

# BUILDING BETTER CITIES IN MALAYSIA

ANNUAL REPORT

# 2014

Lafarge Malaysia Berhad



**LAFARGE**  
Building better cities™

# PROFILE

Lafarge Malaysia Berhad is a major player in the Malaysian construction industry, contributing towards Building Better Cities. 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, a grinding station in Pasir Gudang, more than 30 ready-mixed concrete batching plants and 5 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.



# INSIDE



## 1

### FINANCIAL HIGHLIGHTS

Financial Highlights .....	002
Five-Year Financial Statistics .....	004



## 2

### GROUP OVERVIEW

Chairman's Statement .....	006
CEO's Review .....	010
Management's Discussion & Analysis .....	016
of Business Operations and Financial Performance	
Commercial Differentiation .....	018



## 3

### SUSTAINABILITY OVERVIEW

Managing Our Environmental Footprint .....	020
Creating Value for Our Stakeholders .....	022



## 4

### CORPORATE INFORMATION

Corporate Information .....	026
Board of Directors' Profile .....	028
Executive Committee .....	032



## 5

### CORPORATE GOVERNANCE

Corporate Governance Statement .....	034
Statement on Internal Control .....	041
Report of the Audit Committee .....	043



## 6

### FINANCIAL STATEMENTS

Directors' Report .....	048
Statement by Directors .....	054
Declaration by the Director .....	054
Primarily Responsible for the Financial Management of the Company	
Independent Auditors' Report .....	055
Statements of Profit or Loss and Other Comprehensive Income	
Statements of Financial Position .....	059
Statements of Changes in Equity .....	061
Statements of Cash Flows .....	063
Notes to the Financial Statements .....	065
Disclosure on Realised and Unrealised Profits .....	136



## 7

### SHAREHOLDERS, SHARE CAPITAL AND OTHER INFORMATION

Analysis of Shareholdings .....	137
Top 10 List of Properties .....	140
Notice of Annual General Meeting .....	141
Form of Proxy	

# FINANCIAL HIGHLIGHTS

The Group's revenue for Year 2014 decreased by 3.8% to RM2.74 billion, compared to RM2.85 billion in Year 2013.

The lower revenue was mainly attributed to the lower cement sales and lower sales from the concrete segment due to completion of a major project in Year 2013.

The Group will continue to focus on product quality and providing solutions to customers whilst improving its efficiency in the overall operations.

## Statement of Comprehensive Income

### Revenue in RM'000



### EBITDA margin %



### PBIT in RM'000



## Statement of Financial Positions

### Total equity in RM'000\*



### Market capitalisation in RM'000



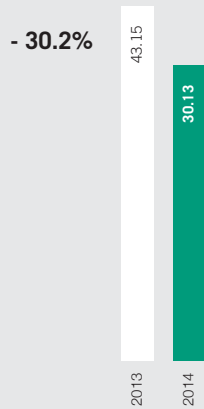
\* Equity - includes non-controlling interest

EBITDA - Earnings before interest, tax, depreciation and amortisation

PBIT - Profit before interest and tax (Profit from operations)

### Dividend and Earnings Per Share

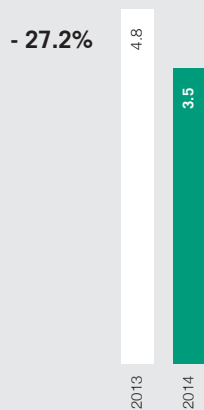
#### Earnings per share (sen)



#### Net dividend per share (sen)



#### Dividend yield %

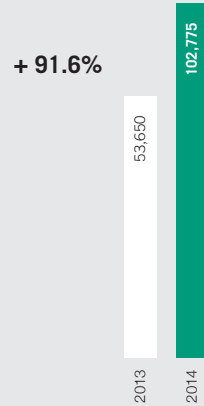


### Statement of Cash Flow

#### Net cash from operating activities in RM'000



#### Capital expenditures in RM'000

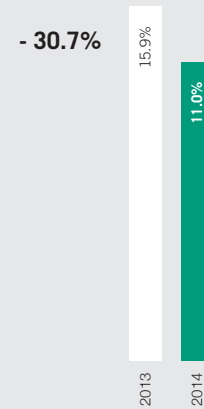


#### Operating working capital % of revenue



### Financial Ratios

#### PBIT/Total equity



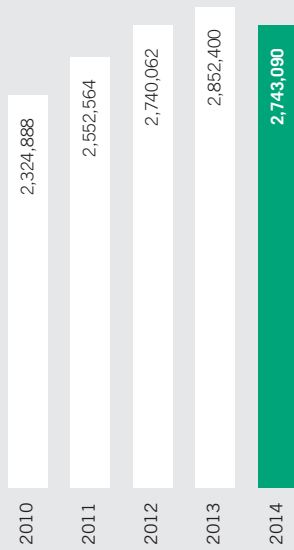
#### PAT/Revenue



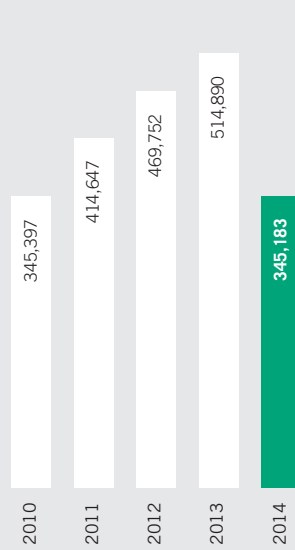
# FIVE-YEAR FINANCIAL STATISTICS

	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000
<b>Operating Results</b>					
Revenue	2,324,888	2,552,564	2,740,062	2,852,400	<b>2,743,090</b>
Profit from operations	362,419	417,002	472,982	512,334	<b>344,847</b>
Profit before tax	345,397	414,647	469,752	514,890	<b>345,183</b>
Profit for the year	291,098	317,647	349,490	367,118	<b>256,007</b>
<b>Key Balance Sheet Data</b>					
Share capital	849,695	849,695	849,695	849,695	<b>849,695</b>
Total equity	3,101,767	3,125,074	3,172,620	3,219,629	<b>3,124,944</b>
Net borrowings/(cash)	(156,932)	(244,355)	(352,295)	(450,362)	<b>(460,858)</b>
Net tangible assets	1,891,699	1,915,303	1,963,298	2,011,171	<b>1,918,589</b>
<b>Share Information &amp; Financial Ratios</b>					
Net gearing ratio (times)	-	-	-	-	-
Net tangible assets per share (RM)	2.23	2.25	2.31	2.37	<b>2.26</b>
Net earnings per share (EPS) (sen)	34.76	37.41	41.07	43.15	<b>30.13</b>
Net dividend per share (sen)	34.00	34.00	37.00	41.00	<b>34.00</b>
Share price (RM) - Year High	8.10	7.99	10.18	11.20	<b>10.64</b>
Share price (RM) - Year Low	6.06	6.19	6.66	8.25	<b>7.90</b>

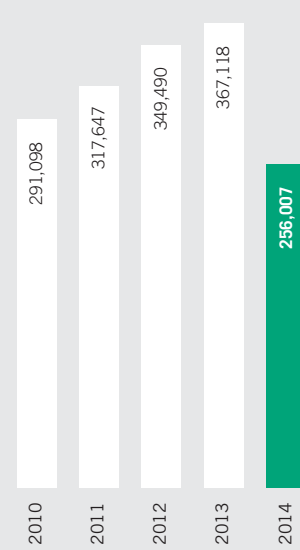
**Revenue**  
(RM'000)



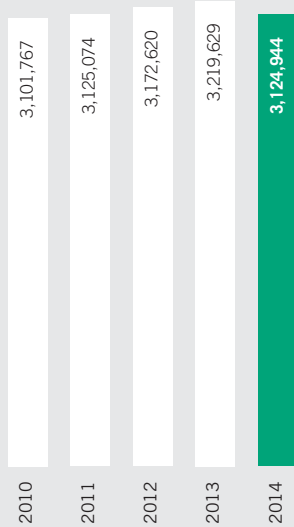
**Profit Before Tax**  
(RM'000)



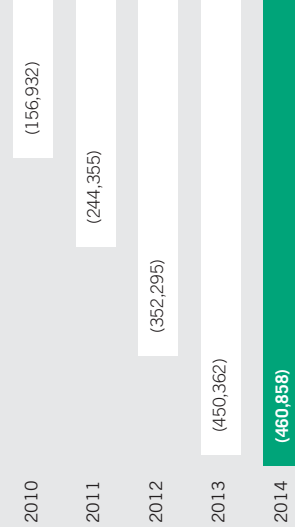
**Profit for the Year**  
(RM'000)



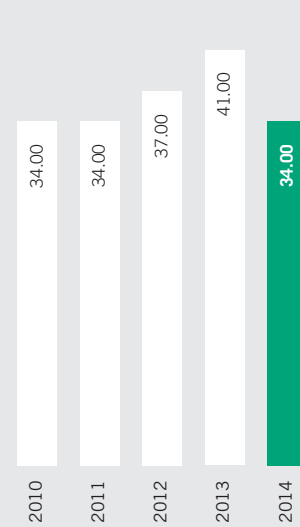
**Total Equity**  
(RM'000)



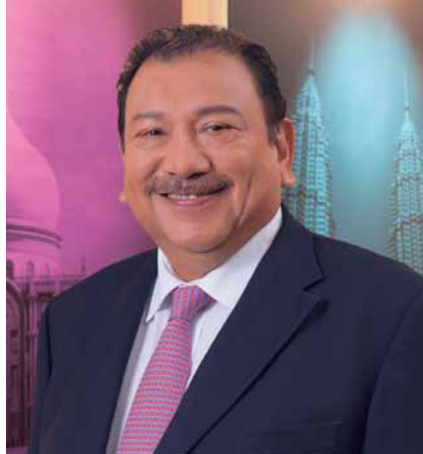
**Net Borrowings/(Cash)**  
(RM'000)



**Net Dividend Per Share**  
(Sen)



# CHAIRMAN'S STATEMENT



## Dear Shareholders,

After over six decades in the business, we are no strangers to taking the long view. While leveraging on opportunities for rewards in the short term is par for the course, we must continuously look further into the future in order to keep ourselves centred on the bigger picture, and the broader aim.

## A Challenging Year

From a financial standpoint, 2014 was a challenging year. Our year-on-year revenue decreased by 3.8%, while net profit dropped by 30.3%. This was the result of lower cement prices, aggravated by higher operating costs arising mainly from the increase in input and delivery costs.

Having said that, we have continued to reward the trust and support of our Shareholders with dividend payments in every quarter of 2014. A fourth interim single tier dividend of 8.0 sen per ordinary share of RM1.00 each was paid on 15 April 2015 bringing our total dividend payout for the year to 34 sen per ordinary share of RM1.00 each.

## Making Innovation the Key to Sustainability

In line with our global ambition of “Building Better Cities”, Lafarge Malaysia continues to invest for the future, building a foundation for innovation, driven by several focused and specialised initiatives. The foremost of these is South East Asia’s first ever Construction Development Laboratory (CDL), which we opened in June 2014. Only the fifth in the world, the CDL adapts innovative solutions developed at Lafarge Group’s Centre of Research in Lyon, France, the world’s leading research facility in building materials, to meet the needs and demands of the Malaysian construction industry. As importantly, the CDL also acts as a hub for collaboration amongst all relevant stakeholders, including the government, architects, engineers, developers, contractors and solutions providers.

## Expanding on the Things That Matter

We continue to expand our network of ready-mixed (RMX) concrete batching plants across Peninsular Malaysia. In 2014, we added 5 commercial plants and 3 project plants to extend our facilities and increase the effectiveness of our delivery. This expanded network, supported by our three existing integrated cement plants, grinding station and terminals, which are connected by road, rail and sea, gives us the widest coverage in the country, and a competitive advantage that enables us to serve our customers better.

## Health & Safety, Our Core Value

The health and safety of our employees, associates, partners and generally every individual involved in our day-to-day operations remains a top priority for us. As such, H&S is integrated into all levels of Lafarge Malaysia’s business. We are happy to report that there were no fatalities in 2014, and that our Total Injury Frequency Rate (TIFR) remains below 1 at 0.82 for on-site employees and contractors.



## In line with our global ambition of Building Better Cities, Lafarge Malaysia continues to invest for the future.

### Doing Good, Not Just Doing Well

While keeping the business healthy and on the right track is of paramount importance, there must also be room to give back to the community in which we operate. We take pride in the fact that our track record for doing good has been recognised as Lafarge Malaysia was one of only 24 companies to be included in the FTSE4GOOD Bursa Malaysia Index. This index measures

companies demonstrating good environmental, social and governance performance, and our inclusion is a testament to our commitment towards sustainable development. This is further supplemented by our continued support of building human capital for the future, with education bursaries awarded to over 4,000 students over the past 17 years.



Our plants established close relationships with the surrounding communities near the plants.

## CHAIRMAN'S STATEMENT (continued)

### Changes in the Board

There were several changes to our Board in the past year. Mr Chen Theng Aik resigned as Executive Vice President, Finance & Chief Financial Officer and Executive Director on 22 July 2014, with Mr Lim Yoke Tuan appointed as Chief Financial Officer on 7 October 2014 and

as Executive Vice President, Finance & Chief Financial Officer and Executive Director on 26 February 2015. Mr Michel Rose resigned as Vice Chairman and Non-Independent Non-Executive Director on 9 October 2014, following which Mr Christian Herrault was appointed as Vice Chairman and Ms Sapna Sood was

appointed as a Non-Independent Non-Executive Director on 18 November 2014. Mr Saw Ewe Seng resigned as Independent Non-Executive Director on 2 January 2015, following which I was appointed as a member of the Remuneration & Nomination Committee.



Lafarge Malaysia provides innovative solutions which contributes towards Building Better Cities.

## Lafarge Malaysia was one of only 24 companies to be included in the FTSE4GOOD Bursa Malaysia Index...our inclusion is a testament to our commitment towards sustainable development.

On behalf of the Board, I would like to thank Mr Chen, Mr Rose and Mr Saw for their contributions to the Company and at the same time, welcome Mr Lim and Ms Sapna to the Board.

### Looking Ahead towards Building Better Cities

In 2015, the country's GDP is projected to expand between 5% and 6%, with the expansion of the construction sector expected to remain buoyant at 10.7%. We expect that the strategy put in place by Management and the Board will put

us in a good position to capitalise on available opportunities. Therefore, with the support of our business partners, customers and shareholders, we are confident that we will continue to grow. I would also like to record the Board's appreciation to Management and staff for their contribution during the year.

**Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar**  
Chairman



Openness to feedback and sharing of information ensures that our plants operate efficiently.

# CEO'S REVIEW



## Dear Valued Shareholders,

2014 was a challenging year for us; with further increased capacity introduced to the market by our competitors. Nonetheless, we continued to focus on our priorities, moving towards becoming a true solutions provider, strengthening our leadership in road safety, and striving towards the global Lafarge Group's Sustainability Ambitions 2020. Over and above this, we understand that we are in a position to make a difference, whether in ensuring the health and safety, not just of employees and contractors, but of the communities we operate within; supporting the nation's housing and infrastructure needs through our solutions; and leading by example in championing higher standards for the industry. Meanwhile, the ever-evolving, and ever-changing, global landscape only serves to reaffirm our commitment to creating a positive and sustainable impact on each of our four key stakeholders: Our Shareholders, Our Customers, Our Employees and Our Community.

## Reinforcing Value Delivery for Shareholders

Firstly, to you, our Shareholders, be assured that we continue to deliver value where it counts; through our performance. We achieved revenue of RM2.74 billion, with a pre-tax profit of RM345 million in 2014 and continued to reward your trust in our vision through maintaining a high dividend yield.

The market challenges in 2014 reiterate the urgency for us to break out of the commodity trap and position ourselves as a solutions provider. Investing in the long term is a priority, as we strive to manage volatility in the market and stand out as a formidable player through our innovative and breakthrough offerings. That is why despite a disappointing year, we remained focus on the bigger picture, taking proactive steps to position ourselves firmly as pioneers in the industry. On June 2014, we officially opened South East Asia's first ever Construction Development Laboratory (CDL) in Malaysia. The CDL, located in Petaling Jaya, will help to localise innovations developed at the Lafarge Group's Centre of Research in Lyon, France and adapt them more quickly to better meet Malaysian construction and building needs.

## We remained focus on the bigger picture, taking proactive steps to position ourselves firmly as pioneers in the industry.

Meanwhile, we have also gained much ground as the preferred supplier of technically challenging projects. Our focus on health and safety has proven to be a powerful business proposition, having played a crucial part in our appointment as one of only two key concrete suppliers for the Refinery & Petrochemicals Integrated Development (RAPID) project. We were awarded the RM254 million contract based on

our track record for technically challenging projects, global network of expertise, and successfully meeting the strict HSSE (Health, Safety, Security & Environment) requirements outlined by Petronas.

This reputation will definitely benefit us in the long run and allow us to continue our success in delivering value to shareholders.



Deputy Minister of Science, Technology & Innovation, Datuk Dr. Abu Bakar bin Mohamad Diah (centre) at the launch of the CDL.

## CEO'S REVIEW (continued)

### Bigger, Better, More for Customers

For customers, it is crucial for us to deliver on time, in full and at the quality we promise. Our newly established CDL is primed to meet the demands of the domestic industry, allowing us to bring innovative and cutting-edge solutions to the market quickly to satisfy the ever-changing requirements, new trends and ecological concerns. The CDL gives us an edge as we are now able to develop customised products designed specifically to help fulfil local needs, built on well-researched, proven, leading-edge technology from France.

This is further enhanced by expansions in our infrastructure to supplement current capacity. By the end of 2016, our Rawang and Kanthan plants will possess an additional combined capacity of 1.2 million tonnes of cement, which will allow us to better meet growing domestic demand and capitalise on more opportunities in the region.

At the same time, we are also expanding our network of ready-mixed (RMX) concrete batching plants across Peninsular Malaysia to serve our customers more efficiently. A total of 8 new plants – 5 commercial plants and 3 project plants – were added in 2014 to ensure better, faster and more efficient delivery to customers. These new plants include the state-of-the-art, environmentally-friendly RMX batching plant in Chan Sow Lin, which sets new standards in urban RMX production, built in line with Lafarge Malaysia's commitment to promoting sustainable construction. It is the only plant in Malaysia with the ability to fully reclaim returned concrete, reducing wastage and providing a breakthrough in the disposal of excess concrete. As the plant is enclosed, it drastically reduces dust and noise emissions, and incorporates the best-in-class standards of production for outstanding productivity.

Combined with our grinding station and three integrated cement plants, this expanded network of facilities, connected by road, rail and sea, provide us with the widest coverage in Peninsular Malaysia giving us a clear competitive advantage.



Providing our customers peace of mind with superior quality in our solutions, services and expertise.



Lafarge is, by far, the preferred supplier of large and technically challenging projects.

## CEO'S REVIEW (continued)

### Moving Forward With Our Partners

The health and safety of all employees, partners and contract workers remains our core concern. It is a pleasure to report that we continued to be fatality-free in 2014, the third year running, and maintained a very positive "on-site" Total Injury Frequency Rate (TIFR) of just 0.82, in line with the Lafarge Group Sustainable Ambitions 2020 to eliminate fatalities and virtually eliminate Lost Time Incidents. Our transport ratio remains outstanding for the total distance driven this year by contractor vehicles across all product lines, and we also achieved more than 100 million km travelled without a lost time injury for our cement road transporters.

Multiple initiatives directed towards raising construction, safety and health standards in the country also moved forward during this past year. We signed a Memorandum of Understanding (MOU) with the Construction Industry

Development Board to provide training and development programmes for construction personnel in 2013. In 2014, we trained over 1,000 masons and applicators. We also signed a separate MOU with the Malaysian Institute of Road Safety Research (MIROS) to share data from the GPS utilisation in our trucks with the institute while collaborating on improving road transport safety in the country.

Understanding that communication and business intelligence are imperative to the well-being of our organisation, we have overhauled our IT system to better support our business; this will go live in Q2 of 2015 and is set to improve our efficiency and effectiveness in communicating, disseminating information and organising various components to ensure maximum productivity. This will also go a long way in supporting our people as we continue to streamline and fast-track our operations in order to maintain our position as the lowest delivered cost producer in the market.



Memorandum of Understanding with the Malaysian Institute of Road Safety Research (MIROS) to share data from Lafarge Malaysia's fleet of trucks to conduct research to improve road safety.

## CEO'S REVIEW (continued)

### Mixing Business with Social Currency

As a responsible corporate entity, it is vital that we are good neighbours to the communities we operate within. To this end, in 2014, we conducted various social outreach activities to build engagement and relationships with surrounding communities. These included various “gotong-royong” and festive celebrations in area surrounding our factories, supporting education for underprivileged children through the Lafarge School Project, and donating hundreds of bags of cement to build houses under the National Blue Ocean Strategy programme as well as to help rebuild community centres.

Additionally, we are also in a position to play a crucial role in the larger Malaysian context. We demonstrated this by organising two major drives in aid of relief efforts following the devastating floods in December 2014, raising close to RM90,000 in cash and in kind and delivering aid to victims in Tanah Merah, Kelantan and Temerloh, Pahang. We also moved ahead with a full-scale deployment of the Artificial

Reef Module System (ARMS), a collaboration with The Andaman Resort to regenerate the 8,000-year-old coral reefs facing Datai Bay in Langkawi. This reef will help encourage reproduction of fish and restore biodiversity to create a sustainable local fishing industry and boost eco-tourism.

Our various initiatives in raising construction standards, creating benchmarks in sustainable development and pushing for better health and safety within and around our business is part of our overall commitment to the well-being of the larger population. In this aspect, we achieved a significant milestone, as Lafarge Malaysia Berhad became one of just 24 companies to have been included in the FTSE4GOOD Bursa Malaysia Index. Launched in 22 December 2014, this index measures the companies with outstanding Environmental, Social and Governance performance. Our inclusion in the index is a testament to our continued efforts in creating a positive social impact even as we expand our business potential.



Volunteers cleaning up a community centre in Tanah Merah, Kelantan.



The ARMS have been designed to create maximum ‘hiding spaces’ for fish in sustaining the underwater ecosystem and preserving the biodiversity of marine species at Datai Bay, Langkawi.



## CEO'S REVIEW (continued)

### Making Sustainability Count

As a clear and visible testament to our commitment to sustainability, this year will be the first time that we are issuing a separate stand-alone Sustainability Report, an initiative inspired and guided closely by the Sustainability Ambitions 2020 of the global Lafarge Group. This report will provide shareholders with details on our initiatives and serve as a document to track our progress as we make sustainable development a reality.

