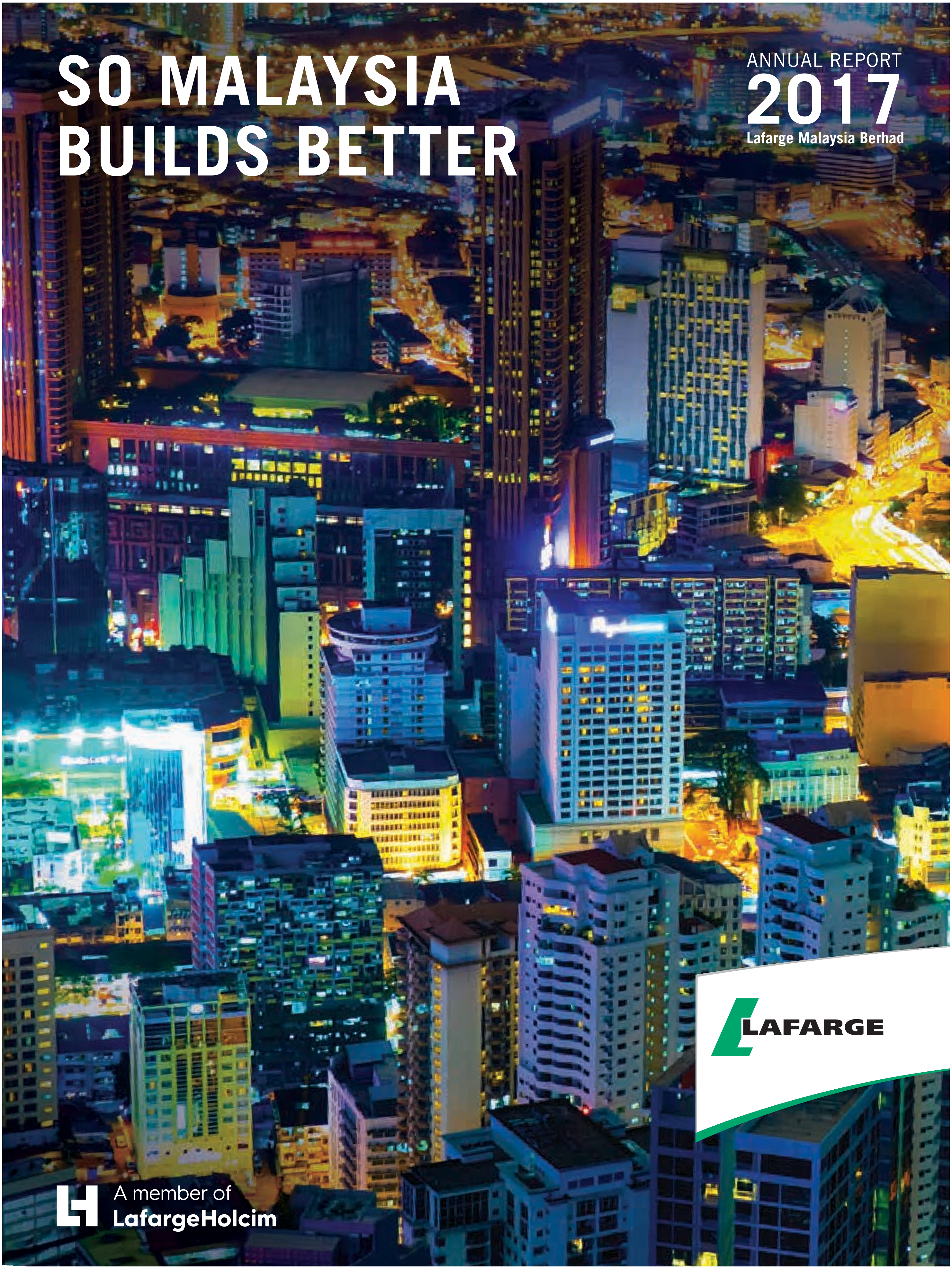
SO MALAYSIA BUILDS BETTER

ANNUAL REPORT
2017
Lafarge Malaysia Berhad



LAFARGE

A member of LafargeHolcim

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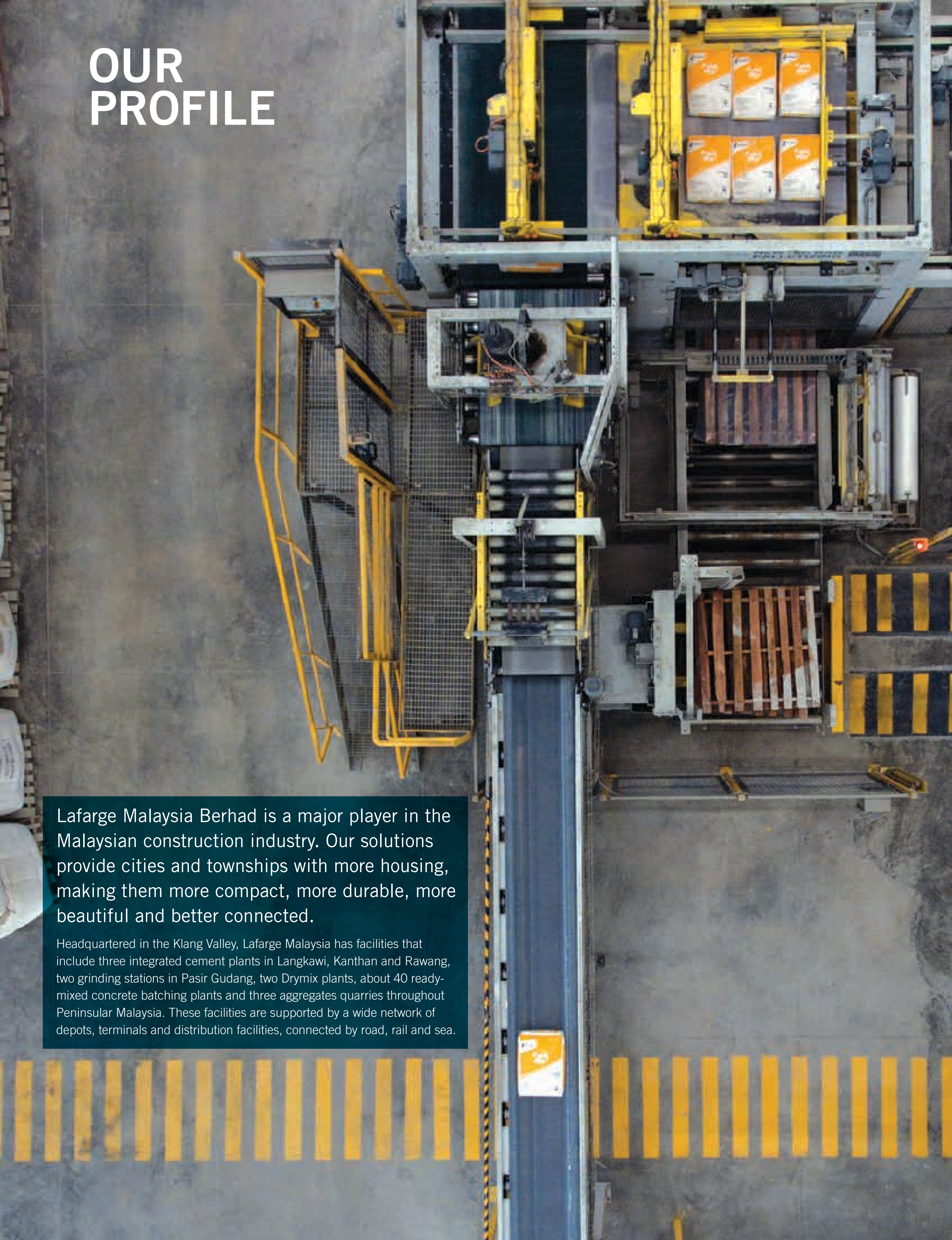


OUR PROFILE

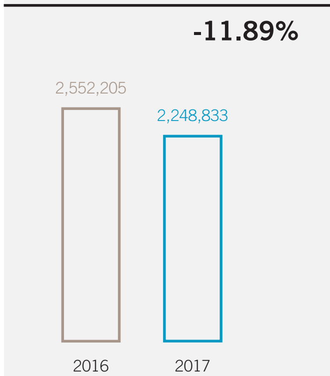
Lafarge Malaysia Berhad is a major player in the Malaysian construction industry. Our solutions provide cities and townships with more housing, making them more compact, more durable, more beautiful and better connected.

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, about 40 ready-mixed concrete batching plants and three 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.

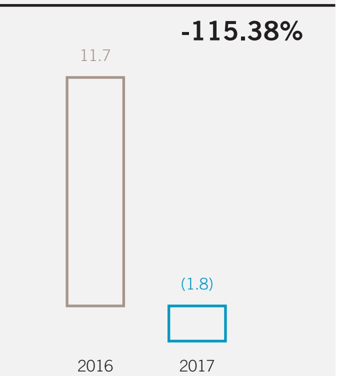
GROUP FINANCIAL HIGHLIGHTS

STATEMENT OF COMPREHENSIVE INCOME

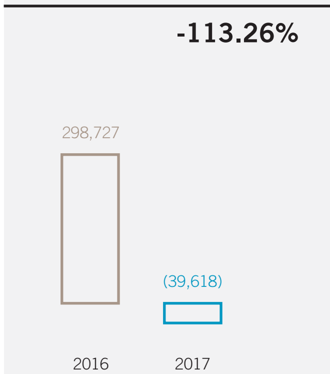
REVENUE
(RM'000)



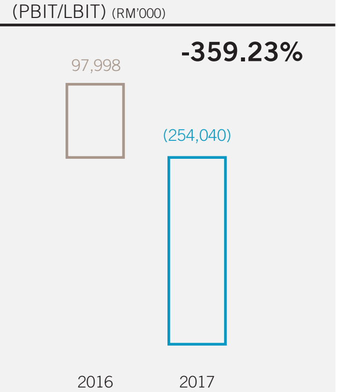
EBITDA MARGIN
(%)



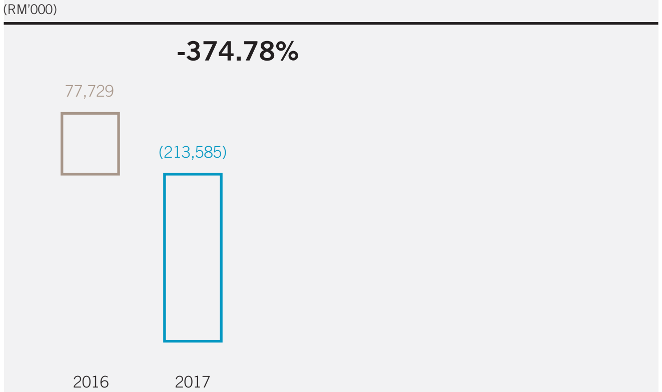
EBITDA
(RM'000)



PROFIT/(LOSS) FROM OPERATIONS
(PBIT/LBIT) (RM'000)

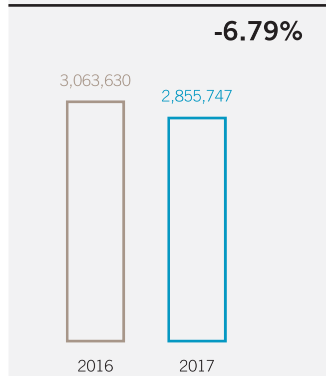


PROFIT/(LOSS) FOR THE YEAR
(RM'000)

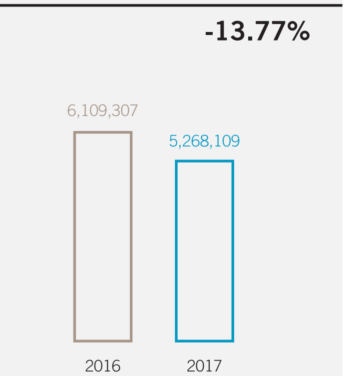


STATEMENT OF FINANCIAL POSITIONS

TOTAL EQUITY*
(RM'000)



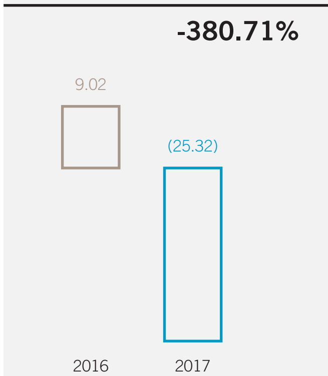
MARKET CAPITALISATION
(RM'000)



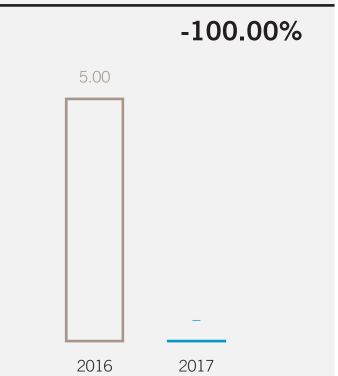
* Equity - include non-controlling interest
EBITDA - Earnings before finance cost, tax, depreciation and amortisation (including interest income)
PBIT/LBIT - Profit/(loss) before interest and tax (Profit/(loss) from operations)

DIVIDEND AND EARNING PER SHARE

EARNINGS PER SHARE
(Sen)



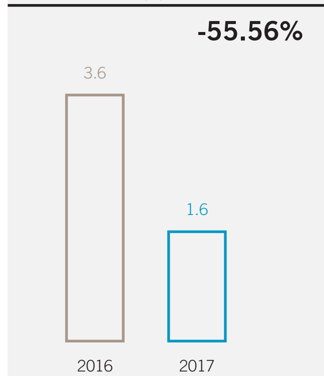
NET DIVIDEND PER SHARE
(Sen)



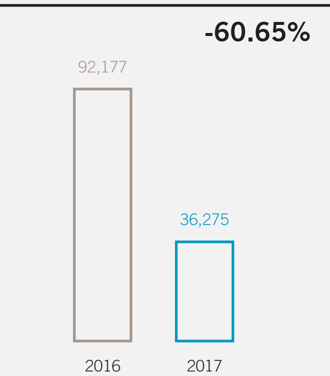
DIVIDEND YIELD
(%)

STATEMENT OF CASH FLOWS

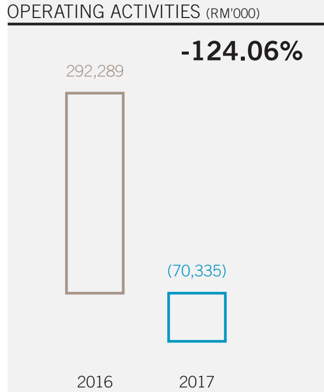
OPERATING WORKING CAPITAL
% OF REVENUE (%)



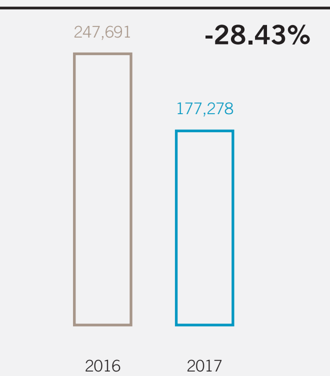
OPERATING WORKING CAPITAL
(RM'000)



NET CASH FROM
OPERATING ACTIVITIES (RM'000)

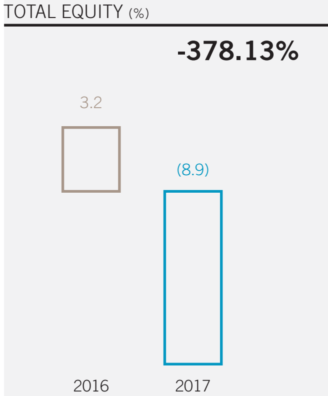


CAPITAL EXPENDITURE
(RM'000)

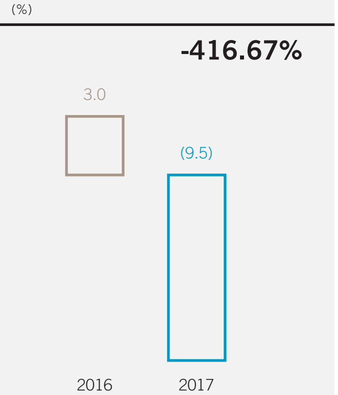


FINANCIAL RATIOS

PROFIT/(LOSS) FROM OPERATIONS/
TOTAL EQUITY (%)



PAT/REVENUE
(%)



PAT - Profit/(loss) after tax

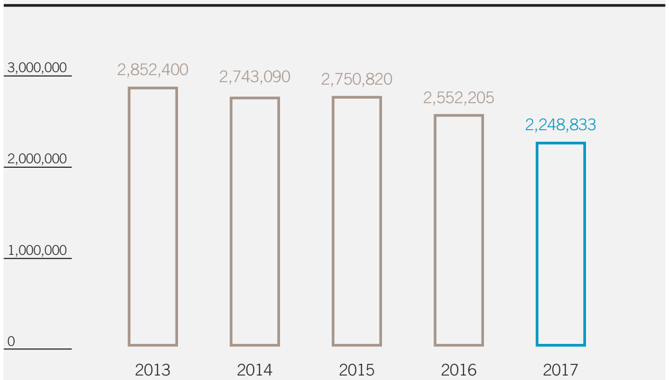
FIVE-YEAR FINANCIAL STATISTICS

	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000
OPERATING RESULTS					
Revenue	2,852,400	2,743,090	2,750,820	2,552,205	**2,248,833**
Profit/(loss) from operations	505,991	335,282	350,284	97,998	**(254,040)**
Profit/(loss) before tax	514,890	345,183	346,906	74,281	**(279,037)**
Profit/(loss) for the year	367,118	256,007	252,562	77,729	**(213,585)**
KEY BALANCE SHEET DATA					
Share capital	849,695	849,695	849,695	849,695	**1,950,692***
Total equity	3,219,629	3,124,944	3,094,804	3,063,630	**2,855,747**
Net borrowings/(cash)	(450,362)	(460,858)	29,705	141,282	**384,481**
Net tangible assets	2,011,171	1,918,589	1,656,921	1,644,340	**1,439,314**
SHARE INFORMATION & FINANCIAL RATIOS					
Net gearing ratio (times)	–	–	0.01	0.05	**0.13**
Net tangible assets per share (RM)	2.37	2.26	1.95	1.94	**1.69**
Net earnings/(loss) per share (sen)	43.15	30.13	29.70	9.02	**(25.32)**
Net dividend per share (sen)	41.00	34.00	31.00	5.00	**–**
Share price (RM) - Year High	11.20	10.64	10.42	9.29	**7.36**
Share price (RM) - Year Low	8.25	7.90	8.45	6.85	**5.10**

* Please refer to Note 25 to the Financial Statements.

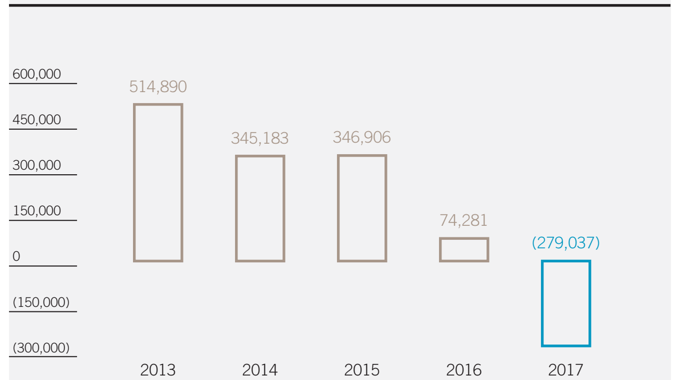
REVENUE

RM'000



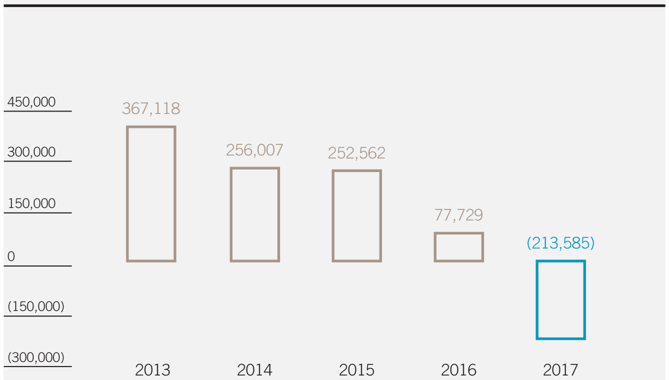
PROFIT/(LOSS) BEFORE TAX

RM'000



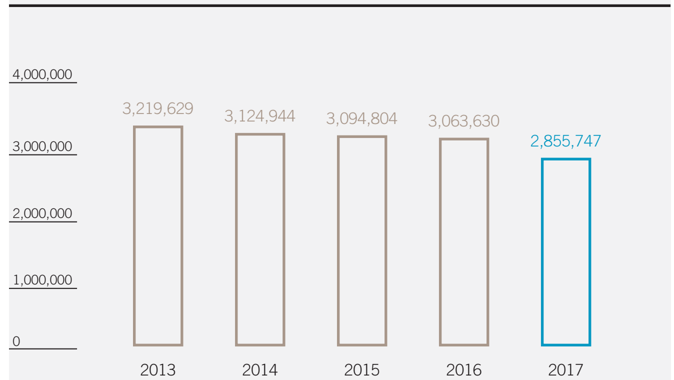
PROFIT/(LOSS) FOR THE YEAR

RM'000



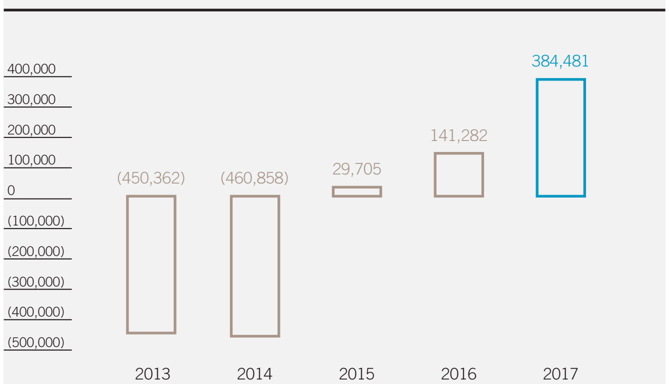
TOTAL EQUITY

RM'000



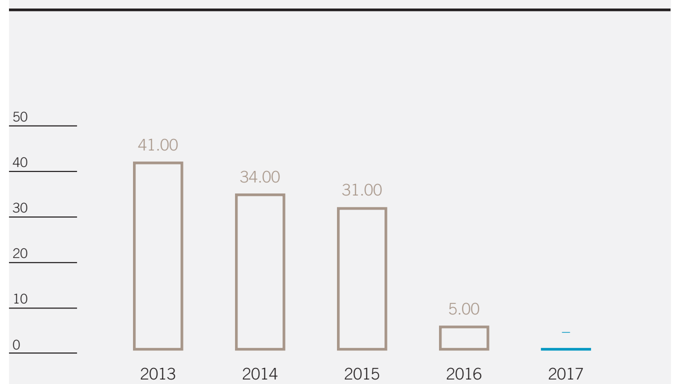
NET BORROWINGS/(CASH)

RM'000



NET DIVIDEND PER SHARE

SEN



MANAGEMENT DISCUSSION & ANALYSIS

STRENGTHENING LAFARGE IN MALAYSIA

In 2017, the construction industry as a whole was slow. The cement market contracted further and intense competition led to lower cement prices.

Lafarge Malaysia has been in Malaysia for 65 years and we remain resilient while maintaining our position as the country's largest building materials company. The Group's operations are segmented into two main operating divisions; one being Cement and the other, Aggregates and Concrete. Segmental information is disclosed in Note 39 to the Financial Statements.

Please refer to page 1 of the Annual Report for our company profile. Our plants in Rawang, Kanthan and Pasir Gudang continue to cater to the domestic market, while Langkawi is mainly used for the export market. We continued to invest in our plants and our offers to customers to strengthen our foundation and to create differentiation for the market as we prepare for the growth ahead.

A five-year financial statistics of Lafarge Malaysia is disclosed on page 4 of the Annual Report.

FINANCIAL PERFORMANCE

Lafarge Malaysia recorded a revenue of RM2.25 billion for the year ended 31 December 2017, a 11.9% decrease from the RM2.55 billion recorded in the previous fiscal year.

