BUILDING BETTER CITIES IN MALAYSIA

ANNUAL REPORT

2015

Lafarge Malaysia Berhad

LAFARGE

Building better cities™

A member of LafargeHolcim

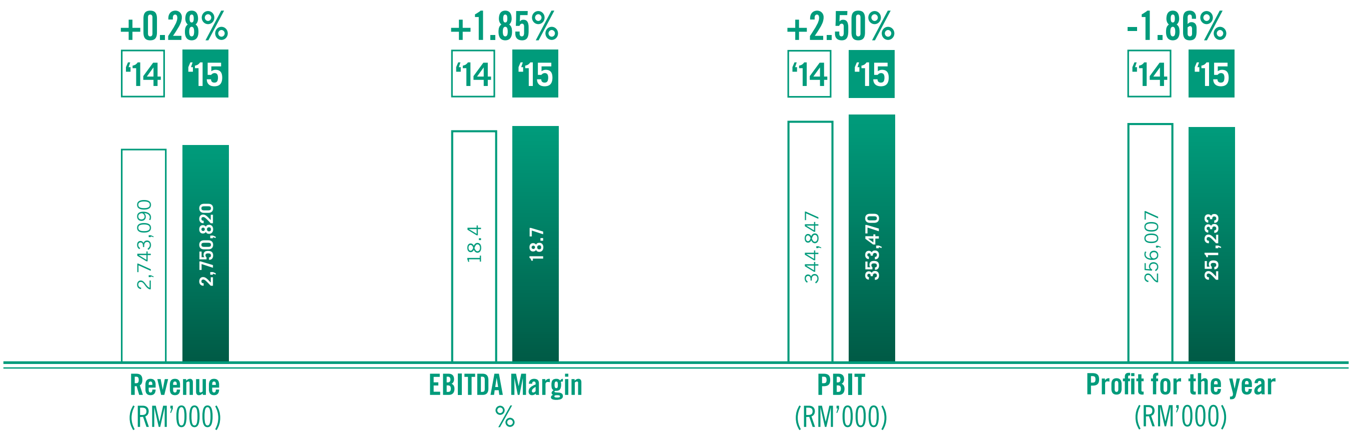
PROFILE

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, two grinding stations in Pasir Gudang, more than 40 ready-mixed concrete batching plants and six 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.

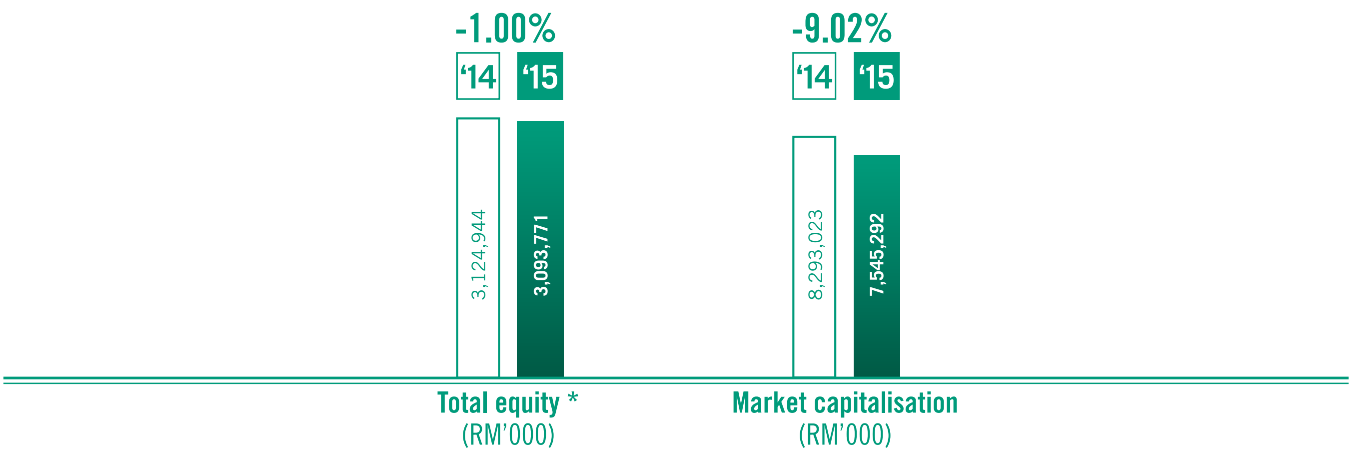
INSIDE

FINANCIAL HIGHLIGHTS

STATEMENT OF COMPREHENSIVE INCOME



STATEMENT OF FINANCIAL POSITIONS

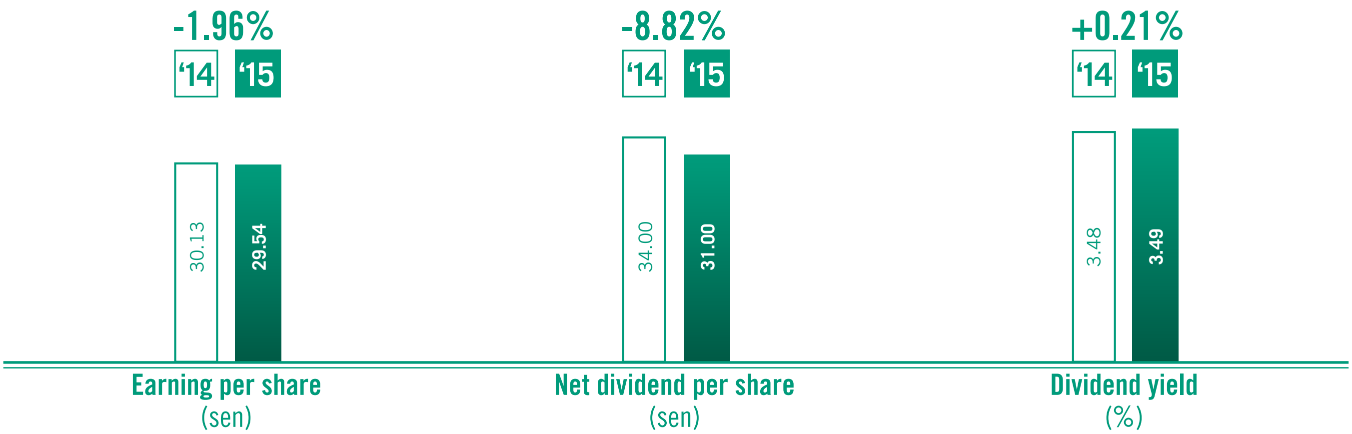


* Equity - include non-controlling interest

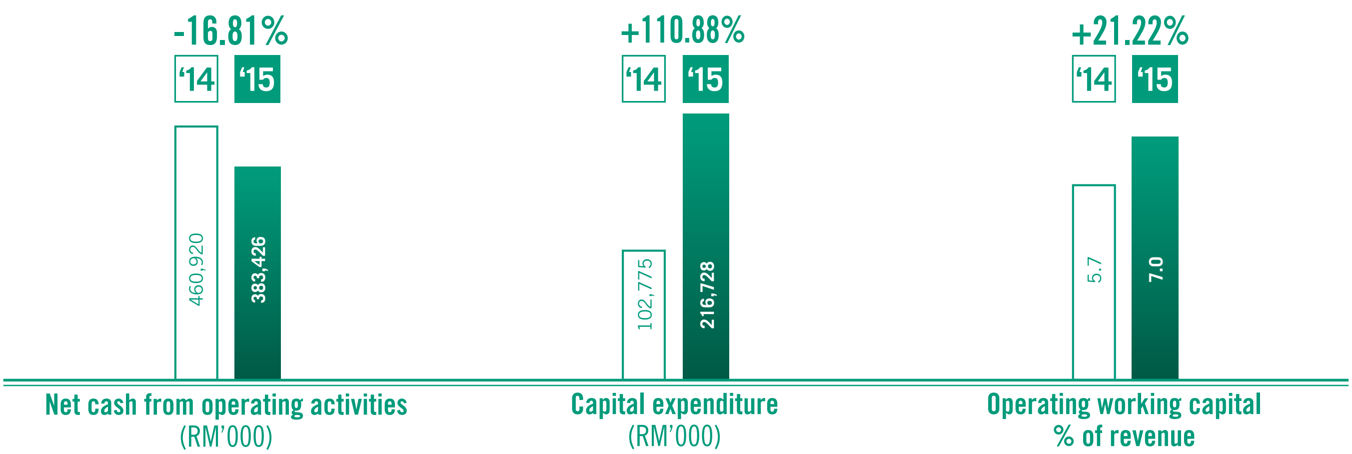
EBITDA - Earnings before interest, tax, depreciation and amortisation