The contents of this report will include our performance in terms of managing our Environmental Footprint through use of alternative fuels, our efforts in preserving biodiversity and enhancing water management, and also our efforts in creating value for our stakeholders through Health & Safety initiatives, Community development and outreach and Employee diversity and skills.

This new report means that only a summary of those sections covered will be included in the Annual Report. For your viewing pleasure, our first-ever Sustainability Report will be uploaded onto our corporate website in June 2015.

### A Solid Appreciation

We have all had a challenging year, and I would like to thank my colleagues at Lafarge Malaysia for their hard work and commitment in ensuring the company's goals are met. To our Shareholders, thank you for your continued faith in our vision and direction, and we hope to have your support for many years to come. For our customers, only the deepest appreciation is enough, as it is you who have motivated and inspired us to continue in our quest to Build Better Cities. Finally, to the communities that we are part of, and have become a part of us, thank you for your steadfast cooperation and understanding; let's move forward towards a more sustainable future.

#### Bradley Mulrone

President & Chief Executive Officer



Engaging with the architects of tomorrow, architecture students creating a mural imprint on Lafarge's Artevia walkway at Padang Merbok, Kuala Lumpur.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

## General Description of the Group's Business

The Group is involved in the manufacturing and sale of cement, ready-mixed concrete, aggregates and other related building materials.

In the Cement product line, the Group currently operates a strategic network of facilities, which includes three integrated cement plants located in Langkawi, Kanthan and Rawang and a grinding station in Pasir Gudang. The Group also operates a Bulk Import Terminal in Singapore.

In the Concrete product line, there are over 30 ready-mixed batching plants throughout Peninsular Malaysia. The Aggregates product line operates five quarries. The Group also has an equity share in Alliance Concrete, a ready-mixed concrete company in Singapore.

## Financial Performance for Financial Year Ended 31 December 2014 ("Year 2014") compared with Financial Year Ended 31 December 2013 ("Year 2013")

The Group's revenue for Year 2014 decreased by 3.8% to RM2.74 billion, compared to RM2.85 billion in Year 2013. The lower revenue was mainly attributed to the lower cement sales and lower sales from the Concrete segment due to completion of a major project in Year 2013.

Revenue from the Cement segment was lower by RM68.1 million mainly due to lower cement sales resulting from a challenging operational environment. The Aggregates & Concrete revenue registered a decline of 7.7% compared to Year 2013. The decrease was attributed to the lower concrete sales arising mainly from the completion of a major project in Year 2013 coupled with the lower selling price in Aggregates.

The Group's interest income of RM9.57 million for the current year was RM3.23 million higher than previous year mainly due to higher amounts placed in time deposits.



Our Langkawi plant.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE (continued)

Share of profit from the Group's associated company in Singapore in the Year 2014 dropped to RM1.18 million from the previous year of RM3.03 million mainly due to lower concrete sales volume and selling price.

The Group registered a profit before tax of RM345.2 million for Year 2014 compared to RM514.9 million in Year 2013 attributed to the lower revenue combined with higher operating costs due to operational challenges.

The Group incurred a lower income tax expense of RM89.2 million for Year 2014 compared to RM147.8 million for Year 2013. This was due mainly to lower profit before tax and the reversal of the tax refund receivable from Inland Revenue Authority of Singapore ("IRAS") totaling RM19.1 million (SGD7.5 million) in relation to a tax claim in respect of its subsidiary in Singapore in Year 2013.

As a result of the above, profit attributed to the equity holders of the Group was RM256.0 million compared to RM367.1 million for Year 2013.

As at 31 December 2014, the Group's cash and cash equivalents stood at RM460.9 million, registering an increase of 2.2% from RM450.9 million as at 31 December 2013. The increase was mainly due to the improvement in working capital of the Group, partially offset by higher cash outflows in capital expenditure, lower operating costs and higher dividend payment.

### Outlook

We remain optimistic about the general outlook of the construction industry driven by the continued progress of key infrastructure projects and on-going commercial and residential development. The Group will continue to focus on product quality and providing solutions to customers whilst improving its efficiency in the overall operations. The market will remain very competitive in view of the additional capacity increase by the industry players.

We believe that Lafarge Malaysia's businesses remain strongly positioned with our on-going expansion plans and investments in innovation.



Lafarge Malaysia has close to 1,500 contracted trucks, traveling over 120,000km per day.

# COMMERCIAL DIFFERENTIATION

In today's increasingly sophisticated marketplace, the barriers for entry into a manufacturing or production business are no longer as demanding as they used to be. Technology, global networking and ease of financing have enabled easier penetration of new players into the cement market. This has made the competitive market even more challenging, and in order to rise head and shoulders above the crowd, Lafarge needs to change the way it approaches the business and the market.

It is now more urgent than before for us to move out of the commodity trap, transforming ourselves from a supplier of products into a provider of cutting-

edge services and solutions. This means investing consistently in the long term to nurture innovation and enhance capabilities.

Lafarge Group is a world leader in building materials and we have the world's largest research and development centre located in Lyon, France. We have a stable of quality and innovative solutions and offers that are trusted and proven in the market. In Malaysia, we have positioned ourselves as a pioneer in the market, and have assumed an authoritative stance in order to set the tone for local business. As a responsible corporate entity, we have committed ourselves thoroughly to:

- Always delivering solutions that exceed the expectations of customers
- Treating our employees and stakeholders fairly, and with respect
- Enhancing and uplifting the communities within which we operate

We have taken a strong integrated approach towards becoming a company that is leading the way in every sense of the business, and in every aspect of the industry, from commercial and industrial segments, to human resource development as well as health and safety. We are dedicated towards employing best practices and industry-leading standards in everything we do, while setting benchmarks as a productive, progressive



The Construction Development Lab helps to accelerate the development and delivery of innovative solutions for the benefit of the Malaysian construction industry.

## COMMERCIAL DIFFERENTIATION (continued)

and profitable company that is efficiently and effectively run. We also strive to become an employer of choice to attract, develop and retain the very best talent in the marketplace. In short, we are evolving ourselves beyond a reputable materials supplier into a solutions provider with global experience and local expertise.

This movement from a product-based organisation to a provider of services and solutions begins with a shift of focus from product lines to segments and end users. By reviewing and analysing the building and infrastructure segments, we arm ourselves with the understanding of how we can contribute to the development of these segments.

A few core initiatives in this transformative phase are the setting up of South East Asia's first Construction Development Lab, expanding our infrastructure network with additional plants to ensure smooth delivery, building on our reputation as the

preferred supplier of technically challenging projects to expand our reach beyond being a provider of quality products, and maintaining an exemplary record for good governance anchored in our commitment to sustainability.

These initiatives will aid in setting us apart from competitors, as price increasingly becomes a deciding factor in the wake of advancing production technology and unpredictable fluctuations in raw material cost. By establishing ourselves as a dynamic, progressive and pioneering entity with a proven track record for innovation, we will be able to occupy a strong niche for timely, customer-focused and market-specific solutions to fulfil the ever-evolving demands of the global marketplace.



Comprehensive research and testing facilities capable of studying critical aspects of cement, concrete and aggregates, providing assurance of quality.

# MANAGING OUR ENVIRONMENTAL FOOTPRINT

Guided by the Sustainability Ambitions 2020 programme of the global Lafarge Group, Lafarge Malaysia aims to become a leading force for sustainable development in the country. In order to achieve this, we benchmark ourselves against the Group's performance in terms of adopting alternative fuels, improving water management, reducing emissions and encouraging biodiversity.

## Alternative Fuels & Recycling

Lafarge is committed to pursuing the use of alternative fuels as part of our sustainable development strategy. In Malaysia, we have increased alternative fuel usage to 14.0% in our cement manufacturing process, a steady

rise from 13.0% in 2013. Although it remains a challenging task, we are dedicated to consistently strive to keep abreast of developments in the field.

## Biodiversity

Protecting and preserving the country's unique biodiversity is an essential part of our commitment to sustainable development. One aspect of this is the screening of quarries to determine sites with high biodiversity, which then leads to the formulation of biodiversity management plans in close collaboration with local NGOs, universities and stakeholders. To date, 100% of our Malaysian cement quarries have their own specific quarries rehabilitation plans.

We have engaged University Malaya to undertake a Biodiversity Study on our quarry in Kanthan, Perak in 2013 and the project is at the final stages. In a larger context, this year we also moved ahead with a full-scale deployment of the Artificial Reef Module System (ARMS) in the vicinity of Datai Bay, Langkawi. 52 modules were deployed over a 1,000 sqm area to the 8,000 year-old coral reefs, aimed at rehabilitating this natural ocean barrier that was damaged in the 2004 tsunami while also encouraging the reproduction of fish, thus creating a sustainable local fishing industry while boosting eco-tourism to the island.



Signing of a Letter of Intent between Lafarge Malaysia, University Malaysia Terengganu and The Andaman, a Luxury Collection Resort Langkawi for academic cooperation to study the effectiveness of the ARMS.

*Left to Right:*

*Bradley Mulroney, President & CEO Lafarge Malaysia, YB Dato' Haji Mohd Rawi, Kedah State Exco for Tourism, Dr Lilian Wong, Lecturer/Researcher University Malaysia Terengganu and Christian Metzner, General Manager The Andaman, a Luxury Collection Resort Langkawi.*

## MANAGING OUR ENVIRONMENTAL FOOTPRINT (continued)

### Water

From February to August 2014, Malaysia experienced a water crisis caused by an unexpectedly hot and dry season. This shortage reinforced the importance of water management and reaffirmed our commitment to responsible water usage in our daily operations. We have started to enhance our water management by monitoring the volume of water intake at our production sites. Most of our RMX plants are designed with a closed-water system where the processed water is treated and reused back into the batching process.

### Emissions

Managing emissions is a core objective in the global Lafarge Group's Sustainability Ambitions 2020, which sets ambitious emission reduction targets in line with our environmental stewardship programme. Globally, we were the first in the sector to announce our targets in 2001, and have performed admirably in the Carbon Disclosure Project. Our emissions targets go beyond CO<sub>2</sub> emissions, encompassing other key emissions from the cement-making process including heavy metals, dioxins and furans. In Malaysia, the emission levels at all our plants are tracked, monitored and reported to the Group on a half-yearly basis, on top of complying to local environment regulatory requirements. As an ongoing commitment to reducing emissions and improve sustainability across all business units, Lafarge Malaysia rolled out the Environment Policy to all employees in the company, endorsed by the Executive Committee, in August 2014.



Launch of Lafarge Malaysia's Environment Policy.

# CREATING VALUE FOR OUR STAKEHOLDERS

## Health & Safety

At Lafarge Malaysia, health and safety is our core value, and part of our Country Ambition Plan (CAP) to achieve zero fatality and minimal lost time incidences for our employees and contractors. We believe everyone involved in or affected by our operations, including contract employees and third parties, should be able to return home unharmed every day to their loved ones.

We are happy to report that in 2014, we extended our fatality-free performance to the third year running, achieving a very good Total Injury Frequency Rate (TIFR) of 0.82 (“on-site”), meaning there was a total incident rate of just 0.82 for every 1 million hours worked by employees and contractors. The lost time

injury frequency rate (LTIFR e&c) was recorded at 0.35. Similarly, there were no fatalities reported in our product line transportation segment, and furthermore, we achieved a significant milestone of 100 million km travelled without a lost time injury for our cement road transport function.

Additionally, we continued to hold our annual Drivers’ Safety Day to recognise transporters and their drivers for their contribution to the company’s health and safety performance. One of the highlights of this event in 2014 was the signing of a Memorandum of Understanding (MOU) with the Malaysian Institute of Road Safety Research (MIROS) and the Road Transport Department to share knowledge, technology, data

management and research results. We collaborated with the Malaysia Automotive Institute (MAI) to jointly organise the inaugural MAI – Lafarge Automotive & Logistics Safety Exhibition to showcase and raise awareness of logistics safety to the public. We also launched the Driver Safety Passport, a one-stop information source of crucial information of the drivers.

As part of our efforts to monitor our compliance with the Lafarge health and safety standards, audits were conducted at our Pasir Gudang, Kanthan and Langkawi cement plants respectively, with an improvement plan put in place to address identified gaps. Meanwhile, based on the assumption that most accidents are caused by people behaviour, the organisation continues



Malaysia Automotive Institute’s Chief Executive Officer, En Mohamad Madani Sahari visiting Lafarge’s booth during the inaugural MAI-Lafarge Automotive & Logistics Safety Exhibition.



## CREATING VALUE FOR OUR STAKEHOLDERS (continued)

to encourage management-level and key staff personnel to be visible in the field in order to observe work practice, engage with workers and front line supervisors to praise or correct practice observed. Over 10,000 engagements were conducted by 220 managers and staff members in 2014. Follow-up steps to improve the quality of engagements and create longer-term effects are ongoing.

Finally, as a testament to our commitment to exceptional H&S standards, we are proud to have secured the contract to supply concrete to the development of the Refinery & Petrochemical Integrated Development (RAPID) at Pengerang, Johor. We successfully met the health, safety, security and environment (HSSE) requirements outlined by Petronas, proceeding to develop, implement and maintain the necessary components to ensure the workplace meets high safety and health standards, making it a comfortable hub for all related parties.

### Community Outreach

We continued to reach out and make a positive contribution within the communities around us. One of the most important aspects of our social responsibility is environmental

sustainability which is why, in 2014, we moved ahead with a full-scale deployment of the Artificial Reef Module System (ARMS) in the vicinity of Datai Bay, Langkawi. We deployed a total of 52 modules over a 1,000 sqm area. Designed to maximise the hiding space for fish, sustaining the underwater eco-system and preserving the biodiversity of marine species, this initiative seeks to encourage the reproduction of fish, thus creating a sustainable local fishing industry while boosting eco-tourism to the island.

Emergency response in the wake of tragedy also shows our commitment to the continued well-being of Malaysian society. To this end, we were on hand to provide emergency relief to people affected by the devastating floods that occurred on the East Coast towards the end of 2014. The Lafarge CSR team came together speedily to organise two deployment missions, helping to raise close to RM90,000 in cash and in kind to ease the burden of flood victims. Apart from this, we also contributed 500 bags of cement for a temporary housing programme for the East Coast flood survivors at Kampung Karang, Manek Urai, Kelantan.



Lafarge Malaysia's employees reach out to flood survivors affected by the floods in East Coast of Malaysia.

## CREATING VALUE FOR OUR STAKEHOLDERS (continued)

This form of contribution was also evident throughout the year, as we continued to donate quality cement products to build houses, community centres and other important structures within the areas we operate, including Kampung Bakau Kelibang, Kampung Seberang, Padang Lalang, Ulu Melaka and Sungai Raya, for various purposes such as building suraus and madrasahs, concrete fencing, and study halls.

Another key community engagement activity was our participation in “gotong-royong”; in support of the Lafarge Group Sustainability Ambition 2020 to contribute 1 million volunteer hours per year, Lafarge Malaysia encourages employees to volunteer in these community projects. We were also on hand to help local residents celebrate

important festivals including Chinese New Year, Deepavali and Hari Raya. For instance, we donated food items and clothing to 100 houses in Teluk Yu and Teluk Ewa residents while also donating aid to single mothers in Ayer Hangat, Langkawi, in addition to conducting open houses and buka puasa sessions for residents around our plants.

In terms of education, the Lafarge Schools project continued to award bursaries and excellence awards to students with outstanding results in local exams, with close to 300 students benefitting from this in 2014. Other campaigns including donation of exercise books to students sitting for the UPSR exams and sponsoring educational trips for underprivileged students were also conducted.

### Employee Diversity & Skills

Our employees remain our most valuable assets; developing our people is a vital investment and an important step to ensure continued growth for Lafarge Malaysia. In 2014 we embarked on a journey of transformation through Project Go Beyond. We needed to prepare our employees for new changes and challenges by having the right competencies to elevate Lafarge Malaysia to the next level. Several development programmes were introduced to facilitate this, including the Sales Force Effectiveness (SFE) programme which was designed to strengthen selling skills and inject elements of professionalism into our sales teams; new product training to introduce new Sales team members to the full range of concrete, aggregates and cement products; and Consultative Selling Skills to address



Lafarge Malaysia volunteers working together in a community project.



Young Engineers working on a teambuilding project during their Cement Professional Development Programme.

## CREATING VALUE FOR OUR STAKEHOLDERS (continued)

the need for our Sales Representatives to act as advisors and provide solutions to the customers. In line with our focus on Experience Based training, regular coaching interventions were also introduced, with coaching conducted by Sales Manager or Sales Development Managers.

Additionally, a total of 13 Young Engineers completed their 18-month Cement Professional Development Programme (CPDP) in 2014 and were subsequently placed into various positions in the business. This is part of the Lafarge Young Engineers Programme (LYEP) which has provided Lafarge Malaysia's plant operations with competent engineers to support the industrial operations since 2004. To ensure the programme's longevity, 10 young engineers from over 300 applicants were recruited to start the LYEP programme in January 2015 after a rigorous assessment and interview process.

Another key achievement this year was the setting up of the RMX training centre aimed at accelerating technical competency development of RMX plant operators and other key personnel, which was officially launched in February 2015.

For new employees, we implemented a new interactive corporate onboarding programme designed to ensure all new hires are introduced to the Lafarge Malaysia's Vision, Mission, Values and Business direction within the first two months of joining the company. New employees, in addition to all relevant personnel, were also made part of a process to undergo basic H&S trainings such as Visible Felt Leadership and Defensive Driving.

Finally, to streamline the H&S training programmes offered in Lafarge, a Health and Safety Enhancement Training initiative was undertaken in 2014. As part of this initiative, Lafarge H&S professionals were trained in developing training modules. By end of 2014, a total of 10 modules had been developed, and these will be rolled out in 2015.



Sales Force Effectiveness programme to strengthen selling skills and enhance professionalism into our sales teams.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### **Y.A.M. Tunku Tan Sri Imran ibni**

#### **Almarhum Tuanku Ja'afar**

DKYR, PSM, SPNS, AMN, PJK

Independent Non-Executive Director (Chairman)

### **Christian Herrault**

Non-Executive Director (Vice Chairman)

### **Bradley Mulroney**

Executive Director (President & Chief Executive Officer)

### **Lim Yoke Tuan**

Executive Director

(Executive Vice President, Finance and Chief Financial Officer)

### **Tan Sri A. Razak bin Ramli**

Senior Independent Non-Executive Director

### **Md Yusof bin Hussin**

Independent Non-Executive Director

### **Jean-Claude Block**

Non-Executive Director

### **Sapna Sood**

Non-Executive Director

## COMPANY SECRETARIES

**Koh Poi San** – L.S. No. 9701

**Katina Nurani Binti Abd Rahim** – L.S. No. 9652

## REGISTERED OFFICE

### **Lafarge Malaysia Berhad**

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 & Touche

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

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

Bursa Malaysia Securities Berhad

Main Market

## WEBSITE

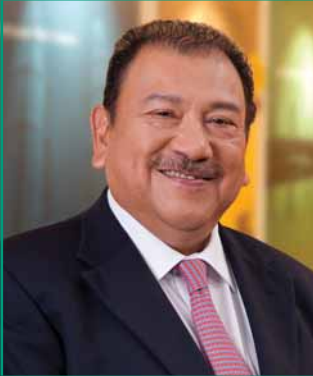
[www.lafarge.com.my](http://www.lafarge.com.my)

Agilia, a self-compacting concrete, provides the flexibility to work with complex designs, contributing to buildings that are aesthetically beautiful and unique.



# BOARD OF DIRECTORS' PROFILE

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



DKYR, PSM, SPNS,  
AMN, PJK  
Independent  
Non-Executive Director  
(Chairman)  
(Age 67, Malaysian)

An Independent Non-Executive Director since July 1979 and appointed as Chairman in May 2003. Graduated with a Bachelor of Law (Honours) degree from Nottingham University, UK in 1970 and called to the Bar at Gray's Inn in 1971. Tunku Imran 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. Since then he has been Executive Chairman of Syarikat Pesaka Antah Sdn Bhd. He is also Chairman of Aluminium Company of Malaysia Berhad. He is a member of the Remuneration and Nomination Committee of the Company.

## CHRISTIAN HERRAULT



Non-Executive Director  
(Vice Chairman)  
(Age 64, French)

Appointed as Non-Executive Director of the Company on 30 May 2012 and appointed as Vice Chairman on 18 November 2014. A graduate of Ecole Polytechnique (1969) and the Ecole Normale Supérieure des Mines engineering school of Paris, France, Christian Herrault joined the Group in 1985.

In 1985, he took responsibility for strategy and development in the Bioactivities Business Unit. Between 1987 and 1992, he was Chief Operating Officer for the Seeds Business Unit in the United States and then in France, before managing the Glutamates Business from 1992 to 1994.

In 1995, he was appointed Chief Executive Officer of the Aluminates & Admixtures Business (no longer part of the Group).

In 1998, he was appointed to the Executive Committee as Executive Vice-President, Human Resources and Organisation and subsequently on 1 September 2007, he became President of the Gypsum Business. Still a member of the Executive Committee, he is Operations Executive Vice-President since 1 January 2012.

He is also the Chairman of the Board of Directors of the Ecole des Mines de Nantes, France. He is a member of the Remuneration and Nomination Committee of the Company.

◆  
**BOARD OF DIRECTORS' PROFILE (continued)**  
 ◆

### BRADLEY MULRONEY



Executive Director  
 (President & Chief  
 Executive Officer)  
 (Age 52, British)

An Executive Director of the Company since July 2009 and assumed the position as Country CEO of Malaysia on 1 January 2012. On 1 February 2012, he was appointed as President and Chief Executive Officer. He graduated with Honours from the University of London, United Kingdom in 1985. He started his career with Redland PLC, UK in 1985. He has held various managerial positions within Redland PLC and was a General Manager within the UK when Redland PLC was acquired by Lafarge S.A. in 1996. In 1999, he was appointed the Regional Director of Lafarge Aggregates & Concrete Ltd, UK.

He assumed the role of Vice President, Performance, Aggregates & Asphalt with Lafarge S.A., Paris in 2002 and was later appointed the Senior Vice President, Aggregates & Asphalt in 2005. In September 2007, he was appointed the Regional President, Aggregates & Concrete, Asia & Middle East.

### LIM YOKE TUAN



Executive Director  
 (Executive Vice  
 President, Finance &  
 Chief Financial Officer)  
 (Age 51, Malaysian)

Appointed as an Executive Director on 26 February 2015. He is a fellow member of the Chartered Institute of Management Accountants, United Kingdom and the Hong Kong Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants. He holds a Master of Science in Management from the London Business School, an MBA from the University of Strathclyde, UK and a LLB (Honours) degree from the University of London.

