

LAFARGE MALAYSIA BERHAD (1877-T)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1st Quarter Ended		Year to Date Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Revenue	546,829	561,854	546,829	561,854
Cost of sales	(492,423)	(496,044)	(492,423)	(496,044)
Gross profit	54,406	65,810	54,406	65,810
Selling and distribution expenses	(102,731)	(106,301)	(102,731)	(106,301)
Administration expenses	(20,991)	(28,841)	(20,991)	(28,841)
Other (expenses)/income	(6,996)	9,997	(6,996)	9,997
Investment income	2,477	2,383	2,477	2,383
Loss from operations	(73,835)	(56,952)	(73,835)	(56,952)
Interest income	1,161	1,412	1,161	1,412
Finance cost	(8,162)	(5,162)	(8,162)	(5,162)
Share of results in joint venture	(2,372)	(2,747)	(2,372)	(2,747)
Loss before tax	(83,208)	(63,449)	(83,208)	(63,449)
Income tax credit	14,543	14,572	14,543	14,572
Loss for the period	(68,665)	(48,877)	(68,665)	(48,877)
Items that may be reclassified				
subsequently to profit or loss:				
Foreign currency translation differences for foreign operation	2,530	(2,462)	2,530	(2,462)
Net change in cash flow hedges	271	(391)	271	(391)
Total other comprehensive gain/(loss) for the period, net of tax	2,801	(2,853)	2,801	(2,853)
Total comprehensive loss for the period	(65,864)	(51,730)	(65,864)	(51,730)

LAFARGE MALAYSIA BERHAD (1877-T)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1st Quarter Ended		Year to Date Ended	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
(Loss)/profit attributable to:				
Owners of the Company	(68,732)	(48,934)	(68,732)	(48,934)
Non-controlling interests	67	57	67	57
	(68,665)	(48,877)	(68,665)	(48,877)
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(65,931)	(51,787)	(65,931)	(51,787)
Non-controlling interests	67	57	67	57
	(65,864)	(51,730)	(65,864)	(51,730)
Basic and diluted loss per share (sen)	(8.1)	(5.8)	(8.1)	(5.8)

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31st December 2017 and the accompanying explanatory notes attached to the interim financial statements)

LAFARGE MALAYSIA BERHAD (1877-T)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
Note		
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	1,692,487	1,734,758
Investment property	3,135	3,135
Prepaid lease payments on leasehold land	70,800	71,974
Goodwill on consolidation	1,396,134	1,396,134
Other intangible assets	19,766	20,299
Investment in joint venture	17,348	20,249
Other financial assets	3,209	3,209
Deferred tax assets	85,153	61,255
	<u>3,288,032</u>	<u>3,311,013</u>
<u>Current assets</u>		
Inventories	395,534	358,964
Current tax assets	78,454	83,100
Trade receivables	412,485	408,819
Other receivables and prepaid expenses	83,777	70,664
Amounts owing by holding and other related companies	27,402	23,085
Derivative financial assets	72	69
Cash and bank balances	36,016	99,906
	<u>1,033,740</u>	<u>1,044,607</u>
Total assets	4,321,772	4,355,620
EQUITY AND LIABILITIES		
<u>Share capital and reserves</u>		
Share capital	1,950,692	1,950,692
Reserves:		
Exchange equalisation reserve	30,399	27,869
Investments revaluation reserve	1,134	1,134
Hedging reserve	(921)	(1,192)
Retained earnings	800,624	870,704
Equity attributable to owners of the Company	<u>2,781,928</u>	<u>2,849,207</u>
Non-controlling interests	6,607	6,540
Total equity	<u>2,788,535</u>	<u>2,855,747</u>