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

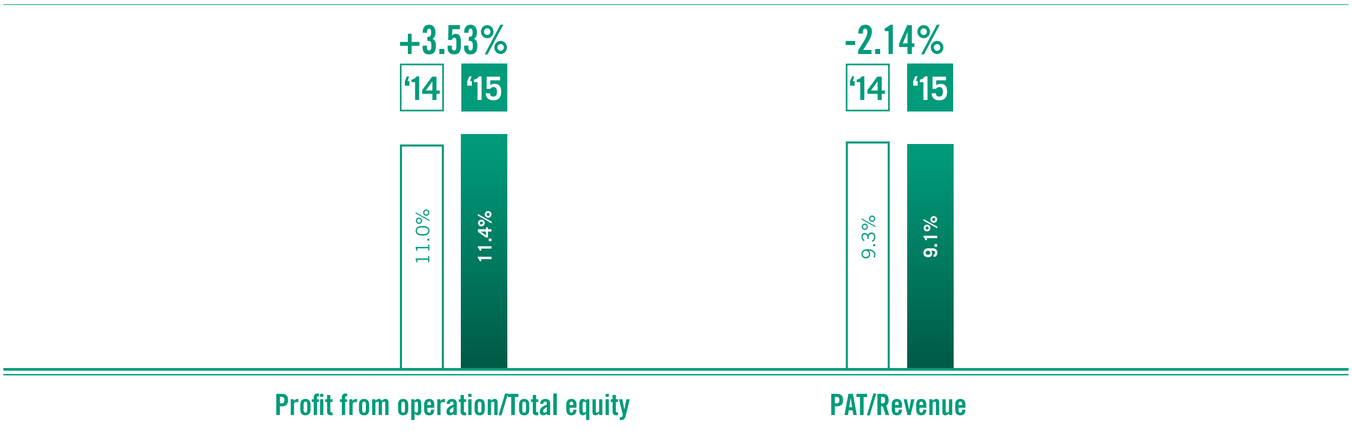
DIVIDEND AND EARNINGS PER SHARE



STATEMENT OF CASH FLOW



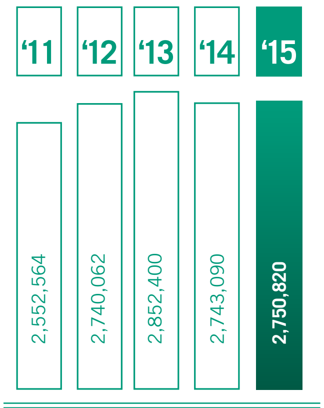
FINANCIAL RATIOS



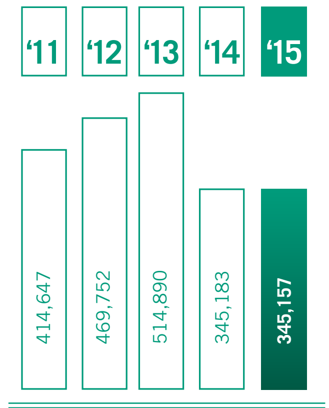
FIVE-YEAR FINANCIAL STATISTICS

	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000
OPERATING RESULTS					
Revenue	2,552,564	2,740,062	2,852,400	2,743,090	**2,750,820**
Profit from operations	417,002	472,982	512,334	344,847	**353,470**
Profit before tax	414,647	469,752	514,890	345,183	**345,157**
Profit for the year	317,647	349,490	367,118	256,007	**251,233**
KEY BALANCE SHEET DATA					
Share capital	849,695	849,695	849,695	849,695	**849,695**
Total equity	3,125,074	3,172,620	3,219,629	3,124,944	**3,093,771**
Net borrowings/(cash)	(244,355)	(352,295)	(450,362)	(460,858)	**29,705**
Net tangible assets	1,915,303	1,963,298	2,011,171	1,918,589	**1,646,539**
SHARE INFORMATION & FINANCIAL RATIOS					
Net gearing ratio (times)	–	–	–	–	**0.01**
Net tangible assets per share (RM)	2.25	2.31	2.37	2.26	**1.94**
Net earnings per share (EPS) (sen)	37.41	41.07	43.15	30.13	**29.54**
Net dividend per share (sen)	34.00	37.00	41.00	34.00	**31.00**
Share price (RM) - Year High	7.99	10.18	11.20	10.64	**10.42**
Share price (RM) - Year Low	6.19	6.66	8.25	7.90	**8.45**

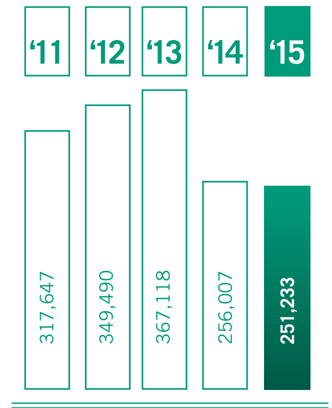
REVENUE
(RM'000)



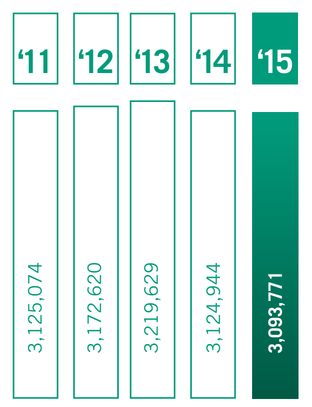
PROFIT BEFORE TAX
(RM'000)



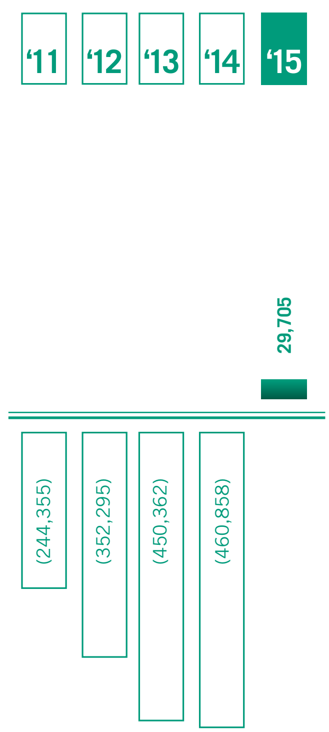
PROFIT FOR THE YEAR
(RM'000)



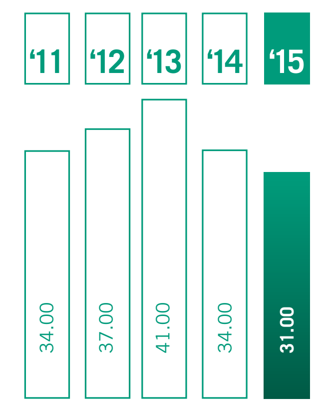
TOTAL EQUITY
(RM'000)



NET BORROWINGS/(CASH)
(RM'000)



NET DIVIDEND PER SHARE
(Sen)



CHAIRMAN'S STATEMENT

Dear Shareholders,

2015 was indeed a historic year for Lafarge Malaysia. We crossed a milestone when we completed our merger with Holcim (Malaysia) Sdn Bhd to form LafargeHolcim in Malaysia. Following the merger, Holcim (Malaysia) Sdn Bhd became part of the Lafarge Malaysia Berhad group of companies.

This merger opens a new chapter in terms of synergies, products and services, cost efficiency, global network and R&D capabilities, allowing us to contribute to Building Better Cities in Malaysia.

On behalf of the Board and Management, I would like to thank you, our retail and institutional shareholders, for your unanimous support of the merger. This, to us, is a vote of confidence in our long-term view of the business.

Strengthening Our Commitment to Achieving Zero Harm

Health and Safety is the overarching value of the LafargeHolcim group, as well as Lafarge Malaysia Berhad. We hold dear the health and safety of our employees, associates, partners and every single individual involved in our day-to-day operations. Consistent with our long track record of safety, we are pleased to report that there were no fatalities on our sites for the fourth consecutive year in 2015.

The merger gave us the opportunity to reinforce our commitment in making the health and safety of all those involved in our operating activities our top priority.

Putting the Community First

Even as we take our company forward to enhance shareholder value, our strong local ties with the local communities within which we operate have never taken a back seat. All our operational sites have a robust stakeholder engagement plan which is reviewed annually. In 2015, we maintained our place in the FTSE4GOOD Bursa Malaysia Index after a review in June. This is the second consecutive year that Lafarge has been recognised for its performance in environmental, social and governance practices. Meanwhile, as part of our commitment to sustainable development, we have awarded education bursaries to more than 4,000 students over the past 18 years to build human capital for the country's needs.

A Warm Welcome to Our New CEO

In August 2015, we welcomed our new President and CEO, Thierry Legrand, who succeeded Bradley Mulroney. Mr Legrand brings with him a wealth of international experience, having been with Lafarge in various capacities for more than 20 years. Among the positions held by Thierry were Plant Manager, Human Resources Director of Lafarge Cements France and Chief Executive Officer of Lafarge South Africa. His most recent role was Lafarge Group Senior Vice President, Transformation & Acceleration within the Innovation function. I am confident that with Thierry's business acumen, experience and leadership, he will build on Lafarge Malaysia's strengths and take it to a higher platform.

We thank Bradley for his strong leadership and firm hand in steering Lafarge Malaysia. Bradley has done a fantastic job in enhancing Lafarge Malaysia's position as an industry leader that promotes innovative and sustainable construction, and has set high standards of innovation and sustainability. We thank him for his contribution and wish him all the best.

Even as we take our company forward to enhance shareholder value, our strong local ties with the local communities within which we operate have never taken a back seat. All our operational sites have a robust stakeholder engagement plan which is reviewed annually.

The merger that formed LafargeHolcim in Malaysia opens a new chapter in terms of synergies, products and services, cost efficiency, global network and R&D capabilities, allowing us to contribute to Building Better Cities in Malaysia.