With more than 25 years of experience in the accounting and finance profession, he has extensive experience from various industries spanning from China to Hong Kong, and Malaysia. He has worked as Chief Financial Officer for the Lion Group Malaysia, Sun Hung Kai Properties, China Division and CP Lotus Corporation, a HK-listed company owned by Chareon Pokhphand Group. He also served as Financial Controller for PepsiCo China Division and Senior Finance Manager for Hutchison Whampoa Group in Hong Kong and also the Guoco Group and Hong Leong Group in Hong Kong and Malaysia respectively.

On 1 October 2014, he joined Lafarge Malaysia Berhad as incumbent Chief Financial Officer. On 7 October 2014, he assumed the position of Chief Financial Officer.

## BOARD OF DIRECTORS' PROFILE (continued)

### TAN SRI A. RAZAK BIN RAMLI



Senior Independent  
Non-Executive Director  
(Age 66, Malaysian)

An Independent Non-Executive Director since November 2004 and appointed as Senior Independent Director on 25 May 2011. Graduated with a B.A. Hons in Public Admin. from University of Tasmania in 1971 and Diplome Gestion Publique Institut International D'Administration Publique, Paris in 1980. He started his career in the Policy Research Division of the Malaysian Prime Minister's Department and subsequently held the position of Principal Assistant Director in both the Public Services Department and the Technical Cooperation Division of the Economic Planning Unit. From 1985 to October 2004, he held various positions in the Ministry of International Trade & Industry (MITI); his last position was as the Secretary-General of MITI.

He also sits on the Board of Directors of Shangri-La Hotels Malaysia Berhad, Favelle Favco Berhad and Hong Leong Bank Berhad.

On 22 February 2006, he was appointed the Chairman of the Remuneration and Nomination Committee of the Company. He is also a member of the Audit Committee of the Company.

### MD YUSOF BIN HUSSIN



Independent  
Non-Executive Director  
(Age 65, Malaysian)

Appointed as Independent Non-Executive Director on 23 March 2009. He graduated with a Bachelor of Economics from University of Tasmania, Australia in 1973 and was admitted as a Member of the Malaysian Institute of Accountants in 1977. He is also a Certified Public Accountant with the Malaysian Institute of Certified Public Accountants since 1978.

He commenced his career as an Accountant of Robur Tea Co. Ltd., Australia in 1974 and subsequently joined Coopers & Lybrand, Malaysia as an Audit Supervisor in 1975. He joined Utama Wardley Merchant Bank as Senior Manager of the Banking Division in 1978 and later joined Harper Gilfillan Group in 1982 as Director of Corporate and Finance Development. In 1987, he joined Permodalan Nasional Berhad as General Manager of Corporate Services Division until 1992. He then became the Managing Director of Island & Peninsular Berhad from 1993 to 1999.

Currently, he is a Non-Executive Chairman of TPPT Sdn Bhd (an associated company of Bank Negara Malaysia) and Chairman of Debts Restructuring Committee for small and medium scale enterprises. He also holds directorship in Gleanealy Plantations (Malaya) Berhad. On 25 May 2011, he was appointed the Chairman of the Audit Committee of the Company after serving as a member of the Audit Committee since 23 March 2009.



## BOARD OF DIRECTORS' PROFILE (continued)

### JEAN-CLAUDE BLOCK



Non-Independent,  
Non-Executive Director  
(Age 50, French)

Appointed as Non-Executive Director of the Company on 19 November 2013. He is a graduate of ESCN a French Business School. He started his career with Lafarge in 1990 in France as Junior Financial Controller with Lafarge Aluminates. Subsequently he joined Lafarge Concrete in Paris as Financial Controller.

In 1997, he moved to the UK as Vice President Performance Strategy and Marketing for Aggregates after working on the integration of Redland's operations.

In 2000, he was promoted Financial Controller for Concrete & Aggregates for Lafarge North America based in Herndon (US). Subsequently he moved to Eastern Canada as General Manager for Aggregates Operations.

In 2005, he was appointed Chief Executive Officer of various Concrete Business Units in France and became CEO for France Concrete in 2012.

In September 2013, he was appointed to his current position as Senior Vice President, Finance for Cement, Aggregates & Concrete activities attached to one of the Lafarge Group EVP. He is a member of the Audit Committee of the Company.

### SAPNA SOOD



Non-Independent,  
Non-Executive Director  
(Age 41, British)

Appointed as Non-Executive Director of the Company on 18 November 2014. Graduated with MBA (Executive) from IMD Business School in 2014; Graduate Certificate and Change Management from Australian Graduate School of Management in 2002 and Bachelor of Engineering, Chemical Engineering from University of Sydney in 1995.

She started her career as an Applications Engineer with Fisher Rosemount. In 1997, she joined The Linde Group (formerly known as The BOC Group) under Graduate Development Programme in January 1999 and subsequently held various senior positions in The Linde Group. Her last position with The Linde Group was as the Head of Asia-Pacific Zone, Global Helium based in China.

She joined the Lafarge Group in 2013 as Senior Vice President, Health and Safety.

#### Other Information on Directors

None of the Directors has any family relationship with any other director/substantial shareholder of the Company, nor any personal interest in any business arrangement involving the Company. Save and except for traffic offences, if any, none of the Directors has been convicted for any offences within the past 10 years.

EXECUTIVE  
COMMITTEE



**Bradley Mulroney**  
President & Chief Executive Officer



**Lim Yoke Tuan**  
Executive Vice President, Finance & Chief Financial Officer



**Paul Yap Poh Onn**  
Vice President, Supply Chain & Strategic Sourcing



**Rick Pucci**  
Vice President, Concrete



**Choong Ju Tang**  
Vice President, Industrial Sales



**Mariano Garcia**  
Vice President, Industrial



**Vigneswaran Velautham**  
Vice President, Infrastructure Sales



**Aida Mohamed**  
Vice President, Human Resources



**Yeap Khoon Cheun**  
Vice President, Retail Sales



**Ian Pughley**  
Vice President, Health & Safety



**Shirley Low**  
Vice President, Marketing

# CORPORATE GOVERNANCE STATEMENT

## INTRODUCTION

The Board of Directors (“Board”) 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 Group through its support and application of the principles and best practices in corporate governance as set out in the Malaysian Code on Corporate Governance 2012 (“Code”).

The Board is pleased to report on the extent to which the principles, best practices and recommendations of the Code were applied throughout the financial year ended 31 December 2014.

## A. BOARD OF DIRECTORS

### Role and Responsibilities

The role of the Board is to represent the shareholders and to promote and protect the interests of the Company. The Board is therefore accountable to the shareholders for the performance of the Company.

As recommended by the Code, the Board has formalised and adopted its Board Charter. The Board Charter formalises and sets out the role, responsibilities and composition of the Board. The Board Charter will be reviewed periodically to ensure that any updates on relevant laws and regulations are duly incorporated. The details of the Board Charter are available for reference at [www.lafarge.com.my](http://www.lafarge.com.my).

The Board believes sustainability is integral to the long-term success of the Group. Further information on the Group’s sustainability activities can be found in section 3 of this Annual Report.

### Board Composition and Balance

Presently, the Board consists of 8 members comprising 2 Executive Directors and 6 Non-Executive Directors, 3 of whom are Independent Directors. The Board considers the size of the Board to be appropriate and that the composition fairly reflects the investment of minority shareholders. The Chairman of the Board is one of the Independent Non-Executive Directors. The number of Independent Non-Executive Directors on the Board complies with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“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 Directors, with their diverse skills, knowledge and business experience, including both local and international and operational experience, understanding of the economics of the sector in which the Company operates, and an understanding of the health, safety, environmental and community challenges that the Company faces ensure that the long term interest of the shareholders and other stakeholders in the Company are safeguarded. A brief profile of each Director is presented on pages 028 to 031 of this Annual Report.

To ensure a balance of power and authority, there is a clear division of responsibility between the Chairman and the President & Chief Executive Officer. The division of duties is spelt out in the Directors’ Manual. The Board is led by Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja’afar and the executive management of the Company is led by Mr Bradley Mulroney, the President & Chief Executive Officer.

The Board is confident that the strong independent character of its composition will ensure that its strategies, performance, conduct and policies are fully deliberated taking into account the interests of its various stakeholders. In addition, all decisions of the Board are based on the decision of the majority and no single director can make any decision on behalf of the Board, unless duly authorised by the Board of Directors.

◆  
**CORPORATE GOVERNANCE STATEMENT (continued)**  
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The Code recommends that the tenure of an independent director should not exceed a cumulative term of nine years. However, an independent director may continue to serve on the Board subject to the Director's re-designation as a non-independent director or the Board may recommend for an independent director who has served a consecutive or cumulative term of nine years to remain as independent director subject to shareholders' approval. In evaluating the credentials of its independent directors, the Board believes that the criteria should be the requisite experience, expertise and understanding of the Group's specialised heavy industry, rather than the tenure of the director. The Board does not believe that tenure exceeding 9 years impairs the ability of an independent director to remain independent and thus does not feel that it is necessary to re-designate independent directors as non-independent directors after nine years.

Two of the Company's Independent Non-Executive Directors i.e. the Company's Chairman and the Company's Senior Independent Non-Executive Director have served as independent directors on the Board for more than 9 years. The Board values greatly their vast knowledge, expertise and experience in this industry. It is extremely important that the Chairman and the Senior Independent Non-Executive Director have the requisite experience and expertise in order to contribute effectively to the Company's business and to protect the interest of the shareholders. They have both continued to exercise their independence and due care during their tenure as Independent Non-Executive Directors of the Company, carried out their professional duties in the best interest of the Company and shareholders, and have shown great integrity of independence and had not entered into any related party transaction with the Company. Accordingly, the Board does not feel that it is necessary to re-designate them as non-independent directors. The Board recommends that the Chairman and the Senior Independent Non-Executive Director remain as independent directors and will seek shareholders' approval for their re-election at the forthcoming Annual General Meeting.

#### Senior Independent Director

The Board has appointed Tan Sri A. Razak Bin Ramli as the Senior Independent Non-Executive Director with effect from 25 May 2011. In this capacity, he continues to provide an avenue for shareholders and the Non-Executive Directors to express any concerns that they may have affecting the Company.

#### Meetings of the Board

The Board ordinarily meets at least 4 times a year at quarterly intervals with additional meetings convened when urgent important decisions need to be taken between the scheduled meetings. During the year ended 31 December 2014, the Board met on 4 occasions and the attendance record of each Director is as follows:-

Name	Attendance
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar	4/4
Christian Herrault	4/4
Tan Sri A. Razak bin Ramli	4/4
Md Yusof bin Hussin	4/4
Bradley Peter Mulrone	4/4
Jean-Claude Block	4/4
Saw Ewe Seng (resigned on 2 January 2015)	4/4
Michel Rose (resigned on 9 October 2014)	3/3
Chen Theng Aik (resigned on 22 July 2014)	2/2
Sapna Sood (appointed on 18 November 2014)	1/1
Lim Yoke Tuan (appointed on 26 February 2015)	0/0

Prior to the meetings of the Board and Committees of the Board, a pre-set agenda together with relevant Board papers and reports are circulated to the Directors. These papers are issued in sufficient time to enable the Directors to obtain further clarification or explanation, where necessary, in order to be properly briefed before the meeting in order for them to discharge their fiduciary duties. The papers include, among others, minutes of the previous meetings of the Board and/or Board Committees (as the case may be), reports on group financial position, review of performance and industry trend, quarterly results announcements, review of the internal controls and risks and other relevant information.

## CORPORATE GOVERNANCE STATEMENT (continued)

All Directors 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 and the Companies Act 1965. In performing this duty, the Company Secretary carries out the statutory duties as specified under the Companies Act 1965 and the Listing Requirements, attends Board and Board Committee meetings and ensures that the Board meetings are properly convened and proceedings are properly recorded, ensures that all appointments to the Board and Committees are properly made, maintains records for the purposes of meeting statutory obligations, and facilitates the provision of information as may be requested by the Directors from time to time. The Board and individual Directors may seek advice from independent professionals, at the expense of the Company, on any matter connected with the discharge of their responsibilities.

### Board Committees

The Board of Directors delegate certain responsibilities to the Board Committees, namely the Audit Committee and the Remuneration and Nomination Committee in order to enhance business efficacy and operational efficiency.

All committees have written terms of reference and the Board receives reports of their proceedings and deliberations.

#### 1. The Audit Committee

The Audit Committee for the year ended 31 December 2014 comprised 3 independent non-executive directors and 1 non-executive director. En Md Yusof bin Hussin is the Chairman. En Md Yusof bin Hussin is a member of the Malaysian Institute of Accountants.

The members of the Audit Committee and their attendance, the terms of reference and activities of the Audit Committee during the financial year ended 31 December 2014 prepared pursuant to paragraph 15.15 of the Listing Requirements are set out in the Audit Committee report on pages 043 to 045 of this Annual Report.

#### 2. The Remuneration And Nomination Committee

The Remuneration and Nomination Committee for the year ended 31 December 2014 comprised 2 independent non-executive directors and 1 non-executive director. Tan Sri A. Razak bin Ramli is the Chairman of this Committee.

The Committee met two times during the financial year and the attendance of each individual is set out below:

Name	Attendance
Tan Sri A. Razak bin Ramli (Chairman)	2/2
Saw Ewe Seng <sup>(i)</sup>	2/2
Christian Herrault	2/2
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar (appointed on 10 February 2015)	0/0

<sup>(i)</sup> Ceased as Member of Remuneration and Nomination Committee following his resignation from the Board on 2 January 2015.

The Committee is responsible for recommending to the Board, candidates for directorship on the Board, assessing the effectiveness of the Board, its Committees and the contribution of each individual Director.

  
**CORPORATE GOVERNANCE STATEMENT (continued)**  


In addition, the Committee is also responsible for recommending to the Board the remuneration package of the Executive Directors. The determination of the remuneration package of the Directors is a matter for the Board as a whole and individuals are required to abstain from discussing or deliberating on their own remuneration.

The terms of reference of the Remuneration and Nomination Committee are as follows:

- (a) To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board. In making such recommendation, the 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 when the Committee (in the absence of the Director concerned) will consider his re-appointment.
  - 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 Committee.
- (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 and Nomination Committee continuously reviews its size and composition with particular consideration on its impact on the effective functioning of the Board. The Remuneration and Nomination Committee also undertakes an assessment of the independence of the independent directors on an annual basis to evaluate whether the independent directors can continue to bring independent and objective judgment to board deliberations. Based on the appraisal of the Committee, the Board believes that its current composition provides the required mix of skills, independence and core competencies required for the Board to discharge its duties effectively. The Committee also undertakes assessment of all potential candidates for the role as women directors to the Board. The Board has in 2014, appointed a woman director to the Board with the required skills set and experience in the sector and will be seeking to add another woman director as an independent director with the required skills set and experience in the sector to the Board in due course.

The appointment of new members to the Board is carried out through a formal selection and evaluation process that has been reviewed and approved by the Board. New appointees will be considered and evaluated by the Remuneration and Nomination Committee. The Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, that all necessary information are obtained, as well as all legal and regulatory obligations are met.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Re-election

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by the shareholders at the Annual General Meeting following their appointment. The Articles of Association of the Company also provides that all Directors (including the President & Chief Executive Officer) shall retire from office at least once every 3 years. Retiring Directors may offer themselves for re-election by shareholders at the Annual General Meeting every 3 years. This provides an opportunity for the shareholders to renew their mandates. The election of each Director is voted on separately.

### Directors' Remuneration

Details of Director's remuneration are set out below and in Note 5.4 to the financial statements.

(a) Aggregate remuneration of Directors categorised into appropriate components:-

	Fees RM	Salaries RM	Other Emoluments* RM	Benefits-In-Kind RM	Total RM
Executive Directors	–	2,356,015 <sup>#</sup>	516,960 <sup>#</sup>	791,978 <sup>#</sup>	3,664,953 <sup>#</sup>
Non-Executive Directors	336,000	–	–	–	336,000

\* Other emoluments include bonus and the Company's contribution to Employees' Provident Fund.

<sup>#</sup> Includes salaries, other emoluments and benefits-in-kind paid to Mr Chen Theng Aik during his term as Executive Director (Executive Vice President, Finance & Chief Financial Officer) up until his resignation on 22 July 2014.

(b) The number of Directors of the Company whose total remuneration falls within the following bands:-

Range of remuneration	Number of Directors	
	Executive	Non-Executive
RM50,001 to RM100,000	–	3
RM100,001 to RM150,000	–	1
RM350,001 to RM400,000	1	–
RM3,000,001 to RM3,500,000	1	–

Executive Directors receive bonuses based on the achievement of specific goals related to their respective performance as well as the performance of the Group. Non-Executive Directors do not receive any performance related remuneration.

### Directors' Training

As at the date of this Statement, all Directors have attended the Mandatory Accreditation Programme of Bursa Malaysia Securities Berhad ("Bursa Securities") within the stipulated period. Every Director of the Company undergoes continuous training to equip himself/herself to effectively discharge his/her duties as a Director and for that purpose he/she ensures that he/she attends such training programmes as prescribed by Bursa Securities from time to time. The Company also provides briefings for members of the Board, to ensure that they have a comprehensive understanding on corporate governance and corporate compliance, as well as on the business and operations of the Group and the Company.

During the year, the Directors attended external training programmes including talks and seminars entitled the GST Series for Specific Industries - Workshop 2: GST Impact on Manufacturing Industry, the Corporate Governance Guide (Towards Boardroom Excellence), the Role of the Board in Behavioural Issues - Board, Committee, Director and CEO Assessments, Shariah Governance: Entering into New Challenge, Managing in Uncertainty: Surviving the Turbulence, as well as internal training on the Code of Business Conduct, Goods and Services Tax and the Personal Data Protection Act 2010.

The Directors also attended a tour of the Company's Construction Development Laboratory and received a briefing on its functions and facilities.



◆  
**CORPORATE GOVERNANCE STATEMENT (continued)**  
 ◆

## **B. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS**

In line with good corporate governance, the Group adopts an open and transparent policy in respect of its relationship with its shareholders and investors. The Company communicates with its shareholders and investors through the Annual Report, Annual General Meeting (“AGM”), Company’s website ([www.lafarge.com.my](http://www.lafarge.com.my)) and analyst meetings. In addition, the timely public announcements made by the Company through Bursa Securities and the quarterly financial results released by the Company provide shareholders and investors with an overview of the Group’s performance and operations. The Company Secretary ensures that such disclosures are done accurately in accordance with the Listing Requirements in a timely manner. All the Company’s announcements as well as its corporate information, quarterly reports, annual reports and other relevant information are posted on its website at [www.lafarge.com.my](http://www.lafarge.com.my). The Board and Management will continually take into account the disclosure guidelines issued and advocated by Bursa Malaysia Securities Berhad to assist listed issuers to elevate their standards of disclosure.

The Board also takes reasonable steps to encourage shareholder participation at general meetings. Shareholders are encouraged to participate in the Question and Answer session on the resolutions being proposed or on the Company’s operations and performance in general. Shareholders who are unable to attend are allowed to appoint proxies in accordance with the Company’s Articles to attend and vote on their behalf. The Chairman and the Board, where appropriate, also provides clarification and response to queries submitted by shareholders and investors in relation to any of the official reports or announcements. Notices of the Company’s AGM and the Annual Report are sent to shareholders at least twenty-one days prior to the meeting with explanatory notes provided for each special issue. At the AGM, the CEO will do a visual presentation and provide an executive summary of the performance of the Group highlighting key financial information and challenges.

The shareholders have the right to demand a poll in accordance with the Company’s articles of association. Although the Board is not adverse to electronic poll voting at general meetings, it will have to assess in detail the cost practicality of employing such means.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

The primary person responsible for investor relations is Mr Lim Yoke Tuan, an Executive Director and Executive Vice President, Finance and Chief Financial Officer (telephone: 603-7723 8200). The direct involvement of an Executive Director in investor relations reflects the commitment of the Board in providing a high standard of transparency to its shareholders.

## **C. ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

The Board is committed to preparing financial statements that present a balanced and meaningful assessment of the Group’s financial performance and prospects. This assessment is provided in the Chairman’s Statement, Chief Executive Officer’s Review and the annual financial statements in this Annual Report as well as the quarterly announcement of results to the shareholders. The Audit Committee, established since 1994 to oversee the Group’s financial reporting process and the quality of its financial reporting, assists the Board to discharge its duties. The Audit Committee reviews the quarterly and annual financial statements and makes recommendations to the Board focusing on accounting policies, compliance with accounting standards, stock exchange and legal requirements and the results of the external audit.

### **Directors’ Responsibility Statement in respect of the Preparation of the Audited Financial Statements**

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their profit or loss and cashflows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been complied with.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgment and estimates. The Directors also have a general responsibility for taking such steps as is reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Board is further assisted by the Audit Committee to oversee the quality and processes of the financial reporting.



## CORPORATE GOVERNANCE STATEMENT (continued)



### State of Internal Controls

The Board of Directors is responsible for the system of internal control and for regularly reviewing its effectiveness. The principal aim of the system of internal control is the management of business risks with a view to enhancing the value of our shareholders' investments and safeguarding assets and not to provide absolute assurance that business risks will be fully mitigated. The Statement on Internal Control set out on pages 041 to 042 of this Annual Report provides an overview of the state of internal controls within the Group. The Company has a Head of Internal Control, Ms Wong Swee Peng, who monitors and ensures that the Group's Internal Control Standards are effectively implemented and key controls are regularly tested. The Company's internal audit function is performed in-house by a team of internal auditors led by the Head of Internal Audit, Mr Lawrence Ho. Internal Audit is responsible for performing an independent assessment of the quality of internal control at all levels in the organisation. The total cost incurred by the Internal Audit department in relation to the conduct of the internal audit functions of the Group for the financial year ended 31 December 2014 was RM1.1 million. The work undertaken by the Audit Committee, Head of Internal Control and the internal audit team assist the Board to discharge its internal control duty.

### Code of Business Conduct

Our business values and expectations from employees are derived from our vision and commitments. Specific principles and procedures in the manner we conduct our business are clearly spelt out in the Company's Code of Business Conduct. The Code of Business Conduct is designed to set a certain standard for all employees and officers of the Group as well as all persons that provide goods and services to the Group. This Code promotes:

- Compliance with applicable laws and regulations;
- The prevention of conflicts of interest;
- Proper attention to be given to people and the environment;
- The protection of the Group's assets;
- Fairness in financial reporting;
- Internal controls.

In addition to the Code of Business Conduct, the Directors also observe the Company Director's Code of Ethics established by the Companies Commission of Malaysia and adopted in the Directors' Manual.

### Relationship with the Auditors

The key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed in pages 043 to 045 of this Annual Report.