LAFARGE MALAYSIA BERHAD (1877-T)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
<u>Non-current liabilities</u>			
Borrowings	B7	279,474	279,387
Retirement benefits		73,243	71,514
Deferred tax liabilities		120,000	117,205
		<u>472,717</u>	<u>468,106</u>
<u>Current liabilities</u>			
Trade payables		463,212	504,852
Other payables and accrued expenses		198,444	236,200
Amounts owing to holding and other related companies		64,683	82,631
Borrowings	B7	332,000	205,000
Derivative financial liabilities		1,254	1,643
Current tax liabilities		927	1,441
		<u>1,060,520</u>	<u>1,031,767</u>
Total liabilities		<u>1,533,237</u>	<u>1,499,873</u>
Total equity and liabilities		<u>4,321,772</u>	<u>4,355,620</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)			
		<u>3.27</u>	<u>3.35</u>
Net tangible assets per share attributable to ordinary equity holders of the Company (RM)			
		<u>1.61</u>	<u>1.69</u>

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31st December 2017 and the accompanying explanatory notes attached to the interim financial statements)

LAFARGE MALAYSIA BERHAD (1877-T)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Non-distributable →						Distributable		Non-controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Capital Redemption Reserve RM'000	Exchange Equalisation Reserve RM'000	Investment Revaluation Reserve RM'000	Hedging Reserve RM'000	Retained Earnings RM'000	Total RM'000		
As at 1 January 2018	1,950,692	-	-	27,869	1,134	(1,192)	870,704	2,849,207	6,540	2,855,747
Profit for the period	-	-	-	-	-	-	(68,732)	(68,732)	67	(68,665)
Other comprehensive income for the period, net of tax	-	-	-	2,530	-	271	-	2,801	-	2,801
Dividend to non-controlling interests	-	-	-	-	-	-	(1,348)	(1,348)	-	(1,348)
As at 31 March 2018	1,950,692	-	-	30,399	1,134	(921)	800,624	2,781,928	6,607	2,788,535
As at 1 January 2017	849,695	1,067,199	33,798	27,634	356	20	1,079,998	3,058,700	4,930	3,063,630
Profit for the period	-	-	-	-	-	-	(48,934)	(48,934)	57	(48,877)
Other comprehensive loss for the period, net of tax	-	-	-	(2,462)	-	(391)	-	(2,853)	-	(2,853)
Transfer arising from "no par value" regime ⁽¹⁾	1,100,997	(1,067,199)	(33,798)	-	-	-	-	-	-	-
As at 31 March 2017	1,950,692	-	-	25,172	356	(371)	1,031,064	3,006,913	4,987	3,011,900

⁽¹⁾ Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium account and capital redemption reserve become part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31st December 2017 and the accompanying explanatory notes attached to the interim financial statements)

LAFARGE MALAYSIA BERHAD (1877-T)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months Financial Year Ended	
	31 March 2018 RM'000	31 March 2017 RM'000
<u>Cash Flows From Operating Activities</u>		
Loss before tax	(83,208)	(63,449)
Adjustments for:-		
Provision for inventory obsolescence	690	690
Amortisation of:		
- other intangible assets	533	607
- prepaid lease payments on leasehold land	1,174	1,204
Depreciation of:		
- investment property	-	1
- property, plant and equipment	50,577	56,307
Net unrealised loss/(gain) on derivative	(28)	261
Finance cost	8,162	5,162
Allowance for doubtful debts	1,571	30
Interest income	(1,161)	(1,412)
Loss/(gain) on disposal of:		
- property, plant and equipment	194	(134)
- prepaid lease payment	-	(9,105)
- unquoted investment	-	60
Property, plant and equipment written off	165	112
Provision for retirement benefits	2,425	2,650
Allowance for doubtful debts no longer required	(408)	(337)
Unrealised loss/(gain) on foreign exchange	4,749	(447)
Share of results in joint venture	2,372	2,747
Operating loss before changes in working capital	(12,193)	(5,053)
Increase in:		
Inventories	(37,430)	13,025
Receivables	(18,622)	(20,658)
Amounts owing by holding and other related companies	(4,317)	5,416
Decrease in:		
Payables	(65,631)	(62,543)
Amounts owing to holding and other related companies	(17,585)	38,168
Cash used in operations	(155,778)	(31,645)
Retirement benefits paid	(696)	(1,676)
Tax paid	(2,507)	(14,100)
Net cash used in operating activities	(158,981)	(47,421)

