OPERATING COSTS (CONTINUED)

### 5.2 Disaggregation of Revenue

| | Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| **Major Products and Service Lines** | | |
| **Cement:** | | |
| - Sale of clinker, cement and other building materials | **1,533,984** | 1,614,873 |
| - Others | **4,156** | 2,314 |
| **Aggregates & Concrete:** | | |
| - Sale of aggregates | **23,970** | 19,515 |
| - Sale of ready-mix concrete | **546,733** | 605,852 |
| - Others | **13,454** | 6,279 |
| | **2,122,297** | 2,248,833 |
| **Timing and recognition of revenue:** | | |
| At a point in time | **2,104,687** | 2,240,240 |
| Over time | **17,610** | 8,593 |
| | **2,122,297** | 2,248,833 |

Disaggregation of revenue by geographical location is as disclosed in Note 40.

### 5.3 Nature of Goods and Services

| 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 |
|---|---|---|---|---|
| Sale of clinker, cement and other building materials | Revenue is recognised at a point in time when the goods are delivered and accepted by the customers at their premises | Credit period of 30 to 120 days from invoice date | Discounts are given to customers where the customers pay within the credit period given | The Group allows returns only for damaged goods |
| Sale of aggregates | Revenue is recognised at a point in time when the goods are delivered and accepted by the customers at their premises | Credit period of 60 to 90 days from invoice date | Not applicable | Not applicable |
| Sale of ready-mix concrete | Revenue is recognised at a point in time when the goods are delivered and accepted by the customers at their premises | Credit period of 30 to 90 days from invoice date | Discounts are given to customers where the customers pay within the credit period given | Not applicable |
| Others | Revenue is recognised over time when the services are rendered to customers | Credit period of 30 to 90 days from invoice date | Discounts are given to customers where the customers pay within the credit period given | Not applicable |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 5. REVENUE AND OPERATING COSTS (CONTINUED)

### 5.3 Nature of Goods and Services (Continued)

There are no warranty in substantially all of the contracts for the provision of goods and services by the Group.

For the transaction price allocated to the remaining performance obligations, the Group applied the following practical expedients:

- exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less;
- exemption not to adjust the promised amount of consideration for the effects of a significant financing component when the period between the transfer of a promised goods or service to a customer and when the customer pays for that good or service is one year or less.

### 5.4 Operating Costs Applicable to Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Costs of production, costs of goods purchased and changes in inventories of finished goods | **1,689,404** | 1,590,496 | **-** | - |
| Transportation costs | **270,454** | 305,488 | **-** | - |
| Depreciation and amortisation | **190,566** | 209,305 | **-** | - |
| Staff costs | **192,324** | 238,212 | **1,293** | 1,492 |
| Directors' remuneration | **7,168** | 6,722 | **4,550** | 4,168 |
| Others | **156,265** | 192,556 | **1,641** | 10,591 |
| | **2,506,181** | 2,542,779 | **7,484** | 16,251 |

### 5.5 Staff Costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Wages, salaries and bonuses | **139,598** | 169,792 | **822** | 1,303 |
| Defined contribution retirement plan | **15,083** | 17,953 | **35** | 143 |
| Termination benefits | **10,606** | 19,806 | **271** | - |
| Defined benefit retirement plan | **4,540** | 3,754 | **(4)** | 21 |
| Other employee benefits | **22,497** | 26,907 | **169** | 25 |
| | **192,324** | 238,212 | **1,293** | 1,492 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 5. REVENUE AND OPERATING COSTS (CONTINUED)

### 5.6 Directors' Remuneration

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| **Directors of the Company** | | | | |
| Executive Directors: | | | | |
| Salaries and other emoluments | **3,885** | 3,090 | **3,885** | 3,090 |
| Estimated monetary value of benefits | **191** | 550 | **191** | 550 |
| Defined contribution retirement plan | **121** | 113 | **121** | 113 |
| | **4,197** | 3,753 | **4,197** | 3,753 |
| Non-executive Directors: | | | | |
| Fees | **353** | 415 | **353** | 415 |
| | **4,550** | 4,168 | **4,550** | 4,168 |
| **Directors of the Subsidiaries** | | | | |
| Executive Directors: | | | | |
| Salaries and other emoluments | **2,043** | 1,972 | **-** | - |
| Estimated monetary value of benefits | **478** | 481 | **-** | - |
| Defined contribution retirement plan | **82** | 86 | **-** | - |
| | **2,603** | 2,539 | **-** | - |
| Non-executive Directors: | | | | |
| Fees | **15** | 15 | **-** | - |
| | **2,618** | 2,554 | **-** | - |
| Total | **7,168** | 6,722 | **4,550** | 4,168 |

## 6. INVESTMENT AND INTEREST INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Investment income from: | | | | |
| - operating lease under Lorry-Owner-Driver scheme | **9,732** | 9,201 | **-** | - |
| - rental of investment property | **111** | 109 | **-** | - |
| - other rental income | **221** | 394 | **-** | - |
| Dividends received from unquoted investments | **225** | 198 | **-** | - |
| | **10,289** | 9,902 | **-** | - |
| Interest income | **3,809** | 5,117 | **146** | 257 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 7. OTHER LOSSES - NET

| | Group | |
|---|---|---|
| | **2018** **RM'000** | **2017** **RM'000** |
| Net loss arising on financial assets/liabilities designated as at FVTPL | | |
| - unrealised | **2,240** | 203 |
| Hedge ineffectiveness on cash flow hedges | | |
| - realised | **684** | 3,397 |
| - unrealised | **(51)** | 144 |
| | **2,873** | 3,744 |

## 8. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2018** **RM'000** | **2017** **RM'000** | **2018** **RM'000** | **2017** **RM'000** |
| Interest expense: | | | | |
| - term loan borrowings | **-** | 178 | **-** | - |
| - medium term notes | **-** | 428 | **-** | 428 |
| - Sukuk Wakalah | **14,148** | 13,404 | **-** | - |
| - bankers' acceptance | **168** | 47 | **-** | - |
| - bank overdrafts | **4,813** | 5,247 | **-** | 132 |
| - revolving credit | **14,198** | 4,934 | **-** | - |
| - subsidiary companies | **-** | - | **4,155** | 5,941 |
| - other related companies | **970** | - | **-** | - |
| - others | **1,710** | 861 | **577** | - |
| | **36,007** | 25,099 | **4,732** | 6,501 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 9. INCOME TAX (CREDIT)/EXPENSE

### 9.1 Income Tax Recognised in Profit or Loss

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| **Malaysia** | | | | |
| Estimated current tax payable: | | | | |
| - current year | **13,427** | 18,871 | **32** | 56 |
| - under/(over)provision in prior years | **2,099** | (2,408) | **1** | - |
| Deferred tax: | | | | |
| - current year | **(100,710)** | (79,902) | **-** | - |
| - overprovision in prior years | **(1,119)** | (2,376) | **-** | - |
| | **(86,303)** | (65,815) | **33** | 56 |
| **Foreign** | | | | |
| Estimated current tax payable: | | | | |
| - current year | **205** | 410 | **-** | - |
| - overprovision in prior years | **(410)** | (77) | **-** | - |
| Deferred tax: | | | | |
| - current year | **(13)** | 30 | **-** | - |
| | **(218)** | 363 | **-** | - |
| Total income tax (credit)/expense | **(86,521)** | (65,452) | **33** | 56 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 9. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

### 9.1 Income Tax Recognised in Profit or Loss (Continued)

A reconciliation of income tax (credit)/expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax (credit)/expense at the effective income tax rate of the Group and of the Company is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| (Loss)/profit before tax | **(405,388)** | (279,037) | **49,301** | 69,880 |
| Tax (credit)/expense calculated using the Malaysian statutory income tax rate of 24% | **(97,293)** | (66,969) | **11,832** | 16,771 |
| Tax effects of: | | | | |
| - different tax rates of subsidiaries operating in other jurisdictions | **126** | 172 | **-** | - |
| - share of results in joint venture | **462** | 1,204 | **-** | - |
| - expenses that are not deductible in determining taxable profit | **13,199** | 12,944 | **2,876** | 4,261 |
| - income not taxable in determining taxable profit | **(230)** | (5,149) | **(14,676)** | (20,976) |
| - change in the unrecognised deferred tax assets | **1,809** | 8,162 | **-** | - |
| - utilisation of reinvestment allowances | **(856)** | - | **-** | - |
| - recognition of deferred tax arising from reinvestment allowances | **(4,160)** | (3,608) | **-** | - |
| - recognition of previously unrecognised unused tax losses, unused capital allowances and temporary differences | **-** | (7,938) | **-** | - |
| - under/(over)provision of tax payable in prior years | **1,689** | (2,485) | **1** | - |
| - overprovision of deferred tax in prior years | **(1,119)** | (2,376) | **-** | - |
| - others | **(148)** | 591 | **-** | - |
| Income tax (credit)/expense recognised in profit or loss | **(86,521)** | (65,452) | **33** | 56 |

Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

No changes to the applicable tax rate following the substantive enactment of the Finance Act 2017 for the financial year ended 31 December 2018 and 2017.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 9. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

### 9.2 Income Tax Recognised in Other Comprehensive Income

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| **Deferred Tax** | | | | |
| Arising on income and expenses recognised in other comprehensive income: | | | | |
| - Defined benefit retirement plan actuarial gains | 3,789 | 1,774 | - | - |
| - Net fair value gains/(losses) on cash flow hedges | 216 | (243) | - | - |
| | 4,005 | 1,531 | - | - |
| Reclassification from equity to profit or loss relating to cash flow hedges | - | (33) | - | - |
| Total income tax expense recognised in other comprehensive income | 4,005 | 1,498 | - | - |

## 10. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging/(crediting):

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| 10.1 | **Trade Receivables** | | | | |
| | Loss allowance/(reversal of loss allowance) | 3,593 | (1,391) | - | - |
| 10.2 | **Depreciation and Amortisation Expense** | | | | |
| | Depreciation of property, plant and equipment | 182,639 | 201,672 | - | - |
| | Depreciation of investment property | 3 | 4 | - | - |
| | Amortisation of prepaid lease payments on leasehold land | 5,776 | 4,772 | - | - |
| | Amortisation of intangible assets | 2,148 | 2,857 | - | - |
| | Total depreciation and amortisation expense | 190,566 | 209,305 | - | - |
| 10.3 | **Inventories** | | | | |
| | (Reversal of provision)/provision for inventory obsolescence | (544) | 1,044 | - | - |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 10. (LOSS)/PROFIT FOR THE YEAR (CONTINUED)

| | Group 2018 RM'000 | Group 2017 RM'000 | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|---|---|
| **10.4 Other Charges/(Credit)** | | | | |
| Rental of premises and equipment | **45,502** | 47,932 | **-** | - |
| Provision/(reversal of provision) for retirement benefits | **4,540** | 3,754 | **(4)** | 21 |
| Loss/(gain) on foreign exchange: | | | | |
| - realised | **1,348** | (7,833) | **(53)** | (4,975) |
| - unrealised | **1,035** | 5,256 | **(169)** | 8,070 |
| Property, plant and equipment written off | **4,687** | 8,202 | **-** | - |
| Fees paid/payable to external auditors: | | | | |
| Statutory audit: | | | | |
| (a) auditors of the Company | | | | |
| - current year | **646** | 645 | **78** | 76 |
| - (over)/underprovision in prior years | **(31)** | 46 | **(2)** | 6 |
| (b) other member firm of the auditors of the Company | | | | |
| - current year | **214** | 237 | **-** | - |
| - (over)/underprovision in prior years | **(90)** | 3 | **-** | - |
| Non-audit services: | | | | |
| - auditors of the Company | **9** | 6 | **-** | 5 |
| - other member firm of the auditors of the Company | **-** | 5 | **-** | - |
| Loss/(gain) on disposal of: | | | | |
| - property, plant and equipment | **519** | (5,837) | **-** | - |
| - leasehold land | **-** | (8,984) | **-** | - |
| - unquoted investments | **96** | 10 | **-** | - |
| Impairment loss of goodwill | **9,045** | - | **-** | - |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 11. LOSS PER ORDINARY SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the year as follows:

**Basic loss per share**

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| Loss attributable to owners of the Company | **(319,351)** | (215,160) |

| | Group | |
|---|---|---|
| | **2018 Units'000** | **2017 Units'000** |
| Number of ordinary shares in issue | **849,695** | 849,695 |

| | Group | |
|---|---|---|
| | **2018** | **2017** |
| Basic loss per ordinary share (sen) | **(37.58)** | (25.32) |

**Diluted loss per share**

The basic and diluted loss per share are the same as the Company has no dilutive potential ordinary shares.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 12. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold Land RM'000 | Land Improvement RM'000 | Buildings RM'000 | Office Equipment, Furniture and Fittings and Motor Vehicles RM'000 | Plant Machinery and Cement Silos RM'000 | Capital Work-in Progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | |
| As at 1 January 2017 | 34,875 | 97,790 | 271,372 | 89,893 | 3,693,481 | 144,017 | 4,331,428 |
| Additions | - | 1 | 156 | 182 | - | 202,131 | 202,470 |
| Reclassifications | - | 2,370 | 17,448 | 5,540 | 157,016 | (182,374) | - |
| Disposals | (166) | - | - | (731) | (1,142) | - | (2,039) |
| Write-offs | (2) | (4,024) | (10,293) | (10,603) | (43,511) | (2,288) | (70,721) |
| Capitalisation of engineering parts and consumables from inventories | - | - | - | - | 1,531 | - | 1,531 |
| Effect of foreign currency exchange differences | - | - | (244) | (56) | (1,415) | - | (1,715) |
| As at 31 December 2017 | 34,707 | 96,137 | 278,439 | 84,225 | 3,805,960 | 161,486 | 4,460,954 |
| **Accumulated Depreciation** | | | | | | | |
| As at 1 January 2017 | - | 45,286 | 169,550 | 76,097 | 2,299,132 | - | 2,590,065 |
| Charge for the year | - | 13,958 | 5,251 | 5,704 | 176,759 | - | 201,672 |
| Disposals | - | - | - | (282) | (1,142) | - | (1,424) |
| Write-offs | - | (3,990) | (3,194) | (13,073) | (42,262) | - | (62,519) |
| Effect of foreign currency exchange differences | - | - | (247) | (54) | (1,337) | - | (1,638) |
| As at 31 December 2017 | - | 55,254 | 171,360 | 68,392 | 2,431,150 | - | 2,726,156 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Freehold Land RM'000 | Land Improvement RM'000 | Buildings RM'000 | Office Equipment, Furniture and Fittings and Motor Vehicles RM'000 | Plant Machinery and Cement Silos RM'000 | Capital Work-in-Progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | | | |
| As at 1 January 2018 | 34,707 | 96,137 | 278,439 | 84,225 | 3,805,960 | 161,486 | 4,460,954 |
| Additions | - | - | 4,251 | - | 74 | 103,870 | 108,195 |
| Reclassifications | - | 1,261 | 11,499 | 7,695 | 120,984 | (141,439) | - |
| Reclassifications to prepaid lease payments on leasehold land | (2,845) | - | - | - | - | - | (2,845) |
| Disposals | - | (591) | - | (1,548) | (4,878) | - | (7,017) |
| Write-offs | - | (400) | (213) | (4,139) | (11,609) | - | (16,361) |
| Capitalisation of engineering parts and consumables from inventories | - | - | - | - | 883 | - | 883 |
| Effect of foreign currency exchange differences | - | - | 74 | 3 | 44 | - | 121 |
| As at 31 December 2018 | 31,862 | 96,407 | 294,050 | 86,236 | 3,911,458 | 123,917 | 4,543,930 |
| **Accumulated Depreciation** | | | | | | | |
| As at 1 January 2018 | - | 55,254 | 171,360 | 68,392 | 2,431,150 | - | 2,726,156 |
| Charge for the year | - | 11,709 | 6,769 | 6,206 | 157,955 | - | 182,639 |
| Reclassifications | - | - | (4) | 34 | (30) | - | - |
| Disposals | - | (523) | - | (1,018) | (4,399) | - | (5,940) |
| Write-offs | - | (400) | (213) | (1,806) | (9,255) | - | (11,674) |
| Effect of foreign currency exchange differences | - | - | 27 | 3 | 45 | - | 75 |
| As at 31 December 2018 | - | 66,040 | 177,939 | 71,811 | 2,575,466 | - | 2,891,256 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Freehold Land RM'000 | Land Improvement RM'000 | Buildings RM'000 | Office Equipment, Furniture and Fittings and Motor Vehicles RM'000 | Plant, Machinery and Cement Silos RM'000 | Capital Work-in-Progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Accumulated Impairment Loss** | | | | | | | |
| As at 1 January 2017 and 31 December 2017 | 40 | - | - | - | - | - | 40 |
| As at 1 January 2018 and 31 December 2018 | **40** | **-** | **-** | **-** | **-** | **-** | **40** |
| **Net Book Value** | | | | | | | |
| As at 31 December 2018 | **31,822** | **30,367** | **116,111** | **14,425** | **1,335,992** | **123,917** | **1,652,634** |
| As at 31 December 2017 | 34,667 | 40,883 | 107,079 | 15,833 | 1,374,810 | 161,486 | 1,734,758 |

As at 31 December 2018, included in property, plant and equipment of the Group are fully depreciated property, plant and equipment at an aggregate cost of approximately RM1,536,049,000 (2017: RM865,883,000) which are still in use.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 13. INVESTMENT PROPERTY

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| **At Cost** | | |
| At beginning and end of year | **4,079** | 4,079 |
| **Accumulated Depreciation** | | |
| At beginning of year | **359** | 355 |
| Charge for the year | **3** | 4 |
| At end of year | **362** | 359 |
| **Impairment Loss** | | |
| At beginning and end of year | **585** | 585 |
| **Net Book Value** | **3,132** | 3,135 |
| Included in the above are: | | |
| Freehold land | **3,100** | 3,100 |
| Buildings | **32** | 35 |
| | **3,132** | 3,135 |

The property rental income earned by the Group from its investment property, all of which are leased out under operating leases, amounted to RM111,000 (2017: RM109,000). Direct operating expenses arising on the investment property amounted to RM 3,000 (2017: RM1,000).