### Additional Compliance Statement

(a) Share Buyback

The Company did not undertake any share buyback during the financial year ended 31 December 2014. As at the date of this Statement, there are no ordinary shares held in treasury.

(b) Non-Audit Fees

The amount of non-audit fees paid to external auditors by the Company and its subsidiaries for the financial year ended 31 December 2014 is RM88,000.00. The non-audit fees paid is in respect of 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 the previous financial year 2014 by the Company and/or its subsidiaries which involved Directors' and/or substantial shareholders' interest.

This Corporate Governance Statement is made in accordance with the resolution of the Board of Directors dated 26 February 2015.

# STATEMENT ON INTERNAL CONTROL

## Board Responsibility

The Board of Directors of Lafarge Malaysia Berhad (“LMB” or “the Group”) recognises the importance of good corporate governance. The Board affirms its overall responsibility for the Group’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 Group’s assets. The Board is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group 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 Group’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 Group’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:

## Risk Management

The Group has an embedded process for the identification, evaluation and reporting of the major business risks within the Group. Policies and procedures have been laid down for the regular review and management of these risks. Regular reviews of the most significant areas of risk are undertaken to ensure that key control objectives remain in place. Report on the major business risks identified, the mitigating factors in place and action plans taken to mitigate the risks identified are presented to the Board.

## Internal Control Structure

The Group has in place a sound internal control structure with sufficient assurance mechanism to safeguard the Group’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:

- **Main Control Procedures**  
The Group 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.
- **Reporting**  
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.
- **Audit Committee**  
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.



## STATEMENT ON INTERNAL CONTROL (continued)



- **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 Group's policies and procedures are being complied with in order to provide assurance on the adequacy and effectiveness of the Group'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 Lafarge Group 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 Group 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 the Code of Business Conduct which has to be strictly applied by the Group's employees.

The Code of Business Conduct defines rules of conduct and is structured as follows: compliance with laws and regulations, prevention of conflicts of interest, respect for people and the environment, safeguarding of the Group's assets, financial disclosure, importance of internal control implementation of behavioural rules and appropriate sanctions. Group annual certification was carried out to support the Lafarge Group internal control practices.

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.

Signed on behalf of the Board of Directors in accordance with the resolution of the Board of Directors dated 26 February 2015.

**MD YUSOF BIN HUSSIN**

Chairman of Audit Committee

**BRADLEY MULRONEY**

President & Chief Executive Officer

# REPORT OF THE AUDIT COMMITTEE

## A. MEMBERS AND MEETINGS

A total of 4 meetings were held during the year. The membership status and attendance record of each of the members are as follows:-

Name	Membership Status	Attendance
Md Yusof bin Hussin (Member of the Malaysian Institute of Accountants)	Chairman, Independent Non-Executive Director	4/4
Tan Sri A. Razak bin Ramli	Senior Independent Non-Executive Director	4/4
Saw Ewe Seng <sup>(i)</sup>	Independent Non-Executive Director	4/4
Jean-Claude Block	Non-Executive Director	4/4

<sup>(i)</sup> Ceased as Member of Audit Committee following his resignation from the Board on 2 January 2015.

## 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. All members should be financially literate and 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.

### 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 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 consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- ii. To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- iii. 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;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements;
- iv. 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);
- v. To review the external auditors' evaluation of the system of internal control, management letter and management's response;



## REPORT OF THE AUDIT COMMITTEE (continued)



- vi. 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;
- vii. To consider any related-party transactions and conflict of interest situation that may arise within the company or group;
- viii. To consider the major findings of internal investigations and management's response; and
- ix. To consider other topics as defined by the Board.

### **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 without the executive directors 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.

## **C. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR**

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

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

### **Financial Results**

- Reviewed the annual financial statements of the Group prior to submission to the Board for their consideration and approval focusing particularly on any changes of accounting policy, significant and unusual events and compliance with applicable accounting standards approved by MASB and other legal requirements.
- Reviewed the quarterly unaudited financial results announcements prior to recommending them for approval by the Board.

### **External Audit**

- Reviewed with external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB.
- 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.
- Reviewed with external auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal accounting control.
- Evaluated the performance of the external auditors and made recommendations to the Board on their re-appointment and remuneration.

**Internal Audit**

- Reviewed the annual audit plan to ensure adequate scope and coverage on the activities of the Group 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 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.

**Others**

- Reviewed risk management process and updates from management on the existence of mitigating controls and action plans identified to mitigate the business risks identified.
- Reviewed the terms of all related party transactions entered into by the Group.
- 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 Report of the Audit Committee and recommended to the Board for inclusion in the 2014 Annual Report.
- Reviewed the Statement of Internal Control and recommended to the Board for inclusion in the 2014 Annual Report.

**D. INTERNAL AUDIT FUNCTIONS AND SUMMARY OF ACTIVITIES**

The Group 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 Group's business activities and the inherent risks. Audits are prioritised taking into consideration the assessment of the key risk 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.

Further details of the activities of the Internal Audit Department are set out in the Statement on Internal Control under pages 041 & 042 of this Annual Report.

Directors' Report .....	<b>048</b>
Statement by Directors .....	<b>054</b>
Declaration by the Director .....	<b>054</b>
Primarily Responsible for the Financial Management of the Company	
Independent Auditors' Report .....	<b>055</b>
Statements of Profit or Loss and Other .....	<b>057</b>
Comprehensive Income	
Statements of Financial Position .....	<b>059</b>
Statements of Changes in Equity .....	<b>061</b>
Statements of Cash Flows .....	<b>063</b>
Notes to the Financial Statements .....	<b>065</b>
Disclosure on Realised and .....	<b>136</b>
Unrealised Profits	



The image shows a cover page for financial statements. It features a white central area with a grey background. The text 'Financial Statements' is written in a large, bold, grey sans-serif font. The white area is bounded by a grey shape that has a diagonal cutout at the top and bottom.

# Financial Statements

# DIRECTORS' REPORT

The Directors of **LAFARGE MALAYSIA BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2014.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 16 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiaries during the financial year.

## RESULTS OF OPERATIONS

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

	<b>Group RM'000</b>	<b>Company RM'000</b>
Profit before tax	345,183	363,504
Income tax expense	(89,176)	(54)
<b>Profit for the year</b>	<b>256,007</b>	<b>363,450</b>
Profit attributable to:		
Owners of the Company	255,996	363,450
Non-controlling interests	11	–
	<b>256,007</b>	<b>363,450</b>

In the opinion of the Directors, the results of operations 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

Since the end of the previous financial year, the dividends paid by the Company are in respect of the following:

- a third interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM67.976 million was declared on 19 November 2013 in respect of the financial year ended 31 December 2013 and dealt with in the previous Directors' Report was paid on 22 January 2014;
- a fourth interim dividend of 17.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM144.448 million declared on 25 February 2014 in respect of the financial year ended 31 December 2013 and dealt with in the previous Directors' Report was paid on 16 April 2014;

**DIVIDENDS (continued)**

- a first interim dividend of 9.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2014 amounting to RM76.473 million was declared on 22 May 2014 and paid on 16 July 2014;
- a second interim dividend of 9.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2014 amounting to RM76.473 million was declared on 29 August 2014 and paid on 15 October 2014; and
- a third interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2014 amounting to RM67.976 million was declared on 18 November 2014 and paid on 14 January 2015.

The Directors on 26 February 2015 declared a fourth interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2014 amounting to RM67.976 million, payable on 15 April 2015.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2014.

**RESERVES AND PROVISIONS**

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

**ISSUE OF SHARES AND DEBENTURES**

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

**DIRECTORS**

The names of the Directors in office since the date of the last report are as follows:

Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar  
 Bradley Mulroney  
 Tan Sri A. Razak bin Ramli  
 Md Yusof bin Hussin  
 Christian Herrault  
 Jean-Claude Block  
 Sapna Sood (appointed on 18 November 2014)  
 Lim Yoke Tuan (appointed on 26 February 2015)  
 Chen Theng Aik (resigned on 22 July 2014)  
 Michel Rose (resigned on 9 October 2014)  
 Saw Ewe Seng (resigned on 2 January 2015)

**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 Share Plan and Employee Share Purchase Plan as disclosed below.

**DIRECTORS' REPORT (continued)**

**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 134 of the Companies Act, 1965 are as follows:

	<b>No. of ordinary shares of RM1.00 each</b>			<b>Balance as at 31.12.2014</b>
	<b>Balance as at 1.1.2014</b>	<b>Bought</b>	<b>Sold</b>	
<b>Shares in the Company held by:</b>				
<u>Direct interest:</u>				
Saw Ewe Seng	16,500	–	–	16,500

	<b>No. of ordinary shares of €4.00 each</b>			<b>Balance as at 31.12.2014</b>
	<b>Balance as at 1.1.2014/ Date of appointment</b>	<b>Bought</b>	<b>Sold</b>	
<b>Shares in the ultimate holding company, Lafarge S.A. held by:</b>				
<u>Direct interest:</u>				
Bradley Mulroney	2,389	–	–	2,389
Christian Herrault	2,527	1,125	–	3,652
Jean-Claude Block	50	240	–	290

	<b>No. of options over ordinary shares of €4.00 each</b>			<b>Balance as at 31.12.2014</b>
	<b>Balance as at 1.1.2014/ Date of appointment</b>	<b>Granted</b>	<b>Exercised/ Expired</b>	
<b>Options over the ordinary shares of the ultimate holding company, Lafarge S.A. held by:</b>				
Michel Rose	100,658	–	(31,238)	69,420
Bradley Mulroney	38,074	–	(8,543)	29,531
Christian Herrault	160,453	–	(30,429)	130,024
Jean-Claude Block	12,241	–	(560)	11,681

**PERFORMANCE SHARES PLAN**

In 2007, the ultimate 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 with a nominal value of four (4) Euros each;
- (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;

**PERFORMANCE SHARES PLAN (continued)**

- (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:

	<b>No. of ordinary shares of €4.00 each</b>			
	<b>Balance as at 1.1.2014/ Date of appointment</b>	<b>Granted</b>	<b>Sold</b>	<b>Balance as at 31.12.2014</b>
<b>Shares in the ultimate holding company, Lafarge S.A. in respect of Performance Shares Plan held by:</b>				
Bradley Mulrone	6,600	2,700	(201)	9,099
Christian Herrault	12,350	5,500	(1,875)	15,975
Jean-Claude Block	2,200	1,340	(300)	3,240
Sapna Sood	–	1,540	–	1,540

**EMPLOYEE SHARE PURCHASE PLAN**

In financial year 2011 and 2009, the ultimate 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 with a nominal value of four (4) Euros each;
- (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 1 June 2011 and 12 October 2009 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 share 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 case of early release events, as determined by Lafarge S.A..

  
**DIRECTORS' REPORT (continued)**  
**OTHER STATUTORY INFORMATION**

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, 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 realise their book value in the ordinary course of business had been written down to their estimated realisable values.

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 Lafarge S.A., a public-listed company incorporated in France as the immediate holding company and ultimate holding company, respectively.

**AUDITORS**

The auditors, Messrs. Deloitte & Touche, have expressed their willingness to continue in office.

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

**BRADLEY MULRONEY**

**LIM YOKE TUAN**

Petaling Jaya, Selangor Darul Ehsan  
26 February 2015



# STATEMENT BY DIRECTORS



The Directors of **LAFARGE MALAYSIA BERHAD** state that, in their opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 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, 1965 in Malaysia.

The supplementary information set out in Note 42 to the Financial Statements, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements” as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

**BRADLEY MULRONEY**

**LIM YOKE TUAN**

Petaling Jaya, Selangor Darul Ehsan  
26 February 2015



## DECLARATION BY THE DIRECTOR

PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY



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 26th day of February 2015.

Before me,

**COMMISSIONER FOR OATHS**



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LAFARGE MALAYSIA BERHAD (Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **LAFARGE MALAYSIA BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 31 December 2014 and 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 a summary of significant accounting policies and other explanatory information, as set out on pages 057 to 135.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of these 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, 1965 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our 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 2014 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, 1965 in Malaysia.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that:

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) we have considered the accounts and auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the Financial Statements.
- (c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for those purposes; and
- (d) the auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.



## **INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF LAFARGE MALAYSIA BERHAD (CONTINUED)  
(Incorporated in Malaysia)



### **OTHER REPORTING RESPONSIBILITIES**

The supplementary information set out in Note 42 to the Financial Statements on page 136 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements” as issued by the Malaysian Institute of Accountants (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### **OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

**DELOITTE & TOUCHE**  
**AF 0834**  
**Chartered Accountants**

**MARK EVELYN THOMSON**  
**Partner - 3080/06/15 (J)**  
**Chartered Accountant**

26 February 2015

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	5	<b>2,743,090</b>	2,852,400	<b>367,428</b>	315,846
Cost of sales	5	<b>(1,963,619)</b>	(1,929,832)	–	–
Gross profit		<b>779,471</b>	922,568	<b>367,428</b>	315,846
Selling and distribution expenses	5	<b>(363,660)</b>	(351,316)	–	–
Administration expenses	5	<b>(77,732)</b>	(68,912)	<b>(6,357)</b>	(5,326)
Other expenses	5	<b>(24,989)</b>	(16,381)	<b>(7)</b>	(36)
Other income		<b>18,064</b>	12,650	<b>2,631</b>	4,503
Investment income	6	<b>7,420</b>	7,686	–	–
Interest income	6	<b>9,565</b>	6,343	–	–
Other gains and losses	7	<b>(3,292)</b>	(304)	–	1,116
Profit from operations		<b>344,847</b>	512,334	<b>363,695</b>	316,103
Finance costs	8	<b>(845)</b>	(472)	<b>(191)</b>	(191)
Share of results of associate	17	<b>1,181</b>	3,028	–	–
<b>Profit before tax</b>		<b>345,183</b>	514,890	<b>363,504</b>	315,912
Income tax expense	9	<b>(89,176)</b>	(147,772)	<b>(54)</b>	(13)
<b>Profit for the year</b>	10	<b>256,007</b>	367,118	<b>363,450</b>	315,899
<b>Other comprehensive income/(loss)</b>					
<u>Items that will not be reclassified subsequently</u>					
<u>to profit or loss:</u>					
Defined benefits retirement plan actuarial gains/(losses)		<b>12,003</b>	(2,001)	<b>97</b>	(133)
<u>Items that may be reclassified subsequently</u>					
<u>to profit or loss:</u>					
Exchange differences on translating foreign operations		<b>1,719</b>	(3,464)	–	–
Reclassification of exchange reserve to profit and loss on disposal of foreign subsidiary		<b>(188)</b>	–	–	–
Net fair value gain on cash flow hedges		<b>1,144</b>	261	–	–

(Forward)

◆

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

◆

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>14,678</b>	<b>(5,204)</b>	<b>97</b>	<b>(133)</b>
<b>Total comprehensive income for the year</b>		<b>270,685</b>	<b>361,914</b>	<b>363,547</b>	<b>315,766</b>
<b>Profit attributable to:</b>					
Owners of the Company		<b>255,996</b>	366,630	<b>363,450</b>	315,899
Non-controlling interests		<b>11</b>	488	–	–
		<b>256,007</b>	367,118	<b>363,450</b>	315,899
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		<b>270,661</b>	361,409	<b>363,547</b>	315,766
Non-controlling interests		<b>24</b>	505	–	–
		<b>270,685</b>	361,914	<b>363,547</b>	315,766
Earnings per ordinary share (sen)					
Basic and diluted	11	<b>30.13</b>	43.15		

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014 RM'000	Group 2013 RM'000	2014 RM'000	Company 2013 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	1,466,860	1,508,392	–	–
Investment property	13	3,289	3,314	–	–
Prepaid lease payments on leasehold land	14	97,537	105,759	–	–
Intangible assets	15	1,206,355	1,208,458	–	–
Investment in subsidiaries	16	–	–	2,092,505	2,084,505
Investment in associate	17	22,713	21,463	–	–
Deferred tax assets	18	2,758	2,963	–	–
Other financial assets	19	2,189	1,815	1,255	1,255
<b>Total non-current assets</b>		<b>2,801,701</b>	<b>2,852,164</b>	<b>2,093,760</b>	<b>2,085,760</b>
<b>Current assets</b>					
Inventories	21	275,359	255,337	–	–
Trade receivables	22	372,013	419,304	–	–
Other receivables and prepaid expenses	23	37,287	38,483	500	493
Amounts owing by holding and other related companies	24	13,933	28,522	–	–
Amounts owing by subsidiaries	20	–	–	302,612	319,516
Other financial assets	19	2,288	717	–	–
Current tax assets		27,182	1,719	77	77
Dividend receivable		–	–	68,000	68,000
Term deposits	25	191,092	262,826	8,668	3
Cash and bank balances	35	269,777	188,024	1,953	4,828
<b>Total current assets</b>		<b>1,188,931</b>	<b>1,194,932</b>	<b>381,810</b>	<b>392,917</b>
<b>Total assets</b>		<b>3,990,632</b>	<b>4,047,096</b>	<b>2,475,570</b>	<b>2,478,677</b>

(Forward)

**STATEMENTS OF FINANCIAL POSITION**  
AS AT 31 DECEMBER 2014 (CONTINUED)

	Note	Group 2014 RM'000	2013 RM'000	Company 2014 RM'000	2013 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	26	849,695	849,695	849,695	849,695
Reserves	27	1,139,579	1,136,917	1,100,830	1,100,830
Retained earnings	28	1,131,447	1,228,818	374,473	376,296
Equity attributable to owners of the Company		3,120,721	3,215,430	2,324,998	2,326,821
Non-controlling interests	29	4,223	4,199	-	-
<b>Total equity</b>		<b>3,124,944</b>	3,219,629	<b>2,324,998</b>	2,326,821
<b>Non-current liabilities</b>					
Borrowings	30	-	11	-	-
Retirement benefits	31	60,009	68,869	1,025	1,139
Deferred tax liabilities	18	193,365	214,659	-	-
Total non-current liabilities		253,374	283,539	1,025	1,139
<b>Current liabilities</b>					
Trade payables	32	426,299	339,745	-	-
Other payables and accrued expenses	33	95,064	101,272	1,090	1,346
Amounts owing to holding and other related companies	24	21,925	17,278	-	-
Amounts owing to subsidiaries	20	-	-	80,477	81,395
Borrowings	30	11	477	-	-
Other financial liabilities	34	69	-	-	-
Current tax liabilities		970	17,180	4	-
Dividend payable		67,976	67,976	67,976	67,976
Total current liabilities		612,314	543,928	149,547	150,717
<b>Total liabilities</b>		<b>865,688</b>	827,467	<b>150,572</b>	151,856
<b>Total equity and liabilities</b>		<b>3,990,632</b>	4,047,096	<b>2,475,570</b>	2,478,677

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

Group	Attributable to owners of the Company										Total equity RM'000
	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 2013	849,695	1,067,199	33,798	39,090	36	14	1,178,321	3,168,153	4,467	3,172,620	
Profit for the year	-	-	-	-	-	-	366,630	366,630	488	367,118	
Other comprehensive income/(loss) for the year, net of tax	-	-	-	(3,481)	-	261	(2,001)	(5,221)	17	(5,204)	
Changes in ownership with no loss of control	-	-	-	-	-	-	256	256	(773)	(517)	
Dividends (Note 28)	-	-	-	-	-	-	(314,388)	(314,388)	-	(314,388)	
As at 31 December 2013/ 1 January 2014	849,695	1,067,199	33,798	35,609	36	275	1,228,818	3,215,430	4,199	3,219,629	
Profit for the year	-	-	-	-	-	-	255,996	255,996	11	256,007	
Other comprehensive income for the year, net of tax	-	-	-	1,518	-	1,144	12,003	14,665	13	14,678	
Dividends (Note 28)	-	-	-	-	-	-	(365,370)	(365,370)	-	(365,370)	
As at 31 December 2014	849,695	1,067,199	33,798	37,127	36	1,419	1,131,447	3,120,721	4,223	3,124,944	

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

Company	Non-distributable			Distributable		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Retained earnings RM'000	Capital RM'000	
As at 1 January 2013	849,695	1,067,191	33,639	374,918	—	2,325,443
Total comprehensive income for the year	—	—	—	315,766	—	315,766
Dividends (Note 28)	—	—	—	(314,388)	—	(314,388)
As at 31 December 2013/1 January 2014	<b>849,695</b>	<b>1,067,191</b>	<b>33,639</b>	<b>376,296</b>	<b>—</b>	<b>2,326,821</b>
Total comprehensive income for the year	—	—	—	<b>363,547</b>	—	<b>363,547</b>
Dividends (Note 28)	—	—	—	<b>(365,370)</b>	—	<b>(365,370)</b>
As at 31 December 2014	<b>849,695</b>	<b>1,067,191</b>	<b>33,639</b>	<b>374,473</b>	<b>—</b>	<b>2,324,998</b>

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



# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>				
Profit before tax	<b>345,183</b>	514,890	<b>363,504</b>	315,912
Adjustments for:				
Depreciation of property, plant and equipment	<b>150,748</b>	141,665	–	–
Provision for retirement benefits	<b>9,789</b>	8,131	<b>140</b>	131
Allowance for inventory obsolescence	<b>9,985</b>	7,521	–	–
Amortisation of prepaid lease payments on leasehold land	<b>7,663</b>	6,962	–	–
Property, plant and equipment written off	<b>5,936</b>	5,860	–	–
Finance costs	<b>845</b>	472	<b>191</b>	191
Impairment loss recognised on:				
- trade receivables	<b>3,050</b>	2,783	–	–
- investment property	–	187	–	–
- goodwill	–	385	–	–
Amortisation of intangible assets	<b>276</b>	479	–	–
Depreciation of investment property	<b>25</b>	31	–	–
Interest income	<b>(9,565)</b>	(6,343)	<b>(428)</b>	(1,220)
Unrealised gain on foreign exchange	<b>(2,051)</b>	(4,484)	<b>(2,560)</b>	(4,434)
Share of results of associate	<b>(1,181)</b>	(3,028)	–	–
Reversal of impairment loss on trade receivables	<b>(1,982)</b>	(1,129)	–	–
Dividend income	<b>(133)</b>	(815)	<b>(367,000)</b>	(314,626)
Net gain on liquidation	–	–	–	(1,116)
Net unrealised loss/(gain) arising on:				
- hedge ineffectiveness on cash flow hedges	<b>42</b>	12	–	–
- financial assets designated as at fair value through profit or loss	<b>38</b>	2	–	–
- financial liabilities classified as held for trading	<b>258</b>	(188)	–	–
Gain on disposal of:				
- property, plant and equipment	<b>(2,609)</b>	(73)	–	–
- prepaid lease payment on leasehold land	<b>(1,058)</b>	–	–	–
Loss on disposal of a subsidiary	<b>2,011</b>	–	–	–
Operating Profit/(Loss) Before Working Capital Changes	<b>517,270</b>	673,320	<b>(6,153)</b>	(5,162)
(Increase)/Decrease in:				
Inventories	<b>(29,896)</b>	19,510	–	–
Receivables	<b>47,539</b>	(79,856)	<b>(7)</b>	(147)
Amounts owing by holding and other related companies	<b>18,002</b>	(2,054)	–	–
Amounts owing by subsidiaries	–	–	<b>16,904</b>	1,710
Increase/(Decrease) in:				
Payables	<b>68,102</b>	9,584	<b>(256)</b>	(902)
Amounts owing to holding and other related companies	<b>(1,034)</b>	(15,602)	–	–
Amounts owing to subsidiaries	–	–	<b>1,642</b>	7,565

(Forward)

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash Generated From Operations		<b>619,983</b>	604,902	<b>12,130</b>	3,064
Retirement benefits paid		<b>(3,039)</b>	(1,704)	<b>(157)</b>	–
Income tax paid		<b>(156,024)</b>	(149,071)	<b>(50)</b>	(13)
<b>Net Cash From Operating Activities</b>		<b>460,920</b>	454,127	<b>11,923</b>	3,051
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		<b>(102,775)</b>	(53,650)	–	–
Proceeds from disposal of property, plant and equipment		<b>3,803</b>	3,401	–	–
Proceeds from disposal of prepaid lease payment on leasehold land		<b>1,668</b>	–	–	–
Acquisition of additional interest in a subsidiary		–	(517)	–	(517)
Subscription of new shares in subsidiary		–	–	<b>(8,000)</b>	–
Interest received		<b>9,565</b>	6,343	<b>428</b>	1,220
Dividends received		<b>2,716</b>	815	<b>367,000</b>	314,626
Net cash inflow on disposal of a subsidiary		<b>1,084</b>	–	–	–
<b>Net Cash (Used In)/From Investing Activities</b>		<b>(83,939)</b>	(43,608)	<b>359,428</b>	315,329
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>					
Repayment of borrowings		<b>(477)</b>	(1,219)	–	–
Interest paid		<b>(845)</b>	(494)	<b>(191)</b>	(191)
Dividends paid		<b>(365,370)</b>	(314,388)	<b>(365,370)</b>	(314,388)
<b>Net Cash Used In Financing Activities</b>		<b>(366,692)</b>	(316,101)	<b>(365,561)</b>	(314,579)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>					
		<b>10,289</b>	94,418	<b>5,790</b>	3,801
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>					
		<b>(270)</b>	2,430	–	–
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>					
		<b>450,850</b>	354,002	<b>4,831</b>	1,030
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>					
	35	<b>460,869</b>	450,850	<b>10,621</b>	4,831

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

## 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 principal activities of the subsidiaries are set out in Note 16.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiaries during the financial year.