LAFARGE MALAYSIA BERHAD (1877-T)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months Financial Year Ended	
	31 March	31 March
	2018	2017
	RM'000	RM'000
<u>Cash Flows From Investing Activities</u>		
Additions to property, plant and equipment	(20,181)	(37,949)
Interest received	1,161	1,412
Proceeds from disposal of:		
- property, plant and equipment	6	583
- prepaid lease payment	-	11,766
	<u>(19,014)</u>	<u>(24,188)</u>
Net cash used in investing activities		
<u>Cash Flows From Financing Activities</u>		
Dividends paid non-controlling interests	(1,348)	-
Interest paid	(10,856)	(3,581)
Drawdown of borrowings	227,000	279,556
Repayment of borrowings	(100,000)	(315,000)
	<u>114,796</u>	<u>(39,025)</u>
Net cash generated from/(used in) financing activities		
Net Change in Cash and Cash Equivalents	(63,199)	(110,634)
Effects of currency translations	(691)	461
Cash and Cash Equivalents at beginning of the year	<u>99,906</u>	<u>199,718</u>
Cash and Cash Equivalents at end of the year	<u>36,016</u>	<u>89,545</u>

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31st December 2017 and the accompanying explanatory notes attached to the interim financial statements)

LAFARGE MALAYSIA BERHAD (1877-T)

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

A1. Basis of Preparation

The interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements.

The interim financial statements should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2017. The audited financial statements of the Group for the year ended 31 December 2017 were prepared in accordance with MFRS and International Financial Reporting Standards (“IFRS”). These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017, except for the adoption of the following MFRSs and amendments to MFRSs:

Adoption of Standards, Issue Committee (“IC”) Interpretation and Amendments

Effective for annual periods beginning on or after 1 January 2018:

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

The adoption of the abovementioned Standards, IC Interpretation and Amendments has no significant effect to the Group’s consolidated financial statements of the current quarter or comparative consolidated financial statements of the prior financial year.

The Group has not adopted the following new and revised Standards, IC Interpretation and Amendments that have been issued but are not yet effective:

MFRS 16	Leases ¹
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to MFRS 128	Long-term Interests in Associates and Joint Venture ¹
Amendments to MFRSs	Annual Improvements to MFRSs 2015 - 2017 Cycle ¹
IC Interpretation 23	Uncertainty over Income Tax Treatments ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective date to be determined

A2. Significant Accounting Policies (continued)

The Directors anticipate that the abovementioned Standards, IC Interpretation and Amendments will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards, IC Interpretation and Amendments will have no material impact on the financial statements of the Group in the period of initial application except for MFRS 16. The Group is currently assessing the financial impact of adopting MFRS 16.

A3. Audit Report of Preceding Audited Financial Statements

The audit reports of the preceding annual financial statements of the Company and of the Group were not subject to any qualification.

A4. Seasonal or Cyclical Factors

The operations of the Group are closely linked to the construction sector which would normally experience a slow-down in construction activities during festive seasons in Malaysia and Singapore.

A5. Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting the Group's assets, liabilities, equity, net income or cash flows that are material and unusual because of their nature, size or incidence.

A6. Material Changes in Accounting Estimates

There were no material changes in estimates of amounts reported in prior interim periods or in previous financial years which have a material effect in the current quarter.

A7. Capital Issues, Dealings in Own Shares and Repayment of Debt

There were no issuance and repayment of debt and equity securities, share buy-back, share cancellations, share held as treasury shares and resale of treasury shares during the financial period under review.

A8. Dividend Paid

There was no dividend payment during the financial period ended 31 March 2018.

A9. 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.

Segment results, 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.