The reduced revenue was mainly attributed to weak market conditions and the competitive environment. The soft market demand, increased industry capacity and continued pricing pressures led to a lower sales contribution from the Cement segment. Higher sales contribution from the Concrete segment partially mitigated the Group's revenue decrease.

Large infrastructure projects were delayed with demand momentum only picking up towards the second half of the year. Demand for residential and non-residential buildings was also soft stemming from affordability issues and negative consumer sentiments.

This has resulted in further contraction in the cement market in 2017, a second straight year of market decline, and compounded by intense competition, led to lower cement prices.

The Group recorded a loss before tax of RM279.0 million compared to a RM74.3 million profit before tax for the corresponding period last year while loss after tax was RM213.6 million compared to profit after tax of RM77.7 million in the previous year.

Higher fuel and electricity costs, higher depreciation of property, plant and equipment, and a higher one-off separation cost was partially mitigated by a one-off gain on disposal of land.

REINFORCING THE FOUNDATIONS IN HEALTH & SAFETY

As for our health & safety, our fundamental belief is that every person involved in or affected by our operations should be able to return home unharmed every day to their loved ones.

We are therefore deeply saddened that we lost three of our colleagues in a fire-related incident at our Rawang plant last year. They were performing minor maintenance work on top of a fuel oil tank when the tank exploded and caught fire.

Immediate assistance was given to the families as well as longer-term sustainable support. A thorough investigation was conducted to ascertain the root-cause and determine main learnings from the incident to prevent this from happening again.

On the operational front, the damage caused by this incident was isolated and had minimal impact to the production facilities of the Plant, allowing operations to resume within a couple of weeks after the incident.

We will continue our efforts towards our ultimate aim of zero harm. Please refer to our Sustainability Statement for more details on our health & safety actions and progress in 2017.

INVESTING IN OUR FACILITIES FOR THE FUTURE

Lafarge Malaysia has the most comprehensive network of operations in West Malaysia; with three integrated cement plants in Langkawi, Kanthan and Rawang, two grinding stations in Pasir Gudang, two Drymix plants, about 40 ready-mixed concrete batching plants and three aggregates quarries throughout Peninsular Malaysia, well connected by road, rail and sea.

We continued to invest to modernise and upgrade the production capabilities of our facilities to ensure that Lafarge Malaysia is well-placed to capitalise on existing opportunities and to forge ahead when the market recovers.

CONTRIBUTING TOWARDS BUILDING MALAYSIA

Lafarge Malaysia has been a part of the nation's progress and growth for 65 years contributing to the construction of homes, buildings and infrastructure. Thanks to the number of large infrastructure investments in the country, we have had the opportunity to contribute our expertise and products to these projects, reinforcing our reputation as the preferred supplier for complex projects.

We have been privileged to play a role in landmark projects such as the Petronas' Refinery and Petrochemical Integrated Development (RAPID) project in Pengerang, Johor. RAPID gave us the opportunity to deliver the quality, the logistics solutions and the health and safety standards required by high value complex projects. Petronas has awarded Lafarge Malaysia numerous Focused Recognition Awards throughout the project as acknowledgement of us meeting their needs and for our good Health & Safety performance at RAPID.

We are also the concrete supplier of choice for power plant constructions having supplied to many power plant projects such as Jimah East Power Plant, Manjung 4 & 5, Tanjung Bin and the initial Jimah facility.

As far as high-rise building is concerned, we are involved in the construction of Merdeka PNB 118 mega tower. This project requires stringent conditions and tremendous coordination involving multiple parties.

We have recently secured the supply to packages for both the 24.4km SUKE and 20.1km DASH three-lane, dual-carriageway, elevated expressways, and most recently the East Coast Rail Link (ECRL) project.

STRENGTHENING OUR PARTNERS WITH RETAIL

To widen our reach to our end-customers, we started the Lafarge Flagship Outlet Programme in 2017. Under this programme, selected retail stores are outfitted with a “Perfect Wall” display that demonstrates step-by-step methods and products required to build a perfect wall. These retailers are supported with in-store promotions, training for their staff and customers, as well as advertising.

2017 saw Lafarge Malaysia’s entry into e-commerce channel with the launch of our “shop-in-shop” on Lazada, Malaysia’s leading digital marketplace.

HAPPINESS IN THE CITY

To understand what matters to urbanites, Lafarge Malaysia launched the Happiness In The City (HITC) project. It focused on the quality of urban living as a key factor for happiness. It recorded input from a survey of residents from three of the fastest-growing urban areas in Malaysia - Klang Valley, Penang and Johor Bahru.

Following the survey, we ran a truck design competition for tertiary students as a platform for the next generation to contribute towards happier cities. Students were then given the opportunity to paint their design on Lafarge cement tankers and concrete trucks.

The HITC survey revealed that urban dwellers in these three cities shared similar concerns – connectivity, quality of houses and cost of living. In response to this, Lafarge Malaysia launched the MYHOME initiative in 2018 – co-owned by Lafarge Malaysia and EdgeProp.my with SP Setia as a main partner. The first of its kind in the country, the MYHOME initiative is supported by Feruni, Lightcraft, Nippon Paint and Panasonic with the aim of offering Malaysians the opportunity to co-create their ideal home.

This is part of Lafarge Malaysia’s aspiration to help build better homes that are well built, connected, accessible and affordable.

INVESTING FOR THE LONG TERM

GDP growth rate over the next few years is forecasted at 5%. For 2018, the Ministry of Finance is expecting the construction sector to grow by 7.5% while the Malaysian Institute of Economic Research has forecast a higher growth of 8.9%, anticipating infrastructure projects to gain momentum in the second half of the year. The property market, however, remains lack lustre.

Lafarge Malaysia is determined to strengthen its leading position in the Malaysian market. We will continue to invest in our operations, focusing on efficiency, cost cutting, as well as in opportunities as Malaysia expands its infrastructure. We are well-placed to capitalise on the nation’s investment in infrastructure with the securing of supply to on-going and upcoming projects.

The Company does not have a dividend distribution policy. In the financial year ended 31 December 2017, the Board of Directors did not recommend any distribution of dividend in view of the challenging market conditions.

We would like to take this opportunity to express our appreciation and thank our outgoing Chief Executive Officer, Thierry Legrand, for helming Lafarge Malaysia and his leadership during this competitive and challenging period, and for strengthening Lafarge Malaysia’s foundation.

Succeeding him will be Mario Bastian Gross, with effect from 1 April 2018, who joins Lafarge Malaysia bringing with him his global experience with roles across Germany, China, Thailand and Switzerland. Please join us in welcoming him to our fantastic team in Malaysia, where he will be leading the future growth.

SUSTAINABILITY STATEMENT

OUR APPROACH

Sustainability is one of the strategic pillars for Lafarge Malaysia Berhad. Our sustainability performance is considered fundamental to our business success and sustainability is in fact embedded in our day-to-day operations.

Central to our approach is a strong emphasis on Health and Safety. It is a core value for our culture and provides the framework for the way employees are expected to behave.

We are committed to inclusivity and we engage with communities within which we operate through regular dialogues, socioeconomic footprint studies and community activities. It is an opportunity for us to gain feedback on our operations and how we impact them.

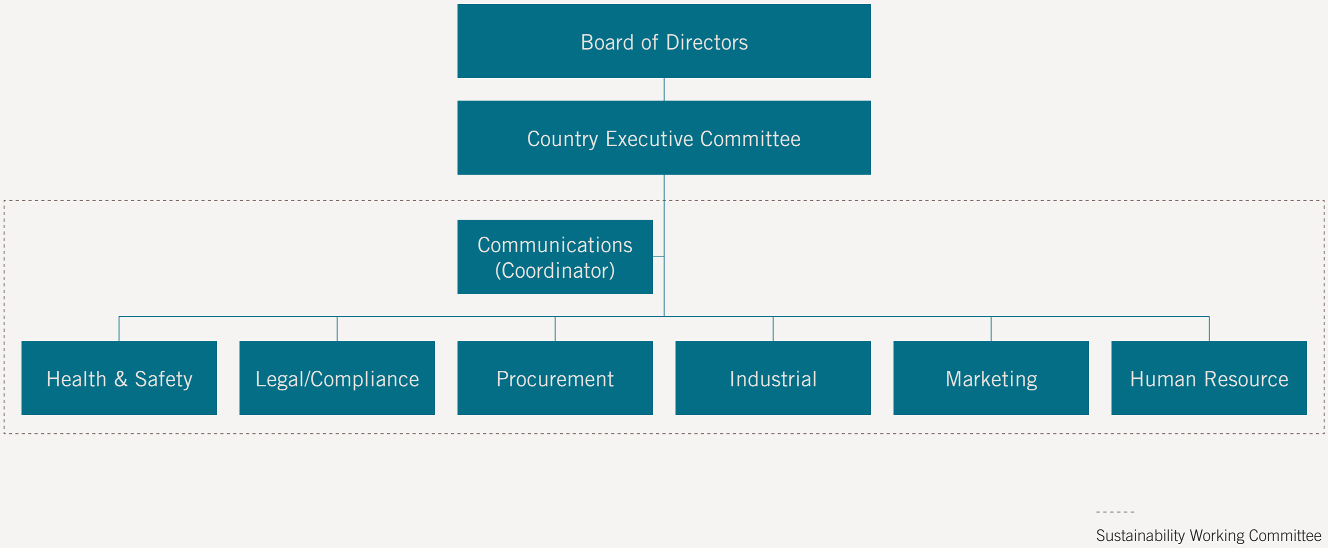
We also actively engage with analysts through our quarterly briefings. They subsequently report on our fiscal and sustainability performance to shareholders. Another avenue of shareholder engagement is the Annual General Meeting where we brief our shareholders on our full year performance.

We are currently in the midst of preparing for a materiality analysis exercise. It will allow us to fine-tune our priorities and improve the sustainability of our business practices. This will be reflected in our next stand-alone Sustainability Report which is scheduled to be published in 2019.

GOVERNANCE

Good corporate governance means having structures and processes in place to ensure that decisions and actions are in the best interests of stakeholders. The Board of Directors reviews and assesses the strategic directions required to achieve the Company'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 divisions of the Company to ensure conformity to the strategies and objectives.

Sustainability Governance Structure



THE LAFARGEHOLCIM 2030 PLAN

In 2016, LafargeHolcim Group launched its Sustainable Development Plan, known simply as “the 2030 Plan”.

It is based on the newly adopted United Nations Sustainable Development Goals and the Paris Agreement on Climate. Through the 2030 Plan, LafargeHolcim intends to not just incorporate proven sustainable practices into its business model, but to actually make them a key lever for growth. The Group seeks to generate 1/3 of its revenue from these “2030 solutions” through a portfolio of products and services leveraging on sustainability.

The diagram below outlines the LafargeHolcim 2030 Plan. For more details, visit their website at 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% We will implement The WASH Pledge on all sites	We want zero fatalities We will reduce LTIFR <0.20 We will reduce TIFR by 50% We will reduce our disease rate <0.1 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 We will show a positive change for biodiversity	We will develop initiatives to benefit 75 million people We will engage in collective action to combat bribery & corruption in high risk countries
Innovative solutions	Low-carbon cement & concrete Insulating concrete Thermal-mass solutions	Recycled aggregates Urban mining solutions Waste management services	Rainwater harvesting Pervious concrete Stormwater protection Vertical green solutions	Affordable housing materials and solutions 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.

LAFARGE MALAYSIA 2020 GOALS & STRATEGIES

Lafarge Malaysia's sustainable goals for 2020 mirror the larger Group's objectives, albeit on a local scale. The following briefly explains the goals, and strategies that are to be employed locally, in terms of the four key areas of the 2030 Plan.

	CLIMATE	CIRCULAR ECONOMY	WATER AND NATURE	PEOPLE AND COMMUNITIES
	Lafarge Malaysia will endeavour to cut net CO_2 emissions per ton of cement produced	Lafarge Malaysia will transform waste-products into resources for the production process	Lafarge Malaysia is dedicated to saving freshwater in all business lines, delivering a positive change in biodiversity at all our quarries and mining sites, and providing a hygienic working environment at all sites	Lafarge Malaysia will implement efforts under two separate categories. The first is "Health and Safety", where Lafarge Malaysia strives to create a safe working environment. The second is "Stakeholder Engagement", where Lafarge Malaysia engages communities that are affected by its operations and activities
Lafarge Malaysia 2020 Targets	Reduce the amount of CO_2 emitted during the production of cement by 25% from 1990, and by 13% from 2015	Replace 20% of traditional fuels with alternative fuels Support over 50 companies in achieving zero landfill ambitions Provide best-practices in waste management services via Geocycle*	Reduce freshwater consumption in cement operations by 23% from 2015 levels Full implementation of biodiversity management in Kanthan, Langkawi and Rawang	Health and Safety • Achieve zero fatalities on site • Reduce total injury frequency rates by 30% • Maintain Lost Time Injury Frequency Rates to below 0.5 per million hours worked Stakeholder Engagement • Increase direct beneficiaries of our community projects from 90,000 in 2015 to 390,000 in 2020 • Maintain a minimum 30% gender diversity in all management levels • Improve stakeholder engagement to 80% of cement plants, 40% of aggregates, and 40% of RMX
Strategies	Increase the Thermal Substitution Rate by using more waste-derived and alternative fuels Minimise clinker factor by increasing the production and sales of blended cement Reduce Specific Heat Consumption by improving plant energy efficiency	Supply alternative fuels and raw materials to Lafarge Malaysia, through Geocycle* Collaborate with the Department of Environment to raise awareness among industry players Put in place technical development programmes to improve waste management practises Promote the use of construction and demolition waste in urban areas to produce recycled aggregates	Address water leakage issues in cement plants Increase the use of recycled water for production Work with environmental groups to design a biodiversity blueprint for the plants, beginning with Kanthan	Deploy affordable housing solutions such as Fastbuild™ Continue emphasis on Health and Safety, and workplace diversity, through training

* Geocycle Environmental Services Sdn Bhd is a subsidiary that provides waste management services to other industries in the country via its co-processing solution.

SUSTAINABILITY ACHIEVEMENTS, ACTIVITIES AND INITIATIVES

Health and Safety is at the centre of everything we do, in the daily routines in our plants, in our interaction with customers at work sites and our actions in our neighbouring communities. Our aspiration is to conduct our business with zero harm to people and to create a healthy and safe environment for our employees, contractors, communities, and customers.

No. of safety engagements in 2017

Product Line/Plant/Activities	Number of safety engagements in year 2017
Aggregates	431
Readymix	5,482
Kanthan	1,540
Langkawi	2,409
Pasir Gudang	956
Rawang	637
Cement Industrial	174
Head Office	280
Corporate & Functions	13
Supply Chain	148
HSBP	154
CMCM, Drymix & PBC	232
Total	**12,456**

Health & safety training hours

Year	Total training hours
2015	68,875
2016	71,458
2017	46,797

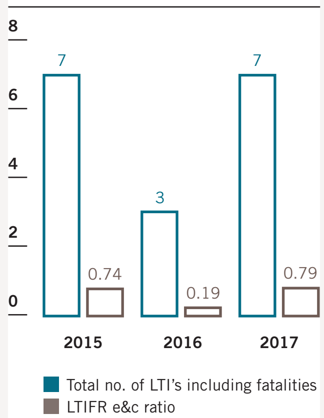
No. of near misses reported

Year	Total of near misses reported
2015	653
2016	663
2017	456

No. of motor vehicle incidents (MVI) net of third party fault in 2017

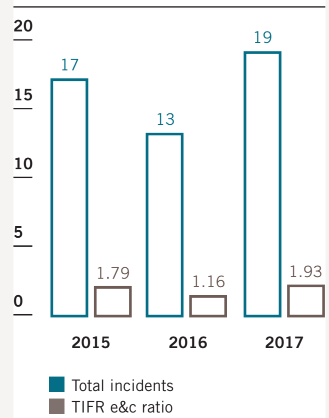
Product Line/Plant/Activities	Number of MVI's net of third party fault
Supply Chain	22
Cement	0
Aggregates	0
Readymix	112
CMC & Drymix	0
Head Office	0
Total	**134**

LTIFR e&c statistics for 2015, 2016 and 2017



Definition of LTIFR e&c:
Total number of fatalities and lost time injuries x 1,000,000 divided by total number of worked hours.

TIFR e&c statistics for 2015, 2016 and 2017



Definition of TIFR e&c:
Total number of fatalities, lost time injuries, medical incidents x 1,000,000 divided by total number of worked hours.

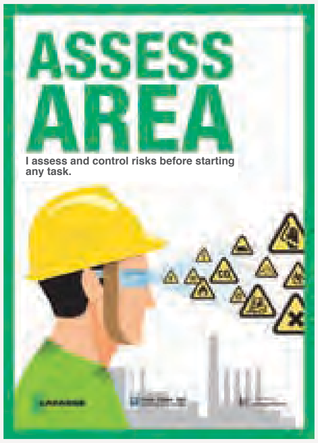
Global Effort on Health & Safety

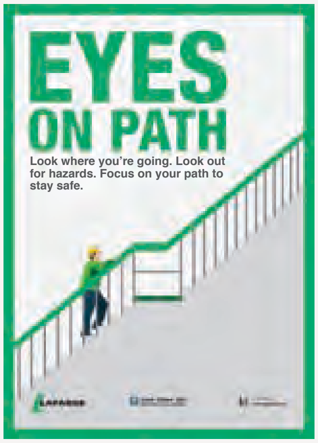
The Global Health and Safety (H&S) Days is an annual campaign on a global scale held at all LafargeHolcim sites. The campaign is held for two to four weeks in a year with emphasis on several H&S topics that are relevant to each country. In Malaysia, it is an opportunity for Lafarge Malaysia to emphasise our commitment to fostering a safe working environment. In 2016, the campaign was held for two weeks with a theme of "I care, I share, I act" with a focus on risk assessment on personal level. In 2017, the theme was "I learn and improve everyday" highlighting risk assessment on the operational level.

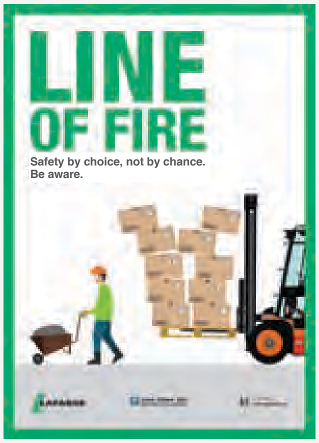
Avoiding Injuries and Fatalities through Risk Assessment

Risk assessment is a process that identifies hazards, defines the risks associated with each hazard, and determines the best ways to eliminate or control the hazards. When done correctly, it helps to prevent accidents and save lives.

In 2017, we held a campaign to raise awareness on Standardised Risk Assessment (SRA). It is a process that ensures all risks are managed, with particular emphasis on dangerous hazards.







Run for Health

In 2017, we held a health campaign to get employees of Lafarge Malaysia to collectively run or walk the distance from our headquarters in Kuala Lumpur to the LafargeHolcim corporate HQ in Zurich, a distance of approximately 9,975 km. The goal was to get people to inculcate cardiovascular exercise into their daily routines. At the end of the campaign, more than 400 people pledged for the run and close to 7,000km were clocked over a span of four weeks.

Safe Water, Sanitation and Hygiene (WASH) at the Workplace

The LafargeHolcim Group intends to sign the “WASH Pledge at workplace” initiated by the World Business Council for Sustainable Development (WBCSD), of which LafargeHolcim is a member.

The WBCSD WASH Pledge aims to secure appropriate access to safe drinking water, sanitation and hygiene for all employees and contractors in the workplace. Lafarge Malaysia has plans in place to be fully compliant by 2020. We started with a self-assessment at our operational sites to determine our baseline. Action plans to address the shortfalls are currently being developed.

Preserving Biodiversity

The Kanthan Hill area, which surrounds the Kanthan plant is part of Perak's limestone hills. It is home to rare flora and fauna that are of conservation importance.

In 2016, Lafarge Malaysia provided a research grant to scientists from Universiti Malaysia Sabah and Rimba, a non-profit research group, to conduct a large-scale survey of land snails at 12 limestone hills across the Perak state.

The findings of this study were published in June 2017 in the open access journal ZooKeys. The researchers recorded a total of 122 species of land snails, of which 34 species were unique to one of the hills surveyed in this study. Most strikingly, around 30 species are potentially new to science.

With this study, scientists now have a better understanding of the diversity of land snail species in Perak, and possible factors explaining their modern-day distribution.

A co-author of this study, Dr. Gopalasamy Reuben Clements, who is the co-founder of Rimba and an Associate Professor with Sunway University, said that the results will not only be used by Lafarge Malaysia to better protect important snail habitats on Kanthan Hill, but can also help the Perak State government identify biologically important hills that should be set aside for protection in the planned Kinta Valley geological park.

This is one of the few examples where a company like Lafarge Malaysia have cooperated with scientists to document threatened biodiversity in Malaysia.

Raising the Bar in Circular Economy

Waste management is a key area that we can contribute to in Malaysia, particularly for industrial waste. Through Geocycle Environmental Services Sdn Bhd (Geocycle), Lafarge Malaysia provides waste management services to other industries in the country via its co-processing solution.

This solution has helped almost 50 companies achieve their sustainability ambition of zero landfill. We also strive to raise the bar in good waste management practices by working closely with the Department of Environment. Geocycle also provides alternative fuels and raw materials to Lafarge Malaysia to reduce cost and reliance on natural resources. Our plants are substituting an increasing amount of traditional fuels with alternative fuels from biomass, refuse derived fuels and industrial waste.

Engaging with and Supporting the Community

A crucial part of our 2020 sustainable development target is to reach out to communities around our sites and operations. For example, Lafarge Malaysia has rewarded academic excellence in its adopted schools through its Bursary Awards.

Since its inception in 1997, the Lafarge Malaysia Bursary Awards has given out over RM2.5 million worth of bursaries, and in 2017 – a total of RM66,500 was awarded to 136 recipients.

With Health & Safety being our core value, we strive to ensure that this commitment is embedded in our community outreach activities.

In 2017, we organised a football and safety camp for 400 students, aged between 10 and 17, around our cement plants in Langkawi, Kanthan, Rawang and Pasir Gudang. Organised in collaboration with 1MalaysiaCC (1MCC) which uses football to develop youth, Jom Bola is part of Lafarge Malaysia's community outreach programme to nurture students from its 24 adopted schools. Jom Bola is the first-of-its-kind camp to incorporate H&S elements in the football game to inculcate H&S awareness from a young age.

To further strengthen our relationship with the communities that live around our cement plants, each of our plants has in place a stakeholder engagement plan that is reviewed and tracked annually. The plan entails regular meeting sessions with our key stakeholders.

We also conduct socio economic footprint exercises on a regular basis to measure our business' impact to the surrounding communities. The first was conducted in Kanthan in 2013, and last year, we completed the exercise for Rawang and Langkawi.

The socioeconomic footprint study strives to objectively measure the impact of our cement plant operations on surrounding communities. The findings from the study will help to enhance our local action plan and ensure that we incorporate the most necessary actions and resources.

The study was done by gathering data and feedback through quantitative and qualitative measures. To further define the scope of the study, we focused on the population located within 8km radius of the cement plant. For both locations, the local population was approximately 20,000 people.

As a major employer in both locations, we found that approximately 7,000 people depend on Lafarge activities in Rawang (35% of the local population) and 8,500 people in Langkawi (40% of the local population).

We also found that education initiatives remain as the key theme for contributions and partnerships. In both locations, we collectively reached out to around 52,000 people through our CSR efforts.

As an established member of the community, we acknowledge that there is an opportunity to engage more with the community by ensuring consistent communications on the social and economic contribution of the cement plants on the local area.

Developing Our People

We believe in growing and developing our people through coaching, training and in providing learning experiences.