The Company is a subsidiary of Associated International Cement Limited (“AIC”), a company incorporated in the United Kingdom. The Directors regard AIC and Lafarge S.A., a public-listed company incorporated in France 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 26 February 2015.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the provisions of the Companies Act, 1965 in Malaysia.

### 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 2014 as follows:

Amendments to MFRS 10, MFRS 12 and MFRS 127	Consolidated Financial Statements, Disclosure of Interest in Other Entities and Separate Financial Statements: Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets: Recoverable Amounts Disclosures for Non-Financial Assets
Amendments to MFRS 139	Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting

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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)



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

#### 2.2 Standards and Amendments in issue but not yet effective

At the date of authorisation for issue these financial statements, the new and revised Standards 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 <sup>4</sup>
MFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
Amendments to MFRS 101	Disclosure Initiative <sup>2</sup>
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to MFRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions) <sup>1</sup>
Amendments to MFRS 127	Equity Method in Separate Financial Statements <sup>2</sup>
Amendments to MFRSs	Annual Improvements to MFRSs 2010 - 2012 Cycle <sup>1</sup>
Amendments to MFRSs	Annual Improvements to MFRSs 2011 - 2013 Cycle <sup>1</sup>
Amendments to MFRSs	Annual Improvements to MFRSs 2012 - 2014 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018

The Directors anticipate that the abovementioned Standards 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 and Amendments will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

### 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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 Basis of Accounting (continued)**

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 36.12.

The principal accounting policies are set out below.

**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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2 Subsidiaries and Basis of Consolidation (continued)

##### 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****3.3 Business Combinations (continued)**

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

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

**3.4 Investment in Associate**

An associate is an entity over which the Group has significant influence and the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates 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 associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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 associate 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 an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

**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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.6 Impairment of Goodwill

At the end of each reporting period, the net book value of goodwill is tested for impairment by using a combination of a market approach (fair value less costs to sell) and an income approach (value-in-use). In the market approach, comparison is made on the carrying value of the cash-generating units with multiples of earnings before interest, tax, depreciation and amortisation (“EBITDA”). For cash-generating units presenting an impairment risk according to the market approach, value-in-use approach is then 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 fair value less costs to sell or 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 Non-Current Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

#### 3.8 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 discounts, rebates, commissions and returns. Revenue of the Company represents gross dividend and interest income received and/or receivable from subsidiaries and financial institutions.

Revenue is recognised on the following bases:

- Gross invoiced value of goods sold: upon shipment/delivery of products, net of 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.
- Interest income: on an accrual basis by reference to the principal outstanding and at the effective interest rate applicable.
- Rental income: on a straight line basis over the tenure of the rental period of properties.

#### 3.9 Leasing

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

##### 3.9.1 The Group as Lessor

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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.9 Leasing (continued)

##### 3.9.2 The Group as Lessee

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.

#### 3.10 Prepaid Lease Payments on Leasehold Land

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

The leasehold land was last revalued in 1993. Upon the adoption of FRS117, the leasehold land previously classified as property, plant and equipment was reclassified as prepaid lease payment at its revalued amount which was taken as the surrogate carrying amount of the prepaid lease payment less accumulated amortisation up to 1 January 2011, being the transition date in adopting the MFRS framework.

#### 3.11 Foreign Currencies

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

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

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 3.23 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.11 Foreign Currencies (continued)

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.

#### 3.12 Borrowing Costs

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

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

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

#### 3.13 Employee Benefits

##### 3.13.1 Short-Term Employee Benefits

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

##### 3.13.2 Post-Employment Benefits

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

##### (a) Defined Contribution Plans

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 23 January 2015.

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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.13 Employee Benefits (continued)

##### 3.13.2 Post-Employment Benefits (continued)

###### (c) Termination Benefits

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

##### 3.13.3 Share-Based Payments

###### (a) Performance Share Plan ("PSP")

The fair values of shares issued by the ultimate holding company 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 holding company, Lafarge S.A..

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

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

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

This cost is measured at the grant date.

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

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

#### 3.14 Taxation

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

##### 3.14.1 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.14 Taxation (continued)

##### 3.14.2 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 associate, 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 tax effects of unutilised reinvestment allowances are only recognised upon actual realisation.

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.

##### 3.14.3 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.15 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

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

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

The principal annual rates are:

Land improvement	Over the remaining period of leases ranging from 5 to 51 years
Buildings	2% to 9%
Office equipment, furniture and fittings and motor vehicles	10% to 20%
Plants, machinery and cement silos	2% to 6%

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.

#### 3.16 Investment Property

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

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

#### 3.17 Quarry Rights

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets excluding goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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.

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.

#### 3.19 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.

Allowance 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. Allowance is also made when inventories are generally considered in excess when the quantity on hand exceeds the normal operational needs.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****3.20 Provisions**

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

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

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

**3.21 Financial Instruments**

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.

**3.21.1 Effective Interest Method**

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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.21 Financial Instruments (continued)

##### 3.21.2 Financial Assets at FVTPL

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 36.

##### 3.21.3 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.

##### 3.21.4 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 36. 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.21 Financial Instruments (continued)

##### 3.21.4 AFS Financial Assets (continued)

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.

##### 3.21.5 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.

##### 3.21.6 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.

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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.21 Financial Instruments (continued)

##### 3.21.6 Impairment of Financial Assets (continued)

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.

##### 3.21.7 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.

#### 3.22 Financial Liabilities and Equity Instruments Issued by the Group and the Company

##### 3.22.1 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.

##### 3.22.2 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.

##### 3.22.3 Financial Liabilities

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.22 Financial Liabilities and Equity Instruments Issued by the Group and the Company (continued)

##### 3.22.4 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 36.

##### 3.22.5 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.

##### 3.22.6 Derecognition of Financial Liabilities

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)



### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.23 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 contract and commodity swap contracts. Further details of derivative financial instruments are disclosed in Note 36.

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.

##### 3.23.1 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.

##### 3.23.2 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 36 sets out details of the fair values of the derivative instruments used for hedging purposes.

##### 3.23.3 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 statements of comprehensive income relating to the hedged item.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.23 Derivative Financial Instruments (continued)

##### 3.23.3 Fair Value Hedge (continued)

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.

##### 3.23.4 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.

#### 3.24 Statements of Cash Flows

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

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

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

In the process of applying the Group's accounting policies, the Directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amount recognised in the financial statements.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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

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

##### 4.2.1 Impairment of Goodwill (continued)

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 constructions 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 rate 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 2014 was approximately RM1,203,677,000 (2013: RM1,205,504,000). Further details are disclosed in Note 15.

### 5. REVENUE AND OPERATING COSTS

#### 5.1 Revenue

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sale of clinker, cement, ready-mixed concrete, aggregates and other building materials	2,739,561	2,850,009	-	-
Freight and chartering of vessels and jetty services	2,341	1,364	-	-
Shared services	1,188	1,027	-	-
Gross dividend from unquoted investments in subsidiaries in Malaysia	-	-	367,000	314,626
Interest income:				
Loans to subsidiaries	-	-	-	908
Term deposits	-	-	381	218
Others	-	-	47	94
	<b>2,743,090</b>	2,852,400	<b>367,428</b>	315,846

#### 5.2 Operating Costs Applicable to Revenue

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Raw and packing materials and other consumables used and changes in inventories of finished goods	1,698,774	1,690,621	-	-
Depreciation and amortisation	158,172	149,137	-	-
Staff costs	183,382	170,499	1,139	357
Directors' remuneration	5,845	7,273	4,001	4,789
Others	383,827	348,911	1,224	216
	<b>2,430,000</b>	2,366,441	<b>6,364</b>	5,362

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 5. REVENUE AND OPERATING COSTS (continued)

#### 5.3 Staff Costs

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Wages, salaries and bonuses	136,930	128,196	810	211
Defined contribution retirement plans	14,312	13,611	82	15
Termination benefits	429	1,349	–	–
Defined benefit retirement plan	9,789	8,131	140	131
Other employee benefits	21,922	19,212	107	–
	<b>183,382</b>	170,499	<b>1,139</b>	357

#### 5.4 Directors' Remuneration

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Directors of the Company</b>				
Executive Directors:				
Salaries and other emoluments	2,835	3,676	2,835	3,676
Estimated money value of benefits	792	736	792	736
Defined contribution retirement plan	38	102	38	102
	<b>3,665</b>	4,514	<b>3,665</b>	4,514
Non-executive Directors:				
Fees	336	275	336	275
	<b>4,001</b>	4,789	<b>4,001</b>	4,789
<b>Directors of the Subsidiaries</b>				
Executive Directors:				
Salaries and other emoluments	1,627	2,272	–	–
Estimated money value of benefits	169	164	–	–
Defined contribution retirement plan	33	33	–	–
	<b>1,829</b>	2,469	–	–
Non-executive Directors:				
Fees	15	15	–	–
	<b>1,844</b>	2,484	–	–
<b>Total</b>	<b>5,845</b>	7,273	<b>4,001</b>	4,789

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 6. INVESTMENT AND INTEREST INCOME

	Group	
	2014 RM'000	2013 RM'000
Investment income from:		
- operating lease under Lorry-Owner-Driver scheme	6,481	6,092
- other rental income	675	680
- rental of investment property	131	99
Dividends from available-for-sale investments	133	815
	<b>7,420</b>	7,686
Interest income from:		
- Loans and receivables (including cash and bank balances)	9,565	6,343

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

	Group	
	2014 RM'000	2013 RM'000
Interest income for financial assets not designated at FVTPL:		
- Loans and receivables (including cash and bank balances)	9,565	6,343
Income earned on available-for-sale investments	133	815
Income earned on non-financial assets	7,287	6,871
Total investment and interest income	<b>16,985</b>	14,029

Revenue relating to financial assets classified at FVTPL is included in "other gains and losses" in Note 7.

### 7. OTHER GAINS AND LOSSES

	Group	
	2014 RM'000	2013 RM'000
Net loss arising on financial assets designated as at FVTPL		
- realised	(943)	(478)
- unrealised	(38)	(2)
Net (loss)/gain arising on financial liabilities classified as held for trading		
- unrealised	(258)	188
Hedge ineffectiveness on cash flow hedges		
- unrealised	(42)	(12)
Loss on disposal of a subsidiary (Note 16.1)	(2,011)	-
	<b>(3,292)</b>	(304)



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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 7. OTHER GAINS AND LOSSES (continued)

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).

In 2013, the inactive subsidiaries that were under members' voluntary liquidation, namely APMC Enterprise Sdn. Bhd., Simen Utama Sdn. Bhd. and Southern Cement Industries Sdn. Bhd. have been liquidated.

The amount owing to these subsidiaries were waived and have been accounted for as deemed dividend distribution to the Company. The cost of investment in these subsidiaries were written off as a result of the liquidation and the net gain on liquidation of subsidiaries is as follows:

	Company	
	2014 RM'000	2013 RM'000
Deemed dividend	–	191,793
Cost of investment written-off on liquidation of subsidiaries (Note 16)	–	(190,677)
	–	1,116

### 8. FINANCE COSTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Finance costs on:				
- others	845	472	191	191

### 9. INCOME TAX EXPENSE

#### 9.1 Income Tax Recognised in Profit or Loss

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Malaysia</b>				
Estimated current tax payable:				
- Current year	114,392	150,683	57	13
- (Over)/Underprovision in prior years	(853)	795	(3)	–
Deferred tax:				
- Current year	(25,336)	(23,825)	–	–
- Underprovision in prior years	165	699	–	–
	88,368	128,352	54	13

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 9. INCOME TAX EXPENSE (continued)

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Foreign</b>				
Estimated current tax payable:				
- Current year	876	930	-	-
- (Over)/Underprovision in prior years	(89)	18,784	-	-
Deferred tax:				
- Current year	21	(294)	-	-
	<b>808</b>	19,420	-	-
Total income tax expense	<b>89,176</b>	147,772	<b>54</b>	13

Malaysian income tax is calculated at the statutory tax rate of 25% (2013: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total tax expense for the year can be reconciled to the accounting profit as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit before tax	<b>345,183</b>	514,890	<b>363,504</b>	315,912
Tax expense calculated using the Malaysian statutory income tax rate of 25% (2013: 25%)	<b>86,296</b>	128,723	<b>90,876</b>	78,978
Tax effects of:				
- different tax rates of subsidiaries operating in other jurisdictions	(478)	1,534	-	-
- effect on deferred tax balances due to the change in income tax rate from 25% to 24% (effective 1 January 2016)	(145)	(5,042)	-	-
- expenses that are not deductible in determining taxable profit	6,002	1,667	931	166
- income not subject to tax	(1,036)	(505)	-	(475)
- revenue that is exempt from tax	(552)	(363)	(91,750)	(78,656)
- movement of deferred tax assets not recognised	1,133	3,344	-	-
- utilisation of deferred tax assets not previously recognised	(1,392)	(665)	-	-
- others	125	(1,199)	-	-
(Over)/Underprovision of tax payable in prior years	(942)	19,579	(3)	-
Underprovision of deferred tax in prior years	165	699	-	-
Income tax expense recognised in profit or loss	<b>89,176</b>	147,772	<b>54</b>	13

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 9. INCOME TAX EXPENSE (continued)

#### 9.2 Income Tax Recognised in Other Comprehensive Income

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Deferred tax</b>				
Arising on income and expenses recognised in other comprehensive income:				
- Defined benefits retirement plan actuarial gain/(loss)	3,751	(567)	-	-
- Revaluations of financial instruments treated as cash flow hedges	230	68	-	-
- Others	(9)	16	-	-
	<b>3,972</b>	<b>(483)</b>	<b>-</b>	<b>-</b>
Reclassification from equity to profit or loss:				
- Relating to cash flow hedges	(68)	(5)	-	-
Total income tax recognised in other comprehensive income	<b>3,904</b>	<b>(488)</b>	<b>-</b>	<b>-</b>

In 2003, LMCB Holding Pte. Ltd. ("LMCBH"), a wholly-owned subsidiary of the Company incorporated in Singapore, acquired the entire equity interests in certain other subsidiaries, also incorporated in Singapore, pursuant to an internal group reorganisation exercise. The acquisitions were financed by the issuance of long-term fixed rate notes as mentioned in Note 30. Subsequent to the said acquisitions, LMCBH received tax refunds from the Inland Revenue Authority of Singapore ("IRAS") totaling SGD9,589,816.84 (RM21,276,000) arising from dividends received from the subsidiaries acquired in respect of the financial years 2003 to 2005. LMCBH had also recognised similar tax refunds receivable from the IRAS totaling SGD7,525,000 (RM17,275,000) relating to further dividends received in respect of the financial years 2006 and 2007. Total tax refunds recognised in the financial statements of the Group for the financial years 2003 to 2007 amounted to SGD17,118,000 (RM38,551,000).

On 28 August 2008, the IRAS issued Notices of Assessment to disregard the effect of the whole arrangement under Section 33 of the Singapore Income Tax Act ("ITA") which were objected by LMCBH. Subsequently on 29 September 2008, the IRAS issued the Notice of Refusal to Amend the assessments under Section 76 of the ITA.

LMCBH filed the Notices of Appeal on 2 October 2008 and the Petition of Appeal on 31 October 2008 with the Income Tax Board of Review of Singapore ("ITBRS"). The ITBRS had on 18 April 2011 dismissed LMCBH's appeal. LMCBH had filed an appeal to the High Court against ITBRS' decision. The appeal was heard on 26 and 27 March 2012. On 18 December 2012, the Company had received the written Judgment of the High Court of Singapore ("Judgement") allowing the appeal of LMCBH against the Notices of Additional Assessments from the IRAS in connection with the tax refunds received by LMCBH for Years of Assessment 2004 to 2006 and the Notice of Assessment for the Year of Assessment 2007. The Notices of Additional Assessments for the Years of Assessment 2004 to 2006 and Notice of Assessment for the Year of Assessment 2007 were discharged.

IRAS filed an appeal to the Court of Appeal on 18 January 2013 against the parts of the Judgement which held that (i) the Notices of Assessment for Years of Assessment 2004 - 2007 ought to be discharged for the reason that the Comptroller did not exercise his powers under the general anti-avoidance provision fairly and reasonably; and (ii) the Notices of Assessment for Years of Assessment 2004 - 2006 were ultra vires and void.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 9. INCOME TAX EXPENSE (continued)

#### 9.2 Income Tax Recognised in Other Comprehensive Income (continued)

To preserve its rights, LMCBH had on the same date filed a notice of appeal to the Court of Appeal against those parts of the Judgement which dismissed and/or did not accept LMCBH's arguments which were advanced in the High Court of Singapore. LMCBH received on 22 January 2013 notice from the Supreme Court of Singapore that both appeals were fixed for hearing before the Court of Appeal for the week commencing 1 July 2013. In the meantime, both IRAS and LMCBH filed their respective appellant's case and respondent's case for both appeals. By way of a further update, the appeal was heard on 13 August 2013 and the judgment of the Court of Appeal was received on 26 February 2014.

It was decided that the appeal of IRAS was disallowed in respect of the Years of Assessment 2004 to 2006 and allowed in respect of Year of Assessment 2007. It was also decided that the appeal of LMCBH against certain aspects of the decision of the High Court which were unfavourable to LMCBH was disallowed.

In view of the decision made by the Court of Appeal, the total tax refunds receivable of SGD7,573,000 (RM19,074,000) for Years of Assessment 2007 and 2008 will not be refundable. The Group reversed out these tax refunds receivable to profit or loss in 2013 as underprovision of prior years' income tax expenses as disclosed in Note 9.1.

As at 31 December 2014, the Company has a total tax exempt income amounting to approximately RM293,165,000 (2013: 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.