The Group is organised into the following main operating segments:

Cement	Cement business and trading of other building materials
Aggregates & Concrete	Aggregates and ready-mixed concrete business

A9. Segmental Information (continued)

Analysis of the Group's segment information is as follows:

3 Months Ended 31 March	Cement		Aggregates & Concrete		Elimination		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Segment revenue								
External revenue	393,658	409,587	153,171	152,267	-	-	546,829	561,854
Internal revenue	71,427	78,400	1,543	2,402	(72,970)	(80,802)	-	-
	<u>465,085</u>	<u>487,987</u>	<u>154,714</u>	<u>154,669</u>	<u>(72,970)</u>	<u>(80,802)</u>	<u>546,829</u>	<u>561,854</u>
Segment (loss)/profit	<u>(74,021)</u>	<u>(60,122)</u>	<u>186</u>	<u>3,170</u>	<u>-</u>	<u>-</u>	<u>(73,835)</u>	<u>(56,952)</u>
Reconciliation of segment profit to consolidated (loss)/profit before tax:								
Interest income							1,161	1,412
Finance cost							(8,162)	(5,162)
Share of results in joint venture							(2,372)	(2,747)
Consolidated (loss)/profit before tax							<u>(83,208)</u>	<u>(63,449)</u>
Segment assets	<u>4,092,884</u>	<u>3,947,715</u>	<u>335,494</u>	<u>309,604</u>	<u>(326,786)</u>	<u>(355,629)</u>	<u>4,101,592</u>	<u>3,901,690</u>
Reconciliation of segment assets to consolidated total assets:								
Investment in joint venture							17,348	23,492
Unallocated corporate assets							202,832	182,372
Consolidated total assets							<u>4,321,772</u>	<u>4,107,554</u>
Segment liabilities	<u>879,578</u>	<u>837,668</u>	<u>250,917</u>	<u>173,926</u>	<u>(329,659)</u>	<u>(361,005)</u>	<u>800,836</u>	<u>650,589</u>
Reconciliation of segment liabilities to consolidated total liabilities:								
Interest bearing instruments							611,474	305,601
Unallocated corporate liabilities							120,927	139,464
Consolidated total liabilities							<u>1,533,237</u>	<u>1,095,654</u>

A10. Valuation of Property, Plant and Equipment

There is no revaluation of property, plant and equipment brought forward from the previous audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

A11. Material Events Subsequent to Quarter End

There were no other material events subsequent to the current financial quarter ended 31 March 2018 up to the date of this report which are likely to substantially affect the results of the operations of the Group.

A12. Changes in Group Composition

There was no change in the composition for the Group in this quarter.

A13. Contingent Liabilities

The Group has no material contingent liabilities as at the date of this report.

A14. Commitments

Outstanding commitments in respect of capital commitments at end of reporting date not provided for in the financial statements are as follows:

	As at 31 March 2018 RM'000
In respect of capital expenditure:	
Approved and contracted for	30,977
Approved but not contracted for	127,678
	<hr/>
	158,655
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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of Group's Performance

Current Quarter vs. Corresponding Quarter of Previous Year.

The Group's revenue decreased by 2.7% to RM546.8 million in the current quarter from RM561.9 million recorded in the corresponding quarter last year. This decrease was mainly attributable to lower sales contribution from the Cement segment caused by the soft market demand, increased industry capacity and continued pricing pressures.

On the back of this revenue decrease, the Group has recorded a loss before tax for the current quarter of RM83.2 million compared to RM63.4 million for the same period last year. Lower operating profits from the Cement segment is due to weak demand coupled with a more competitive environment. The situation was further exacerbated by the increase in coal and petcoke prices and one-off gain on disposal of land and higher foreign exchange gain recorded in the corresponding quarter last year.

B2. Comparison with Preceding Quarter

	1st Quarter Ended 31 March 2018 RM'000	4th Quarter Ended 31 December 2017 RM'000
Revenue	546,829	576,355
Loss before tax	<u>(83,208)</u>	<u>(102,821)</u>

The Group's revenue at current quarter was lower than last quarter mainly attributed to lower sales contribution from cement segment on the back of lower market demand and continued pricing pressure.

Despite the lower revenue, the Group has recorded a lower loss before tax of RM83.2 million compared to RM102.8 million in preceding quarter mainly attributed to the higher one-off cost incurred in preceding quarter.

B3. Prospects

Business is expected to remain challenging. The Group will focus on cost reduction and further improving its operational efficiency. There will be continued efforts on enhancing the value creation of cement, capitalizing on its strong reputation and proven track record with infrastructure projects. The Group is also focusing its efforts in growing its Drymix business.