In 2017, a total of 35,000 hours was spent on training management and non-management employees:

Total employees trained	**1,000**
Average number of days spent on training per employee	**1.5 days**
Hours spent on Training (Management & Non-Management)	
Technical training	**8,860**
Health & Safety training	**9,560**
IT related training	**5,250**
Leadership & Soft Skills training	**10,540**
Environmental training	**790**
Total	**35,000**

We also focus on developing people from middle management as part of our talent pipelining and succession planning.

Within the cement industrial team, 17 middle management employees were selected to participate in the Leadership Development Programme that began in 2017. The year-long programme covers 6 modules to train the employees to become all-rounded leaders. In 2018, 23 people were selected for this programme.

Preventive maintenance plays a key role in ensuring that a cement plant is operating at its optimal level. Therefore, every year, the LafargeHolcim group invite locally-based maintenance engineers to its headquarters in Holderbank, Switzerland for an intensive two-week Regional Maintenance Manager Development Programme.

Further, employees that are identified as potential future leaders are engaged through focus groups, one-on-one sessions with the Executive Committee members and group dialogues with the Country CEO.

These programmes will continue in 2018 as we continue to improve their structure by adhering to the 70:20:10 model.*

** Individuals obtain 70% of their knowledge from on-the-job training, 20% from coaching and interaction with others and 10% from formal training.*

FORGING AHEAD

We believe sustainability can actively support our business strategy – it is a key driver for differentiation, revenue generation and value creation. The activities reported above are a summary of what we have carried out in 2017. For a more complete picture of our sustainability approach, we published a stand-alone Sustainability Report in 2017, providing details of activities and initiatives from 2015 to 2017, as well as the key indicators for our performance on environmental, social and stakeholder engagement. The report can be viewed and/or downloaded at our website: www.lafarge.com.my


LABUAN

CORPORATE INFORMATION

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

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

MARIO GROSS
Executive Director, President & Chief Executive Officer

MICHAEL LIM YOKE TUAN
Executive Director, Chief Financial Officer

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

TAN SRI DR REBECCA FATIMA STA MARIA
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 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)
Tan Sri Dr Rebecca Fatima Sta Maria
Datuk Muhamad Noor Bin Hamid
Martin Kriegner
Ar. Datuk Tan Pei Ing

Company Secretary

Koh Poi San (L.S. No. 9701)

Registered Office and Head Office

LAFARGE MALAYSIA BERHAD (1877-T)

Level 12, Bangunan TH Uptown 3
No. 3, Jalan SS21/39
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7723 8200
Fax : 603-7722 4100

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

SYMPHONY SHARE REGISTRARS SDN BHD (378993-D)

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

BOARD OF DIRECTORS' PROFILES

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

DKYR, PSM, SPNS, AMN, PJK

Age 70, Malaysian (Male)

Date Appointed to the Board: 16 July 1979
Years of Directorship: 39 years
Date of Last Reappointment: 23 May 2017
Number of Board Meetings attended in the Financial Year: 4/5

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

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 56, Austrian (Male)

Date Appointed to the Board: 26 August 2016
Years of Directorship: 1 year
Date of Last Reappointment: 23 May 2017
Number of Board Meetings attended in the Financial Year: 3/5

Qualifications:
- Doctorate in Law, Vienna University, Austria
- Master 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:
Martin Kriegner has been a member of the Executive Committee of LafargeHolcim Ltd. since August 2016 and is responsible for Asia.

Martin 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 the 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.

MARIO GROSS | Executive Director, President & Chief Executive Officer

Age 39, German (Male)

Date Appointed to the Board: 1 April 2018
Years of Directorship: Not more than one (1) year
Number of Board Meetings attended in the Financial Year (since date of appointment): 0/0

Qualifications:
- MBA at University of Strathclyde/Singapore and Glasgow, United Kingdom
- Bachelor of Economics (BA), VWA Koblenz, Germany

Membership of the Board Committee: Nil

Present Directorship

Listed Entity: Nil

Other Public Companies: Nil

Professional Experience:
Mario Gross joins Lafarge Malaysia Berhad from Sika AG (Sika). He started his career with Sika in 2000 and has global experience with roles across Germany, China, Thailand and Switzerland. He was Asia Pacific Head of Procurement from 2007 – 2011, after which he was appointed Managing Director of Sika (Thailand) Ltd., Chonburi/Thailand. In 2013, he assumed his most recent role, Head of Global Procurement, Quality & Sustainability of Sika AG, Zurich.

MICHAEL LIM YOKE TUAN | **Executive Director, Chief Financial Officer**

Age 54, Malaysian (Male)

Date Appointed to the Board: 26 February 2015
Years of Directorship: 3 years
Date of Last Reappointment: 24 May 2016
Number of Board Meetings attended in the Financial Year: 4/5

Qualifications:
- Master of Science in Management (Sloan), London Business School, United Kingdom
- Master of Business Administration, University of Strathclyde
- LLB (Honours), University of London, United Kingdom
- A Member of Malaysian Institute of Accountants
- A Fellow Member of the Chartered Institute of Management Accountant, United Kingdom, and Hong Kong Institute of Certified Public Accountants

Membership of the Board Committee: Nil

Present Directorship

Listed Entity: Nil

Other Public Companies: Nil

Professional Experience:
Michael Lim joined Lafarge Malaysia Berhad as Chief Financial Officer in October, 2014. Prior to joining Lafarge, he has worked as Chief Financial Officer for the Lion Group Malaysia, Sun Hung Kai Properties China, and CP (Chareon Pokhphand) Lotus Hong Kong respectively. He also served as Financial Controller for PepsiCo Greater China, Hutchison Whampao Hong Kong, Guoco Group Hong Kong, and Hong Leong Group Malaysia respectively.

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

Age 52, Malaysian (Female)

Date Appointed to the Board: 29 February 2016
Years of Directorship: 2 years
Date of Last Reappointment: 23 May 2017
Number of Board Meetings attended in the Financial Year: 4/5

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 Accountant

Membership of the Board Committee:
- Audit 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.

TAN SRI DR REBECCA FATIMA STA MARIA | **Independent Non-Executive Director**

Age 60, Malaysian (Female)

Date Appointed to the Board: 29 November 2016
Years of Directorship: 1 year
Date of Last Reappointment: 23 May 2017
Number of Board Meetings attended in the Financial Year: 4/5

Qualifications:
- Ph.D, University of Georgia in Athens, United States of America
- M.S. (Counselling), Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia), Malaysia
- English Literature, B.A. (Hons), University Malaya, Malaysia
- Diploma in Public Administration, National Institute of Public Administration (INTAN), Malaysia

Membership of the Board Committee:
- Remuneration and Nomination Committee (Member)

Present Directorship

Listed Entity:
- RHB Bank Berhad
- Sunway Construction Group Berhad
- Hartalega Holdings Berhad
- Eco World International Berhad
- Sunway Berhad

Other Public Companies: Nil

Professional Experience:
Tan Sri Dr Rebecca Fatima Sta Maria, began her career in the Malaysian Administrative and Diplomatic Service in 1981 and served in various capacities in the then Ministry of Trade and Industry. In the course of her civil service career, she had a brief stint as the Chief Administration and Procurement Officer of the ASEAN Plant Quarantine and Training Centre, and contributed to human capital development at the National Institute of Public Administration (INTAN).

She retired as the Secretary-General of the Ministry of International Trade and Industry (MITI) on 2 July 2016. As MITI Sec-Gen, a post she held since December 2010, she provided oversight for the formulation and implementation of Malaysia's international trade policies and positions. This involved Malaysia's participation in bilateral, regional (ASEAN, APEC, OIC) and multilateral (World Trade Organisation) fora.

On the regional front, she had a key role in ASEAN economic integration and chaired the ASEAN Senior Economic Officials Meeting as well as the ASEAN High Level Task Force for Economic Integration.

In the academic field, in April 2000 she was awarded the Malcolm Knowles Award for the best PhD dissertation in 2000 in the field of Human Resource Development by the American Academy of Human Resource Development.

She was also awarded "Professional Achievement Awards by School of Education, University of Georgia (2013)".

She serves on the Board of Trustees of MyKasih, an NGO that focuses on alleviating urban poverty; Chairs the think-tank, Institute for Democracy and Economic Affairs (IDEAS); and is the Chair of the EU-Malaysia Chamber of Commerce and Industry (EUMCCI).

She is a Senior Policy Fellow at the Economic Research Institute for ASEAN and East Asia (ERIA).

DATUK MUHAMAD NOOR BIN HAMID | Independent Non-Executive Director

Age 66, Malaysian (Male)

Date Appointed to the Board: 21 February 2017
Years of Directorship: 1 year
Date of Last Reappointment: 23 May 2017
Number of Board Meetings attended in the Financial Year (since date of appointment): 5/5

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 Committee (Member)
- Remuneration and Nomination Committee (Member)

Present Directorship

Listed Entity:
- SapuraKencana Petroleum 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 58, Malaysian (Female)

Date Appointed to the Board: 20 April 2018
Years of Directorship: Not more than one (1) year
Number of Board Meetings attended in the Financial Year (since date of appointment): 0/0

Qualifications:
- Bachelor of Architecture (Hons), University of Melbourne, Australia
- Registered with the Board of Architects as Professional Architect (Ar)

Membership of the Board Committee:
- Audit Committee (Member)
- Remuneration & Nomination 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. She has completed a wide range of projects including IOI Mall & IOI Mall Extension and more recently, IOI City Mall, Office Towers & Hotel.

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 is the Past Presidents of Architects Regional Council Asia (ARCASIA) (2013-2014) and currently serving as Advisor (2017-2018). She is also the International Union of Architects (UIA) Region IV council member (2017-2020).

JOHN STULL | **Non-Independent Non-Executive Director**
Age 57, American (Male)

Date Appointed to the Board: 20 April 2018
Years of Directorship: Not more than one (1) year
Number of Board Meetings attended in the Financial Year (since date of appointment): 0/0

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:
John Stull is currently the Chief Executive Officer for the US Cement organisation. 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-mixed operations for several US divisions, as well as at the Alpena Cement plant in Michigan as plant manager.

Save as disclosed, none of the Directors 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.*

COMPANY SECRETARY'S PROFILE

KOH POI SAN | **General Counsel and Company Secretary**
Malaysian (Female)

Date of Appointment as Company Secretary:
1 September 2012

Qualifications:
- LLB (Honours), University of London, United Kingdom
- Certificate in Legal Practice
- Diploma in Investment Analysis, The Research Institute of Investment Analysts Malaysia jointly with The Royal Melbourne Institute of Technology (RMIT)

Directorship in Public Listed Companies: Nil

Professional Experience:
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 Lafarge Malaysia group. She is a licensed secretary under Section 20(G) of the Companies Commission of Malaysia Act 2001.

EXECUTIVE COMMITTEE PROFILES

MARIO GROSS | **President & Chief Executive Officer**

Please refer to Mario's Profile on page 24 of the Annual Report.

MICHAEL LIM YOKE TUAN | **Chief Financial Officer**

Please refer to Michael's Profile on page 25 of the Annual Report.

REY CERVERA | **Vice President, Logistics & Procurement**

Age 46, Filipino (Male)

Date of Appointment to the Management Team:
1 January 2016

Qualifications:
- Master in Business Administration, University of Philippines
- Bachelor of Science in Chemical Engineering, University of Philippines

Directorship in Public Listed Companies: Nil

Professional Experience:
Rey held various management positions in Industrial, Commercial and Logistics in Holcim Philippines prior to his move to Holcim Group Services based in Zurich in 2012 as the Assistant to Executive Committee member for Asia Pacific region.

CHEN LEE SIONG | **Vice President, Sales**

Age 48, Malaysian (Male)

Date of Appointment to the Management Team:
15 May 2017

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

Directorship in Public Listed Companies: Nil

Professional Experience:
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.

MARIANO GARCIA HOYOS | **Vice President, Industrial**

Age 45, Spanish (Male)

Date of Appointment to the Management Team:
1 September 2014

Qualifications:
- Master's Degree in Engineering, Universidad Politécnica de Madrid, Spain
- EscuelaTécnica Superior de Ingenieros Industriales (Energy Specialisation), de Madrid, Spain

Directorship in Public Listed Companies: Nil

Professional Experience:
With more than 16 years of working experience, Mariano joined the Lafarge Group in 2004 as Project Manager with Lafarge Spain. Mariano has held various management positions in Spain and Jordan. He was the Plant Manager in Villaluenga Plant and La Parrilla Grinding Station at Lafarge Spain from March 2012 to August 2014.

PRISCILLA LIM | **Vice President, Aggregates & Cementitious**

Age 46, Malaysian (Female)

Date of Appointment to the Management Team:
1 November 2017

Qualifications:
- Master of Business Administration (B.Economics), University of Malaya

Directorship in Public Listed Companies: Nil

Professional Experience:
Priscilla Lim joined Lafarge Malaysia in 2000 with vast experience in Business Development, Marketing, Sales and Operations. Throughout her career with the Company, Priscilla was attached to different business units, including a 3-year stint at Lafarge Head Office as the Director of Strategy and Business Development. Then in 2016, she was appointed as the Aggregates and Cementitious Director.

AIDA MOHAMED | **Vice President, Organisation and Human Resource**

Age 47, Malaysian (Female)

Date of Appointment to the Management Team:
1 February 2014

Qualifications:
- B.Sc Management, Purdue University, United State of America
- Diploma in Human Resources, Malaysian Institute of Human Resource Management

Directorship in Public Listed Companies: Nil

Professional Experience:
Aida joined Lafarge Malaysia in 2001. She is a proficient HR practitioner, having experience in the different facets of HR. In her years with Lafarge, Aida has worked across the different business units, including a 2-year stint with Lafarge Asia Regional Office, giving her a comprehensive understanding of the business locally and regionally.

TOLGA PEKEL | **Vice President, Marketing and Pricing**

Age 42, Turkish (Male)

Date of Appointment to the Management Team:
1 July 2017

Qualifications:
- Master in Business Administration, Georgetown University, Washington DC, United States of America
- BSc. in Chemical Engineering, Middle East Technical University, Turkey

Directorship in Public Listed Companies: Nil

Professional Experience:
Tolga has served in various Sales, Marketing and Pricing roles within the LafargeHolcim group. He was VP, Marketing in Turkey and Ukraine. Tolga then moved to Paris to be part of the Commercial Excellence and Pricing team in legacy Lafarge where he supported the country teams in India, Philippines, Bangladesh, Malaysia and Indonesia. Most recently, he was Global Head of Sales Excellence, based in Zurich.

RICK PUCCI | **Vice President, Concrete and Infrastructure**

Age 46, Canadian (Male)

Date of Appointment to the Management Team:
1 January 2013

Qualifications:
- Degree in Civil Engineering, Queen's University, Canada
- Professional Engineer's Designation (P.Eng), Canada

Directorship in Public Listed Companies: Nil

Professional Experience:
Rick spent his entire 24-year career working solely with Lafarge and most of it was in his homeland, Canada, holding various positions including General Management, Quality, Performance and Operations. In 2009, Rick moved to Malaysia where he held the position of Industrial Director Concrete for South East Asia. In 2011, Rick moved on to the position of General Manager Infrastructure & Special Projects, a division dedicated to high profile construction projects in South East Asia. Prior to his move to Malaysia, Rick's first expatriate assignment was in Italy where he was appointed as General Manager of Lafarge Calcestruzzi, managing the aggregates and concrete business.

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 to 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**"). The Board shall also continue to evaluate its governance practices in response to evolving best practices and changing requirements.

The Board is pleased to report an overview on the extent to which the Principles set out in the Code were applied throughout the financial year ended 31 December 2017 ("**FY2017**") 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**").

The application of the Practices set out in the Code throughout FY2017 will also be disclosed to Bursa Malaysia Securities Berhad in a prescribed format ("**CG Report**") which will be published together with the Company's Annual Report. The CG Report may be downloaded from the Company's corporate website (www.lafarge.com.my).

Application of the Practices of the Code

Principle A - Board Leadership and Effectiveness

Intended Outcome

1.0 Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

	Practices	Application
1.1	The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.	The Board plays an active role in the development of 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 management 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.
1.2	A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.	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.
1.3	The positions of Chairman and CEO are held by different individuals.	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.
1.4	The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.	The company secretary has legal credentials, and is qualified to act as company secretary under Section 235 of the Companies Act 2016 and is part of the Company's management team and the Board as a whole. All Board members have access to the advice and services of the company secretary in carrying out their duties. The company secretary facilitates overall compliance with the Listing Requirements, the Companies Act 2016 and the recommendations in the Code (as amended from time to time).

	Practices	Application
1.5	Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.	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 including with follow up action items. 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 FY2017, 5 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 2017 are as follows:-

	Scheduled Meetings		
Current Board Members	**Attendance**	**%**	**AGM**
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar (Chairman, Independent Non-Executive Director)	4/5	80	1/1
Martin Kriegner (Vice Chairman, Non-Independent Non-Executive Director)	3/5	60	0/1
Mario Gross (President & Chief Executive Officer, Executive Director) (1)	0/0	N/A	0/0
Michael Lim Yoke Tuan (Chief Financial Officer, Executive Director)	4/5	80	1/1
Y.M. Tunku Afwida Binti Tunku A.Malek (Independent Non-Executive Director)	4/5	80	1/1
Tan Sri Dr Rebecca Fatima Sta Maria (Independent Non-Executive Director)	4/5	80	1/1
Datuk Muhamad Noor Bin Hamid (Independent Non-Executive Director) (2)	5/5	100	1/1
Ar. Datuk Tan Pei Ing (Non-Independent Non-Executive Director) (3)	0/0	N/A	0/0
John Stull (Non-Independent Non-Executive Director) (4)	0/0	N/A	0/0
Former Board Members			
Tan Sri A.Razak bin Ramli (Senior Independent Non-Executive Director) (5)	4/5	80	1/1
Bi Yong Chungunco (Non-Independent Non-Executive Director) (6)	4/5	80	1/1
Thierry Legrand (President & Chief Executive Officer, Executive Director) (7)	5/5	100	1/1
Daniel Nikolaus Bach (Non-Independent Non-Executive Director) (8)	4/5	80	1/1
Jean Desazars de Montgailhard (Non-Independent Non-Executive Director) (9)	5/5	100	1/1
Company Secretary			
Koh Poi San (Company Secretary)	5/5	100	1/1

Notes:

(1) *Appointed as President & Chief Executive Officer, Executive Director w.e.f. 1 April 2018;*
(2) *Appointed as Independent Non-Executive Director w.e.f. 21 February 2017;*
(3) *Appointed as Non-Independent Non-Executive Director w.e.f. 20 April 2018;*
(4) *Appointed as Non-Independent Non-Executive Director w.e.f. 20 April 2018;*
(5) *Resigned as Senior Independent Non-Executive Director w.e.f. 1 December 2017;*
(6) *Resigned as Non-Independent Non-Executive Director w.e.f. 1 December 2017;*
(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.*

Intended Outcome

2.0 There is demarcation of responsibilities between the board, board committees and management. There is clarity in the authority of the board, its committees and individual directors.

	Practices	Application
2.1	The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies: - the respective roles and responsibilities of the board, board committees, individual directors and management; and - issues and decisions reserved for the board.	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.

Intended Outcome

3.0 The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

	Practices	Application
3.1	The board establishes a *Code of Conduct and Ethics* for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering. The *Code of Conduct and Ethics* is published on the Company's website.	Specific principles and procedures in the manner the Company conducts its business are clearly spelt out in the LafargeHolcim Group Code of Business Conduct which has been adopted by the Company. 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 website.
3.2	The board establishes, reviews and together with management implements policies and procedures on whistleblowing.	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 any misconduct in the business activities and this policy will protect them in their roles as whistleblowers.

Intended Outcome

4.0 Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

	Practices	Application
4.1	At least half of the board comprises independent directors. For **Large Companies**, the board comprises a majority independent directors.	The Board has not applied this practice in FY2017. The Board currently consists of 4 independent directors and 5 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 the 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 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.

	Practices	Application
4.2	The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director. If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.	The Board has not applied this practice in FY2017. The Chairman has served on the Board for more than 12 years. In due course, the Board will consider an appropriate term limit for tenureship on the Board and will seek to implement the appropriate policy on Board tenureship.
4.3	**Step-Up** The board has a policy which limits the tenure of its independent directors to nine years.	The Board has not applied this practice in FY2017. The implementation of this policy will be reviewed by the Board in line with Practice 4.2. The Board will look to address this in due course.
4.4	Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.	The Company's Board and Management consists 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.
4.5	The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For **Large Companies**, the board must have at least 30% women directors.	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 were 3 women directors out of 9 directors on the Board. The Board acknowledges the importance of maintaining at least 30% female representation on the Board.
4.6	In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.	The Remuneration & Nomination 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.
4.7	The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.	The Chairman of the Remuneration & Nomination Committee is always an independent director. This is contained in the Terms of reference for the Committee.

Intended Outcome

5.0 Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

	Practices	Application
5.1	The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.	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 FY2017 was conducted internally and facilitated by the company secretary and there was 100% participation in this exercise. 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. 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. 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.
	For **Large Companies**, the board engages independent experts periodically to facilitate objective and candid board evaluations.	The Company will 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	• Lafarge Malaysia Board Strategic Workshop (29 August 2017) • East Coast Rail Link Project Briefing (26 September 2017)
Martin Kriegner	• Seminar by CEOs and above Exclusive Club of IBG (13 September 2017) • IST Media Training (26 October 2017)
Mario Gross	• N/A (Appointed to the Board on 1 April 2018. He will be attending the Mandatory Accreditation Programme in July 2018)

Directors	Topics
Michael Lim Yoke Tuan	• MIRA - Investor Communications: Owning the Story During Corporate Exercises (30 March 2017) • Finance Leadership Forum (28 - 29 August 2017) • East Coast Rail Link Project Briefing (26 September 2017) • Asia Regional LHARP Training (25 September 2017)
Y.M. Tunku Afwida Binti Tunku A.Malek	• Nomura Expert Series: ETP – Growing the Economy Responsibly and Sustainably (12 January 2017) • Mobile World Congress (MWC) 2017 (27 February - 1 March 2017) • Explore your possibilities with TM (3 March 2017) • Boardroom Effectiveness – Asian World Summit (13 - 14 March 2017) • FIDE Elective – Understanding Liquidity Risk Management in Banking – ICLIF (20 March 2017) • The Global Transformation Forum 2017 Driving Transformation (22 - 23 March 2017) • Companies Act 2016: Recent Developments & Implications (29 March 2017) • Briefing on Board Risk Committee - Chairmanship (2 May 2017) • Fundamentals of Bank Financial Statement Analysis – Fitch Learning (22 - 23 May 2017) • Advanced Bank Analysis (20 - 21 July 2017) • Cryptocurrency and Blockchain Technology by Mr Eric E. Vogt (10 August 2017) • AMLATFPUAA 2001 For Directors - Risk, Challenges & Vulnerabilities Towards Regulatory Compliance (14 August 2017) • Lafarge Malaysia Board Strategic Workshop (29 August 2017) • East Coast Rail Link Project Briefing (26 September 2017) • Khazanah Megatrends Forum 2017 - Cerebrum, Algorithm and Building True Value in a Post-Truth World (2 - 3 October 2017) • Building High Performance Directors 2.0 - Dynamic Board Stewardship (30 October - 2 November 2017) • Industry Speaker Session at TM Board Retreat: Video Conferencing – Boston Consulting Group (BCG) – New Horizons in Digital Technology (21 November 2017)

Directors	Topics
Tan Sri Dr Rebecca Fatima Sta Maria	• Knowledge Sharing on MFRS 9 (10 January 2017) • Asean Business Advisory Council (ABAC) (16 January 2017) • Capital Market Directors Programme (15 - 17 May 2017) • Forensic Auditing (1 - 2 June 2017) • Lafarge Malaysia On-Boarding Programme (14 June 2017) • Lafarge Malaysia Board Strategic Workshop (29 August 2017) • East Coast Rail Link Project Briefing (26 September 2017)
Datuk Muhamad Noor Bin Hamid	• Lafarge Malaysia On-Boarding Programme (14 June 2017) • Oil and Gas Asia 2017 (OGA 2017) (11 - 13 July 2017) • Lafarge Malaysia Board Strategic Workshop (29 August 2017) • East Coast Rail Link Project Briefing (26 September 2017)
Ar. Datuk Tan Pei Ing	• N/A (Appointed to the Board on 20 April 2018. She will be attending the Mandatory Accreditation Programme in July 2018)
John Stull	• N/A (Appointed to the Board on 20 April 2018. He will be attending the Mandatory Accreditation Programme in July 2018)
Former Directors	**Topics**
Thierry Legrand	• Malaysian French Chamber of Commerce and Industry Seminar (20 January 2017) • Lafarge Malaysia Board Strategic Workshop (29 August 2017) • East Coast Rail Link Project Briefing (26 September 2017) • The Asean MEDEF Business Forum in Celebration of Asean's 50th Anniversary (16 October 2017) • Cement & Concrete Association 20th Conference (8-10 November 2017)
Daniel Nikolaus Bach	• Corporate Governance Seminar (3 August 2017) • Lafarge Malaysia Board Strategic Workshop (29 August 2017) • East Coast Rail Link Project Briefing (26 September 2017)
Jean Desazars de Montgailhard	• Lafarge Malaysia Board Strategic Workshop (29 August 2017) • East Coast Rail Link Project Briefing (26 September 2017) • Mandatory Accreditation Programme (28 - 29 September 2017)

Intended Outcome

6.0 The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

	Practices	Application
6.1	The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the Company's website.	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 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 iii. The Executive Directors' remuneration package comprises fees, benefits-in kind and other emoluments iv. The Chief Executives' 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 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 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: • Non-Executive Chairman RM126,000 p.a. • Non-Executive Directors RM55,125 p.a. • Chairman of Audit Committee RM22,750 p.a. • Members of Audit Committee RM15,600 p.a. • Chairman of Remuneration & Nomination Committee RM12,600 p.a. • Members of Remuneration & Nomination Committee RM5,250 p.a.