As at 31 December 2014, certain subsidiaries have the following tax exempt income arising from various sources:

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Reinvestment allowances claimed and utilised under Schedule 7A of the Malaysia Income Tax Act, 1967	<b>922,937</b>	922,379
Tax exempt income claimed under Section 54A of the Malaysia Income Tax Act, 1967	<b>54,872</b>	54,872
Chargeable income on which income tax has been waived in 1999 in accordance with the Malaysia Income Tax (Amendment) Act, 1999	<b>12,815</b>	12,815
	<b>990,624</b>	990,066

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

As at 31 December 2014, certain subsidiaries have unutilised reinvestment allowances claimed of approximately RM5,267,000 (2013: RM5,825,000) the deferred tax effects of which were not recognised in the financial statements of the Group. The reinvestment allowances, subject to agreement by the tax authorities, are available for offset against future chargeable income of these subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 10. PROFIT FOR THE YEAR

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>10.1 Impairment Losses on Financial Assets</b>				
Impairment loss recognised on trade receivables (Note 22)	<b>3,050</b>	2,783	–	–
Reversal of impairment loss recognised on trade receivables (Note 22)	<b>(1,982)</b>	(1,129)	–	–
<b>10.2 Depreciation and Amortisation Expense</b>				
Depreciation of property, plant and equipment	<b>150,748</b>	141,665	–	–
Depreciation of investment property	<b>25</b>	31	–	–
Amortisation of prepaid lease payments on leasehold land	<b>7,663</b>	6,962	–	–
Amortisation of intangible assets	<b>276</b>	479	–	–
Total depreciation and amortisation expense	<b>158,712</b>	149,137	–	–
<b>10.3 Inventories</b>				
Allowance for slow moving inventory	<b>9,985</b>	7,521	–	–
<b>10.4 Other Charges/(Credit)</b>				
Rental of premises and equipment	<b>33,884</b>	30,001	–	–
Provision for retirement benefits	<b>9,789</b>	8,131	<b>140</b>	131
(Gain)/Loss on foreign exchange:				
- realised	<b>(1,049)</b>	765	<b>(70)</b>	16
- unrealised	<b>(2,051)</b>	(4,484)	<b>(2,560)</b>	(4,434)
Property, plant and equipment written off	<b>5,936</b>	5,860	–	–
Fees paid/payable to external auditors:				
Statutory audit:				
- auditors of the Company	<b>565</b>	551	<b>67</b>	53
- other member firm of the auditors of the Company	<b>193</b>	183	–	–
Non-audit services:				
- auditors of the Company	<b>4</b>	34	–	–
- other member firm of the auditors of the Company	<b>84</b>	79	–	–
Gain on disposal of:				
- property, plant and equipment	<b>(2,609)</b>	(73)	–	–
- prepaid land lease payment	<b>(1,058)</b>	–	–	–
Loss on disposal of a subsidiary	<b>2,011</b>	–	–	–
Impairment loss recognised on:				
- investment property	–	187	–	–
- goodwill	–	385	–	–

  
**NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)  
**11. EARNINGS PER ORDINARY SHARE**

The calculation of basic 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 earnings per share**

	Group	
	2014 RM'000	2013 RM'000
Profit attributable to owners of the Company	<b>255,996</b>	366,630

	Group	
	2014 Units'000	2013 Units'000
Number of ordinary shares in issue	<b>849,695</b>	849,695

	Group	
	2014	2013
Basic earnings per ordinary share (sen)	<b>30.13</b>	43.15

**Diluted earnings per share**

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 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
<b>Cost/Valuation</b>							
As at 1 January 2013	37,480	48,779	210,131	90,450	3,176,019	36,295	3,599,154
Additions	320	–	57	270	15,848	53,252	69,747
Reclassifications	–	18,794	2,469	868	42,066	(64,197)	–
Disposals	–	–	–	(4,850)	(6,439)	–	(11,289)
Write-offs	–	–	(87)	(5,391)	(19,392)	(2,079)	(26,949)
Effect of foreign currency exchange differences and other adjustments	–	–	350	194	2,946	–	3,490
As at 31 December 2013	37,800	67,573	212,920	81,541	3,211,048	23,271	3,634,153
<b>Accumulated Depreciation</b>							
As at 1 January 2013	–	16,973	155,816	82,027	1,754,893	–	2,009,709
Charge for the year	–	3,611	3,405	3,760	130,889	–	141,665
Disposals	–	–	–	(3,709)	(4,252)	–	(7,961)
Write-offs	–	–	(73)	(5,379)	(15,637)	–	(21,089)
Effect of foreign currency exchange differences and other adjustments	–	–	342	201	2,854	–	3,397
As at 31 December 2013	–	20,584	159,490	76,900	1,868,747	–	2,125,721

(Forward)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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

Group	Freehold Land RM'000	Land Improvement RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plant, Machinery and Cement Silos RM'000	Capital Work-in- Progress RM'000	Total RM'000
<b>Cost/Valuation</b>							
As at 1 January 2014	37,800	67,573	212,920	81,541	3,211,048	23,271	3,634,153
Additions	-	-	-	79	9,168	107,174	116,421
Reclassifications	-	1,641	1,325	1,946	28,652	(33,615)	(51)
Disposals	-	-	(241)	(3,515)	(5,837)	-	(9,593)
Write-offs	-	-	-	(108)	(11,253)	-	(11,361)
Disposal of subsidiary	-	-	(619)	(65)	(1,025)	-	(1,709)
Effect of foreign currency exchange differences and other adjustments	-	-	181	98	1,479	-	1,758
As at 31 December 2014	37,800	69,214	213,566	79,976	3,232,232	96,830	3,729,618
<b>Accumulated Depreciation</b>							
As at 1 January 2014	-	20,584	159,490	76,900	1,868,747	-	2,125,721
Charge for the year	-	5,276	2,842	2,326	140,304	-	150,748
Disposals	-	-	(94)	(3,711)	(4,594)	-	(8,399)
Write-offs	-	-	-	(108)	(5,317)	-	(5,425)
Disposal of subsidiary	-	-	(611)	(66)	(1,000)	-	(1,677)
Effect of foreign currency exchange differences and other adjustments	-	-	181	100	1,469	-	1,750
As at 31 December 2014	-	25,860	161,808	75,441	1,999,609	-	2,262,718

(Forward)



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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

Group	Freehold Land RM'000	Land Improvement RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plant, Machinery and Cement Silos RM'000	Capital Work-in- Progress RM'000	Total RM'000
<b>Provision for Impairment Loss</b>							
As at 1 January 2013 and 31 December 2013	40	–	–	–	–	–	40
As at 1 January 2014 and 31 December 2014	<b>40</b>	–	–	–	–	–	<b>40</b>
<b>Net Book Value</b>							
As at 31 December 2014	<b>37,760</b>	<b>43,354</b>	<b>51,758</b>	<b>4,535</b>	<b>1,232,623</b>	<b>96,830</b>	<b>1,466,860</b>
As at 31 December 2013	37,760	46,989	53,430	4,641	1,342,301	23,271	1,508,392

#### Note

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM116,421,000 (2013: RM69,747,000) of which RM13,646,000 (2013: RM16,097,000) remains unpaid and included in other payables. Cash payments of RM102,775,000 (2013: RM53,650,000) were made to purchase property, plant and equipment.

As at 31 December 2014, included in property, plant and equipment of the Group are fully depreciated property, plant and equipment at an aggregate cost of approximately RM750,461,000 (2013: RM673,254,000) which are still in use.

The carrying amount of property, plant and equipment under finance lease arrangement of the Group as at 31 December 2014 is RMNil (2013: RM522,500).

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 13. INVESTMENT PROPERTY

	Group	
	2014 RM'000	2013 RM'000
<b>At Cost</b>		
At beginning and end of year	4,550	4,550
<b>Accumulated Depreciation</b>		
At beginning of year	465	434
Charge for the year	25	31
At end of year	490	465
<b>Provision for Impairment Loss</b>		
At beginning of year	771	584
Additional impairment during the year	-	187
At end of year	771	771
<b>Net Book Value</b>	<b>3,289</b>	3,314
Included in the above are:		
Freehold land	3,100	3,100
Buildings	189	214
	<b>3,289</b>	3,314

The property rental income earned by the Group from its investment property, all of which are leased out under operating leases, amounted to RM131,000 (2013: RM99,000). Direct operating expenses arising on the investment property amounted to RM2,000 (2013: RM1,000).

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

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2014 are as follows:

2014	Group			Fair value as at 31.12.2014 RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
- Freehold land	-	-	5,300	5,300
- Buildings	-	-	459	459
	-	-	5,759	5,759

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 13. INVESTMENT PROPERTY (continued)

2013	Group			Fair value as at 31.12.2013 RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
- Freehold land	–	–	5,300	5,300
- Buildings	–	–	362	362
	–	–	5,662	5,662

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

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

	2014 RM'000	2013 RM'000
At beginning of year	5,662	5,469
Additions	97	193
At end of year	5,759	5,662

### 14. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

	Unexpired period less than 50 years RM'000	Group Leasehold Land Unexpired period more than 50 years RM'000	Total RM'000
<b>Cost</b>			
As at 1 January 2013/31 December 2013	143,664	51,772	195,436
Reclassification	51	–	51
Disposals	(922)	–	(922)
As at 31 December 2014	<b>142,793</b>	<b>51,772</b>	<b>194,565</b>
<b>Accumulated Amortisation</b>			
As at 1 January 2013	70,759	11,956	82,715
Charge for the year	6,314	648	6,962
As at 31 December 2013	77,073	12,604	89,677
Charge for the year	7,017	646	7,663
Disposals	(312)	–	(312)
As at 31 December 2014	<b>83,778</b>	<b>13,250</b>	<b>97,028</b>
<b>Net Book Value</b>			
As at 31 December 2014	<b>59,015</b>	<b>38,522</b>	<b>97,537</b>
As at 31 December 2013	66,591	39,168	105,759

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 15. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Group	
	2014 RM'000	2013 RM'000
Goodwill on consolidation	1,203,677	1,205,504
Quarry rights	2,678	2,954
	1,206,355	1,208,458

#### 15.1 Goodwill on Consolidation

	Group	
	2014 RM'000	2013 RM'000
At beginning of year	1,205,504	1,205,889
Derecognised on liquidation of a subsidiary	–	(385)
Derecognised on disposal of a subsidiary	(1,827)	–
	1,203,677	1,205,504

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	
	2014 RM'000	2013 RM'000
Cement	1,149,458	1,151,285
Aggregates and concrete	54,219	54,219
	1,203,677	1,205,504

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

##### 15.1.1 Key assumptions used

For market approach, the Group compares the carrying value of the CGUs with multiples of EBITDA. For CGUs presenting an impairment risk according to the market approach, the value-in-use approach will be carried out. As at 31 December 2014, no impairment risk has been identified for all CGUs according to the market approach.

##### 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

**15. INTANGIBLE ASSETS (continued)**

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

	Group	
	2014 RM'000	2013 RM'000
<b>Cost</b>		
At beginning and end of year	5,500	5,500
<b>Accumulated Amortisation</b>		
At beginning of year	2,546	2,067
Charge for the year	276	479
At end of year	2,822	2,546
Net	2,678	2,954

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	
	2014 RM'000	2013 RM'000
Unquoted shares:		
In Malaysia	2,092,505	2,084,505
Outside Malaysia	—*	—*
	2,092,505	2,084,505

\* comprising cost of investment amounting to SGD2.00.

Movement in the cost of investment:

	Company	
	2014 RM'000	2013 RM'000
At beginning of year	2,084,505	2,274,665
Cost of investment written off on liquidation of subsidiaries (Note 7)	—	(190,677)
Additional investment in :		
- Lafarge Concrete (Malaysia) Sdn. Bhd.	—	517
- Lafarge Shared Services Sdn. Bhd.	8,000	—
At end of year	2,092,505	2,084,505

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 16. INVESTMENT IN SUBSIDIARIES (continued)

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	
		2014 %	2013 %
<b>Incorporated in Malaysia</b>			
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 Aggregates (Ipoh) Sdn. Bhd.	Producer and supplier of aggregates, premix 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
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

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**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)  
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**16. INVESTMENT IN SUBSIDIARIES (continued)**

Name of Subsidiary	Principal Activities	Proportion of ownership interest and voting power held by the Group	
		2014 %	2013 %
<b>Incorporated in Singapore</b>			
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
Morelastic Green Resources Pte. Ltd. * #	Recycling of non-metal waste	–	81.19

\* The financial statements of these subsidiaries were audited by a member firm of Deloitte Touche Tohmatsu Limited.

# During the current financial year, the Group disposed of its 81.19% interest in Morelastic Green Resources Pte. Ltd. (“MGR”), representing its entire shareholding interest in the capital of MGR. (Note 16.1).

^ During the previous financial year, the Group acquired an additional 1.52% interest in Lafarge Concrete (Malaysia) Sdn. Bhd. (“LCM”) thus increasing its continuing interest in LCM to 93.26% by way of acquisition of 106,000 ordinary shares of RM1.00 each for a cash consideration of RM517,000.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 16. INVESTMENT IN SUBSIDIARIES (continued)

#### 16.1 Disposal of subsidiary

On 10 December 2014, LMCB Holding Pte. Ltd., a wholly owned subsidiary of the Company, disposed 81.19% of its interest in Morelastic Green Resources Pte. Ltd. for a sale consideration of RM2,179,000.

Analysis of assets and liabilities over which control was lost:

	<b>2014 RM'000</b>
<u>Non-current assets</u>	
Property, plant and equipment	32
Goodwill	1,827
Deferred tax assets	25
 <u>Current assets</u>	
Inventories	521
Trade receivables	1,089
Other receivables	193
Cash and cash equivalents	1,095
 <u>Current liabilities</u>	
Trade and other payables	(275)
 <u>Net assets disposed of</u>	<b>4,507</b>
 <u>Loss on disposal of a subsidiary</u>	
Consideration received	2,179
Net assets disposed of	(4,507)
Non-controlling interests	505
Cumulative exchange loss reclassified from equity as disposal of subsidiary	(188)
 <u>Loss on disposal</u>	<b>(2,011)</b>
 <u>Net cash inflow on disposal of a subsidiary</u>	
Consideration received in cash	2,179
Less: cash and cash equivalent balances disposed	(1,095)
	<b>1,084</b>



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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 17. INVESTMENT IN ASSOCIATE

	Group	
	2014 RM'000	2013 RM'000
Unquoted shares at cost, representing share of net assets acquired	4,603	4,603
Group's share of post acquisition results	31,247	30,066
Exchange differences	2,771	119
	<b>38,621</b>	34,788
Less: Dividends received	<b>(15,908)</b>	(13,325)
	<b>22,713</b>	21,463

At Group level, the carrying value of associate represents its share of net assets in the associate at end of the reporting period. Summarised financial information in respect of the Group's associate is as follows:

	Group	
	2014 RM'000	2013 RM'000
Total assets	147,590	160,006
Total liabilities	<b>(79,452)</b>	(95,617)
Net assets	<b>68,138</b>	64,389
Group's share of associate's net assets	<b>22,713</b>	21,463
Total revenue	<b>397,026</b>	433,114
Total profit for the year	<b>3,543</b>	9,084
Share in results of associate	<b>1,181</b>	3,028

Particulars of the associate are as follows:

Name of Associate	Principal Activities	Proportion of ownership interest and voting power held by the Group	
		2014 %	2013 %
<b>Incorporated in Singapore</b>			
Alliance Concrete Singapore Pte. Ltd. *	Production and sale of ready-mixed concrete	<b>33.33</b>	33.33

\* The financial statements of the associate were audited by another firm other than Deloitte & Touche.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 18. DEFERRED TAX ASSETS/(LIABILITIES)

#### Deferred Tax Assets

	Group	
	2014 RM'000	2013 RM'000
At beginning of year	2,963	2,050
Recognised in profit or loss	666	714
Recognised in other comprehensive income	(847)	197
Exchange difference on foreign operations	(24)	2
At end of year	<b>2,758</b>	2,963

#### Deferred Tax Liabilities

	Group	
	2014 RM'000	2013 RM'000
At beginning of year	(214,659)	(237,637)
Recognised in profit or loss	24,484	22,706
Recognised in other comprehensive income	(3,125)	286
Reclassified from equity to profit or loss	68	5
Exchange difference on foreign operations	(133)	(19)
At end of year	<b>(193,365)</b>	(214,659)

As mentioned in Note 3.14, the tax effects of unused tax losses, unused capital allowances and deductible temporary differences which would give rise to deferred tax assets are generally recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses, unused capital allowances and deductible temporary differences can be utilised. As at 31 December 2014, 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	
	2014 RM'000	2013 RM'000
Unused tax losses	64,578	62,192
Unused capital allowances	17,291	16,540
Deductible temporary differences	767	4,940
	<b>82,636</b>	83,672

The unused tax losses and unused capital allowances, which are subject to the agreement by the tax authorities, are available for offset against future chargeable income of the respective subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 18. DEFERRED TAX ASSETS/(LIABILITIES) (continued)

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

Group	Property, plant and equipment RM'000	Receivables RM'000	Payables and reserves RM'000	Unused tax losses RM'000	Unused capital allowances RM'000	Total RM'000	
<b>Deferred Tax Assets</b>							
As at 1 January 2013	215	–	1,835	–	–	2,050	
Recognised in profit or loss	49	–	640	–	25	714	
Recognised in other comprehensive income	–	–	197	–	–	197	
Exchange difference on foreign operations	–	–	–	–	2	2	
As at 31 December 2013	<b>264</b>	–	<b>2,672</b>	–	<b>27</b>	<b>2,963</b>	
Recognised in profit or loss	<b>(69)</b>	–	<b>275</b>	<b>438</b>	<b>22</b>	<b>666</b>	
Recognised in other comprehensive income	–	–	<b>(847)</b>	–	–	<b>(847)</b>	
Exchange difference on foreign operations	–	–	–	<b>(24)</b>	–	<b>(24)</b>	
As at 31 December 2014	<b>195</b>	–	<b>2,100</b>	<b>414</b>	<b>49</b>	<b>2,758</b>	
<b>Deferred Tax Liabilities</b>							
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
As at 1 January 2013	(262,362)	50	6,779	17,706	190	–	(237,637)
Recognised in profit or loss	25,244	(28)	(2,395)	11	(126)	–	22,706
Recognised in other comprehensive income	–	–	–	286	–	–	286
Reclassified from equity to profit or loss	–	–	–	5	–	–	5
Exchange difference on foreign operations	(19)	–	–	–	–	–	(19)
As at 31 December 2013	<b>(237,137)</b>	<b>22</b>	<b>4,384</b>	<b>18,008</b>	<b>64</b>	–	<b>(214,659)</b>
Recognised in profit or loss	<b>20,286</b>	<b>108</b>	<b>1,432</b>	<b>2,313</b>	<b>224</b>	<b>121</b>	<b>24,484</b>
Recognised in other comprehensive income	–	–	–	<b>(3,125)</b>	–	–	<b>(3,125)</b>
Reclassified from equity to profit or loss	–	–	–	<b>68</b>	–	–	<b>68</b>
Exchange difference on foreign operations	<b>(133)</b>	–	–	–	–	–	<b>(133)</b>
As at 31 December 2014	<b>(216,984)</b>	<b>130</b>	<b>5,816</b>	<b>17,264</b>	<b>288</b>	<b>121</b>	<b>(193,365)</b>

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 19. OTHER FINANCIAL ASSETS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Available-for-sale investments carried at fair value:</b>				
<u>Non-current:</u>				
In Malaysia:				
Quoted investments	392	18	-	-
Unquoted investments	168	168	-	-
Others	374	374	-	-
	<b>934</b>	560	-	-
<b>Held-to-maturity investment carried at amortised cost</b>				
<u>Non-current:</u>				
Debenture, unquoted in Malaysia	1,255	1,255	1,255	1,255
<b>Derivatives that are designated and effective as hedging instruments carried at fair value:</b>				
<u>Current:</u>				
Foreign currency forward contracts	2,229	434	-	-
<b>Financial assets carried at fair value through profit or loss:</b>				
<u>Current:</u>				
Derivatives that are not designated in hedge accounting relationship	59	283	-	-
	<b>4,477</b>	2,532	1,255	1,255
Current	2,288	717	-	-
Non-current	2,189	1,815	1,255	1,255
	<b>4,477</b>	2,532	1,255	1,255

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 20. AMOUNTS OWING BY/(TO) SUBSIDIARIES

#### 20.1 Amounts Owing by Subsidiaries

	Company	
	2014 RM'000	2013 RM'000
<b>Loans carried at amortised cost:</b>		
<u>Current:</u>		
Short-term loans to subsidiaries (a)	84,455	47,455
Outstanding balances receivable for other operating transactions (b)	218,157	272,061
	302,612	319,516

(a) The short-term loans to subsidiaries are unsecured interest-free loans which are repayable on demand.

(b) Outstanding balances receivable for other operating transactions which arose mainly from unsecured advances, are interest-free and repayable on demand.

#### 20.2 Amounts Owing to Subsidiaries

	Company	
	2014 RM'000	2013 RM'000
<b>Other financial liabilities:</b>		
<u>Current:</u>		
Amounts owing to subsidiaries		
Loans from subsidiaries (c)	(80,477)	(81,395)

(c) The short-term loans from subsidiaries are unsecured, interest-free and repayable on demand.

### 21. INVENTORIES

	Group	
	2014 RM'000	2013 RM'000
At cost:		
Fuels, raw and packing materials	92,688	65,456
Finished and semi-finished goods	83,973	78,346
Engineering spares and consumables	123,473	130,650
	300,134	274,452
Allowance for inventory obsolescence	(24,775)	(19,115)
	275,359	255,337

The cost of inventories recognised as an expense of the Group includes RM9,985,000 (2013: RM7,521,000) in respect of the allowance for slow moving inventories.

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.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 22. TRADE RECEIVABLES

	Group	
	2014 RM'000	2013 RM'000
Trade receivables	378,107	425,244
Allowance for doubtful debts	(6,094)	(5,940)
	372,013	419,304

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 (2013: 30 to 60 days).

Included in trade receivables is amount totaling RM8,685,000 (2013: RM12,362,000) owing by an associate.

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.

Ageing of trade receivables not impaired:

	Group	
	2014 RM'000	2013 RM'000
Not past due	215,163	253,826
Past due 0 - 30 days	86,591	92,972
Past due 31 - 60 days	44,077	43,694
Past due 61 - 90 days	16,046	12,790
Past due more than 90 days	10,136	16,022
	372,013	419,304

Ageing of impaired trade receivables:

	Group	
	2014 RM'000	2013 RM'000
Past due more than 90 days	6,094	5,940
	6,094	5,940

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 22. TRADE RECEIVABLES (continued)

Movement in the allowance for doubtful debts:

	Group	
	2014 RM'000	2013 RM'000
At beginning of year	5,940	5,429
Impairment losses recognised on receivables	3,050	2,783
Amounts written off during the year as uncollectible	(914)	(1,143)
Impairment losses reversed	(1,982)	(1,129)
At end of year	<b>6,094</b>	5,940

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.

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

	Group	
	2014 RM'000	2013 RM'000
Ringgit Malaysia	343,444	366,617
Singapore Dollar	21,951	26,506
United States Dollar	6,618	26,181
	<b>372,013</b>	419,304

### 23. OTHER RECEIVABLES AND PREPAID EXPENSES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other receivables	12,613	11,695	33	75
Prepaid expenses	16,840	20,039	1	3
Refundable deposits	7,834	6,749	466	415
	<b>37,287</b>	38,483	500	493

Other receivables of the Group includes amount due from associate of RM691,000 (2013: RM630,000) and loans and advances given to the staff which are interest free and repayable on demand.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)



### 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 S.A., a public-listed company incorporated in France as the immediate holding company and ultimate holding company respectively.

In addition to the related party information disclosed elsewhere in the financial statements, the details of related parties and their relationship with the Company and its subsidiaries are as follows:

<b>Name of related parties</b>	<b>Relationship</b>
Lafarge S.A.	Ultimate holding company of the Company
Associated International Cement Limited	Immediate holding company of the Company
Alliance Concrete Singapore Pte. Ltd.	Associate of the Company
Cementia Trading AG	Subsidiary of Lafarge S.A.
Cement Shipping Company Ltd.	Subsidiary of Lafarge S.A.
Cementia Asia Sdn. Bhd.	Subsidiary of Lafarge S.A.
Coprocem Services Malaysia Sdn. Bhd.	Subsidiary of Lafarge S.A.
Lafarge Asia Sdn. Bhd.	Subsidiary of Lafarge S.A.
Lafarge Energy Solutions SAS	Subsidiary of Lafarge S.A.
Marine Cement Ltd.	Subsidiary of Lafarge S.A.
PT Lafarge Cement Indonesia	Subsidiary of Lafarge S.A.

The amounts owing by/(to) holding and other related companies represent mainly trade transactions, provision of trademark license and general assistance and payments on behalf. The amounts outstanding arising from expenses paid on behalf by the 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 normal terms and conditions similar to those normally granted to independent parties.