B4. Profit Forecast and Profit Guarantee

The Group did not publish any profit forecast or profit guarantee during the current quarter ended 31 March 2018.

B5. Income Tax Credit

Income tax credit comprises the following:

	1st Quarter Ended 31 March 2018 RM'000
In respect of current year:	
- income tax	(7,016)
- deferred tax	21,612
In respect of prior year:	
- income tax	365
- deferred tax	(418)
Total tax credit	<u>14,543</u>

The Group's effective tax rate for the current quarter is higher than the statutory tax rate of 24% in Malaysia mainly due to the non-deductible expenses in certain subsidiaries.

B6. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report.

B7. Group Borrowings

The Group borrowings (denominated in Ringgit Malaysia) are as follows:

	As at 31 March 2018 RM'000	As at 31 December 2017 RM'000
<u>Short-term borrowings</u>		
Non-secured		
Medium Term Note	-	100,000
Revolving credit	332,000	105,000
	<hr/> 332,000	<hr/> 205,000
 <u>Long-term borrowings</u>		
Non-secured		
Medium Term Note (non-current)	279,474	279,387
Total Group borrowings	<hr/> 611,474	<hr/> 484,387

All borrowings are denominated in Ringgit Malaysia.

B8. Material Litigation

The claim by the Singaporean Comptroller of Income Tax against LMCB Holdings Pte Ltd and Lafarge Malaysia Berhad in the High Court of Singapore is ongoing and is at the pre trial stage. The hearing of appeals relating to the interim application have been fixed for the period from 14th to 23rd August 2018.

B9. Dividend

The Directors do not recommend any interim dividend for the current quarter under review.

B10. Loss for the period

	1st Quarter Ended		Year to Date Ended	
	31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Loss for the period is arrived after charging:				
Provision for inventory obsolescence	690	690	690	690
Amortisation of:				
- other intangible assets	533	607	533	607
- prepaid lease payments on leasehold land	1,174	1,204	1,174	1,204
Depreciation of:				
- investment property	-	1	-	1
- property, plant and equipment	50,577	56,307	50,577	56,307
Derivative loss	2,398	261	2,398	261
Allowance for doubtful debts	1,571	30	1,571	30
Loss on disposal of:				
- property, plant and equipment	194	-	194	-
- unquoted investments	-	60	-	60
Property, plant and equipment written off	165	112	165	112
Provision for retirement benefits	2,425	2,650	2,425	2,650
Unrealised loss on foreign exchange	4,749	-	4,749	-
	<hr/>	<hr/>	<hr/>	<hr/>
and after crediting:				
Gain on disposal of:				
- property, plant and equipment	-	134	-	134
- prepaid lease payment	-	9,105	-	9,105
Allowance for doubtful debts no longer required	408	337	408	337
Realised gain on foreign exchange	1,033	4,455	1,033	4,455
Unrealised gain on foreign exchange	-	447	-	447
	<hr/>	<hr/>	<hr/>	<hr/>

B11. Comparatives

Certain comparative figures have been reclassified to conform to the current period's presentation.

	As previously reported RM'000	Reclassification RM'000	As reclassified RM'000
As at 31 March 2017			
Consolidated Statement of Comprehensive Income			
Cost of sales			(496,044)
Selling and distribution expenses			(106,301)
Administration expenses			(28,841)
Operating expenses	(573,795)		
Depreciation and amortisation	(58,119)		
	(631,914)	728	(631,186)
Other income/(expenses)	10,725	(728)	9,997

B12. Loss per share

Loss per share is calculated as follows:

	1st Quarter Ended	
	31 March 2018	31 March 2017
Loss attributable to equity holders of the Company (RM'000)	(68,732)	(48,934)
Weighted average number of ordinary shares in issue ('000)	849,695	849,695
Basic and diluted (loss)/earnings per share (sen)	(8.1)	(5.8)

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

Dated: 22 May 2018
Petaling Jaya, Selangor Darul Ehsan.