Changes in the Board

We saw several changes to our Board in the past year. We had the resignations of Mr Saw Ewe Seng as Independent Non-Executive Director, Mr Christian Pierre Herrault as Vice Chairman and Non-Independent Non-Executive Director, Mr Bradley Peter Mulroney as Executive Director, President & Chief Executive Officer, Mr Jean-Claude Bernard Block as Non-Independent Non-Executive Director and Encik Md Yusof Hussin as Audit Committee Chairman and Independent Non-Executive Director.

2015 saw the appointments of Ms Bi Yong Chungunco as Non-Independent Non-Executive Director and Mr Thierry Legrand as Executive Director, President & Chief Executive Officer, Mr Ian Thackwray as Vice Chairman and Non-Independent Non-Executive Director and YM Tunku Afwida Tunku A.Malek as Audit Committee Chairman and Independent Non-Executive Director.

On behalf of the Board, I wish to thank Mr Saw, Mr Herrault, Mr Mulroney, Mr Block and Encik Md Yusof for their invaluable contributions and at the same time, welcome our new members, Mr Legrand, Ms Chungunco, Mr Thackwray and Tunku Afwida Tunku A.Malek.

Health and Safety is our overarching value and we are committed to making the health and safety of all those involved in our operating activities our top priority.

Our strong local ties with the local communities within which we operate have never taken a back seat. All our operational sites have a robust stakeholder engagement plan which is reviewed annually.

The Way Forward

The country's GDP is projected to expand around 4.5% in 2016, with the construction sector's growth expected to remain positive. The continued focus on infrastructure development in the 11th Malaysia Plan and the 2016 Budget bodes well for the construction industry.

We expect that the strategy put in place by the Board and Management, boosted by our strengthened network facilities, puts us in a good position to succeed.

We are very excited about the prospects of LafargeHolcim in Malaysia going forward. The enlarged group's presence in 90 countries and talent pool of 115,000 employees gives us great confidence in strengthening our position in Malaysia. 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 our Management and staff for their dedication and contribution during the year.

Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar
Chairman
Lafarge Malaysia Berhad

CEO'S REVIEW

The coming together of Lafarge and Holcim as a building materials group with a global footprint was the highlight of 2015. The operations of LafargeHolcim in Malaysia were fully integrated in November, and we are happy to report that we are making good progress. Reaping the synergies arising from the Group's combined expertise and network will put us in a position of strength to grow our business further.

Creating and Delivering Value to Our Shareholders

In the 12 months ended 31 December 2015, our revenue grew marginally to RM2.75 billion owing to higher cement sales in Singapore and the domestic market. Although operating profit rose 2.5% from improved cement plant performance and higher gains on foreign exchange and derivatives, a combination of higher finance costs from higher borrowings and stiff competition led to our profit before tax coming in at RM345 million, similar to the FY14 level.

Like in past years, we maintained our dividend at more than 90% of our profits. In keeping with our tradition of rewarding our shareholders with quarterly dividends, we paid out a fourth quarter single tier dividend of 7 sen per RM1.00 share on 20 April 2016. This brought our total dividend paid out in FY15 to 31 sen per share.

We will remain steadfast in our focus to create and deliver value to our shareholders, and our customers, and at the same time, we are investing in our business to take it to the next level.

Staying the Course Over a Challenging Year

2015 was a challenging year for the global economy, growth was muted and the collapse in crude oil prices adversely affected the domestic and global energy sector. Consumer sentiment, which turned cautious in the months that followed the introduction of the Goods and Services Tax (GST) in April, weakened further when the prices of imported consumer and capital goods increased as a result of the Ringgit's decline against the US dollar.

Domestically, Lafarge Malaysia faced price competition and some production difficulties that did not allow us to operate as efficiently as we would have liked. As a result, we could not fully capitalise on all potential opportunities. That being said, we must commend our team for having shown great resilience by staying the course over the challenging year.

We will remain steadfast in our focus to create and deliver value to our shareholders, and our customers, and at the same time, we are investing in our business to take it to the next level.

On the innovation front, we focused on offers and solutions for both the building and infrastructure segments.

Investing in Our Future, Delivering on Our Promises

Despite the challenges, we continued our investment in initiatives for long-term growth, focusing on enhancing our network, innovation and differentiation.

As part of our cement expansion plan, we have recently completed the installation of a roller press in Rawang, Selangor, and will be completing the installation of a cement mill in Kanthan, Perak, later this year. By end-2016, these two plants will boost our capacity by a combined 1.2 million tonnes of cement, to put us in a better position to meet the demands of the market. We are also investing in a second Drymix plant in the South, which will be fully operational by the end of this year.

On the innovation front, we focused on offers and solutions for both the building and infrastructure segments. In the past year, we introduced Morpla, a ready-to-use mortar for walls and floors, which provides customers with greater consistency and efficiency. The response has been encouraging. We also launched Fastbuild, a solution that boosts the construction efficiency of high volume developments.

For the infrastructure segment, we developed and launched our Road Integrated Offer and focused on knowledge exchange in road engineering technology. We completed three pilot projects for concrete roads, in collaboration with the Ministry of Works and Public Works Department (JKR) and we signed a MOU with the Road Engineering Association of Malaysia (REAM).

Lafarge Malaysia has made good progress in enhancing its reputation as the preferred partner for technically sophisticated and challenging projects. In 2014, we are proud to have been entrusted with the contract to supply concrete to the Refinery and Petrochemicals Integrated Development (RAPID) project, and other Petronas-related projects in Pengerang, Johor. Delivery of concrete to these projects commenced in 2015 with six of our ready-mix plants operating on site. During the year, we also secured the concrete supply to Jimah East power plant and we are at an advanced stage of discussion for other major projects.

As part of our cement expansion plan, Lafarge Malaysia recently completed the installation of a roller press in Rawang, Selangor.

Health and Safety is our overarching value as we firmly believe that everyone associated to our operations should be able to go home unharmed to their family and friends. Our aim of zero harm continues to drive our actions and performance.
In 2015, I'm pleased to report that we had no on-site fatalities, a record that we have maintained since 2011. Going forward, all LafargeHolcim organisations across the world, including Malaysia, will aim to improve further our Health and Safety performance.

Our unyielding focus on Health and Safety contributes to business continuity and it gives us a further competitive edge. As the construction industry evolves, customers are expecting a higher level of Health and Safety performance. The fact that we were granted the opportunity to play a major role in highly demanding projects, such as the RAPID project, gives us encouragement to further improve our Health and Safety standards.

Making Sustainability A Way of Doing Business

Lafarge Malaysia is committed to being part of the solution, in ensuring that sustainability is embedded in every part of our business.

In the year under review, further progress was made in the areas of environment, people development and community enrichment. Our flagship Chan Sow Lin (CSL) ready-mix concrete batching plant was awarded SIRIM QAS International Sdn Bhd's ISO 14001:2004 certification and we continue to make headway in the development of more environmental-friendly solutions. In the area of protecting and preserving biodiversity, I'm pleased to report that 100% of our cement quarries have quarry rehabilitation plans.

On the people development front, we focused our resources in equipping our people with the right skills, and in building a talent pipeline for the future. We improved our Lafarge Young Engineers Programme, welcoming 15 new engineers into the company.

Operating in different communities, it is our fundamental responsibility to ensure that we are good neighbours, contributing to their development and maintaining strong communication channels. In the year under review, we further enhanced our community outreach programmes and continued our focus on road safety.

Last year, we published our first stand-alone Sustainability Report, which provided details of our initiatives. I'm pleased to note that the report was well received and was shortlisted for ACCA Malaysia Sustainability Reporting Awards 2015. More importantly, it allows us to document and track our progress in sustainability. Moving forward, we have taken the decision to publish a stand-alone report once in two years. A summary of our progress is included in this Annual Report.

Looking Ahead at 2016

The local construction industry has been enjoying growth in the past few years, buoyed by key development initiatives under the various development projects in Malaysia.

In 2015, the property sector has shown signs of slowing down, especially in the higher-end residential segment, but the pace in major infrastructure developments appears intact. When recalibrating its 2016 Budget in January to reflect lower revenue from oil exports, the Malaysian Government had reiterated its focus on its affordable housing programme and completing mega infrastructure projects such as the MRT, LRT, High-Speed Rail and Rapid. To this end, we remain committed to contribute our building and infrastructure solutions.

For the infrastructure segment, we developed and launched our Road Integrated Offer and focused on knowledge exchange in road engineering technology.

Moving Ahead as One

We are grateful to our shareholders for their unanimous support of the merger. Its completion was followed by several changes in the company's Management and Board of Directors in August. With these recent appointments, the Exco is now complete and ready to take the company forward.

We now have three integrated cement plants, two grinding stations, more than 40 ready-mix concrete batching plants and six aggregate quarries throughout Peninsular Malaysia. The synergies we derive in terms of scale, expertise and customer base put us in a strong position to reinforce our presence in the south of the peninsula.

With both teams now fully integrated, we must move ahead and deliver on our commitments. We will increase our efforts to leverage on the combined resources to serve our customers better. In order to maintain our leadership, we will continue to innovate and differentiate, and work towards achieving the lowest delivered cost in the industry.

Show of Appreciation

I would like to thank everyone for their contributions in making Lafarge Malaysia what it is today – a respected integrated infrastructure and construction solutions provider.