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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 24. RELATED PARTY DISCLOSURES (continued)

#### 24.1 Related Party Transactions

	Group			
	2014	2013	2014	2013
	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
<b>Ultimate holding company of the Company:</b>				
Provision of trademark license and general assistance fee	34,532	(8,606)	35,152	(9,649)
Specific technical assistance	1,869	–	920	(920)
<b>Associate of the Group:</b>				
Sales of cement and ready-mixed concrete	48,165	8,325	59,196	12,023
Batching income	1,531	300	1,501	280
Management service fee	232	60	227	58
<b>Subsidiaries of ultimate holding company of the Company:</b>				
Sales of cement and clinker	157,464	10,196	236,156	23,541
Purchase of cement and clinker	40,996	(12,663)	80,194	(5,290)
Time charter hire/Sub-charter of vessels	2,394	1,190	13,969	3
Maintenance of hardware and software	7,627	(220)	4,435	(271)
Rental of office premises	676	676	680	680
Service fees for sourcing alternative fuel/alternative raw materials	1,837	(67)	1,691	(41)
Service fees for sourcing supply of solid fuels	1,936	(1,936)	–	–
Administrative and supporting service fee	1,714	719	1,648	1,207

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 terms that are no less favourable than those that could be arranged with independent parties where comparable services or purchases are obtainable from unrelated parties. 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.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 24. RELATED PARTY DISCLOSURES (continued)

#### 24.2 Amounts Owing by Holding and Other Related Companies

	Group	
	2014	2013
	RM'000	RM'000
<i>Current:</i>		
Trade amount owing by holding and other related companies	11,530	23,642
Outstanding balances receivable for other operating transactions	2,403	4,880
	13,933	28,522

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

	Group	
	2014	2013
	RM'000	RM'000
Not past due	11,392	21,350
Past due 0 - 30 days	18	2,272
Past due 31 - 60 days	35	14
Past due 61 - 90 days	6	-
Past due more than 90 days	79	6
	11,530	23,642

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 (2013: 30 to 60 days).

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

	Group	
	2014	2013
	RM'000	RM'000
United States Dollar	12,478	26,290
Ringgit Malaysia	1,455	2,232
	13,933	28,522

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 24. RELATED PARTY DISCLOSURES (continued)

#### 24.3 Amounts Owing to Holding and Other Related Companies

	Group	
	2014 RM'000	2013 RM'000
<u>Current:</u>		
Trade amount owing to holding and other related companies	21,494	10,929
Outstanding balances payable for other operating transactions	431	6,349
	<b>21,925</b>	<b>17,278</b>

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

	Group	
	2014 RM'000	2013 RM'000
United States Dollar	12,947	343
Euro	8,545	11,081
Ringgit Malaysia	421	5,852
Singapore Dollar	12	2
	<b>21,925</b>	<b>17,278</b>

#### 24.4 Compensation of Key Management Personnel

The members of key management personnel of the Group and of the Company comprise Directors of the Group and of the Company. Details on the compensation for these key management personnel are disclosed in Note 5.4.

### 25. TERM DEPOSITS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Term deposits placed with licensed banks	191,092	262,826	8,668	3

The term deposits of the Group and of the Company earn effective interest rate ranging from 1.4% to 3.3% and 3.1% (2013: 2.9% to 3.2% and 2.9%) respectively per annum and have maturity ranging from 2 to 33 days and 30 days (2013: 10 to 31 days and 15 days) respectively.

### 26. SHARE CAPITAL

	Group and Company	
	2014 RM'000	2013 RM'000
<b>Authorised:</b>		
3,000,000,000 ordinary shares of RM1.00 each	3,000,000	3,000,000
<b>Issued and fully paid:</b>		
849,695,476 ordinary shares of RM1.00 each	849,695	849,695

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 27. RESERVES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Non-distributable:</b>				
Share premium reserve	1,067,199	1,067,199	1,067,191	1,067,191
Capital redemption reserve	33,798	33,798	33,639	33,639
Exchange equalisation reserve	37,127	35,609	–	–
Investments revaluation reserve	36	36	–	–
Hedging reserve	1,419	275	–	–
	<b>1,139,579</b>	1,136,917	<b>1,100,830</b>	1,100,830

#### 27.1 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.

#### 27.2 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.

#### 27.3 Exchange Equalisation Reserve

	Group	
	2014 RM'000	2013 RM'000
At beginning of year	35,609	39,090
Exchange differences arising on translating the net assets of foreign operations	1,518	(3,481)
At end of year	<b>37,127</b>	35,609

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.

#### 27.4 Investments Revaluation Reserve

	Group	
	2014 RM'000	2013 RM'000
At beginning and end of year	<b>36</b>	36

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.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 27. RESERVES (continued)

#### 27.5 Hedging Reserve

	Group	
	2014 RM'000	2013 RM'000
At beginning of year	275	14
Gain recognised on cash flow hedges:		
- Foreign currency forward contracts	1,576	342
Deferred tax related to gains/losses recognised in other comprehensive income	(230)	(68)
Reclassified to profit or loss:		
- Foreign currency forward contracts	(270)	(18)
Deferred tax related to amounts transferred to profit or loss	68	5
	<b>1,419</b>	<b>275</b>

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	
	2014 RM'000	2013 RM'000
Other expenses	(270)	(18)
Income tax expense	68	5
	<b>(202)</b>	<b>(13)</b>

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 28. RETAINED EARNINGS AND DIVIDENDS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Distributable reserve:</b>				
Retained earnings	<b>1,131,447</b>	1,228,818	<b>374,473</b>	376,296
At beginning of year	<b>1,228,818</b>	1,178,321	<b>376,296</b>	374,918
Profit attributable to owners of the Company	<b>255,996</b>	366,630	<b>363,450</b>	315,899
Dividends	<b>(365,370)</b>	(314,388)	<b>(365,370)</b>	(314,388)
Actuarial gain/(loss) on defined benefit retirement plan recognised directly in retained earnings	<b>15,754</b>	(2,568)	<b>97</b>	(133)
Income tax on income and expenses taken directly to retained earnings	<b>(3,751)</b>	567	–	–
Changes in ownership with no loss of control	–	256	–	–
At end of year	<b>1,131,447</b>	1,228,818	<b>374,473</b>	376,296

#### 28.1 Retained Earnings

The Company is currently under the single tier income tax system in accordance with the Finance Act 2007. Under this system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders.

#### 28.2 Dividends

	Group and Company	
	2014 RM'000	2013 RM'000
Fourth interim single tier dividend of 17.0 sen per share (2013: Fourth interim single tier dividend of 13.0 sen per share)	<b>144,448</b>	110,460
First interim single tier dividend of 9.0 sen per share (2013: First interim single tier dividend of 8.0 sen per share)	<b>76,473</b>	67,976
Second interim single tier dividend of 9.0 sen per share (2013: Second interim single tier dividend of 8.0 sen per share)	<b>76,473</b>	67,976
Third interim single tier dividend of 8.0 sen per share (2013: Third interim single tier dividend of 8.0 sen per share)	<b>67,976</b>	67,976
	<b>365,370</b>	314,388

A third interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM67.976 million was declared on 19 November 2013 in respect of the financial year ended 31 December 2013 and dealt with in the previous Directors' Report was paid on 22 January 2014;

A fourth interim dividend of 17.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM144.448 million declared on 25 February 2014 in respect of the financial year ended 31 December 2013 and dealt with in the previous Directors' Report was paid on 16 April 2014;

A first interim dividend of 9.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2014 amounting to RM76.473 million was declared on 22 May 2014 and paid on 16 July 2014;

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 28. RETAINED EARNINGS AND DIVIDENDS (continued)

#### 28.2 Dividends (continued)

A second interim dividend of 9.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2014 amounting to RM76.473 million was declared on 29 August 2014 and paid on 15 October 2014; and

A third interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2014 amounting to RM67.976 million was declared on 18 November 2014 and paid on 14 January 2015.

The Directors on 26 February 2015 declared a fourth interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2014 amounting to RM67.976 million, payable on 15 April 2015.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2014.

### 29. NON-CONTROLLING INTERESTS

	Group	
	2014 RM'000	2013 RM'000
At beginning of year	4,199	4,467
Share of profit for the year	529	505
Changes in ownership with no loss of control	–	(773)#
Disposal of a subsidiary (Note 16.1)	(505)	–
At end of year	4,223	4,199

# The amount arose from additional interest acquired by the Group in LCM as mentioned in Note 16.

### 30. BORROWINGS

	Group	
	2014 RM'000	2013 RM'000
<b>Current - at amortised cost</b>		
<u>Secured:</u>		
Finance lease liabilities (a)	11	477
<b>Non-current - at amortised cost</b>		
<u>Secured:</u>		
Finance lease liabilities (a)	–	11
Total borrowings	11	488
Current	11	477
Non-current:		
1 - 2 years	–	11
	11	488

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 30. BORROWINGS (continued)

All borrowings are denominated in Ringgit Malaysia.

Finance lease liabilities are payable as follows:

	Group			
	2014	2013	2014	2013
	Minimum lease payments RM'000	Present value of minimum lease payments RM'000	Minimum lease payments RM'000	Present value of minimum lease payments RM'000
Not later than one year	11	11	485	477
Later than one year and not later than five years	–	–	11	11
	<b>11</b>	<b>11</b>	496	488
Less: Future finance charges	–	–	(8)	–
	<b>11</b>	<b>11</b>	488	488

(a) A subsidiary leases mixer trucks under finance leases expiring from three to five years. At the end of the lease term, the subsidiary has the option to purchase the mixer trucks at 8% of the purchase price.

In 2003, a wholly-owned subsidiary in Singapore, LMCB Holding Pte. Ltd. (“LMCBH”) issued SGD225 million of fixed rate notes (“the Notes”) due in 2013 or earlier and entered into a fiscal agency agreement and a subscription agreement for the creation and issue of the Notes. The Notes were subscribed by a licensed bank incorporated in Mauritius (“the Bank”). The Notes bore interest at a fixed rate of 8.85% per annum and have tenure of ten (10) years.

The said Notes were subsequently bought and held by one of the Company’s subsidiaries, M-Cement Sdn. Bhd. (“MCSB”) under the Conditional Payment Obligation Agreement entered into by the Bank and MCSB. The Notes bore interest at a fixed rate of 8.84% per annum. The Notes issued by LMCBH and bought and held by MCSB were eliminated on consolidation.

In August 2013, the said Notes matured and were converted into an unsecured, repayable on demand interest bearing intercompany loan between MCSB and LMCBH. The loan bears interest at 0.6% per annum.

### 31. 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 at 23 January 2015 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 31. RETIREMENT BENEFITS (continued)

The principal actuarial assumptions at the end of the reporting period are as follows:

	2014 %	2013 %
Discount rate	5.4	5.2
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 RM3,157,044 (increase by RM3,418,076) (2013: decreased by RM4,033,259/increased by RM4,390,055).

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At beginning of year	68,869	59,874	1,139	1,034
Charge for the year	9,789	8,131	140	131
Benefits paid	(3,039)	(1,704)	(157)	–
Actuarial (gain)/loss recognised in other comprehensive income	(15,754)	2,568	(97)	133
Transfer to subsidiary	–	–	–	(159)
Others	144	–	–	–
At end of year	60,009	68,869	1,025	1,139

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Present value of unfunded obligation	60,009	68,869	1,025	1,139

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At beginning of year	68,869	60,161	1,139	1,034
Current service cost	6,262	4,655	81	75
Interest cost	3,527	3,189	59	56
Actuarial (gain)/loss	(15,754)	2,568	(97)	133
Benefits paid	(3,039)	(1,704)	(157)	–
Transfer to subsidiary	–	–	–	(159)
Others	144	–	–	–
At end of year	60,009	68,869	1,025	1,139

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 31. RETIREMENT BENEFITS (continued)

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current service cost	6,262	4,942	81	75
Interest cost	3,527	3,189	59	56
	<b>9,789</b>	8,131	<b>140</b>	131

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At beginning of year	(8,252)	(5,684)	(108)	25
Recognised during the year	15,754	(2,568)	97	(133)
At end of year	<b>7,502</b>	(8,252)	<b>(11)</b>	(108)

### 32. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The average credit period granted to the Group for trade purchases generally ranges from 30 to 90 days (2013: 30 to 90 days).

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

	Group	
	2014 RM'000	2013 RM'000
Ringgit Malaysia	399,922	299,850
United States Dollar	10,389	26,007
Singapore Dollar	13,176	9,777
Euro	2,812	4,111
	<b>426,299</b>	339,745

### 33. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses consist of:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other payables	45,758	48,953	175	159
Accrued expenses	49,306	52,319	915	1,187
	<b>95,064</b>	101,272	<b>1,090</b>	1,346

Other payables of the Group consist of amount outstanding for purchases of assets (Note 12), retention monies, deposits received and general administrative expenses payable which are interest-free with no fixed terms of repayment. Included in accrued expenses of the Group and of the Company is an amount of RMNil and RMNil respectively (2013: RM97,000 and RMNil respectively) representing interest expense accrued for borrowings.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 34. OTHER FINANCIAL LIABILITIES

	Group	
	2014 RM'000	2013 RM'000
<b>Derivatives that are designated and effective as hedging instruments carried at fair value:</b>		
<u>Current:</u>		
Foreign currency forward contracts	35	–
<b>Financial liabilities carried at fair value through profit or loss (FVTPL):</b>		
<u>Current:</u>		
Derivatives not designated in hedge accounting relationships	34	–
Current	69	–

### 35. 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Term deposits (Note 25)	191,092	262,826	8,668	3
Cash and bank balances	269,777	188,024	1,953	4,828
	<b>460,869</b>	450,850	<b>10,621</b>	4,831

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Ringgit Malaysia	397,002	417,704	10,621	4,831
Singapore Dollar	32,522	28,716	–	–
United States Dollar	31,345	4,417	–	–
Euro	–	13	–	–
	<b>460,869</b>	450,850	<b>10,621</b>	4,831

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 36. FINANCIAL INSTRUMENTS

#### 36.1 Capital Risk Management

The Group manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to stakeholders.

The Group and the Company monitor and review their capital structure based on their business and operating requirements.

There were no changes in the Group's and the Company's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Group is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

#### 36.2 Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

#### 36.3 Categories of Financial Instruments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Financial assets</b>				
Derivative instruments:				
- In designated hedge accounting relationships (Note 19)	2,229	434	-	-
- Not in designated hedge accounting relationships (Note 19)	59	283	-	-
Loan and receivables:				
- Amounts owing by subsidiaries (Note 20)	-	-	302,612	319,516
- Trade receivables (Note 22)	372,013	419,304	-	-
- Other receivables and refundable deposits (Note 23)	20,447	18,444	499	490
- Amounts owing by holding and other related companies (Note 24)	13,933	28,522	-	-
- Term deposits (Note 25)	191,092	262,826	8,668	3
- Cash and bank balances (Note 35)	269,777	188,024	1,953	4,828
Available-for-sale financial assets:				
- Available-for-sale investments carried at fair value (Note 19)	934	560	-	-
Held-to-maturity investment (Note 19)	1,255	1,255	1,255	1,255

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 36. FINANCIAL INSTRUMENTS (continued)

#### 36.3 Categories of Financial Instruments (continued)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Financial liabilities</b>				
Derivative instruments:				
- In designated hedge accounting relationships (Note 34)	35	-	-	-
- Not in designated hedge accounting relationships (Note 34)	34	-	-	-
Amortised cost:				
- Borrowings (Note 30)	11	488	-	-
- Trade payables (Note 32)	426,299	339,745	-	-
- Other payables (Note 33)	45,758	48,953	175	159
- Amounts owing to holding and other related companies (Note 24)	21,925	17,278	-	-
- Amounts owing to subsidiaries (Note 20)	-	-	80,477	81,395

#### 36.4 Financial Risk Management

The operations of the Group are subject to various financial risks which include market risk (including foreign currency risk, interest rate risk, commodity price risk and other price risk), credit risk and liquidity risk, in connection with its use or holding of financial instruments. The Group has adopted a financial risk management framework with the principal objective of effectively managing these risks and minimising any potential adverse effects on the financial performance of the Group.

#### 36.5 Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 36.6 below), interest rates (see 36.7 below) and commodity prices (see 36.8 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.

#### 36.6 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 32 for trade payables and Note 35 for cash and cash equivalents.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 36. FINANCIAL INSTRUMENTS (continued)

#### 36.6 Foreign Currency Risk Management (continued)

##### 36.6.1 Foreign currency sensitivity

The Group is mainly exposed to US Dollar and Euro.

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.

2014	Group	
	USD Impact RM'000	Euro Impact RM'000
Profit or loss	(3,796) (i)	315 (iii)
Hedging reserve	(1,680) (ii)	(398) (ii)

2013	Group	
	USD Impact RM'000	Euro Impact RM'000
Profit or loss	(3,748) (i)	600 (iii)
Hedging reserve	(1,300) (ii)	(409) (ii)

- (i) This is mainly attributable to the exposure outstanding on USD receivables and cash and cash equivalents net off 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 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.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 36. FINANCIAL INSTRUMENTS (continued)

#### 36.6 Foreign Currency Risk Management (continued)

##### 36.6.2 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:

2014 Outstanding contracts	Average exchange rate	Group		Fair value RM'000
		Foreign currency FC'000	Contract value RM'000	
<b>Cash flow hedges</b>				
<u>Buy US Dollar</u>				
Less than 3 months	3.40	4,771	16,203	576
3 to 6 months	3.38	5,700	19,264	718
More than 6 months	3.42	6,000	20,510	494
<u>Buy Euro</u>				
Less than 3 months	4.31	310	1,337	(10)
3 to 6 months	4.32	550	2,375	(16)
				1,762
<b>Fair value hedges</b>				
<u>Buy US Dollar</u>				
Less than 3 months	3.41	2,303	7,849	207
3 to 6 months	3.22	800	2,576	223
<u>Buy Euro</u>				
Less than 3 months	4.26	387	1,650	(3)
3 to 6 months	4.16	50	208	5
<u>Buy GBP</u>				
Less than 3 months	5.46	13	73	–
<u>Buy JYP</u>				
Less than 3 months	0.03	1,305	38	–
				432
<b>FVTPL</b>				
<u>Buy Euro</u>				
Less than 3 months	4.27	1,700	7,255	15
3 to 6 months	4.18	100	418	10
				25

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 36. FINANCIAL INSTRUMENTS (continued)

#### 36.6 Foreign Currency Risk Management (continued)

##### 36.6.2 Forward foreign exchange contracts (continued)

2013 Outstanding contracts	Average exchange rate	Group		
		Foreign currency FC'000	Contract value RM'000	Fair value RM'000
<b>Cash flow hedges</b>				
<u>Buy US Dollar</u>				
Less than 3 months	3.25	2,500	8,128	90
3 to 6 months	3.27	4,400	14,376	57
More than 6 months	3.27	3,000	9,811	31
<u>Buy Euro</u>				
Less than 3 months	4.34	590	2,562	121
3 to 6 months	4.36	250	1,090	54
				353
<b>Fair value hedges</b>				
<u>Buy US Dollar</u>				
Less than 3 months	3.25	2,120	6,895	55
<u>Buy Euro</u>				
Less than 3 months	4.33	130	563	26
				81
<b>FVTPL</b>				
<u>Buy Euro</u>				
Less than 3 months	4.39	1,800	7,902	283

#### 36.7 Interest Rate Risk Management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both 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 of interest rate swap contract.

There is no outstanding borrowings and interest rate swap contract as at year end, accordingly, the Group is not exposed to interest rate risk.

#### 36.8 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 36. FINANCIAL INSTRUMENTS (continued)

#### 36.9 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.

##### 36.9.1 Equity price sensitivity

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 2014 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 RM39,000 (2013: increase/decrease by RM2,000) as a result of the changes in fair value of available-for-sale shares.

#### 36.10 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.

#### 36.11 Liquidity Risk

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

##### Financial liabilities

The Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods are disclosed in Note 30.

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

#### 36.12 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 36. FINANCIAL INSTRUMENTS (continued)

#### 36.12 Fair Values (continued)

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.

#### 36.12.1 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).

2014	Group			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>Financial assets at FVTPL</b>				
Derivative financial assets	–	2,288	–	2,288
<b>Available-for-sale financial assets</b>				
Quoted investments	392	–	–	392
Unquoted investments	–	–	168	168
Others	–	–	374	374
	<b>392</b>	<b>2,288</b>	<b>542</b>	<b>3,222</b>
<b>Financial liabilities at FVTPL</b>				
Derivative financial liabilities	–	(69)	–	(69)

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 36. FINANCIAL INSTRUMENTS (continued)

#### 36.12 Fair Values (continued)

##### 36.12.1 Fair value measurements recognised in the statement of financial position (continued)

2013	Group			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
<b>Financial assets at FVTPL</b>				
Derivative financial assets	–	717	–	717
<b>Available-for-sale financial assets</b>				
Quoted investments	18	–	–	18
Unquoted investments	–	–	168	168
Others	–	–	374	374
	18	717	542	1,277

There were no transfers between Levels 1 and 2 in 2014 and 2013.

Reconciliation of Level 3 fair value measurements of financial assets.

	Unquoted investments 2014 RM'000	Group Available-for-sale		Others 2013 RM'000
		Others 2014 RM'000	Unquoted investments 2013 RM'000	
At beginning and end of year	168	374	168	374

The table above only includes financial assets.

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 27.4).