	Practices	Application
6.2	The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management. The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the Company's website.	The Company has a Remuneration & Nomination Committee for more than 15 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 FY2017 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 CEO and any other persons (including any Executive Directors and members of Management) may also be invited to attend all meetings of the Remuneration & Nomination Committee as it deems fit.

The Remuneration & Nomination Committee for the year ended 31 December 2017 comprised 3 independent non-executive directors and 2 non-independent non-executive directors. Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar is the Chairman of the Committee.

The Committee met two (2) times in 2017 and the attendance of each individual is set out below:

Members	Attendance	%
Current Members		
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar (Chairman, Independent Non-Executive Director) (1)	2/2	100
Tan Sri Dr Rebecca Fatima Sta Maria (Member, Independent Non-Executive Director)	1/2	50
Datuk Muhamad Noor Bin Hamid (Member, Independent Non-Executive Director) (2)	N/A	N/A
Martin Kriegner (Member, Non-Independent Non-Executive Director) (3)	N/A	N/A
Ar. Datuk Tan Pei Ing (Member, Non-Independent Non-Executive Director) (4)	N/A	N/A
Former Members		
Tan Sri A.Razak bin Ramli (Chairman, Senior Independent Non-Executive Director) (5)	2/2	100
Bi Yong Chungunco (Member, Non-Independent Non-Executive Director) (6)	2/2	100
Jean Desazars de Montgailhard (Member, Non-Independent Non-Executive Director) (7)	2/2	100
Daniel Nikolaus Bach (Member, Non-Independent Non-Executive Director) (8)	N/A	N/A
Secretary		
Koh Poi San (Company Secretary)	2/2	100

Notes:

(1) *Redesignated as Chairman of the R&N Committee with effect on 1 December 2017;*

(2) *Appointed as Member of the R&N Committee with effect on 1 December 2017;*

(3) *Appointed as Member of the R&N Committee with effect on 20 April 2018;*

(4) *Appointed as Member of the R&N Committee with effect on 20 April 2018;*

(5) *Resigned as Chairman of the R&N Committee with effect on 1 December 2017;*

(6) *Resigned as Member of the R&N Committee with effect on 1 December 2017;*

(7) *Resigned as Member of the R&N Committee with effect on 20 April 2018;*

(8) *Appointed as Member of the R&N Committee with effect on 1 December 2017 and subsequently resigned 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 by the shareholders or the Board. 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 Articles 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.

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 for the approval of the Board by reviewing the profiles of candidates and where deemed appropriate, conducting interviews 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 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. When appropriate, an on-boarding programme for newly appointed independent directors will be organised by the Company's Human Resources Department to introduce the new independent director to members of Management and familiarise them with the Company's operations and the industry as a whole. In 2017, an on-boarding programme was held on 14 June 2017 for Tan Sri Dr Rebecca Fatima Sta Maria and Datuk Muhamad Noor Bin Hamid.

Evaluation of Board Effectiveness and Review of the Audit Committee

The Remuneration & Nomination Committee analysed the results of the evaluation on Board Effectiveness and made recommendations on the same. Further details on the evaluation is contained under Practice 5.1 above. 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. The review was carried out in October 2017 and results of the review were presented to and noted by the Board on 30 November 2017.

Intended Outcome

7.0 Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

	Practices	Application
7.1	There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.	The detailed disclosure on named basis for the remuneration of Non-Executive Independent Directors started in financial year 2016 and was disclosed in the Annual Report 2016. For Executive Directors the disclosure is on an aggregated basis. The remuneration of the Directors for FY2017, paid by the Company and categorised into appropriate components is as set out below.

Directors' Remuneration

(a) Details of Non-Executive Directors' fees and other remuneration (including benefits-in-kind) for FY2017 are as follows:

	Salary and *Other Emoluments (RM)	Directors' Fees & Other Remuneration (RM)	Benefits In-Kind (RM)	Total (RM)
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar	–	131,862.50	–	131,862.50
Martin Kriegner	–	–	–	–
Y.M. Tunku Afwida Binti Tunku A.Malek	–	77,875.00	–	77,875.00
Tan Sri Dr Rebecca Fatima Sta Maria	–	60,375.00	–	60,375.00
Datuk Muhamad Noor Bin Hamid	–	61,281.00	–	61,281.00
Former Directors				
Tan Sri A.Razak bin Ramli	–	83,325.00	–	83,325.00
Bi Yong Chungunco	–	–	–	–
Daniel Nikolaus Bach	–	–	–	–
Jean Desazars de Montgailhard	–	–	–	–

(b) Aggregate remuneration of Executive Directors categorised into appropriate components for FY2017 is as follows:-

	Salary and *Other Emoluments (RM)	Directors' Fees & Other Remuneration (RM)	Benefits In-Kind (RM)	Total (RM)
Executive Directors	3,202,485	–	550,802	3,753,287

* Other emoluments include bonus, fixed/cash allowance and the Company's contribution to pension/retirement benefits scheme/Employee' Provident Fund.

	Practices	Application
7.2	The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.	The top 2 senior members of management are Executive Directors of the Company and their aggregated remuneration is disclosed under Practice 7.1 above. Disclosure of the remaining top 5 senior management (not on named basis, but described as SM3, SM4 etc.) and indicating their remuneration bands are as set out below.
7.3	**Step-Up** Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.	The alternative measure as described in Practice 7.2 above is sufficiently transparent and allows stakeholders to assess the reasonableness of the remuneration packages.

Remuneration of members of Senior Management

Range (RM)		100,000 to 150,000	150,001 to 200,000	450,001 to 500,000	500,001 to 550,000	550,001 to 600,000	600,001 to 650,000
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**

Principle B - Effective Audit and Risk Management

Intended Outcome

8.0 There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

	Practices	Application
8.1	The Chairman of the Audit Committee is not the Chairman of the board.	The Chairman of the Audit Committee is Y.M. Tunku Afwida Binti Tunku A.Malek and the Chairman of the Board is Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar.
8.2	The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.	The policy for a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee has been included in the Audit Committee's Terms of Reference which is published on the Company's website.
8.3	The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.	The Audit Committee annually assesses independence, suitability, objectivity and cost effectiveness of the external auditors. The procedure is set out in the Report of the Audit Committee contained in the Annual Report.
8.4	**Step-Up** The Audit Committee should comprise solely of Independent Directors.	The Audit Committee consists of a majority of independent directors. Over the course of FY2017, the Committee comprised 5 members (3 independents and 2 non-independents). Following the resignation of 2 directors, the composition of the Audit Committee as at 1 December 2017, is 3 members (2 independents and 1 non-independent). The Board considers the composition of the Audit 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.

	Practices	Application
8.5	Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process. All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.	The Audit Committee comprises members who are financially literate from a diverse range of background and skill sets. Y.M. Tunku Afwida Binti Tunku A.Malek is the Chairman of the Audit Committee. She is a member of The Malaysian Institute of Accountants and a Chartered Accountant from the Institute of 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 positions in several financial organisations in Malaysia. Tan Sri A.Razak Bin Ramli (member until 1 December 2017) has had vast experience in the government service sectors, and his last position was as the Secretary-General of Ministry of International Trade and Industry (MITI). Bi Yong Chungunco (member until 1 December 2017) was the former Chief Executive Officer of the Company from 2008 to 2012. She has had extensive experience in many areas since joining the Lafarge Group in 2002 as Senior Vice President for Legal, Corporate Governance & External Relations for Lafarge Philippines, with her last posting being the Head of Divestments for LafargeHolcim Group. Datuk Muhamad Noor Bin Hamid has had 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 (member until 20 April 2018) joined Holcim in 1994 and has been a member of senior management of Holcim Ltd since 1 January 2014. He has held various positions in the South East Asia Region including Technical Director for Holcim Indonesia and Senior VP Manufacturing of Holcim Philippines. 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 completed a wide range of projects including industrial buildings and hotels. Apart from continuous training attended by each Director, the Audit Committee receives periodic updates from the Company's external auditors in particular on new Accounting Standards.

Intended Outcome

9.0 Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

	Practices	Application
9.1	The board should establish an effective risk management and internal control framework.	The Company has an embedded process for the identification, evaluation and reporting of major business risk within the Company. Policies and procedures have been laid down for the regular review and management of these risks.
9.2	The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.	The risk management and internal control framework is set out in the Statement on Internal Control and Risk Management contained in the Annual Report.
9.3	**Step-Up** The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.	The Board takes the view that the Board as a whole is the appropriate vehicle to oversee the Company's risk management framework and policies.

Intended Outcome

10.0 Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

	Practices	Application
10.1	The Audit Committee should ensure that the internal audit function is effective and able to function independently.	The Company has an in-house internal audit and internal control department which reports directly to the Audit Committee and assists the Audit 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 governance process as well as conduct investigations into complaints lodged through 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 Committee at each meeting.
10.2	The board should disclose: - whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence; - the number of resources in the internal audit department; - name and qualification of the person responsible for internal audit; and - whether the internal audit function is carried out in accordance with a recognised framework.	This information is set out in the Statement of Internal Control and Risk Management, and the Report of the Audit Committee.

Principle C - Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

Intended Outcome

11.0 There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations. Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

	Practices	Application
11.1	The board ensures there is effective, transparent and regular communication with its stakeholders.	The Company holds analyst results briefings periodically after the announcement of relevant quarterly results to Bursa Malaysia and actively responds to requests for discussions with institutional shareholders and analysts. The Executive Directors and the Management participates in visits to project sites, small group meetings, luncheons and in 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 announcement, 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 this 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.
11.2	Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.	All the elements are contained in the Annual Report and the stand-alone sustainability report, the Company will seek to adopt the framework over time. Mechanisms are already in place to allow integrated thinking among cross functional departments on the Company's direction and performance.

Intended Outcome

12.0 Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

	Practices	Application
12.1	Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the 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.
12.2	All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.	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 Committee and the Chairman of the Remuneration and Nomination Committee provide meaningful responses to questions from shareholders which are addressed to them.
12.3	Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate: - voting including voting in absentia; and - remote shareholders' participation at General Meetings.	The Company has already adopted an electronic voting platform at the AGM 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 FY2017. 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 FY2017 was RM1.2 million.

The amount of audit fees paid to external auditors by the Company and its subsidiaries for the FY2017 is RM882,078.00.

(ii) Non-Audit Fees
The amount of non-audit fees paid to external auditors by the Company and its subsidiaries for the FY2017 is RM11,000. 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 since the end of FY2016 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 23 February 2018 and includes changes in boardroom which were announced in April 2018.

STATEMENT ON INTERNAL CONTROL AND RISK MANAGEMENT

Introduction

The Board of Directors of Lafarge Malaysia Berhad is pleased to provide the following Statement on Internal Control and Risk Management, 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 internal control and risk management which includes the establishment of an appropriate control environment and risk management 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 internal control and risk management, 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

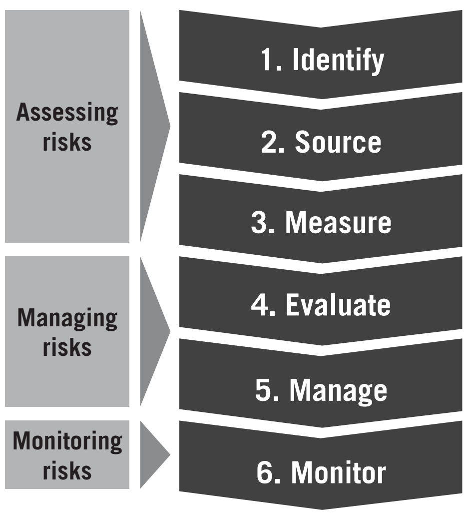
1. **Risk Management**

   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 utilising a Company risk model. The identified risks as well as the risk responses are tracked 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.

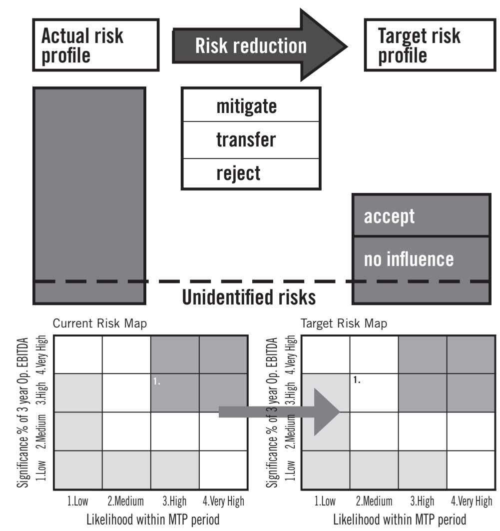
   The risk management structure and control mechanism for financial, operational, environmental and compliance matters with Board's participation, is put in place and embedded throughout the Company during the financial year under review and up to the date of approval of this Statement, so as to manage 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.

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.

Risk Management Approach



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.

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 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 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 analyse 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:
    - Health & safety
    - Diversity, fairness and respect
    - Protection of Company assets
    - 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
    - Preventing money laundering

– Integrity in the community with focus on:
    - Environment
    - Human rights
    - 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.

3. Internal Audit

The annual risk based internal audit plan is reviewed and approved by the Audit 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 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.

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 Internal Control and Risk Management. 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 23 February 2018.

Y.M. TUNKU AFWIDA BINTI TUNKU A.MALEK
Chairman of Audit Committee

THIERRY LEGRAND
President & Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

A. Composition

Chairman

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

Members

Datuk Muhamad Noor Bin Hamid (1)	-	Independent Non-Executive Director
Ar. Datuk Tan Pei Ing (2)	-	Non-Independent Non-Executive Director

Former Members

Tan Sri A.Razak Bin Ramli (3)	-	Senior Independent Non-Executive Director
Bi Yong Chungunco (4)	-	Non-Independent Non-Executive Director
Daniel Nikolaus Bach (5)	-	Non-Independent Non-Executive Director

Notes:

(1) *Appointed as Member of the Audit Committee on 21 February 2017;*

(2) *Appointed as Member of the Audit Committee on 20 April 2018;*

(3) *Resigned as Member of the Audit Committee on 1 December 2017;*

(4) *Resigned as Member of the Audit Committee on 1 December 2017;*

(5) *Appointed as Member of the Audit Committee on 22 February 2017 and subsequently resigned on 20 April 2018.*

The Audit 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 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 positions in several financial organisations in Malaysia.

The other members of the Audit Committee are Datuk Muhamad Noor Bin Hamid and Ar. Datuk Tan Pei Ing. Datuk Muhamad Noor has had many years of experience on the Boards of listed companies in Malaysia and has had 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 30 years of working experience as a professional architect in her own practice P I Architect and has completed a wide range of projects including industrial buildings and hotels.

B. Terms of Reference

Structure of the Audit Committee

The Audit 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 should be a member of an accounting association or body. 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 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 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 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.

Functions

i. To review the effectiveness of the Company's risk management, internal controls and governance systems, including overseeing the Company's identification of risks and ensure proper action is taken to address or mitigate the risks;
ii. To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
iii. 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;
iv. 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;
v. 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;
vi. 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);
vii. To review the external auditors' evaluation of the system of internal control, management letter and management's response;
viii. 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;
ix. To consider any related-party transactions and conflict of interest situation that may arise within the company or group;
x. To consider the major findings of internal investigations and management's response;
xi. To consider other topics as defined by the Board; and
xii. 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.

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 external auditors will also be invited to attend additional meetings when 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 Secretary shall be the secretary 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 4 meetings were held during the year 2017. 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)	4/4	100
Datuk Muhamad Noor Bin Hamid (Member, Independent Non-Executive Director) (1)	3/3	100
Ar. Datuk Tan Pei Ing (Member, Non-Independent Non-Executive Director) (2)	0/0	N/A
Former Members		
Tan Sri A.Razak bin Ramli (Member, Senior Independent Non-Executive Director) (3)	4/4	100
Bi Yong Chungunco (Member, Non-Independent Non-Executive Director) (4)	4/4	100
Daniel Nikolaus Bach (Member, Non-Independent Non-Executive Director) (5)	3/3	100
Secretary		
Koh Poi San (Company Secretary)	4/4	100

Notes:
(1) *Appointed as Member of the Audit Committee on 21 February 2017;*
(2) *Appointed as Member of the Audit Committee on 20 April 2018;*
(3) *Resigned as Member of the Audit Committee on 1 December 2017;*
(4) *Resigned as Member of the Audit Committee on 1 December 2017;*
(5) *Appointed as Member of the Audit Committee on 22 February 2017 and subsequently resigned on 20 April 2018.*

D. Summary of Activities During the Financial Year

The Audit Committee carried out its duties in accordance with its terms of reference during FY2017.

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.

(ii) External Audit

In totality, the Committee had 2 meetings with external auditors in 2017 including 2 discussions without the presence of Management. During these meetings, the following were carried out:

- Reviewed with external auditors the Progress Report to those Charged with Governance 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 with external auditors the Professional Services Planning Memorandum 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 New Malaysian Code on Corporate Governance.
- Reviewed with external auditors the results of the audit and the audit report and in particular, reviewed 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 with external auditors the areas of audit focus 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 scrutinised 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 abovestated reviews and the assurance obtained, the Committee remains confident of the external auditor's independence and suitability.

(iv) Internal Audit / Internal Control

- 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.
- 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 process 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 its adequacy and sufficiency of the procedures for ensuring 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 Committee and recommended to the Board for inclusion in the 2016 Annual Report.
- Reviewed the Statement of Internal Control and Risk Management and recommended to the Board for inclusion in the 2016 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 Committee and assists the Audit 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 2017 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 Internal Control and Risk Management under pages 52 & 53 of this Annual Report.

FINANCIAL STATEMENTS

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 2017.

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	(279,037)	69,880
Income tax credit/(expense)	65,452	(56)
(Loss)/profit for the year	(213,585)	69,824
(Loss)/profit attributable to:		
Owners of the Company	(215,160)	69,824
Non-controlling interests	1,575	–
	(213,585)	69,824

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

During the financial year, the Company increased its share capital from RM849,695,000 to RM1,950,525,000 by way of:

(a) transfer of share premium to share capital amounting to RM1,067,191,000; and

(b) transfer of capital redemption reserve to share capital amounting to RM33,639,000;

in accordance with the Companies Act 2016.

The Company did not issue any debentures during the financial year.

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
Thierry Marie Robert Legrand
Lim Yoke Tuan
Y.M. Tunku Afwida Binti Tunku A.Malek
Tan Sri Dr Rebecca Fatima Sta Maria
Datuk Muhamad Noor bin Hamid
Daniel Nikolaus Bach
Jean Desazars de Montgailhard
Tan Sri A. Razak bin Ramli (resigned on 1 December 2017)
Bi Yong So Chungunco (resigned on 1 December 2017)

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
Liew Chee Yin
Lim Swat Hah
Loh Siew Yee
Richard Enrico Pucci
Rey Ausan Cervera
Chen Lee Siong (appointed on 17 August 2017)
Susumu Ando (appointed as alternate Director to Tadashi Matsunami on 25 May 2017)
Yeap Khoon Cheun (resigned on 18 August 2017)
Fumiaki Hasegawa (resigned as alternate Director to Tadashi Matsunami on 25 May 2017)

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 5.4 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 he is a member, or with a company in which he 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 in the related companies 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:

	Balance as at 1.1.2017	No. of ordinary shares Bought	Sold	Balance as at 31.12.2017
Shares in the ultimate holding company, LafargeHolcim Ltd. held by:				
Direct interest:				
Martin Kriegner	3,100	994	–	4,094
Thierry Marie Robert Legrand	773	–	–	773
Daniel Nikolaus Bach	4,681	–	(1,492)	3,189
Jean Desazars de Montgailhard	4,007	–	–	4,007

	Balance as at 1.1.2017	No. of ordinary shares Bought	Sold	Balance as at 31.12.2017
Shares in the penultimate holding company, Lafarge S.A. held by:				
Direct interest:				
Thierry Marie Robert Legrand	1,355	–	(3)	1,352
Jean Desazars de Montgailhard	6,487	–	–	6,487

	Balance as at 1.1.2017	No. of options over ordinary shares Granted	Exercised/ Expired	Balance as at 31.12.2017
Options over the ordinary shares of the ultimate holding company, LafargeHolcim Ltd. held by:				
Martin Kriegner	45,410	–	–	45,410
Thierry Marie Robert Legrand	18,000	–	–	18,000
Daniel Nikolaus Bach	9,000	9,000	–	18,000

	Balance as at 1.1.2017	No. of options over ordinary shares Granted	Exercised/ Expired	Balance as at 31.12.2017
Options over the ordinary shares of the penultimate holding company, Lafarge S.A. held by:				
Martin Kriegner	13,886	–	–	13,886
Thierry Marie Robert Legrand	4,504	–	–	4,504

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.

Performance Shares Plan

LafargeHolcim Ltd. Performance Shares Plan

LafargeHolcim 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.

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 1.1.2017	**Granted**	**Sold**	**Balance as at 31.12.2017**
Shares in the ultimate holding company, LafargeHolcim Ltd. in respect of Performance Shares Plan held by:				
Martin Kriegner	20,354	17,662	–	38,016
Thierry Marie Robert Legrand	8,200	4,600	–	12,800
Daniel Nikolaus Bach	4,100	8,700	–	12,800

	No. of ordinary shares			
	Balance as at 1.1.2017	**Granted**	**Sold**	**Balance as at 31.12.2017**
Shares in the penultimate holding company, Lafarge S.A. in respect of Performance Shares Plan held by:				
Martin Kriegner	4,038	–	(2,019)	2,019
Thierry Marie Robert Legrand	1,580	–	–	1,580

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 RM6,360.

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.

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 2017 is as disclosed in Note 10 to the financial statements.

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

THIERRY MARIE ROBERT LEGRAND

LIM YOKE TUAN

Petaling Jaya, Selangor Darul Ehsan
30 March 2018

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

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 2017 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,

THIERRY MARIE ROBERT LEGRAND **LIM YOKE TUAN**

Petaling Jaya, Selangor Darul Ehsan
30 March 2018

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

I, **LIM YOKE TUAN**, being the Director 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.

LIM YOKE TUAN

Subscribed and solemnly declared by the abovenamed
LIM YOKE TUAN at **PETALING JAYA, SELANGOR DARUL EHSAN**
on this 30th day of March 2018.

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 2017 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 72 to 161.

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 2017, 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 judgement, 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.