To my colleagues in Lafarge Malaysia, thank you for your contributions and commitment. To our shareholders, I deeply appreciate your support of our vision and voting for the merger, and hope to have your support going forward. I would like to thank the existing board members as well as those who left the Board in 2015 – Mr Bradley Mulroney, Mr Christian Pierre Herrault, Mr Saw Ewe Seng, Mr Jean-Claude Bernard Block, and Encik Md Yusof Hussin – for their contributions to the company. I am also grateful to our Chairman, YAM Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar, for his steady hand in steering the company.

Last but not least, I would like to thank our customers for their support and belief in us. It is you who have inspired us in our quest to contribute towards Building Better Cities.

Thierry Legrand
President & CEO, Lafarge Malaysia Berhad

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

General Description of Lafarge Malaysia's Business

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

Lafarge Malaysia's Cement segment operates a strategic network of facilities that include 3 integrated cement plants located in Langkawi, Kanthan and Rawang, and 2 grinding stations. It also operates a Bulk Import Terminal in Singapore.

Under the Concrete and Aggregates segment, Lafarge Malaysia has more than 40 ready-mixed concrete batching plants and 6 aggregate quarries. Lafarge Malaysia also has an equity stake in Alliance Concrete, a ready-mixed concrete company in Singapore.

Financial Performance for FY15 vs FY14

Lafarge Malaysia's revenue for the 12 months ended 31 December 2015 was marginally higher at RM2.75 billion compared with RM2.74 billion in FY14. For FY15, group profit from operations grew 2.5% year-on-year to RM353.5 million mainly due to higher revenue, better operating margins and higher foreign exchange gains. However, owing to a combination of higher finance costs arising from higher borrowings and higher losses from its share of an associate due to keen competition, Profit Before Tax came in at RM345 million, similar to last year.

Meanwhile, Lafarge Malaysia's interest income of RM4.9 million for FY15 was lower than the RM9.6 million recorded in the previous financial year mainly due to a smaller amount of funds placed on short-term deposits.

Overall, the profit attributed to the equity holders of Lafarge Malaysia stood at RM251.2 million versus RM256.0 million in FY14.

As of 31 December 2015, Lafarge Malaysia had cash and cash equivalents amounting to RM311.4 million compared with RM460.9 million at the end of December 2014. Net borrowing at Lafarge Malaysia's level amounted to RM29.7 million as at 31 December 2015 against a net cash position of RM460.9 million at the end of December 2014 mainly due to the drawdown of loans in relation to the acquisition of subsidiaries during the year.

Outlook

Key infrastructure projects and ongoing commercial and residential developments announced in Malaysia's 2016 Budget and the 11th Malaysia Plan continue to drive the construction sector. Lafarge Malaysia will carry on with its development and offering its solutions in the Building and Infrastructure segments to cater to customer needs. It will also further consolidate its position as the preferred business partner for technically sophisticated projects, as well as focus on maintaining efficiency in its overall operations.

Lafarge Malaysia will continue to develop and offer solutions in the Building and Infrastructure segments to cater to customer needs as well as position itself as the preferred business partner for technically sophisticated projects.

SUSTAINABILITY OVERVIEW

Sustainability is embedded in Lafarge Malaysia's actions as a business, employer and corporate citizen, in line with the entire LafargeHolcim Group. Our sustainability initiatives are aligned with the Group's key areas of focus – Climate, Circular Economy, Water and Nature, People and Communities. These initiatives target, among others, to reduce CO2 emissions, provide solutions for end-of-life products, preserve biodiversity and water, and ensure equitable gender representation in all our operations.

We are strongly committed to making ourselves a part of the solution in ensuring sustainability in the commercial, social and environment aspects. This forms the basis of all our endeavours to minimise our impact, seek sustainable solutions, help communities thrive, and essentially, to give back more than we use.

Moreover, in our business, we have no doubt about our first priority; doing everything we can to keep our employees, contractors and others affected by our operations, safe and well. This is done by leading with safety and promoting health and well being, so that we get closer to our goal of zero harm. We also believe that it is important to deliver sustained improvement in Health and Safety performance through management intervention and training initiatives so that they are translated into behavioural changes by all employees and contractors.

Managing Our Environmental Footprint

Lafarge Malaysia is committed to setting new standards in sustainability in the local construction industry. We had achieved a first when we completed our flagship Chan Sow Lin (CSL) plant, Malaysia's first enclosed ready-mix concrete batching facility that is built to reduce noise and dust emissions and is capable of reclaiming returned concrete. In March 2015, the plant chalked up another first when it was awarded SIRIM QAS International Sdn Bhd's ISO 14001:2004 certification under "Manufacturing of Ready Mix Concrete".

Our Construction Development Lab, the first in Southeast Asia and the fifth in the world, made great headway in creating safer, more efficient and more environment-friendly solutions that help our customers reduce cost and wastage.

Our focus on environmental protection and sustainability also bore fruit when two eco products manufactured by Lafarge Malaysia – Phoenix and Mascrete LH – were certified as green building products under PAS 2050:2011 by TUV PSB Singapore in July. Extending this list of accomplishments, our Construction Development Laboratory (CDL) also made great headway in creating safer, more efficient and more environment-friendly solutions that help our customers reduce cost and wastage. These include Morpla, Fastbuild and Road Integrated Offer.

Additionally, we continue our work to optimize the use of natural resources by managing our environmental footprint effectively and creating value where possible by using alternative fuels, alternative raw materials and recycled materials. In 2015, alternative fuel contributed more than 10% of the energy required in our manufacturing processes.

Biodiversity preservation is equally important in our commitment to sustainable development. Based on the findings of a University of Malaya biodiversity study on our quarry in Kanthan, Perak, we have identified an area in Gunung Kanthan as having sensitive biodiversity. In response, access to this area has been restricted since January 2015 and we have taken the decision to preserve it from future mining activities. Going forward, our plan will involve further studies on Gunung Kanthan and its limestone deposits. This is part of our long-term commitment to ensure the responsible management of biodiversity at our sites.

In 2015, alternative fuel contributed more than 10% of the energy required in our manufacturing processes.

The Chan Sow Lin plant is Malaysia's first enclosed ready-mix concrete batching facility that is built to reduce noise and dust emissions and is capable of reclaiming returned concrete.

Reaffirming Our Commitment to Health and Safety

Health and Safety is our overarching value. Our aim is to ensure that everyone affected by our business activities returns home unharmed to their loved ones every day.

Following the completion of the Lafarge and Holcim merger, a new Health and Safety policy and set of rules were introduced which is the statement of management continued commitment to the Health and Safety of its employees, contractors and those affected by our operations.

In addition, a new Incident, Classification & Investigation standard was introduced to ensure continued transparency of incident reporting. The standard also ensures that investigations are conducted and repetitions are avoided by adopting the learnings.

We are pleased to report that in 2015, for the fourth consecutive year, there were no fatalities on our operating sites. However, one recordable road transport related fatality occurred, the first since March 2011. We achieved a Total Injury Frequency Rate (TIFR) of 1.39 (on-site and transport), which essentially means that there were 1.39 incidents for every 1 million employee and contractor hours worked. With the exception of the road related fatality, all incidents were of low severity, with most associated with slips, trips, falls and hand injuries. Meanwhile, our Total Road Accident Frequency (TRAF) for heavy goods vehicles (HGV) stood at 0.06 for the year, an exceptionally low rate in relation to the overall 48.5 million kilometre travelled by Lafarge Malaysia's transporters.

In addition to the application of key Health and Safety standards, safety engagement with workers by management at site together with regular audits, help management to gauge progress and make appropriate decisions:

No. of Safety Engagements in 2015

Product Line/Plant/ Activities	Number of engagements in year 2015
Aggregates	859
Ready-Mix Concrete	4450
Kanthan	2005
Langkawi	1614
Pasir Gudang	600
Rawang	772
Cement Industrial	140
Head Office	324
Supply Chain	113
HSBP	234
Corporate Functions	118
Total	**11229**

No. of Motor Vehicle Incidents (MVI) net of third party fault in 2015

Product Line/Plant/ Activities	Number of MVI's net of third party fault in 2015
Supply Chain	16
Cement	8
Aggregates	19
Ready-Mix Concrete	73
CMC	1
Head Office	0
Total	**117**

In-Country & Cross-Country Audits

2015 Audits		
Cross-Country	-	RMX Central Region Cluster
In-Country	-	Rawang Integrated Cement Plant
Cross-Country	-	Pasir Gudang Cement Mill & Kulai Aggregates Quarry

In-country audit: Internal audit performed by local H&S personnel with the involvement of operations managers as co-auditors, using the Group Health & Safety Management System (HSMS) protocol.

Cross-country audit: External audit performed by external (foreign) H&S personnel with the involvement of senior managers and Health & Safety Country Committee members as co-auditors, using the group HSMS protocol.

Both audits are performed on an entity once every 3 years. The duration between an internal & external audit is 1.5 years.

1.39

"On-Site and Transport" Total Injury Frequency Rate (TIFR).

Other lead indicators, adopted by the company to prevent incidents include motor vehicle incidents (MVI) monitoring, Health and Safety training hours recorded, near miss reporting and the review of Serious Events.