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 36. FINANCIAL INSTRUMENTS (continued)

#### 36.12 Fair Values (continued)

36.12.2 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/ (Financial liabilities)	2014 RM'000	2013 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	392	18	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	374	374	Level 3	Cost of investment	N/A	N/A
	<b>934</b>	<b>560</b>				
Held to maturity						
Unquoted debenture	1,255	1,255	Level 3	Cost of investment	N/A	N/A
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	N/A	N/A
- Financial assets	2,229	434	Level 2		N/A	N/A
- Financial liabilities	(35)	-	Level 2		N/A	N/A
Derivatives that are not designated in hedge accounting relationship						
Foreign currency forward contracts				Observable foreign currency forward contract rates at the end of reporting period	N/A	N/A
- Financial assets	59	283	Level 2		N/A	N/A
- Financial liabilities	(34)	-	Level 2		N/A	N/A

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 37. COMMITMENTS

#### 37.1 Capital Commitments

	Group	
	2014 RM'000	2013 RM'000
In respect of capital expenditure:		
Approved, contracted but not provided for	83,878	30,767
Approved but not contracted for	47,372	49,532
	131,250	80,299

#### 37.2 Lease Commitments

The Group has lease commitments in respect of rented premises for plants, port operations and administration offices as well as equipment, all of which are classified as operating leases. The tenure of the minimum lease payments is as follows:

	Group	
	2014 RM'000	2013 RM'000
Not later than 1 year	43,287	54,662
Later than 1 year and not later than 5 years	46,821	48,519
Later than 5 years	49,450	36,839
	139,558	140,020

### 38. CONTINGENT LIABILITIES

	Company	
	2014 RM'000	2013 RM'000
<b>Unsecured</b>		
Corporate guarantee given to a third party in respect of provision for services to subsidiaries	21,100	21,100

### 39. SIGNIFICANT EVENT DURING THE YEAR

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)



### 39. SIGNIFICANT EVENT DURING THE YEAR (continued)

The Writ was filed in High Court of the Republic of Singapore on 2 May 2014 and served on LMB on 17 June 2014 and on LMCBH on 20 June 2014. The details of the circumstances leading to the filing of the Writ were as follows:

- (i) LMCBH received from Inland Revenue Authority of Singapore (IRAS) in January 2005, September 2005 and November 2006, tax refunds for Years of Assessment (“YA”) 2004 to 2006 amounting to the sum claimed under the Writ.
- (ii) Expected refunds for YA 2007 and 2008 amounting to SGD7,525,000 were recognised as a tax receivable in our 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 that the amount of SGD3,971,977.60 for YA 2007 will not be refunded to LMCBH.

LMCBH is a wholly owned subsidiary of LMB. Its’ paid up share capital is SGD2.00. 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 there has not been any material development to date.

### 40. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group’s business segments, which reflect the Group’s internal reporting structure that are regularly reviewed by the Group’s chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Group is organised into the following operating divisions:

- cement
- aggregates and concrete

Included in Cement Segment of the Group are operating divisions of other building materials and other operations.

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 40. SEGMENTAL INFORMATION (continued)

#### 40.1 Segment Revenue and Results

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

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
<b>2014</b>				
<b>REVENUE</b>				
External sales	2,246,215	496,875	–	2,743,090
Inter-segment sales	294,066	3,753	(297,819)	–
Total revenue	2,540,281	500,628	(297,819)	2,743,090
<b>RESULTS</b>				
Segment results	333,811	1,471	–	335,282
Interest income				9,565
Profit from operations				344,847
Finance costs				(845)
Share in results of associate				1,181
Income tax expense				(89,176)
Profit for the year				256,007
<b>2013</b>				
<b>REVENUE</b>				
External sales	2,314,354	538,046	–	2,852,400
Inter-segment sales	267,885	1,338	(269,223)	–
Total revenue	2,582,239	539,384	(269,223)	2,852,400
<b>RESULTS</b>				
Segment results	491,891	14,100	–	505,991
Interest income				6,343
Profit from operations				512,334
Finance costs				(472)
Share in results of associate				3,028
Income tax expense				(147,772)
Profit for the year				367,118

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## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

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### 40. SEGMENTAL INFORMATION (continued)

#### 40.2 Segment Assets and Liabilities

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and liabilities that relate to investing and financing activities and cannot be reasonably allocated to individual segments. These include mainly corporate assets, other investments, deferred tax assets/liabilities and current tax assets/liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
<b>2014</b>				
<b>SEGMENT ASSETS</b>				
Segment assets	3,503,667	251,052	(279,798)	3,474,921
Investment in associate				22,713
Unallocated corporate assets				492,998
				<u>3,990,632</u>
Consolidated total assets				<u>3,990,632</u>
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	747,928	202,526	(279,112)	671,342
Interest bearing instruments				11
Unallocated corporate liabilities				194,335
				<u>865,688</u>
Consolidated total liabilities				<u>865,688</u>
<b>2013</b>				
<b>SEGMENT ASSETS</b>				
Segment assets	3,585,610	265,188	(282,501)	3,568,297
Investment in associate				21,463
Unallocated corporate assets				457,336
				<u>4,047,096</u>
Consolidated total assets				<u>4,047,096</u>
<b>SEGMENT LIABILITIES</b>				
Segment liabilities	674,373	203,649	(282,881)	595,141
Interest bearing instruments				488
Unallocated corporate liabilities				231,838
				<u>827,467</u>
Consolidated total liabilities				<u>827,467</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

### 40. SEGMENTAL INFORMATION (continued)

#### 40.3 Other Segment Information

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
<b>OTHER INFORMATION</b>				
<b>2014</b>				
Capital expenditure	104,082	12,339	–	116,421
Depreciation and amortisation	147,910	10,802	–	158,712
<b>2013</b>				
Capital expenditure	50,546	19,201	–	69,747
Depreciation and amortisation	136,834	12,303	–	149,137

#### 40.4 Geographical Information

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

	Revenue		Segment Assets		Capital Expenditure	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Malaysia	2,616,693	2,725,829	3,367,803	3,459,447	115,933	69,633
Singapore	126,397	126,571	107,118	108,850	488	114
	<u>2,743,090</u>	<u>2,852,400</u>	<u>3,474,921</u>	<u>3,568,297</u>	<u>116,421</u>	<u>69,747</u>
Investment in associate			22,713	21,463		
Unallocated corporate assets			<u>492,998</u>	<u>457,336</u>		
			<u>3,990,632</u>	<u>4,047,096</u>		

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

### 41. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures in the financial statements of the Group have been reclassified to conform to the presentation in the current financial year. These relate to the following:

	Group		
	As previously reported RM'000	Reclassifications RM'000	As reclassified RM'000
<b>Statement of profit or loss and other comprehensive income for the year ended 31 December 2013</b>			
Interest income	7,970	(1,627)	6,343
Finance costs	(2,099)	1,627	(472)

# DISCLOSURE ON REALISED AND UNREALISED PROFITS

SUPPLEMENTARY INFORMATION

## 42. DISCLOSURE ON REALISED AND UNREALISED PROFITS - SUPPLEMENTARY INFORMATION

On 25 March 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2014 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Total retained earnings of the Company and its subsidiaries</b>				
Realised	<b>1,362,209</b>	1,465,061	<b>363,899</b>	368,277
Unrealised	<b>(117,394)</b>	(144,649)	<b>10,574</b>	8,019
	<b>1,244,815</b>	1,320,412	<b>374,473</b>	376,296
<b>Total share of retained earnings from associate</b>				
Realised	<b>31,247</b>	30,066	–	–
	<b>1,276,062</b>	1,350,478	<b>374,473</b>	376,296
Less: Consolidation adjustments	<b>(144,615)</b>	(121,660)	–	–
<b>Total retained earnings as per statements of financial position</b>	<b>1,131,447</b>	1,228,818	<b>374,473</b>	376,296

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements” as issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information has been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

# ANALYSIS OF SHAREHOLDINGS

AS AT 26 MARCH 2015

## SHARE CAPITAL

Type	No. of shares	Amount (RM)
Authorised	3,000,000,000 ordinary shares of RM1.00 each	3,000,000,000
		<b>Total 3,000,000,000</b>
Issue and paid-up	849,695,476 ordinary shares of RM1.00 each	849,695,476
		<b>Total 849,695,476</b>
Voting right of ordinary shares	1 vote per share	

## DISTRIBUTION ACCORDING TO SIZE OF SHAREHOLDINGS AS AT 26 MARCH 2015

Size of Shareholdings	No. of Shareholders & Percentage		No. of Shares & Percentage	
	Shareholders	%	Shares	%
Less than 100	305	4.39	7,462	0.00
100 - 1,000	2,995	43.11	1,608,096	0.19
1,001 - 10,000	2,584	37.20	8,676,784	1.02
10,001 - 100,000	797	11.47	23,984,144	2.82
100,001 to less than 5% of issued ordinary shares	263	3.79	255,396,952	30.06
5% of issued ordinary shares and above	3	0.04	560,022,038	65.91
<b>TOTAL</b>	<b>6,947</b>	<b>100.00</b>	<b>849,695,476</b>	<b>100.00</b>

## DIRECTORS' SHAREHOLDINGS

Based on the Register of Directors' Shareholdings as at 26 March 2015

Name	Nationality	Direct		Indirect	
		No. of Ordinary Shares of RM1.00 each	Percentage of Share Capital %	No. of Ordinary Shares of RM1.00 each	Percentage of Share Capital %
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar	Malaysian	—	—	—	—
Christian Herrault	French	—	—	—	—
Bradley Mulroney	British	—	—	—	—
Lim Yoke Tuan	Malaysian	—	—	—	—
Tan Sri A. Razak bin Ramli	Malaysian	—	—	—	—
Md Yusof bin Hussin	Malaysian	—	—	—	—
Jean-Claude Block	French	—	—	—	—
Sapna Sood	British	—	—	—	—

## ANALYSIS OF SHAREHOLDINGS

AS AT 26 MARCH 2015 (CONTINUED)

### Thirty Largest Securities Account Holders

(According to Register of Depositors as at 26 March 2015)

No.	Names	Shareholdings	
		No.	%
1.	Associated International Cement Limited	433,344,693	51.00
2.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	73,708,745	8.67
3.	AmanahRaya Trustees Berhad Skim Amanah Saham Bumiputera	52,968,600	6.23
4.	Kumpulan Wang Persaraan (Diperbadankan)	12,714,400	1.50
5.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLTOD67)	10,439,351	1.23
6.	HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC For Saudi Arabian Monetary Agency	10,217,900	1.20
7.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	8,215,420	0.97
8.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Ittikal Fund (N14011970240)	7,779,000	0.92
9.	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	7,403,600	0.87
10.	AmanahRaya Trustees Berhad AS 1Malaysia	7,294,500	0.86
11.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A)	7,076,173	0.83
12.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	6,308,500	0.74
13.	CIMB Group Nominees (Tempatan) Sdn Bhd Exempt AN for Khazanah Nasional Berhad (VCAM)	6,235,300	0.73
14.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	5,447,960	0.64
15.	Loke Wan Yat Realty Sdn Bhd	5,163,148	0.61
16.	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) SCA For Fidelity Funds Asian Special Situations	5,028,100	0.59
17.	HSBC Nominees (Asing) Sdn Bhd BBH (LUX) SCA For The Genesis Emerging Markets Investment Company	4,328,973	0.51
18.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	4,129,000	0.49
19.	AmanahRaya Trustees Berhad Amanah Saham Didik	4,023,300	0.47
20.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund 1LNO for the Genesis Group Trust Employee Benefit Plans	3,979,447	0.47
21.	HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Lux for Aberdeen Global	3,925,800	0.46
22.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon ACCT)	3,790,494	0.45
23.	Malaysia Nominees (Tempatan) Sendirian Berhad Lee Foundation, States of Malaya (00-00197-000)	3,763,620	0.44

## ANALYSIS OF SHAREHOLDINGS

AS AT 26 MARCH 2015 (CONTINUED)

### Thirty Largest Securities Account Holders

(According to Register of Depositors as at 26 March 2015)

No.	Names	Shareholdings	
		No.	%
24.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	3,407,340	0.40
25.	HSBC Nominees (Asing) Sdn Bhd Exempt AN For JPMorgan Chase Bank, National Association (Saudi Arabia)	3,403,400	0.40
26.	AmanahRaya Trustees Berhad Public Islamic Select Enterprises Fund	3,355,900	0.39
27.	Amsec Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (VT-CIMB-DALI)	3,262,800	0.38
28.	CitiGroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	2,650,000	0.31
29.	AmanahRaya Trustees Berhad Public Islamic Equity Fund	2,557,500	0.30
30.	HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC for Abu Dhabi Investment Authority (AGUS)	2,537,400	0.30
<b>TOTAL</b>		<b>708,460,364</b>	<b>83.38</b>

### SUBSTANTIAL SHAREHOLDERS

(According to the Company's Register of Substantial Shareholders as at 26 March 2015)

Name	Place of Incorporation/ Nationality	Direct		Indirect	
		No. of Ordinary Shares of RM1.00 each	Percentage of Share Capital %	No. of Ordinary Shares of RM1.00 each	Percentage of Share Capital %
Associated International Cement Limited ("AIC")	United Kingdom	433,344,693	51.00	–	–
Blue Circle International Holdings BV ("BCIH")	Netherlands	–	–	<sup>(1)</sup> 433,344,693	51.00
Lafarge International Holdings Limited ("LIHL")	United Kingdom	–	–	<sup>(2)</sup> 433,344,693	51.00
Lafarge Finance Ltd ("LFL")	Jersey	–	–	<sup>(3)</sup> 433,344,693	51.00
Lafarge Building Materials Limited ("LBML")	United Kingdom	–	–	<sup>(4)</sup> 433,344,693	51.00
Financiere Lafarge SA ("FLSA")	France	–	–	<sup>(5)</sup> 433,344,693	51.00
SOFIMO *	France	–	–	<sup>(6)</sup> 433,344,693	51.00
Lafarge S.A. ("Lafarge")	France	–	–	<sup>(7)</sup> 433,344,693	51.00
Employees Provident Fund Board ("EPF")	Malaysia	75,208,745	8.85	<sup>(8)</sup> 2,650,000	0.31
AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera ("AmanahRaya")	Malaysia	52,968,600	6.23	–	–

\* Societe Financiere Immobiliere et Mobiliere

#### Notes:

- <sup>(1)</sup> BCIH : Deemed interest by virtue of its 100% shareholding in AIC.  
<sup>(2)</sup> LIHL : Deemed interest by virtue of its 100% shareholding in BCIH.  
<sup>(3)</sup> LFL : Deemed interest by virtue of its shareholding in LIHL.  
<sup>(4)</sup> LBML : Deemed interest by virtue of its shareholding in LIHL and LFL.  
<sup>(5)</sup> FLSA : Deemed interest by virtue of its 100% shareholding in LBML.  
<sup>(6)</sup> SOFIMO : Deemed interest by virtue of its 100% shareholding in FLSA.  
<sup>(7)</sup> Lafarge : Deemed interest by virtue of its 100% shareholding in SOFIMO.  
<sup>(8)</sup> EPF : Held through Aberdeen Asset Management.

# TOP 10 LIST OF PROPERTIES

AS AT 31 DECEMBER 2014

Title No./Location	Approximate Area	Tenure	Description	Date of Last Revaluation/ Date of Acquisition	Age of Buildings (Years)	Net Book Value RM'000
1 Plot C, H.S. (D) 7/1983 Telok Ewa, Langkawi, Kedah Darul Aman	196.4 acres	Leasehold expiring on 01/06/2043	Cement factory complex and ancillary buildings	15/06/1999	30	31,107
2 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	24	26,274
3 Lot No. 4222 Rawang, Selangor Darul Ehsan	348 acres (Total gross floor area of buildings: approximately 28,403 sq ft)	Leasehold expiring in 2025	Limestone quarry and ancillary buildings	Dec 1998	39	22,567
4 Lot 19079, Kg Keramat Pulau, 31300 Kg Kepayang, Simpang Pulau, Perak Darul Ridzuan	39.99 hectares	Leasehold expiring on 03/03/2035	Quarry land	01/07/2008	–	18,582
5 No. 2, Jalan Kilang, Petaling Jaya 46050 Selangor Darul Ehsan	6 acres	Leasehold expiring in 2068	Office complex	Dec 1998	29	16,038
6 P.T. 867, H.S. (D) 7/86 Mukim Air Hangat Langkawi, Kedah Darul Aman	674 acres	Leasehold expiring on 09/01/2032	Limestone quarry	15/06/1999	–	12,234
7 Lot No. 1956 Rawang, Selangor Darul Ehsan	49 acres	Leasehold expiring in 2056	Cement factory complex and ancillary buildings	Dec 1998	15-39	10,757
8 Lot Nos. 3546 to 3548, 3551, 3554, 3555 & 3557 to 3560 Rawang, Selangor Darul Ehsan	105.83 acres	Freehold	Agricultural land	Dec 1998	–	6,930
9 Lot 2, Jalan Kontena, Kawasan Pelabuhan Johor, 81700 Pasir Gudang, Johor Darul Takzim	8.7 acres	Sub-lease expiring on 30/12/2022	Cement grinding plant and ancillary buildings	Dec 1998	17	6,311
10 Lot No. 1957 Rawang, Selangor Darul Ehsan	57 acres (Total gross floor area of buildings: approximately 46,893 sq ft)	Leasehold expiring in 2056	Employees' quarters comprising 6 bungalows and 24 units single storey houses	Dec 1998	39	6,244

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 65th Annual General Meeting of LAFARGE MALAYSIA BERHAD will be held at Saujana Ballroom, Ground Floor, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Thursday, 21 May 2015 at 10.00 a.m. for the following purposes:-

## AGENDA

### As Ordinary Business

- |                                                                                                                                             |                     |
|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| 1. To receive and consider the Reports of the Directors and Auditors and the Statement of Accounts for the year ended 31 December 2014.     | <b>Resolution 1</b> |
| 2. To re-elect Md Yusof Bin Hussin who retires as a Director of the Company under Article 85 of the Articles of Association of the Company. | <b>Resolution 2</b> |
| 3. To re-elect Bradley Mulrone who retires as a Director of the Company under Article 85 of the Articles of Association of the Company.     | <b>Resolution 3</b> |
| 4. To re-elect Christian Herrault who retires as a Director of the Company under Article 85 of the Articles of Association of the Company.  | <b>Resolution 4</b> |
| 5. To re-elect Sapna Sood as a Director of the Company under Article 91 of the Articles of Association of the Company.                      | <b>Resolution 5</b> |
| 6. To re-elect Lim Yoke Tuan as a Director of the Company under Article 91 of the Articles of Association of the Company.                   | <b>Resolution 6</b> |
| 7. To re-appoint Deloitte & Touche as Auditors for the ensuing year at a remuneration to be determined by the Directors.                    | <b>Resolution 6</b> |

### As Special Business

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

- |                                                                                                                                                                                                                                                                                                                                                               |                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| 8. <b>Ordinary Resolution</b><br>To re-appoint 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 9 years, as Independent Non-Executive Director of the Company, as per recommendation 3.3 of the Malaysian Code on Corporate Governance 2012. | <b>Resolution 7</b>  |
| 9. <b>Ordinary Resolution</b><br>To re-appoint Tan Sri A. Razak bin Ramli who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, as Independent Non-Executive Director of the Company, as per recommendation 3.3 of the Malaysian Code on Corporate Governance 2012.                              | <b>Resolution 8</b>  |
| 10. <b>Ordinary Resolution</b><br>Proposed Renewal of Shareholders' Mandate as well as Proposed New Mandate for Recurrent Related Party Transactions ("Recurrent RPTs").                                                                                                                                                                                      | <b>Resolution 9</b>  |
| 11. <b>Ordinary Resolution</b><br>Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback").                                                                                                                                                                                                                                  | <b>Resolution 10</b> |



## NOTICE OF ANNUAL GENERAL MEETING (continued)



### 12. Others

To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

#### By Order of the Board

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

**Katina Nurani Binti Abd Rahim** (L.S. No. 9652)

Company Secretaries

Petaling Jaya,  
Selangor Darul Ehsan  
24 April 2015

#### Explanatory Notes on Special Business

##### a. Ordinary Resolution 7

The Malaysian Code on Corporate Governance 2012 recommends that approval of shareholders be sought in the event that the Company intends to retain as an independent director, a person who has served in that capacity for more than 9 years. 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 9 years, and recommends that he continue to act as Independent Non-Executive Director, subject to shareholders' approval at the forthcoming AGM of the Company. Key justifications for Tunku Tan Sri Imran's continuance as Independent Non-Executive Director are as follows:

- i. Tunku Tan Sri Imran fulfils 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. Tunku Tan Sri Imran's relevant experience and expertise as set out in his profile on page 028 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. 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. 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. 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.



◆  
**NOTICE OF ANNUAL GENERAL MEETING (continued)**  
 ◆

b. **Ordinary Resolution 8**

The Malaysian Code on Corporate Governance 2012 recommends that approval of shareholders be sought in the event that the Company intends to retain as an independent director, a person who has served in that capacity for more than 9 years. The Board has assessed Tan Sri A. Razak bin Ramli, who has served as Independent Non-Executive Director of the Company for more than 9 years, and recommends that he continue to act as Independent Non-Executive Director, subject to shareholders' approval at the forthcoming AGM of the Company. Key justifications for Tan Sri Razak's continuance as Independent Non-Executive Director are as follows:

- i. Tan Sri Razak fulfils 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. Tan Sri Razak's relevant experience and expertise including his vast experience in the government service sectors as set out in his profile on page 030 of the Annual Report, ensures that all matters tabled to the Board for consideration are well deliberated. Tan Sri Razak 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 provide an independent view to the deliberations and decision making of the Board and the Audit Committee.
  - iii. Tan Sri Razak has displayed a professional aptitude in the exercise of his professional duties and has continued to act in the best interest of the Company and its shareholders. Tan Sri Razak's long service and association with the Company enables him to contribute and participate actively and effectively and provide balanced decision making during deliberations at the Audit Committee and 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 24 April 2015 despatched together with the Company's Annual Report for the financial year ended 31 December 2014.

**Notes:-**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a member of the Company. 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 forty-eight (48) 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 14 May 2015 shall be entitled to attend, speak and vote at the meeting.

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# Form of Proxy



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

I/We \_\_\_\_\_  
(Full name in block letters)

of \_\_\_\_\_  
(Address)

being a member/members of **LAFARGE MALAYSIA BERHAD**, hereby appoint \_\_\_\_\_  
(Full name in block letters)

of \_\_\_\_\_  
(Address)

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 65th Annual General Meeting of the Company to be held on Thursday, 21 May 2015 at 10.00 a.m. at Saujana Ballroom, Ground Floor, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan and at any adjournment thereof, and to vote as indicated below:-

NO.	RESOLUTION	FOR	AGAINST
<b>ORDINARY BUSINESS</b>			
1.	Re-election of Md Yusof Bin Hussin under Article 85		
2.	Re-election of Bradley Mulroney under Article 85		
3.	Re-election of Christian Herrault under Article 85		
4.	Re-election of Sapna Sood under Article 91		
5.	Re-election of Lim Yoke Tuan under Article 91		
6.	Re-appointment of Auditors		
<b>SPECIAL BUSINESS</b>			
7.	Continuation in Office of Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar as Independent Non-Executive Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012		
8.	Continuation in Office of Tan Sri A. Razak bin Ramli as Independent Non-Executive Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012		
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").		

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.

Number of Shares	
------------------	--

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

Signature: \_\_\_\_\_



**Notes:-**

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a member of the Company. 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.
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5. In respect of deposited securities, only members whose names appear in the Record of Depositors on 14 May 2015 shall be entitled to attend, speak and vote at the meeting.

Fold this flap for sealing

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Affix  
Stamp

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

P. O. Box 473  
46670 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

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2nd fold here

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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](http://www.lafarge.com.my)