Key Audit Matters (Cont'd)

Key audit matter	*How the matter was addressed in the audit*
<u>Provision for Inventory Obsolescence - Engineering Parts and Consumables</u> As at 31 December 2017, the Group has inventory of critical and non-critical engineering parts and consumables amounting to RM120,956,000 as disclosed in Note 21 to the financial statements. As of that date, RM24,034,000 has been recognised as provision for inventory obsolescence with respect to non-critical engineering parts with RM1,044,000 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. 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 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. 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: • Obtained an understanding of the inventory obsolescence provision 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. • Assessed the reasonableness of the recorded level of provision with reference to the ageing of inventories. • Inquired with engineers of the entity during our observation of inventory counts to test the classification between critical and non-critical engineering parts. • Performed retrospective review to assess the reasonableness of provision and evaluated the appropriateness of the percentages applied, adequacy of the provision during our observation of annual and perpetual inventory counts and tested the accuracy and completeness of the inventory ageing analysis. • Assessed the adequacy and appropriateness of the disclosures in the financial statements.
<u>Assessment of Impairment of Goodwill</u> As at 31 December 2017, the Group recorded a goodwill on consolidation amounting to RM1,396,134,000 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. Goodwill is required to be tested for impairment annually. There is a risk of impairment of the Group's goodwill due to varying levels of demand in certain markets. 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. 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: • Challenged and reviewed the reasonableness of the key bases and assumptions underpinning the model. • Reviewed the soundness of the impairment model with the involvement of our internal valuation specialists. • Performed retrospective review of the past cash flow projections used in the model to assess the reliability of management's estimates. • Performed sensitivity analysis on key management assumptions to reflect reasonably possible future alternative scenarios. • 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.

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 judgement 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 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.

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

- 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.

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 - 03195/06/19 J
Chartered Accountant

30 March 2018

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	5	**2,248,833**	2,552,205	**87,400**	102,000
Cost of sales	5	**(1,955,468)**	(1,892,675)	**–**	–
Gross profit		**293,365**	659,530	**87,400**	102,000
Selling and distribution expenses	5	**(419,607)**	(419,107)	**–**	–
Administration expenses	5	**(120,899)**	(124,024)	**(7,482)**	(8,864)
Other expenses	5	**(48,036)**	(48,746)	**(8,769)**	(690)
Other income		**34,979**	23,110	**4,975**	3,235
Investment income	6	**9,902**	8,250	**–**	–
Other losses - net	7	**(3,744)**	(1,015)	**–**	–
(Loss)/profit from operations		**(254,040)**	97,998	**76,124**	95,681
Interest income	6	**5,117**	4,860	**257**	59
Finance costs	8	**(25,099)**	(19,621)	**(6,501)**	(12,324)
Share of results in joint venture	17	**(5,015)**	(8,956)	**–**	–
(Loss)/profit before tax		**(279,037)**	74,281	**69,880**	83,416
Income tax credit/(expense)	9	**65,452**	3,448	**(56)**	(50)
(Loss)/profit for the year	10	**(213,585)**	77,729	**69,824**	83,366
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss:					
Defined benefits retirement plan actuarial gains/(losses)		**5,901**	(5,524)	**4**	21
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**235**	(793)	**–**	–
Net fair value gains on available-for-sale financial assets		**778**	320	**–**	–
Net fair value losses on cash flow hedges		**(1,212)**	(105)	**–**	–
Other comprehensive income/(loss) for the year, net of tax		**5,702**	(6,102)	**4**	21
Total comprehensive (loss)/income for the year		**(207,883)**	71,627	**69,828**	83,387

(Forward)

		Group		Company	
	Note	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
(Loss)/profit attributable to:					
Owners of the Company		**(215,160)**	76,673	**69,824**	83,366
Non-controlling interests		**1,575**	1,056	**–**	–
		(213,585)	77,729	**69,824**	83,366
Total comprehensive (loss)/income attributable to:					
Owners of the Company		**(209,493)**	70,681	**69,828**	83,387
Non-controlling interests		**1,610**	946	**–**	–
		(207,883)	71,627	**69,828**	83,387
(Loss)/earnings per ordinary share (sen)					
Basic and diluted	11	**(25.32)**	9.02		

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Group		Company	
	Note	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
ASSETS					
Non-current assets					
Property, plant and equipment	12	**1,734,758**	1,741,323	**–**	–
Investment property	13	**3,135**	3,139	**–**	–
Prepaid lease payments on leasehold land	14	**71,974**	79,116	**–**	–
Intangible assets	15	**1,416,433**	1,419,290	**–**	–
Investment in subsidiaries	16	**–**	–	**2,415,761**	2,415,761
Investment in joint venture	17	**20,249**	25,710	**–**	–
Deferred tax assets	18	**61,255**	15,856	**–**	–
Other financial assets	19	**3,209**	2,491	**1,255**	1,255
Total non-current assets		**3,311,013**	3,286,925	**2,417,016**	2,417,016
Current assets					
Inventories	21	**358,964**	280,048	**–**	–
Trade receivables	22	**408,819**	441,781	**–**	–
Other receivables and prepaid expenses	23	**70,664**	32,145	**572**	942
Amounts owing by holding and other related companies	24	**23,085**	16,617	**535**	588
Amounts owing by subsidiaries	20	**–**	–	**183,772**	210,253
Other financial assets	19	**69**	345	**–**	–
Current tax assets		**83,100**	59,607	**–**	34
Cash and bank balances	34	**99,906**	206,188	**3,913**	6,857
Total current assets		**1,044,607**	1,036,731	**188,792**	218,674
Total assets		**4,355,620**	4,323,656	**2,605,808**	2,635,690

(Forward)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	25	**1,950,692**	849,695	**1,950,525**	849,695
Reserves	26	**27,811**	1,129,007	**–**	1,100,830
Retained earnings	27	**870,704**	1,079,998	**390,462**	320,634
Equity attributable to owners of the Company		**2,849,207**	3,058,700	**2,340,987**	2,271,159
Non-controlling interests	28	**6,540**	4,930	**–**	–
Total equity		**2,855,747**	3,063,630	**2,340,987**	2,271,159
Non-current liabilities					
Borrowings	29	**279,387**	–	**–**	–
Retirement benefits	30	**71,514**	80,070	**144**	127
Deferred tax liabilities	18	**117,205**	152,976	**–**	–
Total non-current liabilities		**468,106**	233,046	**144**	127
Current liabilities					
Trade payables	31	**504,852**	476,338	**–**	–
Other payables and accrued expenses	32	**236,200**	179,108	**6,000**	3,263
Amounts owing to holding and other related companies	24	**82,631**	23,313	**2**	17
Amounts owing to subsidiaries	20	**–**	–	**258,665**	81,124
Borrowings	29	**205,000**	347,470	**–**	280,000
Other financial liabilities	33	**1,643**	–	**–**	–
Current tax liabilities		**1,441**	751	**10**	–
Total current liabilities		**1,031,767**	1,026,980	**264,677**	364,404
Total liabilities		**1,499,873**	1,260,026	**264,821**	364,531
Total equity and liabilities		**4,355,620**	4,323,656	**2,605,808**	2,635,690

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company									
		Non-distributable					Distributable			
Group	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Exchange equalisation reserve RM'000	Investments revaluation reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2016	849,695	1,067,199	33,798	28,427	36	125	1,110,595	3,089,875	4,929	3,094,804
Profit for the year	–	–	–	–	–	–	76,673	76,673	1,056	77,729
Other comprehensive loss for the year, net of tax	–	–	–	(793)	320	(105)	(5,414)	(5,992)	(110)	(6,102)
Acquisition of additional interests in an existing subsidiary	–	–	–	–	–	–	108	108	(945)	(837)
Dividends (Note 27)	–	–	–	–	–	–	(101,964)	(101,964)	–	(101,964)
As at 31 December 2016/ 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	**1,950,692**	**–**	**–**	**27,869**	**1,134**	**(1,192)**	**870,704**	**2,849,207**	**6,540**	**2,855,747**

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

Company	Share capital RM'000	◄ Non-distributable ► Share premium RM'000	Capital redemption reserve RM'000	Distributable Retained earnings RM'000	Total equity RM'000
As at 1 January 2016	849,695	1,067,191	33,639	339,211	2,289,736
Total comprehensive income for the year	–	–	–	83,387	83,387
Dividends (Note 27)	–	–	–	(101,964)	(101,964)
As at 31 December 2016/1 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	**1,950,525**	**–**	**–**	**390,462**	**2,340,987**

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES					
(Loss)/profit before tax		**(279,037)**	74,281	**69,880**	83,416
Adjustments for:					
Depreciation of property, plant and equipment		**201,672**	187,702	**–**	–
Provision for retirement benefits		**3,754**	9,347	**21**	142
Provision for inventory obsolescence		**1,044**	2,806	**–**	–
Amortisation of prepaid lease payments on leasehold land		**4,772**	5,577	**–**	–
Property, plant and equipment written off		**8,202**	6,703	**–**	–
Finance costs		**25,099**	19,621	**6,501**	12,324
Allowance for doubtful debts		**2,222**	4,780	**–**	–
Amortisation of intangible assets		**2,857**	2,586	**–**	–
Depreciation of investment property		**4**	4	**–**	–
Interest income		**(5,117)**	(4,860)	**(257)**	(59)
Unrealised loss/(gain) on foreign exchange		**5,256**	(426)	**8,070**	(3,043)
Share of results in joint venture		**5,015**	8,956	**–**	–
Allowance for doubtful debts no longer required		**(3,613)**	(2,016)	**–**	–
Dividend income		**(198)**	(189)	**(87,400)**	(102,000)
Reversal of provision for inventory obsolescence		**–**	(3,236)	**–**	–
Net unrealised loss/(gain) arising on:					
- hedge ineffectiveness on cash flow hedges		**144**	(30)	**–**	–
- financial assets designated as at fair value through profit or loss		**177**	(31)	**–**	–
- financial liabilities classified as held for trading		**26**	(26)	**–**	–
(Gain)/loss on disposal of:					
- property, plant and equipment		**(5,837)**	2,478	**–**	–
- leasehold land		**(8,984)**	–	**–**	–
- unquoted investment		**10**	–	**–**	–
Gain on bargain purchase arising from acquisition of a subsidiary		**–**	(602)	**–**	–
Loss on disposal of a subsidiary		**–**	8,255	**–**	–
Operating (Loss)/Profit Before Working Capital Changes		**(42,532)**	321,680	**(3,185)**	(9,220)
(Increase)/decrease in:					
Inventories		**(81,593)**	(2,014)	**–**	–
Receivables		**(11,006)**	(26,523)	**370**	152
Amounts owing by holding and other related companies		**(6,468)**	5,054	**53**	2,776
Amounts owing by subsidiaries		**–**	–	**18,411**	114,240
Increase/(decrease) in:					
Payables		**55,649**	111,749	**2,737**	(1,839)
Amounts owing to holding and other related companies		**59,834**	(25,582)	**(15)**	(1,075)
Amounts owing to subsidiaries		**–**	–	**171,600**	(75,867)

(Forward)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash (Used In)/Generated From Operations		**(26,116)**	384,364	**189,971**	29,167
Retirement benefits paid		**(4,635)**	(5,974)	**–**	(1,181)
Income tax paid		**(39,584)**	(86,101)	**(12)**	(26)
Net Cash (Used In)/From Operating Activities		**(70,335)**	292,289	**189,959**	27,960
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES					
Payment for prepaid lease payments		**(290)**	(450)	**–**	–
Purchase of property, plant and equipment		**(177,278)**	(247,691)	**–**	–
Proceeds from disposal of property, plant and equipment		**6,452**	2,888	**–**	–
Proceeds from disposal of leasehold land		**11,644**	–	**–**	–
Proceeds from disposal of an unquoted investment		**50**	–	**–**	–
Interest received		**5,117**	4,860	**257**	59
Dividends received		**198**	189	**87,400**	158,000
Net cash inflow on disposal of a subsidiary	16.1	**–**	27,972	**–**	–
Net cash outflow on acquisition of a subsidiary	16.2	**–**	(356)	**–**	–
Net Cash (Used In)/From Investing Activities		**(154,107)**	(212,588)	**87,657**	158,059
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Drawdown of borrowings		**430,282**	14,500	**–**	–
Repayment of borrowings		**(287,000)**	(14,600)	**(280,000)**	–
Acquisition of additional interests in an existing subsidiary		**–**	(837)	**–**	–
Interest paid		**(17,881)**	(21,537)	**(560)**	(12,752)
Dividends paid		**–**	(169,940)	**–**	(169,940)
Net Cash From/(Used In) Financing Activities		**125,401**	(192,414)	**(280,560)**	(182,692)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(99,041)**	(112,713)	**(2,944)**	3,327
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(771)**	1,036	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**199,718**	311,395	**6,857**	3,530
CASH AND CASH EQUIVALENTS AT END OF YEAR	34	**99,906**	199,718	**3,913**	6,857

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 12, Bangunan TH Uptown 3, No. 3, Jalan SS21/39, 47400 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 30 March 2018.

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.

On 15 September 2016, the Companies Act 2016 was enacted and it replaced the Companies Act 1965 in Malaysia with effect from 31 January 2017. The key changes are disclosed in Note 3.28.

2.1 Adoption of New and Revised Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company have adopted revised Standards and Amendments issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to the operations and effective for annual periods beginning on or after 1 January 2017 as follows:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle

The adoption of these revised Standards and Amendments have not affected the amounts reported in the financial statements of the Group and of the Company except as discussed below:

Amendments to MFRS 107 Disclosure Initiatives

The Group and the Company have applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's and the Company's liabilities arising from financing activities consist of borrowings (Note 29). A reconciliation between the opening and closing balances of this item is provided in Note 29.1. Consistent with the transition provisions of the amendments, the Group and the Company have not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 29.1, the application of these amendments has had no impact on the financial statements of the Group and of the Company.

2. Basis of Preparation of Financial Statements (Cont'd)

2.2 Standards, Issue Committee ("IC") Interpretation and Amendments in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards, IC Interpretation and Amendments 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 9	Financial Instruments[1]
MFRS 15	Revenue from Contracts with Customers (and the related clarification)[1]
MFRS 16	Leases[2]
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to MFRS 128	Long-term Interests in Associates and Joint Venture[2]
Amendments to MFRS 140	Transfers of Investment Property[1]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
IC Interpretation 23	Uncertainty over Income Tax Treatments[2]
Amendments to MFRSs	Annual Improvements to MFRSs 2014 - 2016 Cycle[1]
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective date to be determined

The Directors anticipate that the abovementioned Standards, IC Interpretation and Amendments 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, IC Interpretation and Amendments 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 9 Financial Instruments

MFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. MFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of MFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

- all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instruments (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2. Basis of Preparation of Financial Statements (Cont'd)

2.2 Standards, Issue Committee ("IC") Interpretation and Amendments in issue but not yet effective (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

Key requirements of MFRS 9: (Cont'd)

- in relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the Directors of the Company have assessed the impact of MFRS 9 to the financial statements of the Group and of the Company as follows:

Classification and measurement

- Investment classified as held-to-maturity and loans and receivables carried at amortised cost as disclosed in Note 35.3: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of MFRS 9;
- Quoted and unquoted investments and others classified as available-for-sale investments carried at fair value as disclosed in Note 35.3: these investments qualify for designation as measured at FVTOCI under MFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under MFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's and the Company's profit or loss and other comprehensive income but will not affect total comprehensive income;
- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under MFRS 139.

Impairment

Financial assets measured at amortised cost and investments that will be carried at FVTOCI under MFRS 9 (Note 35.3) (see classification and measurement section above) and financial guarantee contracts (Note 37) will be subject to the impairment provisions of MFRS 9.

The Group and the Company expect to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted by MFRS 9. As regards the debentures as disclosed in Note 19, the Directors consider that they have low credit risk and hence, expect to recognise 12-month expected credit losses for these items. In relation to amounts owing by subsidiaries, holding and other related companies (Notes 20 and 24) and financial guarantee contracts, the Directors have assessed that there has not been a significant increase in the credit risk of these items from initial recognition to 31 December 2017. Accordingly, the Directors expect to recognise 12-month expected credit losses for these items respectively.

2. Basis of Preparation of Financial Statements (Cont'd)

2.2 Standards, Issue Committee ("IC") Interpretation and Amendments in issue but not yet effective (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

Impairment (Cont'd)

With regard to the impact of the expected loss model on trade receivables, quoted, unquoted and others investments, debentures and amounts owing by subsidiaries, holding company and other related companies, the Directors do not anticipate that the application of expected credit loss model of MFRS 9 will have a material financial impact to the financial statements of the Group and of the Company.

Hedge accounting

The Directors do not anticipate that the application of the MFRS 9 hedge accounting requirements will have a material impact on the financial statements of the Group and of the Company.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretation when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

In June 2016, the MASB issued Clarifications to MFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Apart from providing more extensive disclosures on the Group and the Company's revenue transactions, the Directors do not anticipate that the application of MFRS 15 will have a significant impact on the financial position and or financial performance of the Group and of the Company.

2. Basis of Preparation of Financial Statements (Cont'd)

2.2 Standards, Issue Committee ("IC") Interpretation and Amendments in issue but not yet effective (Cont'd)

MFRS 16 Leases

MFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. MFRS 16 will supersede the current lease guidance including MFRS 17 Leases and the related interpretations when it becomes effective.

MFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance lease are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows; whereas under MFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The Directors anticipate that the application of MFRS 16 may have an impact on the amounts reported and disclosures made in the financial statements of the Group and of the Company. However, it is not practical to provide a reasonable estimate of the effect of the MFRS 16 until the Group and the Company perform a detailed review.

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. 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 35.5.

The principal accounting policies are set out below.

3. Significant Accounting Policies (Cont'd)

3.2 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.

3.2.1 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.

3. Significant Accounting Policies (Cont'd)

3.2 Subsidiaries and Basis of Consolidation (Cont'd)

3.2.1 Changes in Group's Ownership Interest in Existing Subsidiaries (Cont'd)

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 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

3.2.2 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.

3.3 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.

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.

3. Significant Accounting Policies (Cont'd)

3.3 Business Combinations (Cont'd)

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.

3.4 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.

3.5 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 Group's interest in the fair value of the acquiree's identifiable net assets 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 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 its carrying amount, 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.

3. Significant Accounting Policies (Cont'd)

3.6 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 selling prices of products, the evolution of expenses, 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.

3.7 Revenue Recognition

Revenue of the Group from sale of clinker, cement, ready-mixed concrete, aggregates and other building materials is stated at invoiced value net of goods and services tax, discounts, rebates, commissions and returns. Revenue of the Company represents gross dividend received and/or receivable from subsidiaries.

Revenue is recognised on the following bases:

- Gross invoiced value of goods sold: upon shipment/delivery of products, net of goods and services tax ("GST"), discounts, rebates, commissions and returns and when the risks and rewards of ownership have passed to the customers.
- Dividend income: when the shareholder's right to receive payment is established.
- Rental income: on a straight line basis over the tenure of the rental period of properties.

3.8 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.

3.8.1 <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.

3.8.2 <u>The Group as Lessee</u>

Assets held under finance leases are recognised as property, plant and equipment or receivables as appropriate at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

3.9 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. Significant Accounting Policies (Cont'd)

3.10 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 in order to hedge certain foreign currency risks (see 3.22 below for hedging accounting policies).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RM using exchange rates prevailing at the end of 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 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, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, 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. of associates or jointly controlled entities not involving a change of accounting basis), 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.

3.11 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. Significant Accounting Policies (Cont'd)

3.12 Employee Benefits

3.12.1 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.

3.12.2 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 benefit 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 3 January 2018.

The retirement benefit 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.

(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.

3.12.3 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.

3. Significant Accounting Policies (Cont'd)

3.12 Employee Benefits (Cont'd)

3.12.3 Share-Based Payments (Cont'd)

(b) Employee Share Purchase Plan ("ESPP") (Cont'd)

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.

3.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.13.1 Current Tax

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

3.13.2 Deferred Tax

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally 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 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and 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 its current tax assets and liabilities on a net basis.

3. Significant Accounting Policies (Cont'd)

3.13 Taxation (Cont'd)

3.13.3 Current and Deferred Tax for the Period

Current and deferred tax are recognised as an expense or income 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.

3.13.4 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.

3.14 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.

3. Significant Accounting Policies (Cont'd)

3.14 Property, Plant and Equipment (Cont'd)

The principal annual rates are:

	2017	2016
Land improvement	Over the remaining period of leases ranging from 5 to 81 years	Over the remaining period of leases ranging from 5 to 82 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.

3.15 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.

3.16 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.

3.17 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, 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 indefinite useful lives and intangible assets not yet available for use 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 to sell 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.

3. Significant Accounting Policies (Cont'd)

3.17 Impairment of Non-financial Assets Excluding Goodwill (Cont'd)

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.

3.18 Inventories

Inventories comprising fuels, raw and packing materials, finished and semi-finished goods, engineering spares 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 spares 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.

3.19 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. Significant Accounting Policies (Cont'd)

3.20 Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.20.1 <u>Effective Interest Method</u>

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.20.2 <u>Financial Assets at FVTPL</u>

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 35.5.

3. Significant Accounting Policies (Cont'd)

3.20 Financial Instruments (Cont'd)

3.20.3 Held-To-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

3.20.4 AFS Financial Assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. All AFS assets are measured at fair value at the end of the reporting period. Fair value is determined in the manner described in Note 35.5. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

3.20.5 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.20.6 Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3. Significant Accounting Policies (Cont'd)

3.20 Financial Instruments (Cont'd)

3.20.6 Impairment of Financial Assets (Cont'd)

For all other financial assets, including redeemable bonds classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.20.7 Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. Significant Accounting Policies (Cont'd)

3.21 Financial Liabilities and Equity Instruments Issued by the Group and the Company

3.21.1 Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.21.2 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

3.21.3 Financial Liabilities

Financial liabilities are classified as either "financial liabilities at FVTPL" or "other financial liabilities".

3.21.4 Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 35.5.

3. Significant Accounting Policies (Cont'd)

3.21 Financial Liabilities and Equity Instruments Issued by the Group and the Company (Cont'd)

3.21.5 Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3.21.6 Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

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 Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate, interest rate and commodity price risk, including foreign exchange forward contracts, interest rate swap contracts and commodity swap contracts. Further details of derivative financial instruments are disclosed in Note 35.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.22.1 Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

3. Significant Accounting Policies (Cont'd)

3.22 Derivative Financial Instruments (Cont'd)

3.22.2 Hedge Accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 35.5.2 sets out details of the fair values of the derivative instruments used for hedging purposes.

3.22.3 Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the other comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

3.22.4 Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit or loss and other comprehensive income as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3.23 Financial Guarantee Contracts

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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contract are recognised as income in the statement 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 statement of profit or loss.

3. Significant Accounting Policies (Cont'd)

3.24 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.

3.25 Interest Income

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

3.26 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.

3.27 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.

3.28 Significant Changes in Regulatory Requirements

<u>Companies Act 2016 ("New Act")</u>

Amongst the key changes introduced in the New Act which have affected the financial statements of the Group and of the Company upon the commencement of the New Act on 31 January 2017 are:
- the removal of authorised share capital;
- the ordinary shares of the Company will cease to have par or nominal value;
- the Company's share premium will become part of the share capital; and
- the Company's capital redemption reserve will become part of the share capital.

The adoption of the New Act has no financial impact on the Group and on the Company for the financial year ended 31 December 2017. The effect of adoption is mainly on the disclosures to the financial statements of the Group and of the Company.

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 Financial Guarantee Contracts

At each reporting date, the Group determines the fair value of the guarantees at initial recognition based on the likelihood of the guaranteed party defaulting within the guaranteed period and estimates the loss exposure (after considering the value of physical assets pledged for the loans/borrowings obtained from external financiers).

For the financial year ended 31 December 2017, the Group has assessed the existing financial guarantee contracts and determined that the guarantees are more likely not to be called upon by the financiers. Financial impact of such guarantees is negligible.