No. of Serious Event Reviews (SER)

Year	Total SER Recorded
2013	37
2014	49
2015	58

No. of Near Misses Reported

Year	Total Near Misses Reported
2013	675
2014	497
2015	653

To continue to improve the competency of our workforce, Lafarge Malaysia recorded close to 69,000 training hours for employees in 2015, including Health and Safety leadership for managers and supervisors.

Health and Safety Training Hours

Year	Total Training Hours
2013	53,438
2014	35,971
2015	68,875

48.6 million km

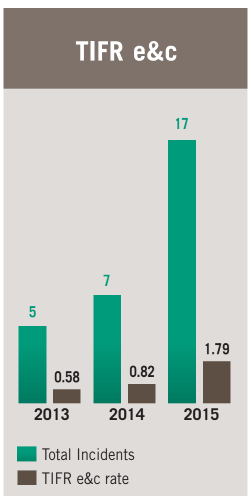
Total distance driven by contractor vehicles across all product lines in 2015.

We are pleased to report that in 2015, for the fourth consecutive year, there were no fatalities on our operating sites.

Externally, we were able to contribute our experience in Health and Safety to help improve construction standards in the country. A Health and Safety module was included in our masons training programme to equip masons with fundamental Health and Safety knowledge and skills. We also worked with the Human Resources Development Fund and Malaysian Institute of Quarrying to develop the first of a number of Health and Safety training modules on quarry blasting.

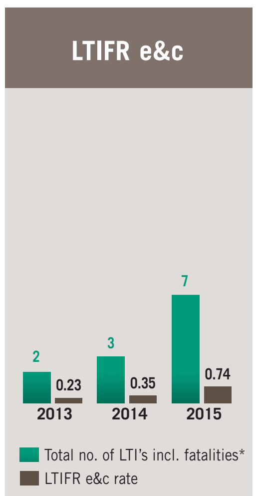
Health and Safety is core to Lafarge Malaysia's operations and is becoming a key expectation of our customers. In fact, Health and Safety has become an effective differentiator for Lafarge Malaysia. The recent appointment of two of our employees as permanent members of the RAPID Overall Site Management HSSE Steering Committee is recognition of our commitment in Health and Safety, and more importantly, it allows us to further enhance Health and Safety standards at project sites through knowledge and experience exchange.

TIFR e&c statistics for 2013, 2014 and 2015



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

LTIFR e&c statistics for 2013, 2014 and 2015



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

**Note: There were no fatalities suffered during this period*

Following the completion of the Lafarge and Holcim merger, we introduced a new Health and Safety policy and new Incident, Classification & Investigation standards for the enlarged entity. This allows us to harness the best practices of both organisations as part of future H&S planning.

Investing in Our Most Valuable Asset

The development of our people is vital to ensure the continued growth of Lafarge Malaysia. Last year, we undertook several programmes to arm our employees with new skills and competencies in line with our ambition of Building Better Cities. We equipped our employees with the necessary skills to offer solutions that add value to our customers and ultimately, contribute towards the construction landscape of Malaysia. At the same time, we worked towards building a talent pipeline to ensure that we consistently deliver on our promises.

In 2015, we launched various training programmes designed to educate our sales, support and marketing teams on road and building solutions and to help frontline supervisors manage their teams more effectively. We also initiated sessions for employees to share their learning experience relating to implementation, and challenges and best practices via team collaboration. To provide Lafarge Malaysia with a steady supply of young engineers, we enhanced our Lafarge Young Engineers Programme, welcoming 15 Young Engineers to the family. In addition, we launched a 12-month Lafarge Customer Care Mastery programme in which 50 employees took part. This programme aimed to inculcate a service-oriented culture and improve our customers' experience.

To encourage two-way communication with our employees, we conducted an Employee Engagement Survey in December 2014. The survey garnered a 90% response rate. It showed that at 80%, our employees are engaged – they believe in the goals of the organisation and feel enabled in the workplace. It was also found that our employees' perception around changes is positive.

The survey also identified key opportunity areas for further improvement. Among the areas were inter-department communication and teamwork, work-life balance and working conditions. Guided by the findings, we drew up three country level action plans – to develop a Leadership Programme incorporating Change Leadership, Managing Performance and improving the physical working conditions in our plants.

In 2015, we launched various training programmes designed to educate our sales, support and marketing teams on road and building solutions. We also initiated sessions for employees to share their learning experience relating to implementation, challenges and best practices via team collaboration.

Caring for Our Community

We have been operating in Malaysia for more than 60 years. During these six decades, our operations have assimilated with the communities in which we operate, fostering a symbiotic relationship through which we channel activities that contribute to their well-being. In 2015, we organised various volunteering activities and continued our focus on increasing road safety awareness.

We enhanced our volunteering programme, garnering good participation from employees across all departments. Over 8,500 volunteer hours were recorded through programmes organised by our corporate functions and operational teams. Our spirit of volunteerism came to the forefront when Malaysia experienced its worst floods in 30 years in early 2015, during which 160,000 people in some east coast states were evacuated from their homes. Lafarge Malaysia employees rounded up aid and collected donations in cash and in kind amounting to RM23,000, to which the company matched Ringgit-for-Ringgit, bringing the total collected to RM46,000. Our employees also contributed to relief efforts, with 50 of them volunteering in Kelantan and Pahang, including assisting with the clean-up of a community kindergarten in Tanah Merah, Kelantan.

Gotong-royong sessions were organised to support the communities living around our plants. We helped spruce up SK Sinaran Budi in Rawang, contributed books to students of SJK (T) Ladang Dovenby in Kanthan, and collaborated with the Langkawi Rotary Club and Langkawi Development Authority to clean the island's beaches and mangrove.

Road safety is an aspect that is close to the heart of every community. With this in mind, we continued our efforts in promoting Road Safety in 2015. We held our Lafarge Drivers' Safety Day to recognise our top performing transporters and drivers in road safety performance. This annual recognition event, held in the Northern, Central, and Southern Regions of Peninsular Malaysia, serves to encourage our top performing drivers to further improve their road safety performance and to be good role-models to other drivers and their families.

In addition, the Gombak Public Works Department (JKR), in partnership with Lafarge Malaysia, upgraded a 1.1km road in Rawang, using the Cold-In-Place Recycling (CIPR) method. This method recycles existing road materials by mixing them with cement-based materials as a sub-base to make the road stronger and more durable. Lafarge Malaysia provided technical expertise and contributed more than 7,500 bags of cement worth RM150,000. The road, Jalan B25 Bristol-Kuang, is an important road connecting the community of Sungai Buloh with Rawang.

Over 8,500 volunteer hours were recorded through programmes organised by our corporate functions and operational teams, in 2015.

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)

Ian Thackwray
Non-Independent Non-Executive Director (Vice Chairman)

Thierry Legrand
Executive Director (President & Chief Executive Officer)

Michael Lim Yoke Tuan
Executive Director (Chief Financial Officer)

Tan Sri A. Razak bin Ramli
Senior Independent Non-Executive Director

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

Bi Yong Chungunco
Non-Independent Non-Executive Director

Sapna Sood
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Y.M. Tunku Afwida Tunku A.Malek (Chairman)
Tan Sri A. Razak bin Ramli
Bi Yong Chungunco

REMUNERATION AND NOMINATION COMMITTEE

Tan Sri A. Razak bin Ramli (Chairman)
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar
Bi Yong Chungunco

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

Main Market of Bursa Malaysia Securities Berhad

WEBSITE

www.lafarge.com.my

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 68, 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. Y.A.M. 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. He currently sits as Chairman of Aluminium Company of Malaysia Berhad.

Y.A.M. Tunku Imran is a member of the Remuneration and Nomination Committee of the Company.

IAN THACKWRAY

Non-Independent Non-Executive Director (Vice Chairman)
(Age 58, British)

Appointed as a Non-Independent Non-Executive Director and Vice Chairman on 29 February 2016. He holds a Master of Chemistry from Oxford University and is a Chartered Accountant. He has been the Executive Committee member responsible for the Asia Pacific Region and Trading at Holcim, now LafargeHolcim, since 2014. He was appointed to the Holcim Executive Committee from 2010 with initial responsibility for China, Philippines, Australia and New Zealand. From 2012, he took additional responsibility for Trading. He joined Holcim in 2006 as Chief Executive Officer of Holcim Philippines. Before joining Holcim, he started his career in 1979 at Price Waterhouse, handling major corporate accounts in Europe. In 1985, he moved to Dow Corning Corporation, serving in various management roles in Europe, North America, and particularly in Asia.