The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change of the valuation technique during the year.

## 13. INVESTMENT PROPERTY (CONTINUED)

Details of the Group's investment property and information about the fair value hierarchy are as follows:

| Group | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Fair value as at 31.12.2018 RM'000 |
|---|---|---|---|---|
| **2018** | | | | |
| - Freehold land | **-** | **-** | **4,190** | **4,190** |
| - Buildings | **-** | **-** | **277** | **277** |
| | **-** | **-** | **4,467** | **4,467** |

| Group | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Fair value as at 31.12.2017 RM'000 |
|---|---|---|---|---|
| **2017** | | | | |
| - Freehold land | - | - | 4,190 | 4,190 |
| - Buildings | - | - | 210 | 210 |
| | - | - | 4,400 | 4,400 |

There were no transfers between Levels 1, 2 and 3 during the year.

The following table shows a reconciliation of Level 3 fair value:

| | 2018 RM'000 | 2017 RM'000 |
|---|---|---|
| At beginning of year | 4,400 | 4,400 |
| Fair value changes during the year | 67 | - |
| At end of year | 4,467 | 4,400 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 14. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

| | Group | | |
|---|---|---|---|
| | Unexpired period less than 50 years RM'000 | Leasehold land Unexpired period more than 50 years RM'000 | Total RM'000 |
| **Cost** | | | |
| As at 1 January 2017 | 130,793 | 51,716 | 182,509 |
| Addition | 290 | - | 290 |
| Reclassification | (56) | 56 | - |
| Disposals | - | (3,200) | (3,200) |
| Write-offs | (4,292) | (2,454) | (6,746) |
| As at 31 December 2017/1 January 2018 | **126,735** | **46,118** | **172,853** |
| Reclassification from property, plant and equipment | **-** | **2,845** | **2,845** |
| As at 31 December 2018 | **126,735** | **48,963** | **175,698** |
| **Accumulated Amortisation** | | | |
| As at 1 January 2017 | 88,076 | 15,317 | 103,393 |
| Charge for the year | 3,882 | 890 | 4,772 |
| Reclassification | (278) | 278 | - |
| Disposals | - | (540) | (540) |
| Write-offs | (4,292) | (2,454) | (6,746) |
| As at 31 December 2017/1 January 2018 | **87,388** | **13,491** | **100,879** |
| Charge for the year | **3,881** | **1,895** | **5,776** |
| As at 31 December 2018 | **91,269** | **15,386** | **106,655** |
| **Net Book Value** | | | |
| As at 31 December 2018 | **35,466** | **33,577** | **69,043** |
| As at 31 December 2017 | 39,347 | 32,627 | 71,974 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 15. INTANGIBLE ASSETS

Intangible assets consist of the following:

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| Goodwill on consolidation | **1,387,089** | 1,396,134 |
| Quarry rights | **18,151** | 20,299 |
| | **1,405,240** | 1,416,433 |

### 15.1 Goodwill on Consolidation

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| At beginning of year | **1,396,134** | 1,396,134 |
| Impairment loss during the year | **(9,045)** | - |
| At end of year | **1,387,089** | 1,396,134 |

Lafarge Aggregates (Pantai Remis) Sdn Bhd ("LAPR") was acquired by the Group in 2004 for a cash consideration of RM14,629,000, with a goodwill on acquisition of RM9,045,000.

LAPR has been loss making mainly arising from challenges due to its geographical location and labour shortages. As there is no synergy to the existing business and the ability to generate positive cash flows is uncertain, management has reorganised its reporting structure to review LAPR operations separately from the aggregates and concrete segment. Based on the impairment assessment performed subsequent to the reorganisation of its reporting structure, an impairment loss of RM9,045,000 was recognised during the financial year.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. Before recognition of any impairment losses, the carrying amount of goodwill has been allocated to the following business segments as independent CGUs:

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| Cement | **1,327,850** | 1,327,850 |
| Aggregates and concrete | **59,239** | 68,284 |
| | **1,387,089** | 1,396,134 |

The Group's methodology to test its goodwill for impairment is described in Note 4. The goodwill is allocated to the respective CGU corresponding to the activity of the segment.

## 15. INTANGIBLE ASSETS (CONTINUED)

### 15.1 Goodwill on Consolidation (Continued)

#### 15.1.1 Key assumptions used

The following assumptions have been applied in the value-in-use calculation for the goodwill in cement segment (“A”) and aggregates and concrete segment (“B”):

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | A<br>% | B<br>% | A<br>% | B<br>% |
| Pre-tax discounts rate | **12.00** | **9.80** | 10.20 | 9.70 - 11.40 |
| Terminal growth rate | **2.10** | **2.10** | 2.60 | 2.60 |

(a) Discount rates
The discount rates used are pre-tax and reflect specific risks relating to the CGU.

(b) Terminal growth rate
The long term annual growth rate used is consistent with the average long term annual growth rate for the relevant industries.

(c) The cement selling price and sales volume in preparing the cash flow projections were determined based on past business performance and management’s expectations on the current market condition.

#### 15.1.2 Sensitivity analysis

If the estimated pre-tax discount rate applied to the discounted cash flow had been increased by an additional 1.0% and all other variables remain constant, there will be an impairment to the carrying value of the goodwill allocated to cement segment of RM7,500,000.

The management believes that there are no reasonable possible change in any of the key assumptions other than the pre-tax discount rate above, would cause the carrying value of the goodwill allocated to other CGUs to materially exceeds its recoverable amount.

### 15.2 Quarry Rights (with finite useful life)

| | Group | |
|---|---|---|
| | 2018<br>RM’000 | 2017<br>RM’000 |
| **Cost** | | |
| At beginning and end of year | **27,783** | 27,783 |
| **Accumulated Amortisation** | | |
| At beginning of year | **7,484** | 4,627 |
| Charge for the year | **2,148** | 2,857 |
| At end of year | **9,632** | 7,484 |
| Net | **18,151** | 20,299 |

The amount charged in respect of the amortisation of quarry rights is taken up as part of the cost of sales in the profit or loss of the Group.

## 16. INVESTMENT IN SUBSIDIARIES

| | Company 2018 RM'000 | Company 2017 RM'000 |
|---|---|---|
| Unquoted shares: | | |
| In Malaysia | **2,415,761** | 2,415,761 |

In 2017, the Company undertook an internal restructuring exercise involving the transfer of its entire equity interest in LMCBH of SGD2.00 to M-Cement Sdn. Bhd., a wholly-owned subsidiary of the Company to enhance the overall operational efficiency of the Group.

Details of the Company's subsidiaries are as follows:

| Name of Subsidiary | Principal Activities | Proportion of ownership interest and voting power held by the Group 2018 % | 2017 % |
|---|---|---|---|
| **Incorporated in Malaysia** | | | |
| Associated Pan Malaysia Cement Sdn. Bhd. | Manufacture and sale of clinker and cement | **100** | 100 |
| Lafarge Cement Sdn. Bhd. | Manufacture and sale of clinker and cement | **100** | 100 |
| Lafarge Drymix Sdn. Bhd. | Manufacture and sale of cement and drymix products | **100** | 100 |
| CMCM Perniagaan Sdn. Bhd. | Trading of cement and other building materials | **100** | 100 |
| Jumewah Shipping Sdn. Bhd. | Shipping of bulk cement and chartering of vessels | **100** | 100 |
| Kedah Cement Jetty Sdn. Bhd. | Management and operation of a jetty | **100** | 100 |
| Lafarge Aggregates Sdn. Bhd. | Investment holding, trading and quarrying of aggregates and related products | **100** | 100 |
| Lafarge Aggregates (Pantai Remis) Sdn. Bhd. | Producer and supplier of aggregates and related products | **100** | 100 |
| Lafarge Concrete (Malaysia) Sdn. Bhd. | Manufacture and sale of ready-mix concrete | **93.26** | 93.26 |
| Lafarge Concrete Industries Sdn. Bhd. | Manufacture and sale of ready-mix concrete | **93.26** | 93.26 |
| Lafarge Concrete (East Malaysia) Sdn. Bhd.# | Dormant | **93.26** | 93.26 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the Company's subsidiaries are as follows: (Continued)

| Name of Subsidiary | Principal Activities | Proportion of ownership interest and voting power held by the Group 2018 % | 2017 % |
|---|---|---|---|
| **Incorporated in Malaysia** | | | |
| Probuilders Centre Sdn. Bhd.# | Trading of cement and other building materials | **100** | 100 |
| Holcim (Malaysia) Sdn. Bhd. | Manufacturing and sale of cement | **100** | 100 |
| Holcim Marketing (Malaysia) Sdn. Bhd. | Dormant | **100** | 100 |
| Lafarge Aggregates (Kota Tinggi) Sdn. Bhd. | Quarrying and trading of granite and quarry products | **100** | 100 |
| Geocycle Malaysia Sdn. Bhd. | Trading of any type of cementitious materials for cement or concrete use | **100** | 100 |
| M-Cement Sdn. Bhd. | Investment holding | **100** | 100 |
| Kedah Cement Holdings Berhad | Investment holding | **100** | 100 |
| Lafarge Shared Services Sdn. Bhd. | Accounting shared services, and management consulting services | **100** | 100 |
| Geocycle Environmental Services Sdn. Bhd. | Waste management in cement manufacturing activities | **100** | 100 |
| **Incorporated in Singapore** | | | |
| LMCB Holding Pte. Ltd.* | Investment holding | **100** | 100 |
| Lafarge Cement Singapore Pte. Ltd.* | Bulk import and sale of cement and trading of other building materials | **100** | 100 |
| Supermix Concrete Pte. Ltd.* | Investment holding | **100** | 100 |
| Lafarge Marketing Pte. Ltd.* | Investment holding | **100** | 100 |
| PMCWS Enterprises Pte. Ltd.* | Investment holding | **100** | 100 |
| LCS Shipping Pte. Ltd.* | Shipping of bulk cement and chartering of vessels | **100** | 100 |

* The financial statements of these subsidiaries were audited by a member firm of Deloitte Touche Tohmatsu Limited.

\# On 28 February 2019, these subsidiaries have been placed under members' voluntary winding-up.

## 17. INVESTMENT IN JOINT VENTURE

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| Unquoted shares at cost, representing share of net assets acquired | **17,975** | 17,975 |
| Group's share of post acquisition results | **9,245** | 11,169 |
| Exchange differences | **7,010** | 7,013 |
| | **34,230** | 36,157 |
| Less: Dividends received | **(15,908)** | (15,908) |
| | **18,322** | 20,249 |

At Group level, the carrying value of joint venture represents its share of net assets in the joint venture at end of the reporting period. Summarised financial information in respect of the Group's joint venture is as follows:

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| Total assets | **109,715** | 134,497 |
| Total liabilities | **(80,481)** | (101,100) |
| Net assets | **29,234** | 33,397 |
| Group's share of joint venture's net assets | **18,322** | 20,249 |
| Total revenue | **371,542** | 431,206 |
| Total losses for the year | **(3,848)** | (10,030) |
| Share of results in joint venture | **(1,924)** | (5,015) |

Details of the joint venture are as follows:

| Name of Joint Venture | Principal Activities | Proportion of ownership interest and voting power held by the Group 2018 % | 2017 % |
|---|---|---|---|
| **Incorporated in Singapore** | | | |
| Alliance Concrete Singapore Pte. Ltd. | Production and sale of ready-mix concrete | **50** | 50 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 18. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred Tax Assets

| | Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| At beginning of year | **61,255** | 15,856 |
| Recognised in profit or loss | **(3,153)** | 7,847 |
| Recognised in other comprehensive income | **(948)** | (329) |
| Reclassification from deferred tax liabilities | **112,932** | 37,881 |
| At end of year | **170,086** | 61,255 |

Deferred Tax Liabilities

| | Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| At beginning of year | **(117,205)** | (152,976) |
| Recognised in profit or loss | **104,995** | 74,401 |
| Recognised in other comprehensive income | **(3,057)** | (1,202) |
| Reclassification from equity to profit or loss | **-** | 33 |
| Reclassification to deferred tax assets | **(112,932)** | (37,881) |
| Exchange difference on foreign operations | **1** | 420 |
| At end of year | **(128,198)** | (117,205) |

As mentioned in Note 3.14, the tax effects of unused tax losses, unused capital allowances and deductible temporary differences which would give rise to deferred tax assets are generally recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses, unused capital allowances and deductible temporary differences can be utilised. In accordance with the provision of Finance Act 2018, the unused tax losses and unused capital allowances are available for utilisation in the next seven years, for which, any excess at the end of the seventh year, will be disregarded.