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 determination of recoverable amounts of the cash-generating units ("CGUs") assessed in the annual goodwill impairment test requires an estimate of their fair value net of disposal costs and their value-in-use. The assessment of the value-in-use requires assumptions to be made with respect of the operating cash flows of the CGUs as well as the discount rates. Evaluation for impairment is significantly impacted by estimates of future prices for the products, the evolution of expenses, economic trends in the local and international construction sectors, expectations of long-term development of growing markets and other factors. The results of such evaluation are also impacted by the discount rates and perpetual growth rates used. The Group has defined country specific discount rates for its CGUs based on the weighted-average cost of capital.

The carrying amount of the Group's goodwill as at 31 December 2017 was approximately RM1,396,134,000 (2016: RM1,396,134,000). Further details are disclosed in Note 15.

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 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Sale of clinker, cement, ready-mixed concrete, aggregates and other building materials	**2,246,519**	2,550,907	**–**	–
Freight and chartering of vessels and jetty services	**544**	498	**–**	–
Shared services	**1,770**	800	**–**	–
Gross dividend from unquoted investments in subsidiaries in Malaysia	**–**	–	**87,400**	102,000
	2,248,833	2,552,205	**87,400**	102,000

5.2 Operating Costs Applicable to Revenue

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Costs of production, costs of goods purchased and changes in inventories of finished goods	**1,590,496**	1,517,042	**–**	–
Depreciation and amortisation	**209,305**	195,869	**–**	–
Staff costs	**238,212**	219,027	**1,492**	1,698
Directors' remuneration	**6,722**	5,642	**4,168**	3,408
Others	**499,275**	546,972	**10,591**	4,448
	2,544,010	2,484,552	**16,251**	9,554

5.3 Staff Costs

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Wages, salaries and bonuses	**169,792**	156,797	**1,303**	1,161
Defined contribution retirement plan	**17,953**	15,571	**143**	132
Termination benefits	**19,806**	7,978	**–**	–
Defined benefit retirement plan	**3,754**	9,347	**21**	142
Other employee benefits	**26,907**	29,334	**25**	263
	238,212	219,027	**1,492**	1,698

5. Revenue and Operating Costs (Cont'd)

5.4 Directors' Remuneration

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors of the Company				
Executive Directors:				
Salaries and other emoluments	**3,090**	2,476	**3,090**	2,476
Estimated monetary value of benefits	**550**	509	**550**	509
Defined contribution retirement plan	**113**	117	**113**	117
	3,753	3,102	**3,753**	3,102
Non-executive Directors:				
Fees	**415**	306	**415**	306
	4,168	3,408	**4,168**	3,408
Directors of the Subsidiaries				
Executive Directors:				
Salaries and other emoluments	**1,972**	1,681	**–**	–
Estimated monetary value of benefits	**481**	495	**–**	–
Defined contribution retirement plan	**86**	43	**–**	–
	2,539	2,219	**–**	–
Non-executive Directors:				
Fees	**15**	15	**–**	–
	2,554	2,234	**–**	–
Total	**6,722**	5,642	**4,168**	3,408

6. Investment and Interest Income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Investment income from:				
- operating lease under Lorry-Owner-Driver scheme	**9,201**	7,393	**–**	–
- rental of investment property	**109**	111	**–**	–
- other rental income	**394**	557	**–**	–
Dividends from available-for-sale investments	**198**	189	**–**	–
	9,902	8,250	**–**	–
Interest income from:				
- loans and receivables (including cash and bank balances)	**5,117**	4,860	**257**	59

6. Investment and Interest Income (Cont'd)

The following is an analysis of investment income earned on financial assets and non-financial assets by category of asset:

	Group 2017 RM'000	Group 2016 RM'000
Interest income for financial assets not designated at FVTPL:		
- loans and receivables (including cash and bank balances)	**5,117**	4,860
Income earned on available-for-sale investments	**198**	189
Income earned on non-financial assets	**9,704**	8,061
Total investment and interest income	**15,019**	13,110

Gains relating to financial assets classified at FVTPL is included in "other losses - net" in Note 7.

7. Other Losses - Net

	Group 2017 RM'000	Group 2016 RM'000
Net (loss)/gain arising on financial assets designated as at FVTPL		
- realised	**–**	(1,031)
- unrealised	**(177)**	31
Net (loss)/gain arising on financial liabilities classified as held for trading		
- unrealised	**(26)**	26
Hedge ineffectiveness on cash flow hedges		
- realised	**(3,397)**	(71)
- unrealised	**(144)**	30
	(3,744)	(1,015)

No other gains or losses have been recognised in respect of loans and receivables or held-to-maturity investment, other than as disclosed in Note 6 and impairment losses recognised/reversed in respect of trade receivables (Note 10 and Note 22).

8. Finance Costs

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest expense:				
- term loan borrowings	**178**	612	**–**	–
- medium term note	**13,832**	12,011	**428**	12,011
- bankers' acceptance	**47**	175	**–**	–
- bank overdrafts	**5,247**	4,619	**132**	313
- revolving credit	**4,934**	1,998	**–**	–
- subsidiary companies	**–**	–	**5,941**	–
- others	**861**	206	**–**	–
	25,099	19,621	**6,501**	12,324

9. Income Tax (Credit)/Expense

9.1 Income Tax Recognised in Profit or Loss

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Malaysia				
Estimated current tax payable:				
- current year	**18,871**	38,170	**56**	12
- (over)/underprovision in prior years	**(2,408)**	(1,998)	**–**	38
Deferred tax:				
- current year	**(79,902)**	(40,704)	**–**	–
- overprovision in prior years	**(2,376)**	(166)	**–**	–
	(65,815)	(4,698)	**56**	50
Foreign				
Estimated current tax payable:				
- current year	**410**	189	**–**	–
- overprovision in prior year	**(77)**	–	**–**	–
Deferred tax:				
- current year	**30**	1,061	**–**	–
	363	1,250	**–**	–
Total income tax (credit)/expense	**(65,452)**	(3,448)	**56**	50

9. Income Tax (Credit)/Expense (Cont'd)

9.1 Income Tax Recognised in Profit or Loss (Cont'd)

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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
(Loss)/profit before tax	**(279,037)**	74,281	**69,880**	83,416
Tax expense calculated using the Malaysian statutory income tax rate of 24%	**(66,969)**	17,827	**16,771**	20,020
Tax effects of:				
- different tax rates of subsidiaries operating in other jurisdictions	**172**	(190)	**–**	–
- share of results in joint venture	**1,204**	2,150	**–**	–
- expenses that are not deductible in determining taxable profit	**12,944**	15,546	**4,261**	4,472
- income not subject to tax	**(4,198)**	(1,506)	**–**	–
- revenue that is exempt from tax	**(951)**	(506)	**(20,976)**	(24,480)
- movement of unused tax losses and tax assets not recognised as deferred tax assets	**8,162**	(1,727)	**–**	–
- utilisation of reinvestment allowances	**–**	(1,571)	**–**	–
- recognition of deferred tax arising from reinvestment allowances	**(3,608)**	(30,466)	**–**	–
- recognition of previously unrecognised and unused tax losses, unused capital allowances and temporary differences	**(7,938)**	–	**–**	–
- overprovision of tax payable in prior years	**(2,485)**	(1,998)	**–**	38
- overprovision of deferred tax in prior years	**(2,376)**	(166)	**–**	–
- others	**591**	(841)	**–**	–
Income tax (credit)/expense recognised in profit or loss	**(65,452)**	(3,448)	**56**	50

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. Income Tax (Credit)/Expense (Cont'd)

9.1 Income Tax Recognised in Profit or Loss (Cont'd)

The Finance (No. 3) Act 2017 gazetted on 16 January 2017 reduced the corporate income tax rate from 24% to rates below based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point of reduction in income tax rate	Reduced income tax rate on increase in chargeable income %
Less than 5%	Nil	24
5% - 9.99%	1	23
10% - 14.99%	2	22
15% - 19.99%	3	21
20% and above	4	20

The above changes are effective for years of assessment 2017 and 2018. Following this, the applicable tax rates to be used for the measurement of any applicable deferred tax will be at the expected rates.

9.2 Income Tax Recognised in Other Comprehensive Income

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred Tax				
Arising on income and expenses recognised in other comprehensive income:				
- Defined benefits retirement plan actuarial gains/(losses)	**1,774**	(1,756)	**–**	–
- Revaluations of financial instruments treated as cash flow hedges	**(243)**	32	**–**	–
	1,531	(1,724)	**–**	–
Reclassification from equity to profit or loss:				
- Relating to cash flow hedges	**(33)**	(14)	**–**	–
Total income tax expense recognised in other comprehensive income	**1,498**	(1,738)	**–**	–

As at 31 December 2017, the Company has total tax exempt income amounting to approximately RM293,165,000 (2016: RM293,165,000) arising mainly from exempt accounts namely Para 28, Sub (2) Schedule 6 of Malaysia Income Tax Act, 1967, Malaysia Income Tax (Exemption) (No. 48) Order 1987, Section 12 of Malaysia Income Tax (Amendment) Act, 1999 and exempt dividend income. Subject to approval by the tax authorities, these tax exempt income accounts are available to distribute tax exempt dividends out of the retained earnings of the Company.

9. Income Tax (Credit)/Expense (Cont'd)

9.2 Income Tax Recognised in Other Comprehensive Income (Cont'd)

As at 31 December 2017, certain subsidiaries have the following tax exempt income arising from various sources:

	Group	
	2017 RM'000	2016 RM'000
Reinvestment allowances claimed and utilised under Schedule 7A of the Malaysia Income Tax Act, 1967	**985,633**	955,549
Tax exempt income claimed under Section 54A of the Malaysia Income Tax Act, 1967	**54,872**	54,872
Chargeable income on which income tax has been waived in 1999 in accordance with the Malaysia Income Tax (Amendment) Act, 1999	**6,330**	6,330
Tax exempt income claimed under Para 28, Schedule 6 of the Malaysia Income Tax Act, 1967	**301,528**	301,528
Exempt account income - 1st Tier	**23,811**	23,811
	1,372,174	1,342,090

These tax exempt income accounts, which are subject to approval by the tax authorities, are available to distribute tax exempt dividends to shareholders of the subsidiaries.

10. (Loss)/Profit for the Year

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
10.1 Impairment Losses on Financial Assets				
Allowance for doubtful debts (Note 22)	**2,222**	4,780	**–**	–
Allowance for doubtful debts no longer required (Note 22)	**(3,613)**	(2,016)	**–**	–

10. (Loss)/Profit for the Year (Cont'd)

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

		Group		Company	
		2017	**2016**	**2017**	**2016**
		RM'000	**RM'000**	**RM'000**	**RM'000**
10.2	**Depreciation and Amortisation Expense**				
	Depreciation of property, plant and equipment	**201,672**	187,702	**–**	–
	Depreciation of investment property	**4**	4	**–**	–
	Amortisation of prepaid lease payments on leasehold land	**4,772**	5,577	**–**	–
	Amortisation of intangible assets	**2,857**	2,586	**–**	–
	Total depreciation and amortisation expense	**209,305**	195,869	**–**	–
10.3	**Inventories**				
	Provision for inventory obsolescence	**1,044**	2,806	**–**	–
	Reversal of provision for inventory obsolescence	**–**	(3,236)	**–**	–
10.4	**Other Charges/(Credit)**				
	Rental of premises and equipment	**47,932**	48,365	**–**	–
	Provision for retirement benefits	**3,754**	9,347	**21**	142
	(Gain)/loss on foreign exchange:				
	- realised	**(7,833)**	(4,727)	**(4,975)**	(191)
	- unrealised	**5,256**	(426)	**8,070**	(3,043)
	Property, plant and equipment written off	**8,202**	6,703	**–**	–
	Fees paid/payable to external auditors:				
	Statutory audit:				
	- auditors of the Company	**691**	618	**82**	135
	- other member firm of the auditors of the Company	**240**	326	**–**	–
	Non-audit services:				
	- auditors of the Company	**6**	64	**5**	–
	- other member firm of the auditors of the Company	**5**	83	**–**	–
	(Gain)/loss on disposal of:				
	- property, plant and equipment	**(5,837)**	2,478	**–**	–
	- unquoted investment	**10**	–	**–**	–
	- leasehold land	**(8,984)**	–	**–**	–
	Loss on disposal of a subsidiary (Note 16.1)	**–**	8,255	**–**	–
	Gain on bargain purchase arising from acquisition of a subsidiary (Note 16.2)	**–**	(602)	**–**	–

11. (Loss)/Earnings Per Ordinary Share

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

Basic (loss)/earnings per share

	Group	
	2017	**2016**
	RM'000	**RM'000**
(Loss)/profit attributable to owners of the Company	**(215,160)**	76,673

	Group	
	2017	**2016**
	Units'000	**Units'000**
Number of ordinary shares in issue	**849,695**	849,695

	Group	
	2017	**2016**
Basic (loss)/earnings per ordinary share (sen)	**(25.32)**	9.02

Diluted (loss)/earnings per share

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

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 2016	34,875	69,214	255,497	94,520	3,440,553	191,555	4,086,214
Additions	–	9,860	144	730	714	254,657	266,105
Arising from acquisition of a subsidiary (Note 16.2)	–	–	–	–	–	359	359
Arising from disposal of a subsidiary (Note 16.1)	–	–	–	(170)	(8,170)	–	(8,340)
Reclassifications	–	18,716	18,975	993	266,122	(301,844)	2,962
Disposals	–	–	(1,127)	(5,137)	(6,508)	–	(12,772)
Write-offs	–	–	(2,329)	(1,123)	(10,631)	(718)	(14,801)
Capitalisation of engineering spares from inventories	–	–	–	–	10,120	–	10,120
Effect of foreign currency exchange differences	–	–	212	80	1,281	8	1,581
As at 31 December 2016	34,875	97,790	271,372	89,893	3,693,481	144,017	4,331,428
Accumulated Depreciation							
As at 1 January 2016	–	31,321	166,034	71,833	2,150,591	–	2,419,779
Charge for the year	–	8,460	4,992	5,801	168,449	–	187,702
Arising from disposal of a subsidiary (Note 16.1)	–	–	–	(127)	(3,608)	–	(3,735)
Disposals	–	–	–	(1,005)	(6,401)	–	(7,406)
Write-offs	–	–	(1,750)	(679)	(5,669)	–	(8,098)
Reclassifications	–	5,505	61	194	(5,486)	–	274
Effect of foreign currency exchange differences	–	–	213	80	1,256	–	1,549
As at 31 December 2016	–	45,286	169,550	76,097	2,299,132	–	2,590,065

12. Property, Plant and Equipment (Cont'd)

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 spares 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

12. Property, Plant and Equipment (Cont'd)

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
Provision for Impairment Loss							
As at 1 January 2016 and 31 December 2016	40	–	–	–	–	–	40
As at 1 January 2017 and 31 December 2017	**40**	**–**	**–**	**–**	**–**	**–**	**40**
Net Book Value							
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 2016	34,835	52,504	101,822	13,796	1,394,349	144,017	1,741,323

Note

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM202,470,000 (2016: RM266,105,000) of which RM54,762,000 (2016: RM38,870,000) remains unpaid and included in other payables. Cash payments of RM177,278,000 (2016: RM247,691,000) were made to purchase property, plant and equipment of which RM35,249,000 (2016: RM56,396,000) were paid for prior years acquisitions.

As at 31 December 2017, included in property, plant and equipment of the Group are fully depreciated property, plant and equipment at an aggregate cost of approximately RM865,883,000 (2016: RM813,736,000) which are still in use.

13. Investment Property

	Group 2017 RM'000	Group 2016 RM'000
At Cost		
At beginning and end of year	**4,079**	4,079
Accumulated Depreciation		
At beginning of year	**355**	351
Charge for the year	**4**	4
At end of year	**359**	355
Provision for Impairment Loss		
At beginning and end of year	**585**	585
Net Book Value	**3,135**	3,139
Included in the above are:		
Freehold land	**3,100**	3,100
Buildings	**35**	39
	3,135	3,139

The property rental income earned by the Group from its investment property, all of which are leased out under operating leases, amounted to RM109,000 (2016: RM111,000). Direct operating expenses arising on the investment property amounted to RM1,000 (2016: RM2,000).

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 (Cont'd)

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2017 are as follows:

2017		**Group**		
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Fair value as at 31.12.2017 RM'000**
- Freehold land	**–**	**–**	**5,300**	**5,300**
- Buildings	**–**	**–**	**210**	**210**
	–	**–**	**5,510**	**5,510**

2016		**Group**		
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Fair value as at 31.12.2016 RM'000**
- Freehold land	–	–	5,300	5,300
- Buildings	–	–	210	210
	–	–	5,510	5,510

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

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

	Group	
	2017 RM'000	**2016 RM'000**
At beginning and end of year	**5,510**	5,510

14. Prepaid Lease Payments on Leasehold Land

	Group Leasehold land Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
Cost			
As at 1 January 2016	156,210	51,772	207,982
Addition	450	–	450
Arising from disposal of a subsidiary (Note 16.1)	(22,905)	–	(22,905)
Reclassification to property, plant and equipment	(2,962)	–	(2,962)
Write-offs	–	(56)	(56)
As at 31 December 2016/1 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	**126,735**	**46,118**	**172,853**
Accumulated Amortisation			
As at 1 January 2016	89,350	14,166	103,516
Charge for the year	4,373	1,204	5,577
Arising from disposal of a subsidiary (Note 16.1)	(5,370)	–	(5,370)
Reclassification from property, plant and equipment	(277)	3	(274)
Write-offs	–	(56)	(56)
As at 31 December 2016/1 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	**87,388**	**13,491**	**100,879**
Net Book Value			
As at 31 December 2017	**39,347**	**32,627**	**71,974**
As at 31 December 2016	42,717	36,399	79,116

15. Intangible Assets

Intangible assets consist of the following:

	Group 2017 RM'000	Group 2016 RM'000
Goodwill on consolidation	**1,396,134**	1,396,134
Quarry rights	**20,299**	23,156
	1,416,433	1,419,290

15.1 Goodwill on Consolidation

	Group 2017 RM'000	Group 2016 RM'000
At beginning of year	**1,396,134**	1,412,141
Derecognised on disposal of a subsidiary (Note 16.1)	**–**	(16,007)
At end of year	**1,396,134**	1,396,134

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 2017 RM'000	Group 2016 RM'000
Cement	**1,327,850**	1,327,850
Aggregates and concrete	**68,284**	68,284
	1,396,134	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.

15.1.1 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"):

	2017		2016	
	A %	B %	A %	B %
Pre-tax discounts rate	**10.20%**	**9.70% - 11.40%**	11.30%	8.10% - 9.10%
Terminal growth rate	**2.60%**	**2.60%**	3.00%	3.00%

15. Intangible Assets (Cont'd)

15.1 Goodwill on Consolidation (Cont'd)

15.1.1 Key assumptions used (Cont'd)

(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) Budgeted gross margins
For CGU "A" and "B", cash flow projections used in the value-in-use calculation were based on approved financial budgets covering a five-year period. The cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period.

15.1.2 Sensitivity analysis

With regard to the assessment of value-in-use and fair value less costs to sell, management believes that no reasonably possible change in any of the key assumptions would cause the recoverable amounts of the units to be materially below their carrying amounts.

15.2 Quarry Rights (with finite useful life)

	Group	
	2017	**2016**
	RM'000	**RM'000**
Cost		
At beginning of year	**27,783**	29,283
Write-offs	**–**	(1,500)
At end of year	**27,783**	27,783
Accumulated Amortisation		
At beginning of year	**4,627**	3,541
Charge for the year	**2,857**	2,586
Write-offs	**–**	(1,500)
At end of year	**7,484**	4,627
Net	**20,299**	23,156

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	
	2017	**2016**
	RM'000	**RM'000**
Unquoted shares:		
In Malaysia	**2,415,761**	2,415,761
Outside Malaysia	**–**	–*
	2,415,761	2,415,761

* comprising cost of investment amounting to SGD2.00.

Movement in the cost of investment:

	2017	**2016**
	RM'000	**RM'000**
At beginning of year	**2,415,761**	2,415,761
Transfer of investment in:		
- LMCB Holding Pte. Ltd. ("LMCBH")	**–***	–
At end of year	**2,415,761**	2,415,761

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

16. Investment in Subsidiaries (Cont'd)

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 2017 %	2016 %
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-mixed concrete	**93.26**	93.26
Lafarge Concrete Industries Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	**93.26**	93.26
Lafarge Concrete (East Malaysia) Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	**93.26**	93.26
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.	Marketing, trading and manufacturing of cement and related products	**100**	100
Lafarge Aggregates (Kota Tinggi) Sdn. Bhd. (formerly known as ISB Kuari 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

16. Investment in Subsidiaries (Cont'd)

Details of the Company's subsidiaries are as follows: (Cont'd)

Name of Subsidiary	Principal Activities	Proportion of ownership interest and voting power held by the Group 2017 %	2016 %
Incorporated in Malaysia			
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.

^ In 2016, the Group completed its acquisition on the remaining 30% equity interest not already owned by the Group in Geocycle Malaysia Sdn. Bhd., by way of acquisition of the remaining 600,000 ordinary shares of RM1.00 each for a cash consideration of RM837,000.

In 2016, the Group has completed its acquisition of 100% equity stake on Geocycle Environmental Services Sdn. Bhd. for a total consideration of RM2,780,000.

16. Investment in Subsidiaries (Cont'd)

16.1 Disposal of a subsidiary

In 2016, Lafarge Aggregate Sdn, Bhd., a wholly owned subsidiary of the Company, disposed 100% of its interest in Lafarge Aggregate (Ipoh) Sdn. Bhd. for a sale consideration of RM28,000,000.

Analysis of assets and liabilities over which control was lost:

	2016 RM'000
Non-current assets	
Property, plant and equipment (Note 12)	4,605
Goodwill (Note 15.1)	16,007
Prepaid lease payment (Note 14)	17,535
Current assets	
Inventories	2,769
Other receivables	375
Cash and cash equivalents	28
Current liabilities	
Other payables	(12)
Current tax liabilities	(407)
Non-current liability	
Deferred tax liabilities (Note 18)	(4,645)
Net assets disposed of	36,255
Consideration received	(28,000)
Loss on disposal	8,255
Net cash inflow on disposal of a subsidiary	
Consideration received in cash	28,000
Less: cash and cash equivalent balances disposed	(28)
Net cash inflow on disposal of a subsidiary	27,972

16. Investment in Subsidiaries (Cont'd)

16.2. Acquisition of a subsidiary

On 29 November 2016, the Group completed its acquisition of a 100% equity stake each on Geocycle Environmental Services Sdn. Bhd. for a total cash consideration of RM2,780,000.

The newly acquired subsidiary has contributed a consolidated revenue and profit after tax of RMNil and RM49,000 respectively to the Group in 2016.

If the Group had acquired subsidiary on 1 January 2016, the revenue and profit of the Group in 2016 would have been RM2,552,205,000 and RM78,377,000 respectively.