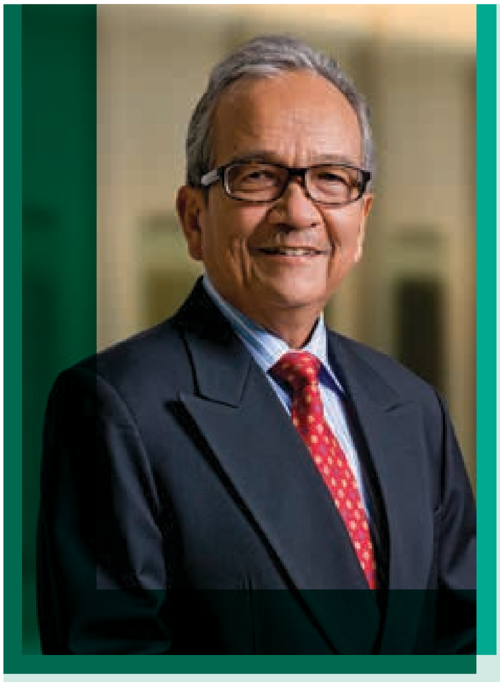
THIERRY LEGRAND
Executive Director
(President & Chief Executive Officer)
(Age 49, French)

Thierry Legrand was appointed as President and Chief Executive Officer on 14 August 2015. He graduated from Ecole Polytechnique and Ecole Nationale des Ponts et Chaussées, Paris in Civil Engineering in 1992. He joined Lafarge as an engineer and held several industrial positions including plant management. Subsequently he held the position of Human Resources Director, Lafarge Cements France, and contributed to the development of talents to prepare Lafarge for international growth. Having contributed 5 years to this role, he was Lafarge Plasterboard General Manager for Germany and the Netherlands where the development of innovation and marketing positioning on technical segments were of critical importance.

Thierry was Chief Executive Officer of Lafarge South Africa from 2009 to 2014. His most recent role prior to his new appointment was Lafarge Group's Senior Vice President for the Innovation function.

MICHAEL LIM YOKE TUAN
Executive Director
(Chief Financial Officer)
(Age 52, Malaysian)

Joined Lafarge Malaysia Berhad as Chief Financial Officer in October, 2014. He was appointed as an Executive Director in February, 2015. He holds a Master of Science in Management (Sloan) from London Business School, a MBA from the University of Strathclyde, and a LLB (Honours) degree from the University of London. He is a member of Malaysia Institute of Accountants, and a fellow member of the Chartered Institute of Management Accountant, United Kingdom, and Hong Kong Institute of Certified Public Accountants respectively. Prior to joining Lafarge, he has worked as Chief Financial Officer for the Lion Group Malaysia, Sun Hung Kai Properties China, and CP (Chareon Pokhphand) Lotus Hong Kong respectively. He also served as Financial Controller for PepsiCo Greater China, Hutchision Whampao Hong Kong, Guoco Group Hong Kong, and Hong Leong Group Malaysia respectively.



TAN SRI A. RAZAK BIN RAMLI

Senior Independent Non-Executive Director
(Age 67, 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 as Chairman of the Remuneration and Nomination Committee of the Company. He is also a member of the Audit Committee of the Company since 25 May 2011.

Y.M. TUNKU AFWIDA TUNKU A.MALEK

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

Appointed as Independent Non-Executive Director on 29 February 2016. Y.M. Tunku Afwida did her Bachelor in Science (Hons.) at The City University (London), where she majored in Economics and Accountancy. She also qualified as a Chartered Accountant from The Institute of Chartered Accountants in England and Wales. Y.M. Tunku Afwida is currently a director and shareholder of Asia Equity Research Sdn Bhd, a company licensed by Securities Commission of Malaysia to provide advisory services in corporate finance including compliance related and funding advisory related services. Prior to that, she was Chief Executive Officer and Executive Director of Kenanga Investment Bank Berhad from 2006 until 2008, Chief Executive Officer and Executive Director of MIMB Investment Bank Berhad from 2003 until 2006 and Executive Director and Co-owner of Commerce Asset Fund Managers Sdn Bhd from 1995 until 2003. She is currently also a Director of Gamuda Berhad, PUC Founder (MSC) Berhad and Export-Import Bank of Malaysia Berhad.

She was appointed as Chairman of the Audit Committee of the Company on 29 February 2016.

BI YONG CHUNGUNCO
(Non-Independent Non-Executive Director)
(Age 53, Filipino)

Appointed as Non-Independent Non-Executive Director on 27 August 2015. She is currently the Area Manager, South East Asia (West) of LafargeHolcim Group, overseeing the operations in Malaysia, Singapore, Bangladesh, Sri Lanka and Myanmar and also the Corporate Secretary of Lafarge S.A. Prior to this, she is the Senior Vice President, Group General Counsel of Lafarge S.A. based in Paris, France. She joined the Lafarge Group in 2002 as Senior Vice President for Legal, Corporate Governance & External Relations of the Lafarge affiliated company in the Philippines. From 2004 to 2007, she was Group Regional Counsel and then Deputy General Counsel of Lafarge, overseeing from Paris the merger and acquisition transaction of the Group and coordinating the worldwide legal network. From 2008 to 2012, she was Executive Director, President and Chief Executive Officer of then Lafarge Malayan Cement Berhad one of the largest industrial companies listed on the Malaysian Stock Exchange (a 51% owned subsidiary of Lafarge, with operations in Malaysia and Singapore). Before joining Lafarge Group, she was a Director, Treasurer and Senior Vice President- Legal of Jardine Davies Inc., a subsidiary of Jardine Matheson Group listed in the Philippines. During this period, she was President of the Tax Management Association of the Philippines, a national organization of tax practitioners in the Philippines. A lawyer by training, she worked in various law firms prior to joining companies' position. She holds various Directorships in the subsidiaries of LafargeHolcim Group and she is also an Independent Director and a Member of the Ethics, Compliance and Sustainability Committee of Alstom S.A.

On 13 January 2016, she was appointed as a member of the Audit Committee of the Company. She is also a member of the Remuneration and Nomination of the Company since 27 August 2015.

SAPNA SOOD
(Non-Independent Non-Executive Director)
(Age 42, 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 LafargeHolcim 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

Thierry Legrand
President & Chief Executive Officer

Michael Lim Yoke Tuan
Chief Financial Officer

Yeap Khoon Cheun
Retail Sales Director

Choong Ju Tang
Industrial Sales Director

Mariano Garcia
Industrial Director

Aida Mohamed
Organisation & HR Director

Shirley Low
Marketing Director

Rick Pucci
RMX & Infrastructure Director

Rey Cervera
Logistics & Procurement Director

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") of Lafarge Malaysia Berhad 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 2015.

A. BOARD OF DIRECTORS

The Board is responsible for the oversight and overall management of the Company. In order to ensure the effective discharge of its function and responsibilities, it has established a Governance Model for the Group where specific powers of the Board are delegated to the relevant Board Committees and the President & Chief Executive Officer.

Board Charter *(Recommendations 1.1 and 1.7 of the Code)*
The Board Charter formalises and sets out the role and responsibilities, composition, operation and processes of the Board of the Group. 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.

Role and Responsibilities of the Board *(Recommendation 1.2 of the Code)*
The role of the Board is to represent the shareholders and to promote and protect the interests of the Company. The Board is committed to high standards of corporate governance and strives to ensure that it is practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and raise the performance of the Group. The Board is therefore accountable to the shareholders for the performance of the Company.

The Board in discharging its duties has adopted the following objectives:

- Reviewing and adopting a strategic plan for our Group;
- Overseeing the conduct of our Group's businesses to evaluate whether our businesses are being properly managed;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training and fixing the compensation of directors;
- Developing and implementing a Corporate Disclosure Policy for our Group;
- Reviewing the adequacy and the integrity of our Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- Monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- Ensuring that the Company's financial statements are true and fair and conform with the accounting standards; and ensuring that the Company adheres to high standards of ethics and corporate behaviour.

The Executive Directors are responsible in overseeing the implementation of objectives and plans for the Group whilst Management is responsible for the day to day operations of the Group. The independent non-executive directors, ensures that the Board practices good governance in discharging its duties and responsibilities. The Board, as a whole, retains overall control of the Group.

Access to Information and Advice *(Recommendation 1.5 of the Code)*
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.

Qualified and Competent Company Secretaries *(Recommendation 1.6 of the Code)*
Both Company Secretaries of Lafarge Malaysia have legal credentials, and are qualified to act as company secretary under Section 139A of the Companies Act 1965. All Directors have access to the advice and services of the Company Secretaries in carrying out their duties. The Company Secretaries facilitate overall compliance with the Listing Requirements and the Companies Act 1965. In performing this duty, the Company Secretaries carry out the statutory duties as specified under the Companies Act 1965 and the Listing Requirements, play an advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislation, 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.

Strategies Promoting Sustainability *(Recommendation 1.4 of the Code)*
The Board believes sustainability is integral to the long-term success of the Group. The Group has in June 2015, published its first stand alone Sustainability Report to signify its commitment to sustainability development. The Report brings with it very concrete objectives that are designed to to contribute visibly and significantly to society, with a strong focus on climate change. Further information on the Group's sustainability activities can be found in section 3 of this Annual Report.

Board Composition and Balance *(Recommendation 3.5 of the Code)*
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 26 to 29 of this Annual Report.

Separation of Positions of the Chairman and CEO *(Recommendations 1.1 and 3.4 of the Code)*
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 Thierry Legrand, the President & Chief Executive Officer.

Directors' Remuneration *(Recommendation 2.3 of the Code)*
The Board has a formal and transparent remuneration policies and procedures to attract and retain directors. The Remuneration and Nomination Committee is to recommend to the Board the compensation and remuneration package for the CEO and Executive Directors/senior management and the engagement of external professional advisors, where necessary. The remuneration of members of the Board, Board Committees, non-Executive Directors shall be a matter for the Board to consider.