As at 31 December 2018, the amount of unused tax losses, unused capital allowances and deductible temporary differences of certain subsidiaries for which deferred tax assets are not recognised in the financial statements due to uncertainty of realisation are as follows:

| | Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| Unused tax losses | **96,202** | 90,792 |
| Unused capital allowances | **30,059** | 28,969 |
| Deductible temporary differences | **1,812** | 860 |
| | **128,073** | 120,621 |

The unused tax losses and unused capital allowances, which are subject to the agreement by the tax authorities, are available for offset against future chargeable income of the respective subsidiaries.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 18. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

| Group | Property, plant and equipment RM'000 | Receivables RM'000 | Inventories RM'000 | Payables and reserves RM'000 | Unused tax losses RM'000 | Unused capital allowances RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Deferred Tax Assets** | | | | | | | |
| As at 1 January 2017 | 11,796 | - | - | (10,160) | 7,382 | 6,838 | 15,856 |
| Recognised in profit or loss | (4,922) | 227 | - | 5,675 | 8,811 | (1,944) | 7,847 |
| Recognised in other comprehensive income | - | - | - | (329) | - | - | (329) |
| Reclassification from deferred tax liabilities | (43,999) | - | 3,114 | 13,177 | 65,589 | - | 37,881 |
| **As at 31 December 2017/ 1 January 2018** | **(37,125)** | **227** | **3,114** | **8,363** | **81,782** | **4,894** | **61,255** |
| Recognised in profit or loss | **(113)** | **(226)** | **-** | **1,065** | **(1,602)** | **(2,277)** | **(3,153)** |
| Recognised in other comprehensive income | **-** | **-** | **-** | **(948)** | **-** | **-** | **(948)** |
| Reclassification from deferred tax liabilities | **6,993** | **44** | **(143)** | **(3,451)** | **96,836** | **12,653** | **112,932** |
| As at 31 December 2018 | **(30,245)** | **45** | **2,971** | **5,029** | **177,016** | **15,270** | **170,086** |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 18. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The components and movements of deferred tax assets and liabilities during the financial year are as follows: (Continued)

| Group | Property, plant and equipment RM'000 | Receivables RM'000 | Inventories RM'000 | Payables and reserves RM'000 | Unused tax losses RM'000 | Unused capital allowances RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Deferred Tax Liabilities** | | | | | | | |
| As at 1 January 2017 | (210,772) | 106 | 5,569 | 18,568 | 32,172 | 1,381 | (152,976) |
| Recognised in profit or loss | 11,077 | - | 250 | 2,010 | 62,445 | (1,381) | 74,401 |
| Recognised in other comprehensive income | - | - | - | (1,202) | - | - | (1,202) |
| Reclassification from equity to profit or loss | - | - | - | 33 | - | - | 33 |
| Reclassification to deferred tax assets | 43,999 | - | (3,114) | (13,177) | (65,589) | - | (37,881) |
| Exchange difference on foreign operations | 420 | - | - | - | - | - | 420 |
| **As at 31 December 2017/ 1 January 2018** | **(155,276)** | **106** | **2,705** | **6,232** | **29,028** | **-** | **(117,205)** |
| Recognised in profit or loss | **4,090** | **44** | **(135)** | **(732)** | **89,075** | **12,653** | **104,995** |
| Recognised in other comprehensive income | **-** | **-** | **-** | **(3,057)** | **-** | **-** | **(3,057)** |
| Reclassification to deferred tax assets | **(6,993)** | **(44)** | **143** | **3,451** | **(96,836)** | **(12,653)** | **(112,932)** |
| Exchange difference on foreign operations | **1** | **-** | **-** | **-** | **-** | **-** | **1** |
| As at 31 December 2018 | **(158,178)** | **106** | **2,713** | **5,894** | **21,267** | **-** | **(128,198)** |

RM645,882,000 (2017: RM275,563,000) of unused tax losses of subsidiaries that are suffering losses are recognised as management considered it is probable that future taxable profits will be available against which they can be utilised.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 19. OTHER FINANCIAL ASSETS

| Group | Quoted, unquoted and other investments RM'000 | Debentures RM'000 | Foreign currency forward contracts RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2018** | | | | |
| Non-current: | | | | |
| Fair value through other comprehensive income (Note 19.1) | **2,851** | **-** | **-** | **2,851** |
| Amortised cost | **-** | **1,255** | **-** | **1,255** |
| | **2,851** | **1,255** | **-** | **4,106** |
| Current: | | | | |
| Derivative that are designated and effective as hedging instruments carried at fair value | **-** | **-** | **60** | **60** |
| | **2,851** | **1,255** | **60** | **4,166** |
| **2017** | | | | |
| Non-current: | | | | |
| Available-for-sale | 1,954 | - | - | 1,954 |
| Held-to-maturity | - | 1,255 | - | 1,255 |
| | 1,954 | 1,255 | - | 3,209 |
| Current: | | | | |
| Fair value through profit or loss | - | - | 69 | 69 |
| | 1,954 | 1,255 | 69 | 3,278 |

| Company | Debentures RM'000 |
|---|---|
| 2018 | |
| Non-current: | |
| Amortised cost | **1,255** |
| 2017 | |
| Non-current: | |
| Held-to-maturity | 1,255 |

## 19. OTHER FINANCIAL ASSETS (CONTINUED)

### 19.1 Equity Instruments Designated at Fair Value through Other Comprehensive Income

At 1 January 2018, the Group designated the investments of equity securities as at fair value through other comprehensive income because these equity securities represent investments that the Group intends to hold for long-term strategic purposes. In 2017, these investments were classified as available-for-sale.

| Group | Fair value at 31 December 2018 RM'000 | Dividend income recognised during 2018 RM'000 |
|---|---|---|
| ML Global Berhad | **581** | - |
| Simen Utara Sdn. Bhd. | **2,040** | 225 |
| Others | **230** | - |
| | **2,851** | 225 |

During the year, the Group disposed the following investment which is carried at fair value through other comprehensive income because it is no longer in line with the Group's strategy:

| Group | Fair value at derecognition RM'000 | Cumulative loss transferred to retained earnings upon disposal RM'000 | Dividend income recognised during 2018 RM'000 |
|---|---|---|---|
| Others | 181 | - | - |

## 20. AMOUNTS OWING BY/(TO) SUBSIDIARIES

### 20.1 Amounts Owing by Subsidiaries

| | Company | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| Current: | | |
| Short-term loans and advances to subsidiaries (a) | **165,660** | 181,061 |
| Outstanding balances receivable for other transactions (b) | **46** | 2,711 |
| | **165,706** | 183,772 |

(a) The loans and advances to subsidiaries are unsecured, interest-free and repayable on demand.

(b) Outstanding balances receivable for other transactions which arose mainly from payment made on behalf, are interest-free and repayable on demand.

### 20.2 Amounts Owing to Subsidiaries

| | Company | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| Current: | | |
| Short-term loans and advances from subsidiaries (c) | **193,657** | 258,598 |
| Outstanding balances payables for other transactions (d) | **312** | 67 |
| | **193,969** | 258,665 |

(c) The short-term loans and advances from subsidiaries are unsecured, interest-free and repayable on demand except for an advance of RM83,283,000 (2017: RM132,283,000) which carries an interest rate of 4.80% (2017: 4.66%) per annum.

(d) Outstanding balances payables for other transactions which arose mainly from payment made on behalf, are interest-free and repayable on demand.

## 21. INVENTORIES

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| At cost: | | |
| Fuels, raw and packing materials | **136,187** | 157,879 |
| Finished and semi-finished goods | **102,233** | 105,116 |
| Engineering parts and consumables | **131,391** | 120,956 |
| | **369,811** | 383,951 |
| Provision for inventory obsolescence | **(24,443)** | (24,987) |
| | **345,368** | 358,964 |

The cost of inventories recognised as an expense of the Group includes RM49,000 (2017: RM1,044,000) in respect of the provision for inventory obsolescence, and RM593,000 (2017: RMNil) in respect of reversal of such provision.

The Group's inventories are expected to be recovered within the next twelve months other than engineering parts and consumables which are expected to be utilised as and when the components in the plants require replacements and may be utilised after the next twelve months.

## 22. TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| Trade receivables | **359,718** | 410,962 |
| Loss allowance | **(4,072)** | (2,143) |
| | **355,646** | 408,819 |

Trade receivables of the Group comprise amounts receivable for the trading and sales of goods. The average credit term for trade receivables of the Group ranges from 30 to 120 days (2017: 30 to 120 days).

Included in trade receivables is an amount totalling RM7,941,000 (2017: RM11,907,000) owing by a joint venture.

## 22. TRADE RECEIVABLES (CONTINUED)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature:

| Group | Gross-carrying amount RM'000 | Loss allowance RM'000 | Net RM'000 |
|---|---|---|---|
| **2018** | | | |
| Not past due | **245,330** | **(136)** | **245,194** |
| Past due 0 - 30 days | **61,916** | **(67)** | **61,849** |
| Past due 31 - 60 days | **16,921** | **(25)** | **16,896** |
| Past due 61 - 90 days | **9,315** | **(13)** | **9,302** |
| | **333,482** | **(241)** | **333,241** |
| **Credit impaired** | | | |
| Past due more than 90 days | **22,470** | **(65)** | **22,405** |
| Individually impaired | **3,766** | **(3,766)** | **-** |
| At end of year | **359,718** | **(4,072)** | **355,646** |

The movements in the allowance for impairment in respect of trade receivables during the year are shown below:

| Group | Lifetime ECL RM'000 | Credit impaired RM'000 | Total RM'000 |
|---|---|---|---|
| **2018** | | | |
| At beginning of year | **-** | **2,143** | **2,143** |
| Loss allowance during the year | **241** | **4,809** | **5,050** |
| Amounts written off | **-** | **(1,664)** | **(1,664)** |
| Loss allowance no longer required | **-** | **(1,457)** | **(1,457)** |
| At end of year | **241** | **3,831** | **4,072** |

Comparative information under *MFRS 139: Financial Instruments: Recognition and Measurement*

The aging of trade receivables as at 31 December 2017 was as follows:

| Group | Gross RM'000 | Individual impairment RM'000 | Net RM'000 |
|---|---|---|---|
| **2017** | | | |
| Not past due | 286,986 | - | 286,986 |
| Past due 0 - 30 days | 48,576 | - | 48,576 |
| Past due 31 - 60 days | 27,527 | - | 27,527 |
| Past due 61 - 90 days | 13,973 | - | 13,973 |
| Past due more than 90 days | 33,900 | (2,143) | 31,757 |
| | 410,962 | (2,143) | 408,819 |

## 22. TRADE RECEIVABLES (CONTINUED)

The movements in the allowance for impairment during the financial year were:

| | Group 2017 RM'000 |
|---|---|
| At beginning of year | 7,152 |
| Loss allowance | 2,222 |
| Amounts written off during the year as uncollectible | (3,620) |
| Reversal of loss allowance | (3,613) |
| Foreign exchange difference | 2 |
| At end of year | 2,143 |

The currency profile of trade receivables of the Group is as follows:

| | Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| Ringgit Malaysia | **333,573** | 385,746 |
| Singapore Dollar | **18,390** | 21,745 |
| United States Dollar | **3,683** | 1,328 |
| | **355,646** | 408,819 |

## 23. OTHER RECEIVABLES, PREPAID EXPENSES AND REFUNDABLE DEPOSITS

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| GST receivable | **33,205** | 21,389 | **-** | - |
| Other receivables | **18,436** | 23,840 | **240** | 95 |
| Prepaid expenses | **9,889** | 13,089 | **122** | 79 |
| Refundable deposits | **12,829** | 12,346 | **363** | 398 |
| | **74,359** | 70,664 | **725** | 572 |

Other receivables of the Group includes amount due from a joint venture of RM38,000 (2017: RM108,000) and loans and advances given to the staffs which are interest-free and repayable on demand.

## 24. RELATED PARTY DISCLOSURES

The Company is a subsidiary of Associated International Cement Limited (“AIC”), a company incorporated in the United Kingdom. The Directors regard AIC and Lafarge Holcim Ltd., a public-listed company incorporated in Switzerland as the immediate holding company and ultimate holding company, respectively.

In addition to the related party information disclosed elsewhere in the financial statements, the details of related parties and their relationship with the Company and its subsidiaries are as follows:

| Name of related parties | Relationship |
|---|---|
| Lafarge S.A. | Penultimate holding company of the Company |
| Associated International Cement Limited | Immediate holding company of the Company |
| Alliance Concrete Singapore Pte. Ltd. | Joint venture of the Group |
| Cementia Trading AG | Subsidiary of LafargeHolcim Ltd. |
| Lafarge Asia Sdn. Bhd. | Subsidiary of LafargeHolcim Ltd. |
| Lafarge Energy Solutions SAS | Subsidiary of LafargeHolcim Ltd. |
| Marine Cement Ltd. | Subsidiary of LafargeHolcim Ltd. |
| PT Lafarge Cement Indonesia | Subsidiary of LafargeHolcim Ltd. |
| LH Trading Pte. Ltd. | Subsidiary of LafargeHolcim Ltd. |
| Holcim Group Support Ltd. | Subsidiary of LafargeHolcim Ltd. |
| Holcim Technology & Services Ltd. | Subsidiary of LafargeHolcim Ltd. |
| Holcim East Asia Business Service Centre B.V. | Subsidiary of LafargeHolcim Ltd. |
| Holcim Services (Asia) Ltd. | Subsidiary of LafargeHolcim Ltd. |
| Holcim (Singapore) Pte. Ltd. | Subsidiary of LafargeHolcim Ltd. |
| LH Shipping Pte. Ltd. | Subsidiary of LafargeHolcim Ltd. |
| Lafarge (Beijing) Building Materials Technical Services Co., Ltd. | Subsidiary of LafargeHolcim Ltd. |
| LafargeHolcim Building Materials (China) Co., Ltd. | Subsidiary of LafargeHolcim Ltd. |
| Cementos Esfera, S.A. | Subsidiary of LafargeHolcim Ltd. |
| Lafarge Asia Development Sdn. Bhd. | Subsidiary of LafargeHolcim Ltd. |
| Holderfin B.V., Netherlands | Subsidiary of LafargeHolcim Ltd. |

The amounts owing by/(to) holding and other related companies represent mainly trade transactions, provision of trademark license and general assistance and payments on behalf. The amounts outstanding arising from expenses paid on behalf by the other related companies are interest-free and repayable on demand. The amounts outstanding relating to the provision of trademark license and general assistance is interest-free and payable on a quarterly basis. The amounts outstanding relating to trade and other transactions were made under agreed terms and conditions.

## 24. RELATED PARTY DISCLOSURES (CONTINUED)

### 24.1 Related Party Transactions

| | Group | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Transactions during the year RM'000 | Outstanding balance at end of year RM'000 | Transactions during the year RM'000 | Outstanding balance at end of year RM'000 |
| **Penultimate holding company of the Company:** | | | | |
| Provision of trademark license and general assistance fee | **19,522** | **(5,234)** | 21,065 | (12,276) |
| **Joint venture of the Group:** | | | | |
| Sales of cement and ready-mix concrete | **64,459** | **7,893** | 75,840 | 11,878 |
| Batching income | **162** | **12** | 301 | (7) |
| Management service fee | **144** | **36** | 149 | 36 |
| **Subsidiaries of ultimate holding company of the Company:** | | | | |
| Sales of cement and clinker | **118,411** | **27,694** | 89,733 | 15,383 |
| Purchase of cement and clinker | **97,902** | **(28,223)** | 97,699 | (20,443) |
| Purchase of solid fuels | **211,459** | **(48,138)** | 251,266 | (50,577) |
| Purchase of gypsum and anhydrite and freight services | **30,040** | **(5,495)** | 21,836 | (4,861) |
| Sales of copper slag | **-** | **-** | 10,172 | 8,851 |
| Purchase of copper slag | **1,094** | **(559)** | 6,358 | (462) |
| Time charter hire/sub-charter of vessels | **3,641** | **-** | 17,518 | (2,613) |
| Rental of office premises | **-** | **15** | 371 | 120 |
| Regional IT shared service project maintenance services | **9,870** | **(1,685)** | 18,172 | (17,983) |
| Administrative and supporting service fee | **247** | **-** | 2,242 | 2,456 |
| Shared services center and consultancy service fee | **9,125** | **(2,672)** | 7,036 | (7,517) |
| Sourcing of equipment for cement, concrete and aggregates businesses service fee | **299** | **-** | - | - |
| Manpower cost for operation of distribution terminals | **492** | **(2)** | - | - |
| Transfer of retirement benefits | **2,048** | **-** | - | - |
| Short-term loans | **256,350** | **257,159** | - | - |
| Interest expense | **970** | **970** | - | - |

The Directors are of the opinion that the related party transactions are entered into in the normal course of business and have been established under agreed terms and conditions. With regard to the agreement for the provision of trademark license and general assistance, Lafarge S.A. has the specialised expertise, technical competencies and/or facilities and infrastructure required for the provision of such services.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 24. RELATED PARTY DISCLOSURES (CONTINUED)

### 24.2 Amounts Owing by Holding and Other Related Companies

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Current: | | | | |
| Trade amount owing by holding and other related companies | **21,186** | 17,826 | **-** | - |
| Outstanding balances receivable for other operating transactions | **1,307** | 5,259 | **-** | 535 |
| | **22,493** | 23,085 | **-** | 535 |

The following table provides information about the exposure to credit risk and ECLs for trade amount owing by holding and other related companies as at 31 December 2018 which are grouped together as they are expected to have similar risk nature:

| Group | Gross-carrying amount RM'000 | Loss allowance RM'000 | Net RM'000 |
|---|---|---|---|
| **2018** | | | |
| Not past due | **6,060** | **-** | **6,060** |
| Past due 0 - 30 days | **831** | **-** | **831** |
| Past due 31 - 60 days | **652** | **-** | **652** |
| Past due 61 - 90 days | **593** | **-** | **593** |
| Past due more than 90 days | **13,050** | **-** | **13,050** |
| At end of year | **21,186** | **-** | **21,186** |

*Comparative information under MFRS 139: Financial Instruments: Recognition and Measurement*

The aging of trade amount owing by holding and other related companies as at 31 December 2017 was as follows:

| Group | Gross RM'000 | Individual impairment RM'000 | Net RM'000 |
|---|---|---|---|
| **2017** | | | |
| Not past due | 8,623 | - | 8,623 |
| Past due 0 - 30 days | 3,613 | - | 3,613 |
| Past due 31 - 60 days | 2,694 | - | 2,694 |
| Past due 61 - 90 days | 14 | - | 14 |
| Past due more than 90 days | 2,882 | - | 2,882 |
| | 17,826 | - | 17,826 |

Trade amount owing by holding and other related companies comprise amounts receivable for the trading and sales of goods. The average credit terms for trade amount owing by holding and other related companies range from 30 to 60 days (2017: 30 to 60 days).