Assets acquired and liabilities assumed at the date of acquisition:

	At the date of acquisition RM'000
Non-current assets	
Property, plant and equipment (Note 12)	359
Deferred tax assets (Note 18)	111
Net current assets	
Cash and cash equivalents	2,424
Other net current assets	827
Non-current liability	
Retirement benefits (Note 30)	(339)
Net assets acquired	3,382
Gross consideration paid	(2,780)
Gain on bargain purchase	(602)

Net cash outflow arising from acquisition of a subsidiary:

	2017 RM'000
Consideration paid	**2,780**
Less: Cash and bank balances acquired	**(2,424)**
Net cash outflow from acquisition of subsidiary	**356**

17. Investment in Joint Venture

	Group 2017 RM'000	Group 2016 RM'000
Unquoted shares at cost, representing share of net assets acquired	**17,975**	17,975
Group's share of post acquisition results	**11,169**	16,184
Exchange differences	**7,013**	7,459
	36,157	41,618
Less: Dividends received	**(15,908)**	(15,908)
	20,249	25,710

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 2017 RM'000	Group 2016 RM'000
Total assets	**134,497**	151,555
Total liabilities	**(101,100)**	(107,398)
Net assets	**33,397**	44,157
Group's share of joint venture's net assets	**20,249**	25,710
Total revenue	**431,206**	391,074
Total losses for the year	**(10,030)**	(17,912)
Share of results in joint venture	**(5,015)**	(8,956)

Particulars of the joint venture are as follows:

Name of Joint Venture	Principal Activities	Proportion of ownership interest and voting power held by the Group 2017 %	2016 %
Incorporated in Singapore			
Alliance Concrete Singapore Pte. Ltd.	Production and sale of ready-mixed concrete	**50**	50

18. Deferred Tax Assets/(Liabilities)

Deferred Tax Assets

	Group	
	2017	**2016**
	RM'000	**RM'000**
At beginning of year	**15,856**	5,755
Recognised in profit or loss	**7,847**	4,939
Recognised in other comprehensive income	**(329)**	586
Reclassification from deferred tax liabilities	**37,881**	5,082
Arising from acquisition of a subsidiary (Note 16.2)	**–**	111
Exchange difference on foreign operations	**–**	(617)
At end of year	**61,255**	15,856

Deferred Tax Liabilities

	Group	
	2017	**2016**
	RM'000	**RM'000**
At beginning of year	**(152,976)**	(188,546)
Recognised in profit or loss	**74,401**	34,870
Recognised in other comprehensive income	**(1,202)**	1,138
Reclassification from equity to profit or loss	**33**	14
Reclassification to deferred tax assets	**(37,881)**	(5,082)
Arising from disposal of a subsidiary (Note 16.1)	**–**	4,645
Exchange difference on foreign operations	**420**	(15)
At end of year	**(117,205)**	(152,976)

As mentioned in Note 3.13, 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. As at 31 December 2017, 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	
	2017	**2016**
	RM'000	**RM'000**
Unused tax losses	**80,235**	69,333
Unused capital allowances	**35,174**	17,592
Deductible temporary differences	**5,644**	767
	121,053	87,692

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.

18. Deferred Tax Assets/(Liabilities) (Cont'd)

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 2016	1,496	–	–	2,482	1,720	57	5,755
Recognised in profit or loss	989	–	–	(2,609)	132	6,427	4,939
Recognised in other comprehensive income	–	–	–	586	–	–	586
Reclassification from deferred tax liabilities	9,928	–	–	(10,730)	5,530	354	5,082
Arising from acquisition of a subsidiary (Note 16.2)	–	–	–	111	–	–	111
Exchange difference on foreign operations	(617)	–	–	–	–	–	(617)
As at 31 December 2016/ 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	**(37,125)**	**227**	**3,114**	**8,363**	**81,782**	**4,894**	**61,255**
Deferred Tax Liabilities							
As at 1 January 2016	(209,866)	232	5,597	10,006	5,252	233	(188,546)
Recognised in profit or loss	4,392	(126)	(28)	(3,320)	32,450	1,502	34,870
Recognised in other comprehensive income	–	–	–	1,138	–	–	1,138
Reclassification from equity to profit or loss	–	–	–	14	–	–	14
Reclassification to deferred tax assets	(9,928)	–	–	10,730	(5,530)	(354)	(5,082)
Arising from disposal of a subsidiary (Note 16.1)	4,645	–	–	–	–	–	4,645
Exchange difference on foreign operations	(15)	–	–	–	–	–	(15)
As at 31 December 2016/ 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	**(155,276)**	**106**	**2,705**	**6,232**	**29,028**	**–**	**(117,205)**

19. Other Financial Assets

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Available-for-sale investments carried at fair value:				
Non-current:				
In Malaysia:				
Quoted investments	**1,472**	694	**–**	–
Unquoted investments	**168**	168	**–**	–
Others	**314**	374	**–**	–
	1,954	1,236	**–**	–
Held-to-maturity investment carried at amortised cost				
Non-current:				
Debenture, unquoted in Malaysia	**1,255**	1,255	**1,255**	1,255
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Current:				
Foreign currency forward contracts	**69**	319	**–**	–
Financial assets carried at fair value through profit or loss:				
Current:				
Derivatives that are not designated in hedge accounting relationship	**–**	26	**–**	–
	3,278	2,836	**1,255**	1,255
Current	**69**	345	**–**	–
Non-current	**3,209**	2,491	**1,255**	1,255
	3,278	2,836	**1,255**	1,255

20. Amounts Owing by/(to) Subsidiaries

20.1 Amounts Owing by Subsidiaries

	Company 2017 RM'000	Company 2016 RM'000
Loans carried at amortised cost:		
Current:		
Short-term loans and advances to subsidiaries (a)	**181,061**	207,527
Outstanding balances receivable for other transactions (b)	**2,711**	2,726
	183,772	210,253

(a) The short-term 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 2017 RM'000	Company 2016 RM'000
Other financial liabilities:		
Current:		
Short-term loans and advances from subsidiaries (c)	**(258,598)**	(80,373)
Outstanding balances payables for other transactions (d)	**(67)**	(751)
	(258,665)	(81,124)

(c) The short-term loans and advances from subsidiaries are unsecured, interest-free and repayable on demand except for an advance of RM132,283,000 (2016: RMNil) which carries an interest rate of 4.66% (2016: Nil) 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 2017 RM'000	Group 2016 RM'000
At cost:		
Fuels, raw and packing materials	**157,879**	69,141
Finished and semi-finished goods	**105,116**	109,688
Engineering spares and consumables	**120,956**	125,155
	383,951	303,984
Provision for inventory obsolescence	**(24,987)**	(23,936)
	358,964	280,048

The cost of inventories recognised as an expense of the Group includes RM1,044,000 (2016: RM2,806,000) in respect of the provision for inventory obsolescence.

The Group's inventories are expected to be recovered within the next twelve months other than engineering spares 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 2017 RM'000	Group 2016 RM'000
Trade receivables	**410,962**	448,933
Allowance for doubtful debts	**(2,143)**	(7,152)
	408,819	441,781

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Trade receivables of the Group comprise amounts receivable for the trading and sales of goods. The average credit terms for trade receivables of the Group range from 30 to 60 days (2016: 30 to 60 days).

Included in trade receivables is an amount totaling RM11,907,000 (2016: RM17,162,000) owing by a joint venture.

The Group's historical experience in collection of trade receivables falls within the recorded credit period and management believes that no additional credit risk for collection losses is inherent in the Group's trade receivables. The Group does not hold any collateral over these balances.

22. Trade Receivables (Cont'd)

Ageing of trade receivables not impaired:

	Group 2017 RM'000	Group 2016 RM'000
Not past due	**286,986**	287,099
Past due 0 - 30 days	**48,576**	80,534
Past due 31 - 60 days	**27,527**	28,128
Past due 61 - 90 days	**13,973**	12,168
Past due more than 90 days	**31,757**	33,852
	408,819	441,781

Ageing of impaired trade receivables:

	Group 2017 RM'000	Group 2016 RM'000
Not past due	**–**	558
Past due 0 - 30 days	**–**	298
Past due 31 - 60 days	**–**	192
Past due 61 - 90 days	**–**	–
Past due more than 90 days	**2,143**	6,104
	2,143	7,152

Movement in the allowance for doubtful debts:

	Group 2017 RM'000	Group 2016 RM'000
At beginning of year	**7,152**	13,112
Allowance made during the year	**2,222**	4,780
Arising from disposal of a subsidiary	**–**	(65)
Amounts written off during the year as uncollectible	**(3,620)**	(8,695)
Allowance for doubtful debts no longer required	**(3,613)**	(2,016)
Foreign exchange difference	**2**	36
At end of year	**2,143**	7,152

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

22. Trade Receivables (Cont'd)

The currency profile of trade receivables of the Group is as follows:

	Group	
	2017 RM'000	2016 RM'000
Ringgit Malaysia	**385,746**	414,092
Singapore Dollar	**21,745**	26,060
United States Dollar	**1,328**	1,629
	408,819	441,781

23. Other Receivables and Prepaid Expenses

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
GST receivable	**21,389**	4,297	**–**	–
Other receivables	**23,840**	11,830	**95**	2
Prepaid expenses	**13,089**	4,040	**79**	520
Refundable deposits	**12,346**	11,978	**398**	420
	70,664	32,145	**572**	942

Other receivables of the Group includes amount due from a joint venture of RM108,000 (2016: RM385,000) and loans and advances given to the staff 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.

24. Related Party Disclosures (Cont'd)

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 Company
Cementia Trading AG	Subsidiary of LafargeHolcim Ltd.
Cementia Asia Sdn. Bhd.	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.
Thalamar Shipping AG	Subsidiary of LafargeHolcim Ltd.
Holcim 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.

The amounts owing by/(to) penultimate holding, immediate 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 related companies are interest-free with no fixed terms of repayment. The amount 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 (Cont'd)

24.1 Related Party Transactions

	Group			
	2017		2016	
	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	**21,065**	**(12,276)**	28,206	(7,340)
Joint venture of the Group:				
Sales of cement and ready-mixed concrete	**75,840**	**11,878**	66,436	16,978
Batching income	**301**	**(7)**	1,198	114
Management service fee	**149**	**36**	270	70
Subsidiaries of ultimate holding company of the Company:				
Sales of cement and clinker	**89,733**	**15,383**	95,298	21,957
Purchase of cement and clinker	**97,699**	**(20,443)**	81,694	(6,329)
Purchase of solid fuels	**251,266**	**(50,577)**	1,553	(1,553)
Purchase of gypsum and anhydrite and freight services	**21,836**	**(4,861)**	–	–
Sales of copper slag	**10,172**	**8,851**	–	–
Purchase of copper slag	**6,358**	**(462)**	16,638	(210)
Time charter hire/sub-charter of vessels	**17,518**	**(2,613)**	24,495	–
Industrial franchising fee	**–**	**–**	3,611	(29)
Rental of office premises	**371**	**120**	529	(81)
Regional IT shared service project maintenance services	**18,172**	**(17,983)**	14,226	(4,672)
Administrative and supporting service fee	**2,242**	**2,456**	2,160	(158)
Shared services center and consultancy service fee	**7,036**	**(7,517)**	–	–

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. With regard to the agreement for the provision of trademark license and general assistance, Lafarge has the specialised expertise, technical competencies and/or facilities and infrastructure required for the provision of such services.

24. Related Party Disclosures (Cont'd)

24.2 Amounts Owing by Holding and Other Related Companies

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current:				
Trade amount owing by holding and other related companies	**17,826**	15,727	**–**	–
Outstanding balances receivable for other operating transactions	**5,259**	890	**535**	588
	23,085	16,617	**535**	588

Ageing of trade amount owing by holding and other related companies not impaired:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Not past due	**8,623**	10,971	**–**	–
Past due 0 - 30 days	**3,613**	20	**–**	–
Past due 31 - 60 days	**2,694**	77	**–**	–
Past due 61 - 90 days	**14**	117	**–**	–
Past due more than 90 days	**2,882**	4,542	**–**	–
	17,826	15,727	**–**	–

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 (2016: 30 to 60 days).

The currency profile of amounts owing by holding and other related companies of the Group is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
United States Dollar	**9,768**	15,223	**491**	543
Ringgit Malaysia	**2,588**	223	**10**	10
Euro Dollar	**13**	14	**–**	–
Singapore Dollar	**10,716**	1,157	**34**	35
	23,085	16,617	**535**	588

24. Related Party Disclosures (Cont'd)

24.3 Amounts Owing to Holding and Other Related Companies

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current:				
Trade amount owing to holding and other related companies	**82,508**	23,091	**–**	–
Outstanding balances payable for other operating transactions	**123**	222	**2**	17
	82,631	23,313	**2**	17

The currency profile of amounts owing to holding and other related companies of the Group is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
United States Dollar	**71,477**	6,497	**–**	–
Euro Dollar	**10,685**	15,273	**–**	–
Ringgit Malaysia	**469**	1,037	**2**	17
Singapore Dollar	**–**	286	**–**	–
Philippine Peso	**–**	220	**–**	–
	82,631	23,313	**2**	17

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 5.4.

25. Share Capital

	Group			
	2017		**2016**	
	No. of shares ('000)	**RM'000**	**No. of shares ('000)**	**RM'000**
Authorised:				
Ordinary shares of RM1.00 each	–	–	3,000,000	3,000,000
Issued and fully paid:				
Ordinary shares				
At beginning of year	**849,695**	**849,695**	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	849,695

25. Share Capital (Cont'd)

	Company			
	2017		2016	
	No. of shares ('000)	RM'000	No. of shares ('000)	RM'000
Authorised:				
Ordinary shares of RM1.00 each	–	–	3,000,000	3,000,000
Issued and fully paid:				
Ordinary shares				
At beginning of year	**849,695**	**849,695**	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	849,695

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.

However, the Company has a period of 24 months from the effective date of the New Act to use the existing balances credited in the share premium account and capital redemption reserve account in a manner as specified by the New Act.

26. Reserves

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-distributable:				
Share premium reserve (Note 25)	**–**	1,067,199	**–**	1,067,191
Capital redemption reserve (Note 25)	**–**	33,798	**–**	33,639
Exchange equalisation reserve	**27,869**	27,634	**–**	–
Investments revaluation reserve	**1,134**	356	**–**	–
Hedging reserve	**(1,192)**	20	**–**	–
	27,811	1,129,007	**–**	1,100,830

26.1 Share Premium Reserve

Share premium arose from the issuance of ordinary shares by the Company pursuant to the 6-for-1 Rights Issue exercise completed in 1999 and pursuant to the Proposed Special Issue to Bumiputera investors in 2003 and issuance of ordinary shares by a subsidiary of the Company pursuant to Employees' Share Option Scheme of that subsidiary in 2000.

During the financial year, share premium reserve of RM1,067,191,000 has been transferred to share capital in accordance with the Companies Act 2016 as disclosed in Note 25.

26.2 Capital Redemption Reserve

Capital redemption reserve arose from the redemption of 159,200 preference shares by a subsidiary of the Company in 1999, redemption of 500 preference shares by the Company of which 250 preference shares were redeemed in 2006 and the remaining in 2007 and cancellation of treasury shares in 2006 and 2007.

During the financial year, capital redemption reserve of RM33,639,000 has been transferred to share capital in accordance with the Companies Act 2016 as disclosed in Note 25.

26.3 Exchange Equalisation Reserve

	Group	
	2017	**2016**
	RM'000	**RM'000**
At beginning of year	**27,634**	28,427
Exchange differences arising on translating the net assets of foreign operations	**235**	(793)
At end of year	**27,869**	27,634

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 (Cont'd)

26.4 Investments Revaluation Reserve

	Group	
	2017	**2016**
	RM'000	**RM'000**
At beginning of year	**356**	36
Fair value change of available-for-sale financial assets	**778**	320
At end of year	**1,134**	356

The investments revaluation reserve represents accumulated gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

26.5 Hedging Reserve

	Group	
	2017	**2016**
	RM'000	**RM'000**
At beginning of year	**20**	125
Loss recognised on cash flow hedges:		
- foreign currency forward contracts	**(1,434)**	(29)
Deferred tax related to gains/(losses) recognised in other comprehensive income	**243**	(32)
Reclassified to profit or loss:		
- foreign currency forward contracts	**(54)**	(58)
Deferred tax related to amounts transferred to profit or loss	**33**	14
At end of year	**(1,192)**	20

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 statement of profit or loss and other comprehensive income:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Other expenses	**(54)**	(58)
Income tax expense	**33**	14
	(21)	(44)

27. Retained Earnings and Dividends

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Distributable reserve:				
Retained earnings	**870,704**	1,079,998	**390,462**	320,634
At beginning of year	**1,079,998**	1,110,595	**320,634**	339,211
Profit attributable to owners of the Company	**(215,160)**	76,673	**69,824**	83,366
Dividends	**–**	(101,964)	**–**	(101,964)
Actuarial gain/(loss) on defined benefit retirement plan recognised directly in retained earnings	**7,629**	(7,170)	**4**	21
Income tax on income and expenses taken directly to retained earnings	**(1,763)**	1,756	**–**	–
Acquisition of additional interests in an existing subsidiary	**–**	108	**–**	–
At end of year	**870,704**	1,079,998	**390,462**	320,634

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.

27.2 Dividends

	Group and Company 2017 RM'000	Group and Company 2016 RM'000
Fourth interim single tier dividend of 7.0 sen per share	**–**	59,479
First interim single tier dividend of 3.0 sen per share	**–**	25,491
Second interim single tier dividend of 2.0 sen per share	**–**	16,994
	–	101,964

The Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2017.

28. Non-Controlling Interests

	Group 2017 RM'000	Group 2016 RM'000
At beginning of year	**4,930**	4,929
Share of profit for the year	**1,575**	1,056
Share of other comprehensive income/(loss) for the year	**35**	(110)
Arising from acquisition of additional interests in an existing subsidiary	**–**	(945)
At end of year	**6,540**	4,930

29. Borrowings

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current - at amortised cost				
Non-secured				
Medium Term Note (a)	**100,000**	280,000	**–**	280,000
Term loan (b)	**–**	7,000	**–**	–
Bank overdrafts (b)	**–**	6,470	**–**	–
Revolving credit (b)	**105,000**	54,000	**–**	–
	205,000	347,470	**–**	280,000
Non-current - at amortised cost				
Non-secured:				
Medium Term Note (c)	**279,387**	–	**–**	–
	279,387	–	**–**	–
Current	**205,000**	347,470	**–**	280,000
Non-current:				
2 - 5 years	**279,387**	–	**–**	–
Total borrowings	**484,387**	347,470	**–**	280,000

All borrowings are denominated in Ringgit Malaysia.

(a) On 16 November 2015, the Group raised a Medium Term Note of RM280,000,000 via a direct private placement for a tenure period of twelve (12) months which carries an interest rate of 4.30%. In 2016, the Group has extended the tenure period for another two (2) months which carries an interest rate of 3.72% per annum.

On 13 January 2017, the Group raised a Medium Term Note of RM100,000,000 via direct private placement for a tenure period of twelve (12) months which carries an interest rate of 4.40%.

(b) The average interest rate for the bank overdrafts and revolving credit ranges from 3.64% to 4.27% (2016: 4.21% to 4.26%) and the term loan carries an interest rate of 4.36% (2016: 4.20%) per annum.

(c) On 13 January 2017, the Group raised a Medium Term Note of RM180,000,000 via direct private placement for a tenure period of thirty six (36) months which carries an interest rate of 4.80%.

Subsequently, on 13 December 2017, the Group raised a Medium Term Note of RM100,000,000 via direct private placement for a tenure period of thirty six (36) months which carries an interest rate of 5.00%.

29. Borrowings (Cont'd)

29.1 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 2017 RM'000	Company 2017 RM'000
At beginning of year (net of bank overdrafts)	**341,000**	280,000
Financing cash flows (i)	**143,282**	(280,000)
Non-cash changes		
Other changes (ii)	**105**	–
At end of year	**484,387**	–

(i) The cash flows from borrowings make up the net amount of drawdown of borrowings and repayments of borrowings in the statements of cash flows.

(ii) Other changes include interest accruals and payments.

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 benefits 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 3 January 2018 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:

	2017 %	2016 %
Discount rate	**5.1**	4.9
Future salary increase	**7.0**	7.0

Significant actuarial assumption for the determination of the defined benefits 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 RM3,703,611/increase by RM4,008,441 (2016: decreased by RM4,099,602/increased by RM4,437,731).

30. Retirement Benefits (Cont'd)

Movements in the net liability recognised in the statements of financial position are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At beginning of year	**80,070**	68,533	**127**	1,187
Charge for the year	**3,754**	9,347	**21**	142
Benefits paid	**(4,635)**	(5,974)	**–**	(1,181)
Actuarial (gain)/loss recognised in other comprehensive income	**(7,675)**	7,280	**(4)**	(21)
Acquisition of a subsidiary (Note 16.2)	**–**	339	**–**	–
Reclassification from other payables	**–**	545	**–**	–
At end of year	**71,514**	80,070	**144**	127

The amounts recognised in the statements of financial position are analysed as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Present value of unfunded obligation	**71,514**	80,070	**144**	127

Reconciliations of the present value of unfunded obligation are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At beginning of year	**80,070**	68,533	**127**	1,187
Current service cost	**7,058**	5,869	**15**	80
Interest cost	**3,836**	3,503	**6**	62
Curtailment gain	**(7,140)**	(25)	**–**	–
Actuarial (gain)/loss	**(7,675)**	7,280	**(4)**	(21)
Benefits paid	**(4,635)**	(5,974)	**–**	(1,181)
Acquisition of a subsidiary (Note 16.2)	**–**	339	**–**	–
Reclassification from other payables	**–**	545	**–**	–
At end of year	**71,514**	80,070	**144**	127

The amounts recognised in the profit or loss are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Current service cost	**7,058**	5,869	**15**	80
Interest cost	**3,836**	3,503	**6**	62
Curtailment gain	**(7,140)**	(25)	**–**	–
	3,754	9,347	**21**	142

30. Retirement Benefits (Cont'd)

Actuarial gain/(loss) recognised directly in other comprehensive income are as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At beginning of year	**(1,453)**	5,827	**(22)**	(43)
Recognised during the year	**7,675**	(7,280)	**4**	21
At end of year	**6,222**	(1,453)	**(18)**	(22)

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 (2016: 14 to 90 days).

The currency profile of trade payables of the Group is as follows:

	2017	2016
	RM'000	RM'000
Ringgit Malaysia	**483,604**	446,986
United States Dollar	**11,852**	15,058
Singapore Dollar	**6,905**	7,935
Euro Dollar	**2,277**	6,148
Japanese Yen	**115**	211
Australian Dollar	**3**	–
South African Rand	**96**	–
	504,852	476,338

32. Other Payables and Accrued Expenses

Other payables and accrued expenses consist of:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
GST payable	**2,331**	2,725	**–**	–
Other payables	**124,558**	95,149	**120**	339
Accrued expenses	**109,311**	81,234	**5,880**	2,924
	236,200	179,108	**6,000**	3,263

Other payables of the Group consist of amount outstanding for purchases of assets as disclosed in Note 12 to the financial statements, retention monies, deposits received, general administrative expenses payable and advances received from customers which are interest-free with no fixed terms of repayment.

33. Other Financial Liabilities

	Group	
	2017	**2016**
	RM'000	**RM'000**
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Current:		
Foreign currency forward contracts	**1,643**	–

34. Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**99,906**	206,188	**3,913**	6,857
Bank overdrafts (Note 29)	**–**	(6,470)	**–**	–
	99,906	199,718	**3,913**	6,857

The currency profile of cash and cash equivalents of the Group and of the Company is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**40,445**	157,879	**3,913**	6,857
Singapore Dollar	**22,486**	32,785	**–**	–
United States Dollar	**22,023**	9,053	**–**	–
Euro Dollar	**14,952**	1	**–**	–
	99,906	199,718	**3,913**	6,857

35. Financial Instruments

35.1 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 (borrowings as detailed in Note 29 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in Notes 25 to 28).

The gearing ratio at end of the reporting period was as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Debt (i)	**484,387**	347,470
Cash and bank balances	**(99,906)**	(199,718)
Net debt	**384,481**	147,752
Equity (ii)	**2,855,747**	3,063,630
Net debt to equity ratio	**13.46%**	4.82%

(i) Debt is defined as short and long term borrowings as described in Note 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.

35.2 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 asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

35. Financial Instruments (Cont'd)

35.3 Categories of Financial Instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets				
Financial assets carried at fair value through profit or loss (FVTPL):				
- held for trading	–	26	–	–
Derivative instruments:				
- in designated hedge accounting relationships (Note 19)	69	319	–	–
Loan and receivables:				
- amounts owing by subsidiaries (Note 20)	–	–	183,772	210,253
- trade receivables (Note 22)	408,819	441,781	–	–
- other receivables and refundable deposits (Note 23)	33,257	23,808	493	422
- amounts owing by holding and other related companies (Note 24)	23,085	16,617	535	588
- cash and bank balances (Note 34)	99,906	206,188	3,913	6,857
Available-for-sale financial assets:				
- available-for-sale investments carried at fair value (Note 19)	1,954	1,236	–	–
Held-to-maturity investment (Note 19)	1,255	1,255	1,255	1,255
Financial liabilities				
Derivative instruments:				
- in designated hedge accounting relationships (Note 33)	1,643	–	–	–
Amortised cost:				
- borrowings (Note 29)	484,387	347,470	–	280,000
- trade payables (Note 31)	504,852	476,338	–	–
- other payables and accrued expenses (Note 32)	200,718	141,021	6,000	3,263
- amounts owing to holding and other related companies (Note 24)	82,631	23,313	2	17
- amounts owing to subsidiaries (Note 20)	–	–	258,665	81,124

35. Financial Instruments (Cont'd)

35.4 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.