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	–	2,688,050#	1,256,702#	765,024#	4,709,776#
Non-Executive Directors	271,500	–	–	–	271,500

* Other emoluments include bonus, fixed/cash allowance and the Company's contribution to Employee' Provident Fund.
# Includes salaries, other emoluments and benefits-in-kind paid to Mr Bradley Mulroney during his term as Executive Director (President & Chief Executive Officer) up until his resignation on 14 August 2015.

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

	Number of Directors	
Range of remuneration	**Executive**	**Non-Executive**
RM50,001 to RM100,000	–	2
RM100,001 to RM150,000	–	1
RM550,001 to RM600,000	1	–
RM900,001 to RM950,000	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.

Assessing Independence *(Recommendation 3.1 of the Code)*
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. The Board has established the criteria to judge independence of a director which is based on the Listing Requirements. The Board is satisfied that its independent directors have continued to exercise independent judgment and acted in the best interests of the Group and the Group's stakeholders.

Tenure of Independent Directors *(Recommendations 3.2 and 3.3 of the Code)*

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.

At the AGM held on 21 May 2015, the Board recommended and the shareholders approved the retention of the Chairman and the Senior Independent Non-Executive Director as independent directors. The Board again 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 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 *(Recommendation 4.1 of the Code)*
The Board has a formal schedule of matters reserved at Board meetings which includes minutes of Board, corporate plans, annual budgets, operational and financial performance reviews, major investments and financial decisions, changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits. The Board Audit Committee's reports and Remuneration and Nomination Committee's reports are also presented and discussed at Board meetings. All proceedings of Board meetings are duly recorded in the minutes of each meeting and signed minutes of each Board meeting are properly kept by the Company Secretary.

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 2015, the Board met on 6 occasions and the attendance record of each Director is as follows:-

Board Members	Attendance	
	Scheduled	Unscheduled
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar	4/4	2/2
Tan Sri A. Razak bin Ramli	4/4	2/2
Md Yusof bin Hussin (1)	4/4	2/2
Sapna Sood	4/4	0/2
Jean-Claude Block (2)	2/4	0/2
Michael Lim Yoke Tuan (3)	3/3	2/2
Christian Herrault (4)	3/3	0/0
Thierry Legrand (5)	2/2	2/2
Bradley Mulroney (6)	2/2	0/0
Bi Yong Chungunco (7)	1/1	1/1
Saw Ewe Seng (8)	0/0	0/0
Y.M. Tunku Afwida Binti Tunku A.Malek (9)	0/0	0/0
Ian Thackwray (10)	0/0	0/0

Notes:
(1) *Resigned as Independent Non-Executive Director w.e.f. 1 January 2016;*
(2) *Resigned as Non-Independent Non-Executive Director w.e.f. 13 January 2016;*
(3) *Appointed as Executive Director (Chief Financial Officer) w.e.f. 26 February 2015;*
(4) *Resigned as Vice Chairman, Non-Independent Non-Executive Director w.e.f. 27 August 2015;*
(5) *Appointed as Executive Director (President & Chief Executive Officer) w.e.f. 14 August 2015;*
(6) *Resigned as Executive Director (President & Chief Executive Officer) w.e.f. 14 August 2015;*
(7) *Appointed as Non-Independent Non-Executive Director w.e.f. 27 August 2015;*
(8) *Resigned as Independent Non-Executive Director w.e.f. 2 January 2015;*
(9) *Appointed as Independent Non-Executive Director w.e.f. 29 February 2016; and*
(10) *Appointed as Vice Chairman, Non-Independent Non-Executive Director w.e.f. 29 February 2016*

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.

Board Committees

The Board of Directors delegate certain responsibilities to the Board Committees, namely an Audit Committee and a 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 comprises of 2 independent non-executive directors and 1 non-executive director. 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 2015 prepared pursuant to paragraph 15.15 of the Listing Requirements are set out in the Audit Committee report on pages 45 to 48 of this Annual Report.

2. **The Remuneration And Nomination Committee** *(Recommendation 2.1 of the Code)*

   The Remuneration and Nomination Committee for the year ended 31 December 2015 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 three times during the financial year and the attendance of each individual is set out below:

		Attendance
Chairman Tan Sri A. Razak bin Ramli	Senior Independent Non-Executive Director	3/3
Members Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar [(1)]	Independent Non-Executive Director	3/3
Christian Herrault [(2)]	Non-Independent Non-Executive Director	2/3
Bi Yong Chungunco [(3)]	Non-Independent Non-Executive Director	0/0
Saw Ewe Seng [(4)]	Independent Non-Executive Director	0/0

Notes:

(1) *Appointed as Member of the R&N Committee on 10 February 2015;*

(2) *Resigned as Member of the R&N Committee on 27 August 2015;*

(3) *Appointed as Member of the R&N Committee on 27 August 2015;*

(4) *Resigned as Member of the Audit Committee on 2 January 2015*

Protocol for Appointment of Director *(Recommendation 2.2 of the Code)*
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.

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 *(Recommendation 2.2 of the Code)*
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 has taken steps to ensure diversity in the Board.

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.

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 & Country 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' Training *(Recommendation 4.2 of the Code)*
All Directors including Directors appointed after the date of this Statement 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 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 the following internal and external training programmes:

- Training entitled E-Board of Director Papers of Meeting, Update on Malaysian and Regional Economies
- Business Talk entitled Adapt or Fail
- GST Post Implementation Issues – An Overview of the Price Control and Anti-Profiteering Act and Latest Development in Transfer Pricing
- Bank Negara Malaysia (BNM) On-going Supervision Session
- BNM Briefing Session on BNM Annual Report 2014
- Annual In-House Directors' Training entitled Shaking things up: Technology that transform and how to keep pace
- Capital Market Directors' Training Programme (CMDP) entitled Directors as Gatekeepers of Market Participants, Business Challenges and Regulatory Expectations, Risk Oversight and Compliance, and Current Emerging Regulatory Issues in the Capital Market
- Corporate Governance (CG) Directors Workshop
- The Interplay between CG, Non-Financial Information (NFI) and Investment Decision
- The Board Chairman Series entitled Tone from the Chair and Establishing Boundaries.

The Board also carried out a visit and plant inspection of the Company's Rawang Cement Plant in Rawang, Selangor Darul Ehsan.

B. 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 Statement 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 *(Recommendation 5.1 of the Code)*
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.

Relationship with the Auditors *(Recommendation 5.2 of the Code)*
The statement on roles, duties and responsibilities of the Audit Committee and the Board in relation to both the internal and external auditors is described in pages 44 to 48 of the Audit Committee Report of this Annual Report.

State of Internal Controls *(Recommendations 6.1 and 6.2 of the Code)*
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 Risk Management and Internal Control set out on pages 42 to 44 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 organization. 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 2015 was RM1.07 million. The work undertaken by the Audit Committee, Head of Internal Audit and the internal audit team and the Head of Internal Control assist the Board to discharge its internal control duty.

Code of Business Conduct *(Recommendation 1.3 of the Code)*
The Company's business values and expectations from employees are derived from its vision and commitments. Specific principles and procedures in the manner the Company conducts its 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:

1. Integrity in the workplace with focus on:
    - 1.1 Health & safety
    - 1.2 Diversity, fairness and respect
    - 1.3 Protection of Company assets
    - 1.4 Information systems, email and social media

2. Integrity in business practices with focus on:
    - 2.1 Anti-bribery and anti-corruption
    - 2.2 Gifts and hospitality
    - 2.3 Fair competition
    - 2.4 Accurate recording and reporting
    - 2.5 Conflicts of interest
    - 2.6 Insider trading
    - 2.7 Conducting international business
    - 2.8 Preventing money laundering

3. Integrity in the community with focus on;
    - 3.1 Environment
    - 3.2 Human rights
    - 3.3 Community engagement

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.

C. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

Corporate Disclosure *(Recommendations 7.1 and 7.2 of the Code)*
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) 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 Secretaries ensure 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.

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 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 primary person responsible for investor relations is Mr Michael Lim Yoke Tuan, Executive Director and Chief Financial Officer (telephone: 603-77238200). The direct involvement of the Executive Director and Chief Financial Officer in investor relations reflects the commitment of the Board in providing a high standard of transparency to its shareholders.

Shareholder Participation at General Meetings *(Recommendations 8.1 and 8.3 of the Code)*
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.

Poll Voting *(Recommendation 8.2 of the Code)*
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.

Additional Compliance Statement

(a) Share Buy back
The Company did not undertake any share buy back during the financial year ended 31 December 2015. 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 2015 is RM132,000.00. 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 2015 by the Company and/or its subsidiaries which involved Directors' and/or substantial shareholders' interest .

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 29 February 2016.

STATEMENT ON
RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of Lafarge Malaysia Berhad is pleased to provide the following Statement on Risk Management and Internal Control as prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Principle 6 of the Malaysian Code on Corporate Governance 2012, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

BOARD RESPONSIBILITY

The Board of Directors of Lafarge Malaysia Berhad ("LMB" or "the Group") recognises the importance of a sound risk management and internal control system and 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:

THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL STRUCTURE

1. 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.