## 24. RELATED PARTY DISCLOSURES (CONTINUED)

### 24.2 Amounts Owing by Holding and Other Related Companies (Continued)

The currency profile of amounts owing by holding and other related companies of the Group is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| United States Dollar | **7,570** | 9,768 | **-** | 491 |
| Ringgit Malaysia | **123** | 2,588 | **-** | 10 |
| Euro Dollar | **1,201** | 13 | **-** | - |
| Singapore Dollar | **13,599** | 10,716 | **-** | 34 |
| | **22,493** | 23,085 | **-** | 535 |

### 24.3 Amounts Owing to Holding and Other Related Companies

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Current: | | | | |
| Trade amount owing to holding and other related companies | **78,967** | 82,508 | **-** | - |
| Outstanding balances payable for other operating transactions | **196** | 123 | **-** | 2 |
| | **79,163** | 82,631 | **-** | 2 |

The currency profile of amounts owing to holding and other related companies of the Group is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| United States Dollar | **78,900** | 71,477 | **-** | - |
| Euro Dollar | **-** | 10,685 | **-** | - |
| Ringgit Malaysia | **138** | 469 | **-** | 2 |
| Singapore Dollar | **125** | - | **-** | - |
| | **79,163** | 82,631 | **-** | 2 |

## 24. RELATED PARTY DISCLOSURES (CONTINUED)

### 24.4 Loans from Other Related Companies

Loans from other related companies are as follows:

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| Short-term loans | **257,159** | - |

The currency profile of loans from other related companies of the Group is as follows:

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| Euro Dollar | **236,559** | - |
| Ringgit Malaysia | **20,600** | - |
| | **257,159** | - |

During the financial year, the Group obtained loans from the other related companies. The loans from other related companies are unsecured, subject to interest rates ranging from 0.97% to 2.50% per annum and repayable within 6 to 12 months except for a loan of RM600,000 which is repayable on demand.

### 24.5 Compensation of Key Management Personnel

The members of key management personnel of the Group and of the Company comprise Directors of the Group and of the Company. Details on the compensation for these key management personnel are disclosed in Note 5.6.

## 25. SHARE CAPITAL

| | Group | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | No. of shares ('000) | RM'000 | No. of shares ('000) | RM'000 |
| **Issued and fully paid:** | | | | |
| Ordinary shares | | | | |
| At beginning of year | **849,695** | **1,950,692** | 849,695 | 849,695 |
| Transfer of share premium and capital redemption reserve in accordance with Companies Act 2016 | **-** | **-** | - | 1,100,997 |
| | **849,695** | **1,950,692** | 849,695 | 1,950,692 |

## 25. SHARE CAPITAL (CONTINUED)

| | Company | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | No. of shares ('000) | RM'000 | No. of shares ('000) | RM'000 |
| **Issued and fully paid:** | | | | |
| Ordinary shares | | | | |
| At beginning of year | **849,695** | **1,950,525** | 849,695 | 849,695 |
| Transfer of share premium and capital redemption reserve in accordance with Companies Act 2016 | **-** | **-** | - | 1,100,830 |
| | **849,695** | **1,950,525** | 849,695 | 1,950,525 |

Companies Act 2016

The Company's authorised and issued and fully paid-up share capital comprises ordinary shares with a par value of RM1 each. The new Companies Act 2016 ("New Act"), which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the transitional provisions of the New Act, the amount standing to the credit of the Company's share premium account and capital redemption reserve account have become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

## 26. RESERVES

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| **Non-distributable:** | | | | |
| Exchange equalisation reserve | **28,516** | 27,869 | **-** | - |
| Investments revaluation reserve | **2,212** | 1,134 | **-** | - |
| Hedging reserve | **(85)** | (1,192) | **-** | - |
| | **30,643** | 27,811 | **-** | - |

### 26.1 Exchange Equalisation Reserve

| | Group | |
|---|---|---|
| | 2018 RM'000 | 2017 RM'000 |
| At beginning of year | **27,869** | 27,634 |
| Exchange differences arising on translating the net assets of foreign operations | **647** | 235 |
| At end of year | **28,516** | 27,869 |

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Ringgit Malaysia) are recognised directly in other comprehensive income and accumulated in the exchange equalisation reserve.

## 26. RESERVES (CONTINUED)

### 26.2 Investments Revaluation Reserve

| | Group | |
|---|---|---|
| | **2018** **RM'000** | **2017** **RM'000** |
| At beginning of year | **1,134** | 356 |
| Fair value gain | **1,078** | 778 |
| At end of year | **2,212** | 1,134 |

The investments revaluation reserve represents cumulative gains and losses arising on the revaluation of investment in equity instruments designated as at FVTOCI, net of cumulative gain/loss transferred to retained earnings upon disposal.

In 2017, the investments revaluation reserve represented accumulated gains and losses arising on the revaluation of available-for-sale investments that had been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets had been disposed of or were determined to be impaired.

### 26.3 Hedging Reserve

| | Group | |
|---|---|---|
| | **2018** **RM'000** | **2017** **RM'000** |
| At beginning of year | **(1,192)** | 20 |
| Gain/(loss) recognised on cash flow hedges: | | |
| - foreign currency forward contracts | **1,323** | (1,434) |
| Deferred tax related to gains/(losses) recognised in other comprehensive income | **(216)** | 243 |
| Reclassified to profit or loss: | | |
| - foreign currency forward contracts | **-** | (54) |
| Deferred tax related to amounts transferred to profit or loss | **-** | 33 |
| At end of year | **(85)** | (1,192) |

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedge instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Gains and losses reclassified from equity into profit or loss during the year are included in the following line items in the statements of profit or loss and other comprehensive income:

| | Group | |
|---|---|---|
| | **2018** **RM'000** | **2017** **RM'000** |
| Other expenses | **-** | (54) |
| Income tax expense | **-** | 33 |
| | **-** | (21) |

## 27. RETAINED EARNINGS

| | Group | | Company | |
|---|---|---|---|---|
| | **2018 RM'000** | **2017 RM'000** | **2018 RM'000** | **2017 RM'000** |
| **Distributable reserve:** | | | | |
| Retained earnings | **563,907** | 870,704 | **439,755** | 390,462 |
| At beginning of year | **870,704** | 1,079,998 | **390,462** | 320,634 |
| Profit attributable to owners of the Company | **(319,351)** | (215,160) | **49,268** | 69,824 |
| Actuarial gain on defined benefit retirement plan recognised directly in retained earnings | **16,279** | 7,629 | **25** | 4 |
| Income tax on income and expenses taken directly to retained earnings | **(3,725)** | (1,763) | **-** | - |
| At end of year | **563,907** | 870,704 | **439,755** | 390,462 |

### 27.1 Retained Earnings

The entire retained earnings of the Company are available for distribution as single-tier dividends. Under the single-tier dividend system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders.

## 28. NON-CONTROLLING INTERESTS

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| At beginning of year | **6,540** | 4,930 |
| Share of profit for the year | **484** | 1,575 |
| Share of other comprehensive income for the year | **85** | 35 |
| Dividends paid | **(1,550)** | - |
| At end of year | **5,559** | 6,540 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 29. BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| **Current - at amortised cost** | | | | |
| Non-secured: | | | | |
| Sukuk Wakalah (a) | - | 100,000 | - | - |
| Bankers acceptance (b) | 7,216 | - | - | - |
| Bank overdrafts (b) | 45,419 | - | - | - |
| Revolving credit (b) | 248,000 | 105,000 | - | - |
| | 300,635 | 205,000 | - | - |
| **Non-current - at amortised cost** | | | | |
| Non-secured: | | | | |
| Sukuk Wakalah (a) | 279,639 | 279,387 | - | - |
| | 279,639 | 279,387 | - | - |
| Current | 300,635 | 205,000 | - | - |
| Non-current: | | | | |
| 2 - 5 years | 279,639 | 279,387 | - | - |
| Total borrowings | 580,274 | 484,387 | - | - |

All borrowings are denominated in Ringgit Malaysia.

(a) Sukuk Wakalah Programme

In 2016, Lafarge Cement Sdn. Bhd. ("LCSB"), a wholly-owned subsidiary of the Company, had established a Sukuk Wakalah Programme ("Sukuk Wakalah") for the issuance of up to RM500,000,000 in nominal value of Sukuk Wakalah. It provides LCSB the flexibility to raise funds from time to time which can be utilised to finance and/or to reimburse the acquisition of property, plant and equipment/investments, to fund working capital requirements and to refinance existing bank borrowings of LCSB. The Sukuk Wakalah Programme has a tenure of 7 years from the date of first issuance of the Sukuk Wakalah.

On 13 January 2017, LCSB made its first issuance of RM100,000,000 in nominal value of Sukuk Wakalah based on the Shariah principle of Wakalah and Murabahah under the Sukuk Wakalah Programme to fund working capital requirements of LCSB. The Sukuk Wakalah bore profit based at 4.40% per annum and has been fully settled in 2018.

On 13 January 2017 and 13 December 2017, LCSB made its second and third issuance of RM180,000,000 and RM100,000,000 in nominal value of Sukuk Wakalah, respectively based on the Shariah principle of Wakalah and Murabahah under the Sukuk Wakalah Programme to fund working capital requirements of LCSB. The Sukuk Wakalah are due on 12 January 2020 and 12 December 2020 and bear profit at 4.80% and 5.00% per annum, payable semi-annually.

(b) The average interest rate for the banker acceptance, bank overdrafts and revolving credit ranges from 3.97% to 4.31% (2017: 3.64% to 4.27%) per annum.

## 30. RETIREMENT BENEFITS

The defined benefit plan typically exposes the Group and the Company to actuarial risks such as longevity risk and salary risk.

| Type | Risk |
|---|---|
| Longevity risk | The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants during their employment. An increase in the life expectancy of the plan participants will increase the plan's liability. |
| Salary risk | The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability. |

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out on 4 January 2019 by the external actuary.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal actuarial assumptions at the end of the reporting period are as follows:

| | 2018 % | 2017 % |
|---|---|---|
| Discount rate | **5.1** | 5.1 |
| Future salary increase | **5.0** | 7.0 |

Significant actuarial assumption for the determination of the defined benefit obligation is the discount rate. The sensitivity analysis below has been determined based on reasonably possible change of the respective assumption occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate increase/(decrease) by 0.5%, the defined benefit obligation would decrease by RM2,373,490/increase by RM2,598,869 (2017: decreased by RM3,703,611/increased by RM4,008,441).

Movements in the net liability recognised in the statements of financial position are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| At beginning of year | **71,514** | 80,070 | **144** | 127 |
| Charge/(reversal) for the year | **4,540** | 3,754 | **(4)** | 21 |
| Benefit paid | **(7,212)** | (4,635) | **-** | - |
| Actuarial gain recognised in other comprehensive income | **(16,428)** | (7,675) | **(25)** | (4) |
| Transferred from other related company | **2,048** | - | **-** | - |
| At end of year | **54,462** | 71,514 | **115** | 144 |

## 30. RETIREMENT BENEFITS (CONTINUED)

The amounts recognised in the statements of financial position are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Present value of unfunded obligation | **54,462** | 71,514 | **115** | 144 |

Reconciliations of the present value of unfunded obligation are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| At beginning of year | **71,514** | 80,070 | **144** | 127 |
| Current service cost | **6,107** | 7,058 | **15** | 15 |
| Interest cost | **3,585** | 3,836 | **7** | 6 |
| Curtailment gain | **(5,152)** | (7,140) | **(26)** | - |
| Actuarial gain | **(16,428)** | (7,675) | **(25)** | (4) |
| Benefit paid | **(7,212)** | (4,635) | **-** | - |
| Transferred from other related company | **2,048** | - | **-** | - |
| At end of year | **54,462** | 71,514 | **115** | 144 |

The amounts recognised in the profit or loss are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Current service cost | **6,107** | 7,058 | **15** | 15 |
| Interest cost | **3,585** | 3,836 | **7** | 6 |
| Curtailment gain | **(5,152)** | (7,140) | **(26)** | - |
| | **4,540** | 3,754 | **(4)** | 21 |

Actuarial gain recognised directly in other comprehensive income are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| At beginning of year | **6,222** | (1,453) | **(18)** | (22) |
| Recognised during the year | **16,428** | 7,675 | **25** | 4 |
| At end of year | **22,650** | 6,222 | **7** | (18) |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 31. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The average credit period granted to the Group for trade purchases generally ranges from 14 to 90 days (2017: 14 to 90 days).

The currency profile of trade payables of the Group is as follows:

| | 2018<br>RM'000 | 2017<br>RM'000 |
|---|---|---|
| Ringgit Malaysia | **433,997** | 483,604 |
| United States Dollar | **10,167** | 11,852 |
| Singapore Dollar | **7,609** | 6,905 |
| Euro Dollar | **4,680** | 2,277 |
| Japanese Yen | **84** | 115 |
| Australian Dollar | **-** | 3 |
| South African Rand | **-** | 96 |
| Swedish Krona | **3** | - |
| | **456,540** | 504,852 |

## 32. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses consist of:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| GST payable | **26** | 2,331 | **-** | - |
| Other payables | **62,931** | 92,283 | **182** | 120 |
| Accrued expenses | **89,567** | 108,435 | **3,262** | 5,880 |
| | **152,524** | 203,049 | **3,444** | 6,000 |

Other payables of the Group consist of amount outstanding for purchases of assets as disclosed in the statements of cash flows, retention monies, deposits received, general administrative expenses payable and advances received from customers which are interest-free and repayable on demand.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 33. OTHER FINANCIAL LIABILITIES

| | Group | |
|---|---|---|
| | 2018<br>RM'000 | 2017<br>RM'000 |
| Derivatives that are designated and effective as hedging instruments carried at fair value: | | |
| Current: | | |
| Foreign currency forward contracts | **260** | 1,643 |
| Cross-currency swap | **2,240** | - |
| | **2,500** | 1,643 |

## 34. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Cash on hand and at banks | **84,238** | 99,906 | **4,370** | 3,913 |

The currency profile of cash and bank balances of the Group and of the Company is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Ringgit Malaysia | **34,737** | 40,445 | **4,370** | 3,913 |
| Singapore Dollar | **26,577** | 22,486 | **-** | - |
| United States Dollar | **22,782** | 22,023 | **-** | - |
| Euro Dollar | **142** | 14,952 | **-** | - |
| | **84,238** | 99,906 | **4,370** | 3,913 |

## 35. CONTRACT LIABILITIES

| | Group | |
|---|---|---|
| | 2018<br>RM'000 | 2017<br>RM'000 |
| Amount received in advance of delivery of goods | **14,141** | 33,151 |

For sale of cement, revenue is recognised when the control of the goods is transferred to the customer, being at the point the goods are delivered to the customer. When the customer initially purchases the goods, the transaction price received at that point by the Group is recognised as contract liability until the goods have been delivered to the customer.

## 36. FINANCIAL INSTRUMENTS

### 36.1 Capital Risk Management

The Group manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of net debt (loans from other related companies and borrowings as detailed in Notes 24 and 29, respectively offset by cash and bank balances) and equity of the Group (comprising share capital, reserves, retained earnings and non-controlling interests as detailed in Notes 25 to 28).

The gearing ratio at end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | **2018<br>RM'000** | **2017<br>RM'000** |
| Debts (i) | **837,433** | 484,387 |
| Cash and bank balances | **(84,238)** | (99,906) |
| Net debts | **753,195** | 384,481 |
| Equity (ii) | **2,550,801** | 2,855,747 |
| **Net debt to equity ratio** | **29.53%** | 13.46% |

(i) Debts are defined as short and long-term borrowings as described in Notes 24 and 29.
(ii) Equity includes all capital and reserves of the Group that are managed as capital.

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Group is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

### 36.2 Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial instruments are disclosed in Note 3 to the financial statements.

### 36.3 Categories of Financial Instruments

Prior to the adoption of MFRS 9 on 1 January 2018, the Group and the Company measured various categories of financial instruments under MFRS 139 *Financial Instruments: Recognition and Measurement*.

The adoption of MFRS 9 which is effective 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements are disclosed in Note 42.

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

(a) Fair value through profit or loss (FVTPL) - mandatorily required by MFRS 9
(b) Fair value through other comprehensive income (FVTOCI) - Equity instrument designated upon initial recognition (EIDUIR)
(c) Financial assets at amortised cost (AC); and
(d) Financial liabilities at amortised cost (FL).