35.4.1 Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 35.4.1(a) below), interest rates (see 35.4.1(b) below), commodity prices (see 35.4.1(c) below) and other prices (see 35.4.1.(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 contracts 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.

35.4.1(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.

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, Note 31 for trade payables and Note 34 for cash and cash equivalents.

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.

35. Financial Instruments (Cont'd)

35.4 Financial Risk Management (Cont'd)

35.4.1(a) Foreign Currency Risk Management (Cont'd)

	Group			
2017	**USD Impact RM'000**		**Euro Impact RM'000**	
Profit or loss	**5,021**	(i)	**(200)**	(iii)
Hedging reserve	**(3,061)**	(ii)	**(373)**	(ii)
2016				
Profit or loss	(1,158)	(i)	1,536	(iii)
Hedging reserve	(1,774)	(ii)	–	(ii)

(i) This is mainly attributable to the exposure outstanding on USD receivables and cash and cash equivalents net of with USD payables and fair value hedges 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 cash equivalents net of with Euro payables and fair value hedges 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

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 contracts, with a term generally less than one year.

The following table details the forward foreign currency contracts outstanding as at reporting date:

	Group			
2017 **Outstanding contracts**	**Average exchange rate**	**Foreign currency FC'000**	**Contact 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

35. Financial Instruments (Cont'd)

35.4 Financial Risk Management (Cont'd)

35.4.1(a) Foreign Currency Risk Management (Cont'd)

Forward foreign exchange contracts (Cont'd)

	Group			
2016 **Outstanding contracts**	**Average exchange rate**	**Foreign currency FC'000**	**Contact value RM'000**	**Fair value RM'000**
Cash flow hedges				
Buy US Dollar				
Less than 3 months	4.40	1,100	4,844	103
3 to 6 months	4.47	900	4,019	43
				146
Fair value hedges				
Buy US Dollar				
Less than 3 months	4.39	1,600	7,023	159
Buy Euro Dollar				
Less than 3 months	4.68	373	1,744	14
				173
FVTPL				
Buy Euro Dollar				
Less than 3 months	4.69	900	4,222	26

35. Financial Instruments (Cont'd)

35.4 Financial Risk Management (Cont'd)

35.4.1(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.

Interest Rate Sensitivity

The interest rate profile of the Group's and of the Company's significant interest-bearing financial liabilities are disclosed in the table below as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Medium term note	**379,387**	280,000	**–**	280,000
Term loans	**–**	7,000	**–**	–
	379,387	287,000	**–**	280,000
Floating rate instruments				
Bank overdrafts	**–**	6,470	**–**	–
Revolving credit	**105,000**	54,000	**–**	–
	105,000	60,470	**–**	–
	484,387	347,470	**–**	280,000

Fixed Rate Instruments

The Group and the Company do 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 RM1,050,000 (2016: RM604,700). This analysis assumes that all other variables remain constant.

The sensitivity analyses in the foregoing paragraph have been determined based on the exposure to interest rate risks at the reporting date.

35. Financial Instruments (Cont'd)

35.4 Financial Risk Management (Cont'd)

35.4.1(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.

35.4.1(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.

<u>Equity price sensitivity</u>

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 10% higher/lower, the Group's:

- net profit for the year ended 31 December 2017 would have been unaffected as the equity investment is classified as available-for-sale and no investment was disposed of or impaired; and
- investments revaluation reserve would increase/decrease by RM195,400 (2016: increase/decrease by RM123,600) as a result of the changes in fair value of available-for-sale shares.

35.4.2 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 with respect to trade and other receivables is managed through the application of credit approvals, credit limits and monitoring procedures. Credit is extended to the customers based upon careful evaluation of the customers' financial condition and credit history. Surplus funds are placed with licensed financial institutions to minimise the risk that the counterparties will fail in performing their obligation.

The maximum credit exposure of the Group, without taking into account the fair value of any collateral, is represented by carrying amounts of the trade and other receivables as shown on the statement of financial position. The Group has no significant concentration of credit risk with its exposure spread over a large number of customers.

The Group and the Company are also exposed to credit risk mainly from amounts owing by holding and other related companies and subsidiaries. The Group and the Company monitor on ongoing basis the results of the companies and repayments made by the companies.

35.4.3 Liquidity Risk

The Group and the Company practice prudent liquidity risk management to minimise the mismatch of financial assets and liabilities.

<u>Financial liabilities</u>

The Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods are disclosed in Note 29.

All other financial liabilities are repayable on demand or due within 1 year from the end of the reporting period.

35. Financial Instruments (Cont'd)

35.5 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 cash equivalents, trade and other receivables, 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.
- **Other financial assets:** Marketable securities quoted in an active market are carried at market value. Securities that are not quoted in an active market, for which there is no observable market data and fair value cannot be reliably measured, are carried at acquisition cost.
- **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, interest rate and commodity derivatives were calculated using market prices that the Group would pay or receive to settle the related agreements.

35.5.1 Fair value measurements recognised in the statement 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).

35. Financial Instruments (Cont'd)

35.5 Fair Values (Cont'd)

35.5.1 Fair value measurements recognised in the statement of financial position (Cont'd)

	Group			
2017	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets at FVTPL				
Derivative financial assets	**–**	**69**	**–**	**69**
Available-for-sale financial assets				
Quoted investments	**1,472**	**–**	**–**	**1,472**
Unquoted investments	**–**	**–**	**168**	**168**
Others	**–**	**–**	**314**	**314**
	1,472	**69**	**482**	**2,023**
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**(1,643)**	**–**	**(1,643)**

	Group			
2016	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets at FVTPL				
Derivative financial assets	–	345	–	345
Available-for-sale financial assets				
Quoted investments	694	–	–	694
Unquoted investments	–	–	168	168
Others	–	–	374	374
	694	345	542	1,581

There were no transfers between Levels 1 and 2 in 2017 and 2016.

Reconciliation of Level 3 fair value measurements of financial assets.

	Group Available-for-sale			
	Unquoted investments 2017 RM'000	**Others 2017 RM'000**	**Unquoted investments 2016 RM'000**	**Others 2016 RM'000**
At beginning of year	**168**	**374**	168	374
(-) Disposal	**–**	**(60)**	–	–
At end of year	**168**	**314**	168	374

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 26.4).

Gains and losses on disposals of other investments are included in "other income" or "other expenses" in profit or loss (see Note 10).

35. Financial Instruments (Cont'd)

35.5 Fair Values (Cont'd)

35.5.2 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)	2017 RM'000	2016 RM'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available for sale						
Quoted investments	**1,472**	694	Level 1	Quoted bid price in active market	N/A	N/A
Unquoted investments	**168**	168	Level 3	Cost of investment	N/A	N/A
Others	**314**	374	Level 3	Cost of investment	N/A	N/A
	1,954	1,236				
Derivatives that are designated and effective as hedging instruments carried at fair value						
Foreign currency forward contracts				Observable foreign currency forward contract rates at the end of reporting period		
- Financial assets	**69**	319	Level 2		N/A	N/A
- Financial liabilities	**(1,643)**	–	Level 2		N/A	N/A
	(1,574)	319				
Derivatives that are not designated in hedge accounting relationship						
Foreign currency forward contracts						
- Financial assets	**–**	26	Level 2	Observable foreign currency forward contract rate at the end of reporting period	N/A	N/A

36. Commitments

36.1 Capital Commitments

	Group 2017 RM'000	Group 2016 RM'000
In respect of capital expenditure:		
Approved, contracted but not provided for	**38,526**	44,086
Approved but not contracted for	**129,477**	184,120
	168,003	228,206

36.2 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 2017 RM'000	Group 2016 RM'000
Not later than 1 year	**31,692**	44,663
Later than 1 year and not later than 5 years	**45,395**	65,655
Later than 5 years	**35,002**	40,922
	112,089	151,240

37. Financial Guarantee

	Company 2017 RM'000	Company 2016 RM'000
Unsecured		
Corporate guarantee given to a third party in respect of provision for services to subsidiaries	**21,100**	21,100

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.

38. Material Litigation

Lafarge Malaysia Berhad ("LMB") and LMCB Holding Pte. Ltd. ("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.

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.

38. Material Litigation (Cont'd)

LMCBH is a wholly owned subsidiary of LMB. LMCBH's paid up share capital is SGD225,000,002. It is an investment holding company and is not a major subsidiary of LMB. The Writ will not have any material adverse impact on the Group's financial position or its operations. 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 case is ongoing and is still at the pre-trial stage. Hearing dates of appeals relating to certain interim applications have been fixed on 3 and 11 September 2018.

39. 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.

Information regarding the Group's reportable segments is presented below.

39.1 Segment Revenue and Results

Group 2017	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
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)

39. Segmental Information (Cont'd)

39.1 Segment Revenue and Results (Cont'd)

Group 2016	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
REVENUE				
External sales	1,943,269	608,936	–	2,552,205
Inter-segment sales	322,059	9,514	(331,573)	–
Total revenue	2,265,328	618,450	(331,573)	2,552,205
RESULTS				
Segment results	99,770	(1,772)	–	97,998
Interest income				4,860
Finance costs				(19,621)
Share of results in joint venture				(8,956)
Income tax credit				3,448
Profit for the year				77,729

39.2 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.

39. Segmental Information (Cont'd)

39.2 Segment Assets and Liabilities (Cont'd)

Group 2017	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
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**
Group 2016				
SEGMENT ASSETS				
Segment assets	4,092,937	290,880	(370,013)	4,013,804
Investment in joint venture				25,710
Unallocated corporate assets				284,142
Consolidated total assets				4,323,656
SEGMENT LIABILITIES				
Segment liabilities	895,448	244,193	(380,812)	758,829
Interest bearing instruments				347,470
Unallocated corporate liabilities				153,727
Consolidated total liabilities				1,260,026

39.3 Other Segment Information

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
OTHER INFORMATION				
2017				
Capital expenditure	**172,152**	**30,318**	**–**	**202,470**
Depreciation and amortisation	**181,464**	**27,841**	**–**	**209,305**
2016				
Capital expenditure	237,155	28,950	–	266,105
Depreciation and amortisation	177,449	18,420	–	195,869

39. Segmental Information (Cont'd)

39.4 Geographical Information

The Group operates in two principal geographical areas - Malaysia (country of domicile) and Singapore.

	Revenue		Segment Assets		Capital Expenditure	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	**2,111,419**	2,417,743	**3,985,107**	3,905,660	**202,289**	266,105
Singapore	**137,414**	134,462	**102,794**	108,150	**181**	–
	2,248,833	2,552,205	**4,087,901**	4,013,810	**202,470**	266,105
Investment in joint venture			**20,249**	25,710		
Unallocated corporate assets			**247,470**	284,136		
			4,355,620	4,323,656		

Inter-segment pricing is mutually agreed between the segments based on market prices determined in the normal course of business.

40. 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)	1,977,492	(84,817)	1,892,675
Selling and distribution expenses (Note 5)	334,290	84,817	419,107
Company			
Revenue (Note 5)	102,059	(59)	102,000
Interest income (Note 6)	–	59	59
Statements of Financial Position			
Group			
Trade receivables (Note 22)	373,967	67,814	441,781
Other payables and accrued expenses (Note 32)	111,294	67,814	179,108

ANALYSIS OF SHAREHOLDINGS

As at 27 March 2018

SHARE CAPITAL

Type	No. of shares		Amount (RM)
Issued share capital	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 2018

Size of Shareholdings	No. of Shareholders & Percentage		No. of Shares & Percentage	
	Shareholders	%	Shares	%
Less than 100	368	5.34	7,424	0.00
100 - 1,000	2,948	42.75	1,620,746	0.19
1,001 - 10,000	2,677	38.82	9,198,974	1.08
10,001 - 100,000	720	10.44	20,428,670	2.40
100,001 to less than 5% of issued ordinary shares	180	2.61	263,782,264	31.04
5% of issued ordinary shares and above	3	0.04	554,657,398	65.28
TOTAL	**6,896**	**100.00**	**849,695,476**	**100.00**

DIRECTORS SHAREHOLDINGS

Based on the Register of Directors' Shareholdings as at 27 March 2018

		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	–	–	–	–
Thierry Legrand	French	–	–	–	–
Michael Lim Yoke Tuan	Malaysian	–	–	–	–
Y.M. Tunku Afwida Binti Tunku A.Malek	Malaysian	–	–	–	–
Tan Sri Dr Rebecca Fatima Sta Maria	Malaysian	–	–	–	–
Datuk Muhamad Noor Bin Hamid	Malaysian	–	–	–	–
Daniel Nikolaus Bach	British	–	–	–	–
Jean Desazars de Montgailhard	French	–	–	–	–

THIRTY LARGEST SECURITIES ACCOUNTS HOLDER
(According to Register of Depositors as at 27 March 2018)

No.	Names	Shareholdings No.	%
1.	Associated International Cement Limited	433,344,693	51.00
2.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	70,028,100	8.24
3.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	51,284,605	6.04
4.	Kumpulan Wang Persaraan (Diperbadankan)	30,678,600	3.61
5.	AmanahRaya Trustees Berhad AS 1Malaysia	15,132,000	1.78
6.	Lembaga Tabung Haji	13,450,100	1.58
7.	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) SCA For Fidelity Funds Asian Special Situations	12,612,400	1.48
8.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	11,318,800	1.33
9.	CIMB Group Nominees (Tempatan) Sdn Bhd Yayasan Hasanah (AUR-VCAM)	10,208,500	1.20
10.	CitiGroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	7,526,200	0.89
11.	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	7,289,000	0.86
12.	AmanahRaya Trustees Berhad Public Ittikal Sequel Fund	7,013,000	0.83
13.	CitiGroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	6,704,300	0.79
14.	HSBC Nominees (Asing) Sdn Bhd TNTC for Asia Discovery Emerging Companies Master Fund Pte Ltd	6,500,000	0.76
15.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	6,363,500	0.75
16.	AmanahRaya Trustees Berhad Amanah Saham Didik	5,798,600	0.68
17.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for the Scottish Oriental Smaller Companies Trust PLC	5,372,400	0.63
18.	Loke Wan Yat Realty Sdn Bhd	5,107,100	0.60
19.	AmanahRaya Trustees Berhad Amanah Saham Wawasan 2020	5,000,000	0.59
20.	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) SCA For Fidelity Asian Equity Pool (Fidelity Funds)	4,240,200	0.50
21.	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) SCA For Fidelity Funds Pacific	4,001,900	0.47
22.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	3,967,040	0.47
23.	Malaysia Nominees (Tempatan) Sendirian Berhad Lee Foundation, States of Malaya (00-00197-000)	3,763,620	0.44
24.	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) Sca for Fast Asia Fund	3,669,000	0.43
25.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLTOD67)	3,535,551	0.42

No.	Names	Shareholdings No.	%
26.	Cimsec Nominees (Asing) Sdn Bhd Exempt An For CIMB Securities (Singapore) Pte Ltd (Retail Clients)	3,208,767	0.38
27.	CitiGroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	3,000,000	0.35
28.	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	2,951,997	0.35
29.	AmanahRaya Trustees Berhad Public Islamic Select Enterprises Fund	2,870,200	0.34
30.	CitiGroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AberIslamic)	2,649,200	0.31
	TOTAL	**748,589,373**	**88.10**

SUBSTANTIAL SHAREHOLDERS
(According to the Company's Register of Substantial Shareholders as at 27 March 2018)

Name	Place of Incorporation/ Nationality	Direct No. of Ordinary Shares	Direct Percentage of Share Capital %	Indirect No. of Ordinary Shares	Indirect 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	51,228,105	6.03	(9) 13,850,400	1.63
AmanahRaya Trustees Berhad – Amanah Saham Bumiputera ("AmanahRaya")	Malaysia	70,028,100	8.24	–	–

* *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 SOFIMO, 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, Nomura Asset Management, RHB Investment, AberIslamic and PHEIM.

TOP 10 LIST OF PROPERTIES

As of 31 December 2017

	Title No./Location	Approximate Area	Tenure	Description	Date of Last Revaluation/ Date of Acquisition	Age of Buildings (Years)	Net Book Value RM'OOO
1.	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	15/06/1999	33	35,300
2.	PTD119739, PTD119740 Jalan Pukal 3 81700 Pasir Gudang Johor Bahru	12.334 acres	Lease term expiring in 2023 and 2050	Cement grinding station	Jan and Sept 1997	20	29,801
3.	Lot No. 1956 Rawang, Selangor Darul Ehsan	49 acres	Leasehold expiring in 2056	Cement factory complex and ancillary buildings	Dec 1998	18-42	27,605
4.	No. 2, Jalan Kilang, 46050 Petaling Jaya Selangor Darul Ehsan	6 acres	Leasehold expiring in 2068	Office complex	Dec 1998	32	16,918
5.	Lot No. 46497 & 15 Kanthan, Perak Darul Ridzuan	393 acres (Total gross floor area of buildings: approximately 39,672 sq ft)	Leasehold expiring in 2020	Limestone quarry and ancillary buildings	Dec 1998	27	15,750
6.	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	42	15,262
7.	P.T. 867, H.S. (D) 413 Mukim Air Hangat Langkawi, Kedah Darul Aman	674 acres	Leasehold expiring in 2032	Limestone quarry	15/06/1999	–	7,250
8.	Lot Nos. 3546 to 3548, 3551, 3554, 3555 & 3557 to 3560 Rawang, Selangor Darul Ehsan	94 acres	Freehold	Agricultural land	Dec 1998	–	6,814
9.	Lot PTD 66240, Jalan Pukal 3 Kawasan Perusahaan Pasir Gudang, Johor Bahru	2.5 acres	Lease term expiring in 2023	Drymix plant, warehouse and admin building	Sept 1997	2	6,476
10.	H.S.(D)200047, P.T. 242503 Mukim Hulu Kinta Daerah Kinta Perak Darul Ridzuan	33 acres	Lease term expiring in 2041	Cement factory complex and ancillary buildings	Dec 1998	16-40	6,048

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 68th Annual General Meeting of LAFARGE MALAYSIA BERHAD will be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Wednesday, 23 May 2018 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 2017 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 by rotation pursuant to Article 85 of the Constitution of the Company:

   a. Martin Kriegner; — **Resolution 1**
   b. Tan Sri Dr Rebecca Fatima Sta Maria; and — **Resolution 2**
   c. Michael Lim Yoke Tuan. — **Resolution 3**

3. To re-elect the following Directors who were appointed during the year and retire pursuant to Article 91 of the Constitution of the Company:

   a. Mario Gross; — **Resolution 4**
   b. Ar. Datuk Tan Pei Ing; and — **Resolution 5**
   c. John Stull. — **Resolution 6**

4. To re-appoint Messrs Deloitte PLT, the retiring Auditors and to authorise the Directors of the Company to fix their remuneration. — **Resolution 7**

As Special Business

To consider and, if thought fit, to pass the following Resolutions:

5. **Ordinary 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 8**

6. **Ordinary Resolution**
   Proposed Renewal of Shareholders' Mandate as well as Proposed New Mandate for Recurrent Related Party Transactions ("Recurrent RPTs"). — **Resolution 9**

7. **Ordinary Resolution**
   Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback"). — **Resolution 10**

8. **Ordinary Resolution**
   To approve the payment of the Directors' fees and benefits of up to RM860,000.00 payable to the Directors in respect of the financial year ending 31 December 2018. — **Resolution 11**

9. **Others**
   To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016 and the Constitution of the Company.

By Order of the Board

Koh Poi San (L.S. No. 9701)
Company Secretary

Petaling Jaya,
Selangor Darul Ehsan
26 April 2018

Explanatory Note 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.

Explanatory Notes on Special Business

b. Ordinary Resolution 8

The Board has assessed Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar, who has served as Independent Non-Executive Director of the Company for more than 12 years, and recommends that he continue to act as Independent Non-Executive Director, subject to shareholders' approval at the forthcoming AGM of the Company. In due course, the Board will consider an appropriate term limit for tenureship on the Board and will seek to implement the appropriate policy on Board tenureship. Key justifications for Y.A.M. Tunku Tan Sri Imran's continuance as Independent Non-Executive Director are as follows:

i. Y.A.M. Tunku Tan Sri Imran fulfills the independent criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore, is able to bring independent and objective judgment to the Board.

ii. Y.A.M. Tunku Tan Sri Imran's relevant experience and expertise as set out in his profile on page 24 of the Annual Report enables him to provide the Board with a diverse set of expertise, skills and competence and thus ensuring that all matters tabled to the Board for consideration are well deliberated. Y.A.M. Tunku Tan Sri Imran also has the requisite experience, vast knowledge, expertise and understanding of the Company's business operations and its specialised heavy industry which enables him to contribute effectively to the Company's business and to protect the interest of the Company and its shareholders.

iii. Y.A.M. Tunku Tan Sri Imran has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director and Chairman of the Company and has carried out his professional duties in the best interest of the Company and its shareholders. Y.A.M. Tunku Tan Sri Imran's long service and association with the Company enhances his knowledge and understanding of the business operations of the Company which enables him to contribute actively and effectively, thus providing balanced decision making during deliberations at Board meetings.

c. For **Ordinary Resolutions 9 and 10**, please refer to the Circular to Shareholders for the Proposed Recurrent RPT Mandate and the Share Buyback Statement, all dated 26 April 2018 despatched together with the Company's Annual Report for the financial year ended 31 December 2017.

d. Ordinary Resolution 11

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 ended 2018. 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 received any directors' fees.

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, Level 12, Bangunan TH Uptown 3, No. 3, Jalan SS21/39, 47400 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 be either under its seal or under the hand of any authorised officer or attorney.

5. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 May 2018 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 of him/her

No.	Name of Proxy (Full name in block letters) & NRIC	No. of Shares	%
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 68th Annual General Meeting of the Company to be held on Wednesday, 23 May 2018 at 2.00 p.m. at Ballroom 3, 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 Martin Kriegner under Article 85.		
2.	Re-election of Tan Sri Dr Rebecca Fatima Sta Maria under Article 85.		
3.	Re-election of Michael Lim Yoke Tuan under Article 85.		
4.	Re-election of Mario Gross under Article 91.		
5.	Re-election of Ar. Datuk Tan Pei Ing under Article 91.		
6.	Re-election of John Stull under Article 91.		
7.	Re-appointment of Messrs Deloitte PLT, the retiring Auditors and to authorise the Directors of the Company to fix their remuneration.		
SPECIAL BUSINESS			
8.	Retention of Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar as an Independent Non-Executive Director of the Company.		
9.	Proposed Renewal of Shareholders' Mandate as well as Proposed New Mandate for Recurrent Related Party Transactions ("Recurrent RPTs").		
10.	Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback").		
11.	Approval of the payment of the Directors' fees and benefits of up to RM860,000.00 payable to the Directors in respect of the financial year ending 31 December 2018.		

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 ____________________ 2018.

SEAL

Signature: ____

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, Level 12, Bangunan TH Uptown 3, No. 3, Jalan SS21/39, 47400 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 be either under its seal or under the hand of any authorised officer or attorney.
5. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 May 2018 shall be entitled to attend, speak and vote at the meeting.

Personal Data Privacy
By submitting the proxy form, 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.

Fold this flap for sealing

Affix
Stamp

LAFARGE MALAYSIA BERHAD (1877-T)
(Incorporated in Malaysia)

Level 12, Bangunan TH Uptown 3
No. 3, Jalan SS 21/39
47400 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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Lafarge Malaysia Berhad (1877-T)
Level 12, Bangunan TH Uptown 3
No. 3, Jalan SS21/39
47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel 603-7723 8200
Fax 603-7722 4100
www.lafarge.com.my

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