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.3 Categories of Financial Instruments (Continued)

| Group | Carrying amount RM'000 | FVTOCI - EIDUIR RM'000 | AC RM'000 | FL RM'000 | Derivatives used for hedging RM'000 |
|---|---|---|---|---|---|
| **2018** | | | | | |
| **Financial assets** | | | | | |
| Derivative financial assets | 60 | - | - | - | 60 |
| Quoted, unquoted and other investments | 2,851 | 2,851 | - | - | - |
| Debentures | 1,255 | - | 1,255 | - | - |
| Trade receivables | 355,646 | - | 355,646 | - | - |
| Other receivables and refundable deposits | 24,254 | - | 24,254 | - | - |
| Amounts owing by holding and other related companies | 22,493 | - | 22,493 | - | - |
| Cash and bank balances | 84,238 | - | 84,238 | - | - |
| | 490,797 | 2,851 | 487,886 | - | 60 |
| **Financial liabilities** | | | | | |
| Derivative financial liabilities | 2,500 | - | - | - | 2,500 |
| Borrowings | 580,274 | - | - | 580,274 | - |
| Trade payables | 456,540 | - | - | 456,540 | - |
| Other payables and accrued expenses | 152,498 | - | - | 152,498 | - |
| Amounts owing to holding and other related companies | 79,163 | - | - | 79,163 | - |
| Loans from other related companies | 257,159 | - | - | 257,159 | - |
| | 1,528,134 | - | - | 1,525,634 | 2,500 |

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.3 Categories of Financial Instruments (Continued)

| Company | Carrying amount RM'000 | FVTOCI - EIDUIR RM'000 | AC RM'000 | FL RM'000 | Derivatives used for hedging RM'000 |
|---|---|---|---|---|---|
| **2018** | | | | | |
| **Financial assets** | | | | | |
| Debentures | 1,255 | - | 1,255 | - | - |
| Amounts owing by subsidiaries | 165,706 | - | 165,706 | - | - |
| Other receivables and refundable deposits | 603 | - | 603 | - | - |
| Cash and bank balances | 4,370 | - | 4,370 | - | - |
| | 171,934 | - | 171,934 | - | - |
| **Financial liabilities** | | | | | |
| Other payables and accrued expenses | 3,444 | - | - | 3,444 | - |
| Amounts owing to subsidiaries | 193,969 | - | - | 193,969 | - |
| | 197,413 | - | - | 197,413 | - |

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

(a) Loan and receivables (L&R);
(b) Fair value through profit or loss (FVTPL) - Held for trading (HFT);
(c) Available-for-sale financial assets (AFS);
(d) Held-to-maturity investments (HTM); and
(e) Financial liabilities measured at amortised cost (FL).

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.3 Categories of Financial Instruments (Continued)

| Group | Carrying amount RM'000 | L&R RM'000 | AFS RM'000 | HTM RM'000 | FL RM'000 | Derivatives used for hedging RM'000 |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| **Financial assets** | | | | | | |
| Derivative financial assets | 69 | - | - | - | - | 69 |
| Quoted, unquoted and other investments | 1,954 | - | 1,954 | - | - | - |
| Debentures | 1,255 | - | - | 1,255 | - | - |
| Trade receivables | 408,819 | 408,819 | - | - | - | - |
| Other receivables and refundable deposits | 33,257 | 33,257 | - | - | - | - |
| Amounts owing by holding and other related companies | 23,085 | 23,085 | - | - | - | - |
| Cash and bank balances | 99,906 | 99,906 | - | - | - | - |
| | 568,345 | 565,067 | 1,954 | 1,255 | - | 69 |
| **Financial liabilities** | | | | | | |
| Derivative financial liabilities | 1,643 | - | - | - | - | 1,643 |
| Borrowings | 484,387 | - | - | - | 484,387 | - |
| Trade payables | 504,852 | - | - | - | 504,852 | - |
| Other payables and accrued expenses | 200,718 | - | - | - | 200,718 | - |
| Amounts owing to holding and other related companies | 82,631 | - | - | - | 82,631 | - |
| | 1,274,231 | - | - | - | 1,272,588 | 1,643 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.3 Categories of Financial Instruments (Continued)

| Company | Carrying amount RM'000 | L&R RM'000 | AFS RM'000 | HTM RM'000 | FL RM'000 | Derivatives used for hedging RM'000 |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| **Financial assets** | | | | | | |
| Debentures | 1,255 | - | - | 1,255 | - | - |
| Amounts owing by subsidiaries | 183,772 | 183,772 | - | - | - | - |
| Amounts owing by holding and other related companies | 535 | 535 | - | - | - | - |
| Other receivables and refundable deposits | 493 | 493 | - | - | - | - |
| Cash and bank balances | 3,913 | 3,913 | - | - | - | - |
| | 189,968 | 188,713 | - | 1,255 | - | - |
| **Financial liabilities** | | | | | | |
| Other payables and accrued expenses | 6,000 | - | - | - | 6,000 | - |
| Amounts owing to subsidiaries | 258,665 | - | - | - | 258,665 | - |
| Amounts owing to holding and other related companies | 2 | - | - | - | 2 | - |
| | 264,667 | - | - | - | 264,667 | - |

### 36.4 Financial Risk Management

The operations of the Group are subject to various financial risks which include market risk (including foreign currency risk, interest rate risk, commodity price risk and other price risk), credit risk and liquidity risk, in connection with its use or holding of financial instruments. The Group has adopted a financial risk management framework with the principal objective of effectively managing these risks and minimising any potential adverse effects on the financial performance of the Group.

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.4 Financial Risk Management (Continued)

#### 36.4.1 Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 36.4.1(a) below), interest rates (see 36.4.1(b) below), commodity prices (see 36.4.1(c) below) and other prices (see 36.4.1.(d) below). The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency, interest rate and commodity price risk, including:

- forward foreign exchange and cross currency swap arrangement to hedge the exchange rate risk arising on foreign currency purchases;
- interest rate swap contract to mitigate the risk of rising interest rates; and
- commodity swap contracts to hedge the price fluctuation risk arising on purchases of coal.

#### 36.4.1(a) Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and cross currency swap arrangement.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as disclosed in Note 22 for trade receivables, Note 24 for amounts owing by/(to) holding and other related companies and loans from other related companies, Note 31 for trade payables and Note 34 for cash and bank balances.

Foreign currency sensitivity

The Group is mainly exposed to US Dollar and Euro Dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in RM against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the RM strengthens 10% against the relevant currency. For a 10% weakening of the RM against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

| | Group | |
|---|---|---|
| | **USD Impact RM'000** | **Euro Impact RM'000** |
| **2018** | | |
| Profit or loss | **5,503 (i)** | **334 (iii)** |
| Hedging reserve | **(1,931) (ii)** | **(863) (ii)** |
| **2017** | | |
| Profit or loss | 5,021 (i) | (200) (iii) |
| Hedging reserve | (3,061) (ii) | (373) (ii) |

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.4 Financial Risk Management (Continued)

#### 36.4.1 Market Risk (Continued)

##### 36.4.1(a) Foreign Currency Risk Management (Continued)

Foreign currency sensitivity (Continued)

(i) This is mainly attributable to the exposure outstanding on USD receivables and cash and bank balances net of with USD payables of the Group at the end of the reporting period.

(ii) This is a result of the changes in fair value of derivative instruments designated as cash flow hedges.

(iii) This is mainly attributable to the exposure outstanding on Euro cash and bank balances net of with Euro payables of the Group at the end of the reporting period.

The above sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the year.

Forward foreign exchange contracts and cross currency swap arrangement

In the course of its operations, the Group's policy is to hedge all material "operational" foreign currency exposures arising from its transactions using derivative instruments as soon as a firm or highly probable commercial and/or financial commitment is entered into or known. This derivative instrument is limited to forward foreign currency and cross currency swap arrangement, with a term generally less than one year.

The following table details the forward foreign currency contracts and cross currency swap arrangement outstanding as at reporting date:

| | Group | | | |
|---|---|---|---|---|
| 2018<br>Outstanding contracts | Average exchange rate | Foreign currency FC'000 | Contract value RM'000 | Fair value RM'000 |
| **Cash flow hedges** | | | | |
| Buy US Dollar | | | | |
| Less than 3 months | 4.14 | 3,677 | 15,215 | 2 |
| 3 to 6 months | 4.17 | 200 | 833 | (4) |
| | | | | (2) |
| Buy EURO Dollar | | | | |
| Less than 3 months | 4.90 | 1,140 | 5,582 | (160) |
| 3 to 6 months | 4.84 | 51,008 | 246,738 | (2,280) |
| | | | | (2,440) |
| Sell SGD Dollar | | | | |
| Less than 3 months | 3.05 | 664 | 2,023 | 1 |
| 3 to 6 months | 3.06 | 500 | 1,528 | 1 |
| | | | | 2 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.4 Financial Risk Management (Continued)

#### 36.4.1 Market Risk (Continued)

##### 36.4.1(a) Foreign Currency Risk Management (Continued)

Forward foreign exchange contracts and cross currency swap arrangement (Continued)

| | | Group | | |
|---|---|---|---|---|
| **2017**<br>**Outstanding contracts** | **Average exchange rate** | **Foreign currency FC'000** | **Contract value RM'000** | **Fair value RM'000** |
| **Cash flow hedges** | | | | |
| Buy US Dollar | | | | |
| Less than 3 months | 4.18 | 9,220 | 38,563 | (1,153) |
| 3 to 6 months | 4.21 | 2,190 | 9,211 | (294) |
| | | | | (1,447) |
| Buy EURO Dollar | | | | |
| Less than 3 months | 5.04 | 1,140 | 5,743 | (178) |
| 3 to 6 months | 4.96 | 540 | 2,677 | (18) |
| | | | | (196) |
| Sell SGD Dollar | | | | |
| Less than 3 months | 3.11 | 728 | 2,262 | 51 |
| 3 to 6 months | 3.07 | 905 | 2,780 | 18 |
| | | | | 69 |

##### 36.4.1(b) Interest Rate Risk Management

The Group is exposed to interest rate risk because entities in the Group borrow funds at fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by using interest rate swap contracts.

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.4 Financial Risk Management (Continued)

#### 36.4.1 Market Risk (Continued)

##### 36.4.1(b) Interest Rate Risk Management (Continued)

The interest rate profile of the Group's significant interest-bearing financial liabilities are disclosed in the table below as follows:

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| **Fixed rate instruments** | | |
| Sukuk Wakalah | **279,639** | 379,387 |
| Loans from other related companies | **257,159** | - |
| | **536,798** | 379,387 |
| **Floating rate instruments** | | |
| Bankers acceptance | **7,216** | - |
| Bank overdrafts | **45,419** | - |
| Revolving credit | **248,000** | 105,000 |
| | **300,635** | 105,000 |
| | **837,433** | 484,387 |

Interest rate sensitivity

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

A change of 100 basis point ("bp") in interest rates would have increased or decreased equity and profit or loss by RM3,006,350 (2017: RM1,050,000). This analysis assumes that all other variables remain constant.

The sensitivity analysis in the foregoing paragraph has been determined based on the exposure to interest rate risks at the reporting date.

##### 36.4.1(c) Commodity Price Risk Management

The Group is subject to commodity risk with respect to price fluctuations in coal markets and attempts to limit its exposure to fluctuations in commodity prices by increasing its use of alternative fuels and renewable energies. From time to time, and if a market exists, the Group hedges its commodity exposures through derivative instruments at the latest when a firm commitment is entered into or known, or where future cash flows are highly probable.

There is no outstanding commodity contract and commodity derivative instruments as at year end, accordingly, the Group is not exposed to commodity price risk.

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.4 Financial Risk Management (Continued)

#### 36.4.1 Market Risk (Continued)

##### 36.4.1(d) Other Price Risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade in these investments.

The financial impact of changes in equity price is insignificant to the Group.

#### 36.4.2 Credit Risk Management

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, amounts owing by holding companies, subsidiaries and other related companies, other receivables and refundable deposits and debentures as well as credit exposures primarily from outstanding trade receivables.

**Trade 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 on-going basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained and credit evaluations are performed on customers requiring credit.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines 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. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statements of financial position.

The Group receives financial guarantees given by banks, shareholders or directors of customers in managing credit risk.

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.4 Financial Risk Management (Continued)

#### 36.4.2 Credit Risk Management (Continued)

**Trade Receivables (Continued)**

*Exposure to credit risk, credit quality and collateral (Continued)*

The carrying amounts of collateral for trade receivables as at the end of reporting period were:

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| **Type of collateral** | | |
| Bank guarantees | **22,879** | 29,839 |
| Corporate guarantees | **46,527** | 54,639 |
| Directors' guarantees | **156,232** | 196,378 |
| Others | **3,800** | 2,051 |
| | **229,438** | 282,907 |

*Concentration of credit risk*

The Group has no significant concentration of credit risk with its exposure spread over a large number of customers.

As at the end of the reporting period, the exposure of credit risk for trade receivables by geographic region was:

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| Malaysia | **333,573** | 385,746 |
| Others | **22,073** | 23,073 |
| | **355,646** | 408,819 |

*Recognition and measurement of impairment loss*

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days. The Group's debt recovery process is as follows:

(a) Above 60 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the sales management team; and
(b) Above 90 days past due, the Group will commence a legal proceeding against the customer.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.4 Financial Risk Management (Continued)

#### 36.4.2 Credit Risk Management (Continued)

**Cash and Cash Equivalents**

The cash and cash equivalents are held with banks. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position. These bank have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

**Other Receivables, Refundable Deposits and Debentures**

Credit risks on other receivables and refundable deposits are mainly arising from deposits paid for plants, port operations and administration offices rented. These deposits will be received at the end of each lease terms. The Group and the Company manage the credit risk together with the leasing arrangement. For debentures, the Group and the Company only invested in high quality debentures.

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

**Financial Guarantees**

The Company provides unsecured financial guarantees to third parties in respect of provision for services to subsidiaries. The Company monitors on an ongoing basis, the results of the subsidiaries and repayments made by the subsidiaries.

The maximum exposure to credit risk is amounting to RM43,100,000 (2017: RM43,100,000) which represents the outstanding amount as at reporting date. As at reporting date, there was no indication that the subsidiaries would default on repayments.

**Amount Owing by Holding Companies, Subsidiaries and Other Related Companies**

*Risk management objectives, policies and processes for managing the risk*

The Group and the Company undertake trade and non-trade transactions with the holding and other related companies. The Company also provides unsecured loans and advances to subsidiaries. The Group and the Company monitor their results regularly.

*Exposure to credit risk, credit quality and collateral*

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

Loans and advances are only provided to subsidiaries which are wholly-owned by the Company.

*Impairment loss*

As at the end of the reporting period, there was no indication that the intercompany balances are not recoverable.

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.4 Financial Risk Management (Continued)

#### 36.4.3 Liquidity Risk

Liquidity risk is the risk that the Group or the Company will not be able to meet their financial obligations as they fall due.

The Group and the Company practice prudent liquidity risk management to minimise the mismatch of financial assets and liabilities.

As at December 31, 2018, the Group's and the Company's current liabilities exceeded its current assets by RM309,463,000 and RM26,621,000 respectively. The Directors believe the Group and the Company will meet their short-term obligations as they fall due based on the availability of the credit facilities as disclosed in Note 3.2.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the reporting date based on undiscounted contractual obligations:

| Group | Carrying amount RM'000 | Contractual interest rates per annum % | Contractual cash flows RM'000 | On demand or within 1 year RM'000 | 1 to 2 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| **Financial liabilities** | | | | | | |
| Borrowings | 580,274 | 3.97 - 5.00 | 599,238 | 300,635 | 298,603 | 599,238 |
| Trade payables | 456,540 | - | 456,540 | 456,540 | - | 456,540 |
| Other payables and accrued expenses | 152,498 | - | 152,498 | 152,498 | - | 152,498 |
| Amounts owing to holding and other related companies | 79,163 | - | 79,163 | 79,163 | - | 79,163 |
| Loans from other related companies | 257,159 | 0.97 - 2.50 | 258,325 | 258,325 | - | 258,325 |
| Other financial liabilities | 2,500 | - | 2,500 | 2,500 | - | 2,500 |
| | 1,528,134 | | 1,548,264 | 1,249,661 | 298,603 | 1,548,264 |

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.4 Financial Risk Management (Continued)

#### 36.4.3 Liquidity Risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

| Group | Carrying amount RM'000 | Contractual interest rates per annum % | Contractual cash flows RM'000 | On demand or within 1 year RM'000 | 1 to 2 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| **Financial liabilities** | | | | | | |
| Borrowings | 484,387 | 3.64 - 5.00 | 517,219 | 205,000 | 312,219 | 517,219 |
| Trade payables | 504,852 | - | 504,852 | 504,852 | - | 504,852 |
| Other payables and accrued expenses | 200,718 | - | 200,718 | 200,718 | - | 200,718 |
| Amounts owing to holding and other related companies | 82,631 | - | 82,631 | 82,631 | - | 82,631 |
| Other financial liabilities | 1,643 | - | 1,643 | 1,643 | - | 1,643 |
| | 1,274,231 | | 1,307,063 | 994,844 | 312,219 | 1,307,063 |

**Company**

All other financial liabilities of the Company are repayable on demand or due within 1 year from the end of the reporting period.

For financial guarantees, it was not probable that the counterparties to financial guarantees will claim under the contract. Consequently, the amount included is negligible.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.5 Fair Values

The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amounts derived from such methods and valuation techniques are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of the amounts estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Group are as follows:

- **Cash and bank balances, trade receivables, other receivables and refundable deposits, intercompany indebtedness, trade and other payables and short-term borrowings:** The carrying amounts are considered to approximate the fair values as they are either within the normal credit terms or they have short-term maturity period.

- **Long-term borrowings:** The fair values of long-term borrowings are determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate which takes into consideration the Group's incremental borrowing rate at year end for similar types of debt arrangements.

- **Derivative instruments:** The fair values of foreign exchange and cross currency swap derivatives were calculated using market prices that the Group would pay or receive to settle the related agreements.

#### 36.5.1 Fair value measurements recognised in the statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.5 Fair Values (Continued)

#### 36.5.1 Fair value measurements recognised in the statements of financial position (Continued)

| Group | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2018** | | | | |
| **Financial assets** | | | | |
| Derivative financial assets | **-** | **60** | **-** | **60** |
| Quoted investments | **581** | **-** | **-** | **581** |
| Unquoted investments | **-** | **-** | **2,040** | **2,040** |
| Others | **-** | **-** | **230** | **230** |
| | **581** | **60** | **2,270** | **2,911** |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | **-** | **(2,500)** | **-** | **(2,500)** |
| **2017** | | | | |
| **Financial assets** | | | | |
| Derivative financial assets | - | 69 | - | 69 |
| Quoted investments | 1,472 | - | - | 1,472 |
| Unquoted investments | - | - | 168 | 168 |
| Others | - | - | 314 | 314 |
| | 1,472 | 69 | 482 | 2,023 |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | (1,643) | - | (1,643) |

There were no transfers between Levels 1 and 2 in 2018 and 2017.

Reconciliation of Level 3 fair value measurements of financial instruments.

| | Group | | | |
|---|---|---|---|---|
| | Unquoted investments 2018 RM'000 | Others 2018 RM'000 | Unquoted investments 2017 RM'000 | Others 2017 RM'000 |
| At beginning of year | **168** | **314** | 168 | 374 |
| Disposals | **-** | **(181)** | - | (60) |
| Gains recognised in other comprehensive income | **1,872** | **97** | - | - |
| At end of year | **2,040** | **230** | 168 | 314 |

All gains and losses included in other comprehensive income relate to other investments held at the end of the reporting period are reported as changes of "investments revaluation reserve" (see Note 26.2).

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.5 Fair Values (Continued)

#### 36.5.2 Fair Values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input used.)

| Financial assets/ (liabilities) | 2018 RM'000 | 2017 RM'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| Quoted investments | **581** | 1,472 | Level 1 | Quoted bid price in an active market | N/A | N/A |
| Unquoted investments | **2,040** | 168 | Level 3 | Dividend discount model | Weighted average cost of capital of 10%, determined using a Capital Asset Pricing Model (2017: cost of investment) | The higher the weighted average cost of capital, the lower the fair value |
| Other investments | **230** | 314 | Level 3 | The fair value of other investments is based on market comparison technique.The valuation model is based on market multiples derived from quoted prices of comparable other investments | N/A | N/A |
| | **2,851** | 1,954 | | | | |

## 36. FINANCIAL INSTRUMENTS (CONTINUED)

### 36.5 Fair Values (Continued)

#### 36.5.2 Fair Values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

| Financial assets/ (liabilities) | 2018 RM'000 | 2017 RM'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| Foreign currency forward contracts | | | | | | |
| - Financial assets | **60** | 69 | Level 2 | Observable foreign currency forward contract rates at the end of reporting period | N/A | N/A |
| - Financial liabilities | **(260)** | (1,643) | Level 2 | | N/A | N/A |
| Cross currency swap | | | | | | |
| - Financial liabilities | **(2,240)** | - | Level 2 | Observable cross currency swap arrangement rates at the end of reporting period | N/A | N/A |
| | **(2,440)** | (1,574) | | | | |

## 37. COMMITMENTS

### 37.1 Capital Commitments

| | Group 2018 RM'000 | Group 2017 RM'000 |
|---|---|---|
| In respect of capital expenditure: | | |
| Approved, contracted but not provided for | **17,211** | 38,526 |
| Approved but not contracted for | **108,942** | 129,477 |
| | **126,153** | 168,003 |

## 37. COMMITMENTS (CONTINUED)

### 37.2 Lease Commitments

The Group has lease commitments in respect of rented premises for plants, port operations and administration offices as well as equipment, all of which are classified as operating leases. The tenure of the minimum lease payments is as follows:

| | Group | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| Not later than 1 year | **22,097** | 31,692 |
| Later than 1 year and not later than 5 years | **36,603** | 45,395 |
| Later than 5 years | **19,914** | 35,002 |
| | **78,614** | 112,089 |

## 38. FINANCIAL GUARANTEES

| | Company | |
|---|---|---|
| | **2018 RM'000** | **2017 RM'000** |
| **Unsecured** | | |
| Corporate guarantee given to third parties in respect of provision for services to subsidiaries | **43,100** | 43,100 |

The financial guarantees provided to a third party for subsidiaries are no longer disclosed as contingent liabilities but would instead be accounted as financial liabilities if considered likely to crystallise. The Company has assessed the financial guarantee contracts and concluded that the financial impact of the guarantees is negligible.

## 39. MATERIAL LITIGATION

### 39.1 Assessment of Tax Writs Issued to LMCB Holding Pte. Ltd. ("LMCBH")

Lafarge Malaysia Berhad ("LMB") and LMCBH were served with a Writ of Summons in respect of a claim in the High Court of Singapore by the Comptroller of Income Tax ("Writ") for repayment of the sum of SGD9,589,816.84.

The particulars of the claim under the Writ were as follows:

(i) Repayment of the sum of SGD9,589,816.84;
(ii) Further or in the alternative, damages to be assessed;
(iii) Further or in the alternative, tracing;
(iv) Interest pursuant to section 12 of the Singaporean Civil Law Act (the amount claimed is not stated in the Writ);
(v) Costs; and
(vi) Such further and/or other relief as the Court deems fit.

## 39. MATERIAL LITIGATION (CONTINUED)

### 39.1 Assessment of Tax Writs Issued to LMCB Holding Pte. Ltd. ("LMCBH") (Continued)

The Writ was filed in High Court of the Republic of Singapore on 2 May 2014 and served on LMB on 17 June 2014 and on LMCBH on 20 June 2014. The details of the circumstances leading to the filing of the Writ were as follows:

(i) LMCBH received from Inland Revenue Authority of Singapore (IRAS) in January 2005, September 2005 and November 2006, tax refunds for Years of Assessment ("YA") 2004 to 2006 amounting to the sum claimed under the Writ.

(ii) Expected refunds for YA 2007 and 2008 amounting to SGD7,525,000 were recognised as a tax receivable in the financial statements for the relevant financial periods.

(iii) In 2008, LMCBH received Notices of Additional Assessment from the Comptroller for YA 2004 to 2006 by which the Comptroller sought a return of the refunds made for those years, and a Notice of Original Assessment for YA 2007 giving rise to a tax payable instead of a tax receivable in that YA.

(iv) In October 2008, LMCBH appealed to the Income Tax Board of Review ("Board") against all the Notices of Additional Assessment received for YA 2004 to 2006 and the Notice of Original Assessment for YA 2007. The Board upheld the decision of the Comptroller.

(v) In April 2011, LMCBH filed an appeal to the High Court against the decision at the Board.

(vi) In December 2012, the High Court allowed LMCBH's appeal against the Notices of Additional Assessment in connection with the tax refunds received by LMCBH for YA 2004 to 2006. The High Court also discharged the Notice of Original Assessment for YA 2007.

(vii) In January 2013, LMCBH and the Comptroller filed appeals to the Court of Appeal against the aspects of the High Court decision that were unfavourable to them.

(viii) On 26 February 2014, the Court of Appeal issued its written grounds of decision. The Court of Appeal disallowed the Comptroller's appeal in respect of the Notices of Additional Assessment for YA 2004 to 2006 and allowed the Comptroller's appeal in respect of the Notice of Original Assessment for YA 2007. The Court of Appeal also disallowed LMCBH's appeal against certain other aspects of the High Court decision which were unfavourable to LMCBH. As a result of the Court of Appeal's decision, the sum refunded to LMCBH for YA 2004 to 2006 was unaffected, and the amount of SGD3,971,977.60 for YA 2007 will not be refunded to LMCBH and accordingly, the tax refund was written off by the Group in the year ended 31 December 2013.

If the claim for the repayment of the sum of SGD9,589,816.84 is successful, there will be a return of the amounts of tax refunded to LMCBH previously. LMB and LMCBH consider that there is no basis for the legal action and have appointed lawyers. The parties have recently reached an in-principle settlement of the matters in and arising from the Writ, and upon finalisation and execution of the settlement agreement, the parties will take steps towards the discontinuance of the Writ.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 39. MATERIAL LITIGATION (CONTINUED)

### 39.2 Application of Transfer Pricing Adjustments and Penalties by the Inland Revenue of Malaysia ("IRB") on Holcim Malaysia Sdn. Bhd. ("HMY")

On 5 January 2015, HMY received a letter from the IRB stating that it would like to apply transfer pricing adjustments and penalties on HMY for the years of assessment 2005 to 2008 amounting to RM11,742,991. HMY, through its tax consultants, had on 23 January 2015 replied to IRB, objecting to IRB's transfer pricing adjustments and penalties. On 30 July 2015, HMY received another letter from the IRB in response it's letter dated 23 January 2015, revising the total transfer pricing adjustment and penalty to approximately RM4,384,720.

On 28 August 2015, HMY received a letter of demand and Form JA from the IRB on the penalties for year of assessment 2005 to 2008. HMY had on 29 September 2015 made a payment of RM2,288,951 to IRB (after set-off of overpayment of tax in previous years of RM2,095,769). HMY has subsequent to its payment to IRB filed an appeal in respect of this matter. Uncertainties exist regarding the outcome of the matter described above. However, HMY in consultation with its legal and tax advisors are of the view that IRB is unlikely to succeed. Accordingly, the payment for taxation to IRB is accounted for as tax recoverable from the IRB.

On 31 December 2018, the IRB issued a letter in response to HMY's letter dated 21 December 2018, agreeing to reduce the rate of penalty imposed under Section 113(2) of the Income tax Act 1967 from 25 % to 10% and HMY agreeing to discontinue the appeal for the years of assessment 2005 to 2008. Consequently, the amount of tax recoverable from IRB amounted to only RM526,166. The remaining balance of RM3,858,554, inclusive of tax penalties amounting to RM350,778 have been charged to profit or loss as income tax expense and administration expenses, respectively during the financial year.

Subsequently, in January 2019, HMY renegotiated the rate of penalty with IRB and the final rate of penalty agreed was 5%. The difference of RM175,388 in respect to the tax penalties was adjusted in the subsequent financial year. On 3 April 2019, HMY and IRB entered into a Settlement Agreement on the final rate of penalty of 5%. Accordingly, the appeal by HMY was discontinued and the Settlement Agreement was recorded with the Special Commissioners of Income Tax.

## 40. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Group is organised into the following operating divisions:
- cement
- aggregates and concrete

Included in Cement Segment of the Group are operating divisions of other building materials and other operations.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 40. SEGMENTAL INFORMATION (CONTINUED)

Information regarding the Group's reportable segments is presented below.

### 40.1 Segment Revenue and Results

| Group | Cement RM'000 | Aggregates & Concrete RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|---|---|---|---|
| **2018** | | | | |
| **REVENUE** | | | | |
| External sales | **1,538,140** | **584,157** | **-** | **2,122,297** |
| Inter-segment sales | **258,750** | **7,062** | **(265,812)** | **-** |
| Total revenue | **1,796,890** | **591,219** | **(265,812)** | **2,122,297** |
| **RESULTS** | | | | |
| Segment results | **(370,575)** | **(691)** | **-** | **(371,266)** |
| Interest income | | | | **3,809** |
| Finance costs | | | | **(36,007)** |
| Share of results in joint venture | | | | **(1,924)** |
| Income tax credit | | | | **86,521** |
| Loss for the year | | | | **(318,867)** |
| **2017** | | | | |
| **REVENUE** | | | | |
| External sales | 1,617,187 | 631,646 | - | 2,248,833 |
| Inter-segment sales | 293,511 | 6,847 | (300,358) | - |
| Total revenue | 1,910,698 | 638,493 | (300,358) | 2,248,833 |
| **RESULTS** | | | | |
| Segment results | (270,970) | 16,930 | - | (254,040) |
| Interest income | | | | 5,117 |
| Finance costs | | | | (25,099) |
| Share of results in joint venture | | | | (5,015) |
| Income tax credit | | | | 65,452 |
| Loss for the year | | | | (213,585) |

## 40. SEGMENTAL INFORMATION (CONTINUED)

### 40.2 Segment Assets and Liabilities

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and liabilities that relate to investing and financing activities and cannot be reasonably allocated to individual segments. These include mainly corporate assets, other investments, deferred tax assets/ liabilities and current tax assets/liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

| Group | Cement RM'000 | Aggregates & Concrete RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|---|---|---|---|
| **2018** | | | | |
| **SEGMENT ASSETS** | | | | |
| Segment assets | **3,972,943** | **292,381** | **(337,349)** | **3,927,975** |
| Investment in joint venture | | | | **18,322** |
| Unallocated corporate assets | | | | **330,998** |
| Consolidated total assets | | | | **4,277,295** |
| **SEGMENT LIABILITIES** | | | | |
| Segment liabilities | **872,579** | **234,694** | **(347,476)** | **759,797** |
| Interest bearing instruments | | | | **836,966** |
| Unallocated corporate liabilities | | | | **129,731** |
| Consolidated total liabilities | | | | **1,726,494** |

| Group | | | | |
|---|---|---|---|---|
| **2017** | | | | |
| **SEGMENT ASSETS** | | | | |
| Segment assets | 4,142,600 | 336,014 | (390,713) | 4,087,901 |
| Investment in joint venture | | | | 20,249 |
| Unallocated corporate assets | | | | 247,470 |
| Consolidated total assets | | | | 4,355,620 |
| **SEGMENT LIABILITIES** | | | | |
| Segment liabilities | 1,047,215 | 238,492 | (388,867) | 896,840 |
| Interest bearing instruments | | | | 484,387 |
| Unallocated corporate liabilities | | | | 118,646 |
| Consolidated total liabilities | | | | 1,499,873 |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 40. SEGMENTAL INFORMATION (CONTINUED)

### 40.3 Other Segment Information

| Group | Cement RM'000 | Aggregates & Concrete RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|---|---|---|---|
| **OTHER INFORMATION** | | | | |
| **2018** | | | | |
| Capital expenditure | **103,312** | **4,883** | **-** | **108,195** |
| Depreciation and amortisation | **159,488** | **31,078** | **-** | **190,566** |
| **2017** | | | | |
| Capital expenditure | 172,152 | 30,318 | - | 202,470 |
| Depreciation and amortisation | 181,464 | 27,841 | - | 209,305 |

### 40.4 Geographical Information

The Group operates in two principal geographical areas - Malaysia (country of domicile) and Singapore.

| | Revenue | | Segment Assets | | Capital Expenditure | |
|---|---|---|---|---|---|---|
| | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 | 2018 RM'000 | 2017 RM'000 |
| Malaysia | **1,981,486** | 2,111,419 | **3,816,798** | 3,985,107 | **103,829** | 202,289 |
| Singapore | **140,811** | 137,414 | **111,177** | 102,794 | **4,366** | 181 |
| | **2,122,297** | 2,248,833 | **3,927,975** | 4,087,901 | **108,195** | 202,470 |
| Investment in joint venture | | | **18,322** | 20,249 | | |
| Unallocated corporate assets | | | **330,998** | 247,470 | | |
| | | | **4,277,295** | 4,355,620 | | |

Inter-segment pricing is mutually agreed between the segments based on market prices determined in the normal course of business.

# Notes to the Financial Statements

For the year ended 31 December 2018

## 41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's and the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities.

| Group | Borrowings RM'000 | Loans from other related companies RM'000 | Total RM'000 |
|---|---|---|---|
| **2018** | | | |
| At beginning of year (excluding bank overdrafts) | **484,387** | **-** | **484,387** |
| Financing cash flows (i) | **50,216** | **256,350** | **306,566** |
| Non-cash changes | | | |
| Other changes (ii) | **252** | **809** | **1,061** |
| At end of year (excluding bank overdrafts) | **534,855** | **257,159** | **792,014** |
| **2017** | | | |
| At beginning of year (excluding bank overdrafts) | 341,000 | - | 341,000 |
| Financing cash flows (i) | 143,282 | - | 143,282 |
| Non-cash changes | | | |
| Other changes (ii) | 105 | - | 105 |
| At end of year (excluding bank overdrafts) | 484,387 | - | 484,387 |
| **Company** | | | |
| **2017** | | | |
| At beginning of year (excluding bank overdrafts) | 280,000 | - | 280,000 |
| Financing cash flows (i) | (280,000) | - | (280,000) |
| At end of year (excluding bank overdrafts) | - | - | - |

(i) The cash flows from borrowings make up the net amount of drawdown of borrowings and loans and repayments of borrowings and loans in the statements of cash flows.

(ii) Other changes include interest accruals and foreign currency exchange differences.

## 42. ADOPTION OF MFRS 9 AND MFRS 15

### 42.1 Adoption of MFRS 9

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL) and eliminates the existing MFRS 139 categories of held-to-maturity, loans and receivables and available-for-sale.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking ECL model. Under MFRS 9, loss allowances are measured on either 12-month ECLs or lifetime ECLs.

The Group and the Company have applied the requirements of MFRS 9 retrospectively with practical expedients and transitional exemptions as allowed by the standard, as follows:

- The Group has not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application.

Effect of adoption of MFRS 9 is set out below:

(i) *Classification and measurement of financial assets and financial liabilities*

The table below illustrates the classification and measurement of financial assets and financial liabilities under MFRS 139 and MFRS 9 at the date of initial application, 1 January 2018.

| | Measurement category | | Carrying amount | | |
|---|---|---|---|---|---|
| | Under MFRS 139 | Under MFRS 9 | Under MFRS 139 RM'000 | Under MFRS 9 RM'000 | Difference |
| **Group** | | | | | |
| **Financial assets:** | | | | | |
| Trade receivables | Loans and receivables | Amortised cost | 408,819 | 408,819 | - |
| Other receivables and refundable deposits | Loans and receivables | Amortised cost | 33,257 | 33,257 | - |
| Amounts owing by holding and other related companies | Loans and receivables | Amortised cost | 23,085 | 23,085 | - |
| Cash and bank balances | Loans and receivables | Amortised cost | 99,906 | 99,906 | - |
| Derivative financial assets | Derivatives designated as hedging instruments | Derivatives designated as hedging instruments | 69 | 69 | - |
| Debentures, unquoted in Malaysia | Held-to-maturity | Amortised cost | 1,255 | 1,255 | - |
| Quoted and unquoted investments and others | Available-for-sale | FVTOCI | 1,954 | 1,954 | - |

# Notes to the Financial Statements

For the year ended 31 December 2018

## 42. ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

### 42.1 Adoption of MFRS 9 (Continued)

Effect of adoption of MFRS 9 is set out below: (Continued)

*(i) Classification and measurement of financial assets and financial liabilities (Continued)*

| | Measurement category | | Carrying amount | | |
|---|---|---|---|---|---|
| | **Under MFRS 139** | **Under MFRS 9** | **Under MFRS 139 RM'000** | **Under MFRS 9 RM'000** | **Difference** |
| **Group** | | | | | |
| **Financial liabilities:** | | | | | |
| Trade payables | Other financial liabilities | Amortised cost | 504,852 | 504,852 | - |
| Other payables and accrued expenses | Other financial liabilities | Amortised cost | 200,718 | 200,718 | - |
| Amounts owing to holding and other related companies | Other financial liabilities | Amortised cost | 82,631 | 82,631 | - |
| Borrowings | Other financial liabilities | Amortised cost | 484,387 | 484,387 | - |
| Derivative financial liabilities | Derivatives designated as hedging instruments | Derivatives designated as hedging instruments | 1,643 | 1,643 | - |
| **Company** | | | | | |
| **Financial assets:** | | | | | |
| Amounts owing by subsidiaries | Loans and receivables | Amortised cost | 183,772 | 183,772 | - |
| Other receivables and refundable deposits | Loans and receivables | Amortised cost | 493 | 493 | - |
| Amounts owing by holding and other related companies | Loans and receivables | Amortised cost | 535 | 535 | - |
| Cash and bank balances | Loans and receivables | Amortised cost | 3,913 | 3,913 | - |
| Debentures, unquoted in Malaysia | Held-to-maturity | Amortised cost | 1,255 | 1,255 | - |
| **Company** | | | | | |
| **Financial liabilities:** | | | | | |
| Other payables and accrued expenses | Other financial liabilities | Amortised cost | 6,000 | 6,000 | - |
| Amounts owing to holding and other related companies | Other financial liabilities | Amortised cost | 2 | 2 | - |
| Amounts owing to subsidiaries | Other financial liabilities | Amortised cost | 258,665 | 258,665 | - |

## 42. ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

### 42.1 Adoption of MFRS 9 (Continued)

*(ii) Impairment of financial assets*

Until 31 December 2017, the Group and the Company assessed the impairment of financial assets based on the incurred impairment loss model. Note 3.21.1 sets out the details of accounting policies for impairment of financial assets under MFRS 139.

From 1 January 2018, the Group and the Company apply the ECL model to determine impairment on investment in debt instruments that are measured at amortised cost and at FVTOCI.

The new accounting policies for impairment under MFRS 9 are set out in Note 3.21.1.

### 42.2 Adoption of MFRS 15

With the adoption of MFRS 15, revenue is recognised by reference to each distinct performance obligation in the contract with customer. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

There were no material financial impacts to the statements of financial position and the statements of comprehensive income of the Group and of the Company arising from the adoption of MFRS 15.

## 43. COMPARATIVES

Certain comparative figures have been reclassified to conform with the current year's presentation.

| | As previously reported RM'000 | Reclassification RM'000 | As reclassified RM'000 |
|---|---|---|---|
| **Statements of Profit or Loss and Other Comprehensive Income** | | | |
| **Group** | | | |
| Cost of sales (Note 5) | (1,955,468) | (6,210) | (1,961,678) |
| Selling and distribution expenses (Note 5) | (419,607) | (3,566) | (423,173) |
| Administration expenses (Note 5) | (120,899) | 6,802 | (114,097) |
| Other expenses (Note 5) | (48,036) | 4,205 | (43,831) |
| Other income | 34,979 | (1,231) | 33,748 |
| **Statements of Financial Position** | | | |
| **Group** | | | |
| Other payables and accrued expenses | 236,200 | (33,151) | 203,049 |
| Contract liabilities | - | 33,151 | 33,151 |
| **Group** | | | |
| **Statements of Cash Flows** | | | |
| Cash Flows From Operating Activity | | | |
| Increase in payables | 55,649 | (18,460) | 37,189 |
| Decrease in contract liabilities | - | (2,211) | (2,211) |
| Cash Flows From Investing Activity | | | |
| Purchase of property, plant and equipment | (177,278) | 20,671 | (156,607) |

# Analysis of Shareholdings

As at 27 March 2019

## SHARE CAPITAL

| Type | No.of shares | | Amount (RM) |
|---|---|---|---|
| Issued and paid up | 849,695,476 ordinary shares | | 849,695,476 |
| | | Total | **849,695,476** |
| | | | |
| Voting right of ordinary shares | 1 vote per share | | |

## DISTRIBUTION ACCORDING TO SIZE OF SHAREHOLDINGS AS AT 27 MARCH 2019

| Size of Shareholdings | No. of Shareholdings & Percentage | | No. of Shares & Percentage | |
|---|---|---|---|---|
| | Shareholders | % | Shares | % |
| Less than 100 | 368 | 4.78 | 7,279 | 0.00 |
| 100 - 1,000 | 2,997 | 38.93 | 1,680,688 | 0.20 |
| 1,001 - 10,000 | 3,301 | 42.88 | 12,242,394 | 1.45 |
| 10,001 - 100,000 | 845 | 10.98 | 24,344,549 | 2.87 |
| 100,001 to less than 5% of issued ordinary shares | 184 | 2.39 | 259,107,198 | 30.49 |
| 5% of issued ordinary shares and above | 3 | 0.04 | 552,313,368 | 65.00 |
| **TOTAL** | **7,698** | **100.00** | **849,695,476** | **100.00** |

## DIRECTORS SHAREHOLDINGS

**Based on the Register of Directors' Shareholdings as at 27 March 2019**

| | | Direct | | Indirect | |
|---|---|---|---|---|---|
| Name | Nationality | No. of Ordinary shares | Percentage of share capital % | No. of ordinary shares | Percentage of share capital % |
| Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar | Malaysian | – | – | – | – |
| Martin Kriegner | Austrian | – | – | – | – |
| Yeoh Khoon Cheng | Malaysian | – | – | – | – |
| Y.M. Tunku Afwida Binti Tunku A.Malek | Malaysian | – | – | – | – |
| Datuk Muhamad Noor Bin Hamid | Malaysian | – | – | – | – |
| Ar. Datuk Tan Pei Ing | Malaysian | – | – | – | – |
| John Stull | American | – | – | – | – |

# Analysis of Shareholdings

As at 27 March 2019

**THIRTY LARGEST SECURITIES ACCOUNTS HOLDER**
**(According to Register of Depositors as at 27 March 2019)**

| | | Shareholdings | |
|---|---|---|---|
| No. | Names | No. | % |
| 1 | Associated International Cement Limited | 433,344,693 | 51.00 |
| 2 | AmanahRaya Trustees Berhad<br>Amanah Saham Bumiputera | 70,028,100 | 8.24 |
| 3 | Citigroup Nominees (Tempatan) Sdn Bhd<br>Employees Provident Fund Board | 48,940,575 | 5.76 |
| 4 | Cartaban Nominees (Asing) Sdn Bhd<br>BBH (Lux) SCA For Fidelity Funds Asian Special Situations | 29,856,900 | 3.51 |
| 5 | AmanahRaya Trustees Berhad<br>Amanah Saham Malaysia 3 | 15,132,000 | 1.78 |
| 6 | Urusharta Jamaah Sdn Bhd | 13,450,100 | 1.58 |
| 7 | Kumpulan Wang Persaraan (Diperbadankan) | 11,415,800 | 1.34 |
| 8 | AmanahRaya Trustees Berhad<br>Amanah Saham Malaysia | 11,318,800 | 1.33 |
| 9 | Cartaban Nominees (Asing) Sdn Bhd<br>BBH (Lux) SCA For Fidelity Asian Equity Pool (Fidelity Funds) | 9,709,800 | 1.14 |
| 10 | Cimsec Nominees (Asing) Sdn Bhd<br>Exempt An For CGS-CIMB Securities (Singapore) Pte Ltd (Retail Clients) | 8,856,967 | 1.04 |
| 11 | Cartaban Nominees (Asing) Sdn Bhd<br>BBH (Lux) SCA For Fidelity Funds Pacific | 7,901,400 | 0.93 |
| 12 | Cartaban Nominees (Asing) Sdn Bhd<br>BBH (Lux) Sca for Fast Asia Fund | 7,579,800 | 0.89 |
| 13 | AmanahRaya Trustees Berhad<br>Public Islamic Dividend Fund | 7,289,000 | 0.86 |
| 14 | AmanahRaya Trustees Berhad<br>Public Ittikal Sequel Fund | 7,206,200 | 0.85 |
| 15 | AmanahRaya Trustees Berhad<br>Amanah Saham Bumiputera 3 - Didik | 6,898,600 | 0.81 |
| 16 | Cartaban Nominees (Asing) Sdn Bhd<br>Exempt AN for State Street Bank & Trust Company (West CLT OD67) | 5,906,500 | 0.70 |
| 17 | HSBC Nominees (Asing) Sdn Bhd<br>JPMCB NA for Vanguard Total International Stock Index Fund | 5,847,968 | 0.69 |

# Analysis of Shareholdings

As at 27 March 2019

| No. | Names | Shareholdings No. | % |
|---|---|---|---|
| 18 | Loke Wan Yat Realty Sdn Bhd | 5,107,100 | 0.60 |
| 19 | AmanahRaya Trustees Berhad<br>Amanah Saham Malaysia 2 - Wawasan | 5,000,000 | 0.59 |
| 20 | AmanahRaya Trustees Berhad<br>Amanah Saham Bumiputera 2 | 4,839,400 | 0.57 |
| 21 | Tasek Property Holdings Sdn Bhd | 4,801,100 | 0.57 |
| 22 | Cartaban Nominees (Asing) Sdn Bhd<br>BBH (Lux) SCA For Fidelity Funds Asean | 4,602,500 | 0.54 |
| 23 | Maybank Nominees (Tempatan) Sdn Bhd<br>Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100) | 3,967,040 | 0.47 |
| 24 | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustees Berhad for Singular Value Fund | 3,892,300 | 0.46 |
| 25 | Malaysia Nominees (Tempatan) Sendirian Berhad<br>Lee Foundation, States of Malaya (00-00197-000) | 3,763,620 | 0.44 |
| 26 | HSBC Nominees (Asing) Sdn Bhd<br>JPMCB NA for Vanguard Emerging Markets Stock Index Fund | 3,277,581 | 0.39 |
| 27 | CitiGroup Nominees (Tempatan) Sdn Bhd<br>Employees Provident Fund Board (Aberdeen) | 2,807,800 | 0.33 |
| 28 | Lembaga Tabung Angkatan Tentera | 2,540,700 | 0.30 |
| 29 | CIMB Group Nominees (Asing) Sdn Bhd<br>Exempt An for DBS Bank Ltd (SFS) | 2,515,300 | 0.30 |
| 30 | CitiGroup Nominees (Tempatan) Sdn Bhd<br>Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen) | 2,499,200 | 0.29 |
| | **TOTAL** | **750,296,844** | **88.30** |

# Analysis of Shareholdings

As at 27 March 2019

## SUBSTANTIAL SHAREHOLDERS
**(According to the Company's Register of Substantial Shareholders as at 27 March 2019)**

| Name | Place of Incorporation/ Nationality | Direct | | Indirect | |
|---|---|---|---|---|---|
| | | No. of Ordinary Shares | Percentage of Share Capital % | No. of Ordinary Shares | Percentage of Share Capital % |
| LafargeHolcim Ltd ("LH") | Switzerland | – | – | (1)433,344,693 | 51.00 |
| Associated International Cement Limited ("AIC") | United Kingdom | 433,344,693 | 51.00 | – | – |
| Blue Circle International Holdings BV ("BCIH") | Netherlands | – | – | (2)433,344,693 | 51.00 |
| Lafarge International Holdings Limited ("LIHL") | United Kingdom | – | – | (3)433,344,693 | 51.00 |
| Lafarge Finance Ltd ("LFL") | Jersey | – | – | (4)433,344,693 | 51.00 |
| Lafarge Building Materials Limited ("LBML") | United Kingdom | – | – | (5)433,344,693 | 51.00 |
| Financiere Lafarge SA ("FLSA") | France | – | – | (6)433,344,693 | 51.00 |
| SOFIMO* | France | – | – | (7)433,344,693 | 51.00 |
| Lafarge SA ("Lafarge") | France | – | – | (8)433,344,693 | 51.00 |
| Employees Provident Fund Board ("EPF") | Malaysia | 48,940,575 | 5.76 | (9)4,561,200 | 0.54 |
| AmanahRaya Trustees Berhad – Amanah Saham Bumiputera ("AmanahRaya") | Malaysia | 70,028,100 | 8.24 | – | – |
| FIL Limited ("FIL") | Bermuda | – | – | (10)60,753,400 | 7.15 |

**Societe Financiere Immobiliere et Mobiliere*

*Notes:*

*[1] LH : Deemed interest via its indirect interest in the shares of AIC, through its indirect interest in BCIH, LIHL, LFL, LBML, FLSA and SOFIMA, and direct interest in Lafarge SA following the successful completion of a public exchange offer by Holcim Ltd for Lafarge S.A. shares and completion of merger between Lafarge SA and Holcim Ltd.*
*[2] BCIH : Deemed interest by virtue of its 100% shareholding in AIC.*
*[3] LIHL : Deemed interest by virtue of its 100% shareholding in BCIH.*
*[4] LFL : Deemed interest by virtue of its shareholding in LIHL.*
*[5] LBML : Deemed interest by virtue of its shareholding in LIHL and LFL.*
*[6] FLSA : Deemed interest by virtue of its 100% shareholding in LBML.*
*[7] SOFIMO : Deemed interest by virtue of its 100% shareholding in FLSA.*
*[8] Lafarge : Deemed interest by virtue of its 100% shareholding in SOFIMO.*
*[9] EPF : Held through Aberdeen Asset Management and PHEIM.*
*[10] FIL : Held through Brown Bros Harriman (Boston), Brown Bros Harriman Ltd Lux (C), Bros Harriman and Co, Clearstream Banking Sa Lux (c).*

# Top 10 List of Properties

As at 31 December 2018

| | Title No/Location | Approximate Area | Tenure | Description | Date of Last Revaluation/Date of Acquisition | Age of Buildings (Years) | Net Book Value RM'000 |
|---|---|---|---|---|---|---|---|
| 1 | PTD119739, PTD119740 Jalan Pukal 3, 81700 Pasir Gudang, Johor Bahru | 12.334 acres | Lease term expiring in 2023 and 2050 | Cement Grinding Station, Drymix plant, warehouse and admin building | Jan and Sept 1997 | 1 to 21 | 37,228 |
| 2 | Plot C, H.S.(D) 7/1983 Telok Ewa, Langkawi Kedah Darul Aman | 196.4 acres | Leasehold expiring in 2043 | Cement factory complex and ancillary buildings | June 1999 | 34 | 36,104 |
| 3 | Lot No. 1956 Rawang, Selangor Darul Ehsan | 49 acres | Leasehold expiring in 2056 | Cement factory complex and ancillary buildings | Dec 1998 | 19 to 43 | 27,383 |
| 4 | No. 2, Jalan Kilang, Petaling Jaya 46050 Selangor Darul Ehsan | 6 acres | Leasehold expiring in 2068 | Office complex | Dec 1998 | 33 | 16,493 |
| 5 | Lot No. 20146 Rawang, Selangor Darul Ehsan | 318 acres (Total gross floor area of buildings: approximately 28,403 sq ft) | Leasehold expiring in 2025 | Limestone quarry and ancillary buildings | Dec 1998 | 43 | 13,173 |
| 6 | H.S.(D)200047, PT242503 Mukim Hulu Kinta Daerah Kinta Perak Darul Ridzuan | 33 acres | Lease term expiring in 2041 | Cement factory complex and ancillary buildings | Dec 1998 | 17 to 41 | 7,455 |
| 7 | Lot Nos. 3546 to 3548, 3551, 3554, 3555 & 3557 to 3560 Rawang, Selangor Darul Ehsan | 94 acres | Freehold | Agricultural land | Dec 1998 | – | 6,813 |
| 8 | P.T. 867, H.S. (D) 413 Mukim Air Hangat Langkawi, Kedah Darul Aman | 674 acres | Leasehold expiring in 2032 | Limestone quarry | June 1999 | – | 6,101 |
| 9 | Lot No. 813 Rawang, Selangor Darul Ehsan | 30 acres | Freehold | Industrial land | Dec 1998 | – | 5,626 |
| 10 | Lot No. 1957 Rawang, Selangor Darul Ehsan | 57 acres (Total gross floor area of buildings: approximately 46,893 sq ft) | Leasehold expiring in 2056 | Employees' quarters comprising 6 bungalows and 24 units single storey houses | Dec 1998 | 41 | 5,512 |

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 69th Annual General Meeting of LAFARGE MALAYSIA BERHAD will be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Thursday, 30 May 2019 at 2.00 p.m. for the following purposes:

AGENDA

**As Ordinary Business**

| | | |
|---|---|---|
| 1 | To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. | Please refer to Explanatory Note (a) |
| 2 | To re-elect the following Directors who retires as a Director of the Company under Article 85 of the Company's Articles of Association. | |
| | a. Y.M. Tunku Afwida Binti Tunku A.Malek | **Resolution 1** |
| | b. Datuk Muhamad Noor Bin Hamid | **Resolution 2** |
| 3 | To re-elect Yeoh Khoon Cheng who retires as a Director of the Company under Article 91 of the Company's Articles of Association. | **Resolution 3** |
| 4 | To approve the payment of the Directors' fees and benefits of up to RM852,000.00 payable to the Directors in respect of the financial year ending 31 December 2019. | **Resolution 4** |
| 5 | To re-appoint Messrs Deloitte PLT, the retiring Auditors and to authorise the Directors of the Company to fix their remuneration. | **Resolution 5** |

**As Special Business**

To consider and, if thought fit, to pass the following Resolutions:

6 **Resolution**

| | |
|---|---|
| To retain Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years, as Independent Non-Executive Director of the Company. | **Resolution 6** |

7 **Ordinary Resolution**

| | |
|---|---|
| Proposed Renewal of Shareholders' Mandate as well as Proposed New Mandate for Recurrent Related Party Transactions ("Recurrent RPTs"). | **Resolution 7** |

"That, subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, the Company and its subsidiaries be hereby authorised to enter into or transact all recurrent related party transactions of a revenue or trading nature with the Related Parties as set out in **Section 2.4** of the Circular to Shareholders dated 30 April 2019 provided further to the following:

(i) the transactions are necessary for the day to day operations of the Company, carried out in the ordinary course of business, on normal commercial terms and on terms which are not more favourable to the Related Party than those that could be arranged with unrelated parties, where comparable services, sales or purchases are so obtainable from such unrelated parties and are not to the detriment of the minority shareholders;

(ii) disclosure be made in the annual report of the aggregate value of the transactions conducted pursuant to the Proposed Recurrent RPT Mandate during the financial year with a breakdown of the aggregate value of the Proposed Recurrent RPTs based on the type, the names of the Related Parties involved and their relationship with the Company and otherwise in accordance with the provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad; and

(iii) that the authority conferred by the Proposed Recurrent RPT Mandate 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 AGM, the authority is renewed;

(b) the expiration of the period within which the next AGM of LMB 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 an AGM or EGM,

whichever is earlier.

THAT the Directors and/or any one of them be hereby authorised to complete and do all such acts and things that they/he may consider expedient or necessary (including the amendment and/or execution of such documents as may be required) to give effect to the Proposed Recurrent RPT Mandate."

8 **Ordinary Resolution**

Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback"). **Resolution 8**

"THAT subject to the provisions of the Companies Act, 2016 ("the Act"), the Company's Articles of Association and the requirements of Bursa Malaysia Securities Berhad and the approvals of all relevant government and/or regulatory authorities, the Company is hereby authorised to purchase such number of ordinary shares of the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit provided that the aggregate number of shares to be purchased pursuant to this resolution does not exceed 84,969,547 ordinary shares representing ten per cent (10%) of the issued and paid-up ordinary share capital (inclusive of treasury shares) of the Company and an amount not exceeding the retained profits of the Company be allocated by the Company for the Share Buyback;

AND THAT at the discretion of the Directors, upon such purchase by the Company of its own shares, the purchased shares be cancelled and/or retained as treasury shares and subsequently be cancelled, distributed as dividends or resold on Bursa Malaysia Securities Berhad;

# Notice of Annual General Meeting

AND THAT the Directors of the Company be hereby authorised to take all such steps as are necessary or expedient and to enter into any agreements, arrangements and guarantees with any party or parties to implement or to effect the purchase(s) of the Company's shares with full powers to assent to any conditions, notifications, revaluations, variations (if any) as may be required by the relevant authorities and to do all such acts and things that they/he may consider expedient or necessary (including the amendment and/or execution of such documents as may be required) to give effect to the Share Buyback;

AND THAT the authority hereby given shall commence immediately upon the passing of this resolution and shall continue to be in force until (i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it shall lapse unless by ordinary resolution passed at the AGM, the authority is renewed either unconditionally or subject to conditions; or (ii) the expiration of the period within which the next AGM is required by law to be held or (iii) unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first, but not so as to prejudice the completion of the purchase of its own shares by the Company entered into before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad or any other relevant authorities."

9 **Special Resolution**

Proposed Adoption of the new Constitution of the Company **Resolution 9**

"THAT approval be and is hereby given to revoke the existing Constitution of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Part C of the Circular to Shareholders dated 30 April 2019 accompanying the Company's Annual Report for the financial year ended 31 December 2018, be and is hereby adopted as the Constitution of the Company, AND THAT the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

10 **Others**

To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016 and the Company's Constitution

By Order of the Board

**Koh Poi San** **(L.S. No. 0009701)**
**Serene Lee Huey Fei** **(L.S. No. 0009912)**
Company Secretaries

Petaling Jaya,
Selangor Darul Ehsan
30 April 2019

# Notice of Annual General Meeting

**Explanatory Notes on Ordinary Business**

a. Item 1 of the Agenda is meant for discussion only as under the provision of Section 340(1)(a) of the Companies Act 2016, the Audited Financial Statements do not require formal approval of the shareholders and hence, the matter will not be put forward for voting.

b. Ordinary Resolution 4

Section 230(1) of the Companies Act 2016 provides that the fees and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, shareholders' approval is being sought for the Directors' fees and benefits in respect of the financial year ending 2019. The fees of the Company's Independent Directors are based upon the rates approved by the shareholders at the AGM held on 24 May 2016. The Company's Non-Independent Directors and Executive Directors do not receive any directors' fees.

**Explanatory Notes on Special Business**

c. Ordinary Resolution 6

Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar, has served as an Independent Non-Executive Director of the Company for more than 12 years. The Board has evaluated his performance, both in the capacity as the Chairman of the Board and as an Independent Non-Executive Director of the Company and has unanimously recommended that he continues to act as an Independent Non-Executive Director of the Company, subject always to the shareholders' approval at the forthcoming AGM of the Company. In due course, the Board will consider an appropriate term limit for his tenure with the Board and will seek to implement the appropriate policy on Board tenureship. The justifications for the Board's recommendation on the re-election of Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar as an Independent Non-Executive Director are as follows:

i. he fulfills the independent criteria for directors as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and therefore, is able to contribute impartially to the Board;

ii. his robust and relevant experience as set out in his profile on page 22 of the Annual Report enables him to provide the Board with a diverse set of skills, insights and competence and thus, ensuring that all matters tabled at the Board for consideration are well deliberated. In addition, he possesses the requisite knowledge and understanding of the building and infrastructure industry which allows him to contribute effectively to the Company's business as a whole and accordingly, upholds the interests of the Company and its shareholders.

iii. he has continuously carried out his duty both as an Independent Non-Executive Director and Chairman of the Board, professionally. His extensive service and association with the Company enables him to provide effective and balanced deliberations at Board meetings.

d. Ordinary Resolutions 7 and 8

Please refer to the Circular to Shareholders for the Proposed Recurrent RPT Mandate and the Share Buyback Statement, all dated 30 April 2019, which was despatched together with the Company's Annual Report for the financial year ended 31 December 2018.

e. Special Resolution 9

The proposed Special Resolution, if passed, will streamline and align the Company's Constitution with the provisions of the Companies Act 2016, amended Bursa Securities Main Listing Requirements and further, enhance administrative efficiency. The Board propose that the existing Constitution be revoked in its entirety and that the new Constitution of the Company as set out in Part C of the Circular dated 30 April 2019, which was despatched together with the Company's Annual Report for the financial year ended 31 December 2018, be adopted as the new Constitution of the Company.

# Notice of Annual General Meeting

**Notes:**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and vote instead of him/her and such proxy need not be a member of the Company provided that the member specifies the proportion of the members' shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the meeting of the Company shall have the same rights as the member to speak at the meeting.

2. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

3. The instrument appointing a proxy must, to be valid, be deposited at the Registered Office of the Company located at Level 1, Wisma Lafarge, No. 2, Jalan Kilang 51/206, 46050 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four (24) hours before the time set for the meeting.

4. If the form of proxy is executed by a corporation, it must either be under its seal or under the hand of any authorised officer or attorney.

5. In respect of deposited securities, only members whose names appearing in the Record of Depositors on 23 May 2019, shall be entitled to attend, speak and vote at the meeting.

# Form of Proxy

**LAFARGE MALAYSIA BERHAD** (1877-T)
(Incorporated in Malaysia)

| NO. OF SHARES HELD | CDS ACCOUNT NO. | TELEPHONE NO. |
|---|---|---|
| | | |

I/We ____________________________________________
(Full name in block letters)

NRIC/Passport/Company No. ____________________________________________

of ____________________________________________
(Address)

being a member/members of **LAFARGE MALAYSIA BERHAD**, hereby appoint the following person(s):

| No. | Name of Proxy (Full name in block letters) & NRIC | No. of Shares | % |
|---|---|---|---|
| 1. | | | |
| 2. | | | |
| or failing him/her | | | |
| 1. | | | |
| 2. | | | |

or failing him/her, the Chairman of the meeting as my/our proxy to attend and vote for me/us on my/our behalf at the 69th Annual General Meeting of the Company to be held on Thursday, 30 May 2019 at 2.00 p.m. at Ballroom 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia and at any adjournment thereof, and to vote as indicated below:

| NO. | RESOLUTION | FOR | AGAINST |
|---|---|---|---|
| | **ORDINARY BUSINESS** | | |
| 1. | Re-election of Y.M. Tunku Afwida Binti Tunku A.Malek under Article 85. | | |
| 2. | Re-election of Datuk Muhamad Noor Bin Hamid under Article 85. | | |
| 3. | Re-election of Yeoh Khoon Cheng under Article 91. | | |
| 4. | Approval of the payment of the Directors' fees and benefits of up to RM852,000.00 payable to the Directors in respect of the financial year ending 31 December 2019. | | |
| 5. | Re-appointment of Messrs Deloitte PLT, the retiring Auditors and to authorise the Directors of the Company to fix their remuneration | | |
| | **SPECIAL BUSINESS** | | |
| 6. | Retention of Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar as an Independent Non-Executive Director in accordance with Practice 4.2 of the Malaysian Code on Corporate Governance 2017 | | |
| 7. | Proposed Renewal of Shareholders' Mandate as well as Proposed New Mandate for Recurrent Related Party Transactions ("Recurrent RPTs"). | | |
| 8. | Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback"). | | |
| 9. | Proposed Adoption of the new Constitution of the Company | | |

Please indicate with an "X" in the appropriate space above how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.

Signed this _________ day of ____________________ 2019.

SEAL

Signature: ______________________________

Fold this flap for sealing

**Notes:**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and vote instead of him/her and such proxy need not be a member of the Company provided that the member specifies the proportion of the members' shareholdings to be represented by each proxy. A proxy appointed to attend and vote at the meeting of the Company shall have the same rights as the member to speak at the meeting.

2. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

3. The instrument appointing a proxy must, to be valid, be deposited at the Registered Office of the Company located at Level 1, Wisma Lafarge, No. 2, Jalan Kilang 51/206, 46050 Petaling Jaya, Selangor Darul Ehsan not less than twenty-four (24) hours before the time set for the meeting.

4. If the Form of Proxy is executed by a corporation, it must either be under its seal or under the hand of any authorised officer or attorney.

5. In respect of deposited securities, only members whose names appearing in the Record of Depositors on 23 May 2019 shall be entitled to attend, speak and vote at the meeting.

**Personal Data Privacy**

By submitting this Form of Proxy, the member consents to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting, including any adjournment thereof.

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Affix
Stamp

**LAFARGE MALAYSIA BERHAD** (1877-T)
(Incorporated in Malaysia)

Level 1, Wisma Lafarge
No. 2, Jalan Kilang 51/206
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia

2nd fold here

**Lafarge Malaysia Berhad** (1877-T)
Level 1, Wisma Lafarge
No. 2, Jalan Kilang 51/206
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia

**Tel** +603-7787 4800
**Fax** +603-7770 1162

www.lafarge.com.my