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

2. 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:

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

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

2. The Remuneration and Nomination Committee dominated by Independent Non-Executive Directors provide recommendations to the Board on new candidates to the Board, ensuring an appropriate range and mix of capacities among members; reviewing and recommending to the Board the appointment of members to Board Committees.

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

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.

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

The Group's Code of Business Conduct
The Code defines rules of conduct and is structured as follows: Health & Safety, Diversity, Fairness and Respect, Protection of the Group's Assets, Protection of the Environment, Conflict of Interest, Information System, Email and Social Media, Anti-bribery and Anti-corruption, Gifts and Hospitality, Fair Competition, Accurate Recording and Reporting, Insider Trading, Conducting International Business, Preventing Money Laundering and Human Rights. Group annual certification was carried out to support the Group internal control practices.

3. INTERNAL AUDIT

The annual risk based internal audit plan is reviewed and approved by the Audit Committee before the beginning of the year. The objectives of the said audit plan is to ensure, through regular internal audit reviews, that the 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 and internal control functions 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 a Code of Business Conduct which has to be strictly applied by the Group's employees.

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

- Proper documentation which define the duties and responsibilities of the Board and each of its committees as well as the Management Team.
- Key functional units are managed by experienced and dedicated teams of personnel.
- Clear organization structure comprising Legal, Human Resources, Business Operations and Finance, to facilitate the implementation of risk management and control procedures.
- Financial reports are reviewed by the Audit Committee and the Board on quarterly and annual basis.
- The executive directors participate directly in the daily management of the Group, and report to the Board on significant changes in business environment as well as relevant corporate, legal, accounting and market developments which might affect the business of the Group.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Mangement and Internal Control. Their limited assurance review was performed in accordance with ISAE 3000, Assurance Engagements other than Audit or Reviews of Historical Financial Information and Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention that caused them to believe that the Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraph 41 and 42 of the Guidelines to be set out, nor is it factually inaccurate.

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement for inclusion on the Annual Report of the Group for year ended 31 December 2015 and reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the systems of internal controls.

CONCLUSION

The Board has received assurance from the CEO and the CFO on the company's risk management and internal control systems are operating adequately and effectively in all material aspects. 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 29 February 2016.

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

THIERRY LEGRAND
President & Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

A. COMPOSITION

Chairman

Md Yusof Bin Hussin[1]	-	Independent Non-Executive Director
Y.M. Tunku Afwida Binti Tunku A.Malek [2]	-	Independent Non-Executive Director

Members

Tan Sri A.Razak Bin Ramli	-	Independent Non-Executive Director
Jean-Claude Block [3]	-	Non-Independent Non-Executive Director
Y.A.M. Tunku Tan Sri Imran Ibni Almarhum Tuanku Ja'afar [4]	-	Independent Non-Executive Director
Bi Yong Chungunco [5]	-	Non-Independent Non-Executive Director
Saw Ewe Seng [6]	-	Independent Non-Executive Director

Notes:

(1) *Resigned as Chairman of the Audit Committee on 1 January 2016;*
(2) *Appointed as Chairman of the Audit Committee on 29 February 2016;*
(3) *Resigned as Member of the Audit Committee on 13 January 2016;*
(4) *Appointed as Member of the Audit Committee on 13 January 2016 and resigned as Member of the Audit Committee on 29 February 2016;*
(5) *Appointed as Member of the Audit Committee on 13 January 2016; and*
(6) *Resigned as Member of the Audit Committee 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 co-ordination 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;

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.

C. MEETINGS AND MINUTES

The Committee shall meet at least 4 times a year and the quorum for any meeting shall be 2 members, who must be independent directors. The Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit will be invited to attend all meetings of the Committee. There shall be at least 2 meetings a year with external auditors 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.

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

	Attendance
Md Yusof bin Hussin	4/4
Tan Sri A. Razak bin Ramli	4/4
Jean-Claude Block	2/4
Y.A.M Tunku Tan Sri Imran Ibni Almarhum Tuanku Ja'afar (1)	0/0
Bi Yong Chungunco (2)	0/0
Saw Ewe Seng (3)	0/0
Y.M. Tunku Afwida Binti Tunku A.Malek (4)	0/0

Notes:
(1) *Appointed as Member of the Audit Committee on 13 January 2016;*
(2) *Appointed as Member of the Audit Committee on 13 January 2016;*
(3) *Resigned as Member of the Audit Committee on 2 January 2015; and*
(4) *Appointed as Chairman of the Audit Committee on 29 February 2016.*

D. 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.
- Reviewed the independence, suitability, objectivity and cost effectiveness of the external auditors before approving their remuneration and recommending their appointment to the Shareholders.

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's response to these recommendations and actions taken to improve the system of internal control and procedures.
- Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.
- Monitored and reviewed the impact and progress of compliance with the system of internal control and procedures.

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, including the acquisition of Holcim (Malaysia) Sdn Bhd from PT Holcim Indonesia TBK.
- 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 2015 Annual Report.
- Reviewed the Statement of Risk Management and Internal Control and recommended to the Board for inclusion in the 2015 Annual Report.

E. 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 risks areas.

Internal audit covers amongst others the review of the adequacy of risk management, operation controls, compliance with established procedures, guidelines, statutory requirements and management efficiency.

Further details of the activities of the Internal Audit Department are set out in the Statement on Risk Management and Internal Control under pages 43 & 44 of this Annual Report.

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 2015.

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:

	Group RM'000	**Company RM'000**
Profit before tax	345,157	236,577
Income tax (expense)/income	(93,924)	97
Profit for the year	251,233	236,674
Profit attributable to:		
Owners of the Company	251,006	236,674
Non-controlling interests	227	–
	251,233	236,674

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, 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;

– a fourth 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 26 February 2015 and paid on 15 April 2015;

– a first interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2015 amounting to RM67.976 million was declared on 20 May 2015 and paid on 15 July 2015;

– a second interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2015 amounting to RM67.976 million was declared on 27 August 2015 and paid on 21 October 2015; 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 2015 amounting to RM67.976 million was declared on 18 November 2015 and paid on 13 January 2016.

The Directors on 29 February 2016 declared a fourth interim dividend of 7.0 sen single tier dividend per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2015 amounting to RM59.479 million, payable on 22 March 2016.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2015.

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
Tan Sri A. Razak bin Ramli
Sapna Rani Sood
Lim Yoke Tuan
Thierry Marie Robert Legrand (appointed on 14 August 2015)
Bi Yong So Chungunco (appointed on 27 August 2015)
YM Tunku Afwida Binti Tunku A. Malek (appointed on 29 February 2016)
Ian Stuart Thackwray (appointed on 29 February 2016)
Bradley Peter Mulroney (resigned on 14 August 2015)
Christian Pierre Herrault (resigned on 27 August 2015)
Md Yusof bin Hussin (resigned on 1 January 2016)
Jean–Claude Bernard Block (resigned on 13 January 2016)

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' 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:

	No. of ordinary shares of CHF2.00 each			
	Balance as at 1.1.2015/ Date of appointment	**Bought**	**Sold**	**Balance as at 31.12.2015**
Shares in the ultimate holding company, LafargeHolcim Ltd. held by:				
Direct interest:				
Thierry Marie Robert Legrand	776	35	–	811
Bi Yong So Chungunco	1,095	–	–	1,095

	No. of ordinary shares of €4.00 each			
	Balance as at 1.1.2015/ Date of appointment	**Bought**	**Sold**	**Balance as at 31.12.2015**
Shares in the penultimate holding company, Lafarge S.A. held by:				
Direct interest:				
Thierry Marie Robert Legrand	3	–	–	3

	No. of options over ordinary shares of CHF2.00 each			
	Balance as at 1.1.2015/ Date of appointment	**Granted**	**Exercised/ Expired**	**Balance as at 31.12.2015**
Options over the ordinary shares of the ultimate holding company, LafargeHolcim Ltd held by:				
Thierry Marie Robert Legrand	–	9,000	–	9,000
Bi Yong So Chungunco	–	9,000	–	9,000

	No. of options over ordinary shares of €4.00 each			
	Balance as at 1.1.2015/ Date of appointment	**Granted**	**Exercised/ Expired**	**Balance as at 31.12.2015**
Options over the ordinary shares of the penultimate holding company, Lafarge S.A. held by:				
Thierry Marie Robert Legrand	12,088	–	(5,848)	6,240
Bi Yong So Chungunco	19,311	–	–	19,311

PERFORMANCE SHARES PLAN

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

The salient features of the PSP are as follows:

(a) The shares to be issued by Lafarge S.A. will be derived from either existing or to be issued ordinary shares 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;

(c) The vesting period of the performance shares is four (4) years from the date of grant during which ownership of the shares is not transferred. The shares cannot be sold and no dividend is paid on these shares during this period;

(d) Following the vesting period, the Board of Directors of Lafarge S.A. may set a holding period during which the shares may not be transferred;

(e) The shares granted are conditional upon the specific performance condition designated by the Board of Directors of Lafarge S.A. from time to time that must be met within a specific time period for the grant to vest. This condition could apply to a portion of the grant, the whole of the grant, or not at all. This is only when the performance shares in part or in total will vest; and

(f) Upon termination of employment as a result of resignation, dismissal or redundancy during the vesting period, the beneficiary will lose any right to the performance shares which have not been definitively allotted, unless the Board of Directors of Lafarge S.A. decides otherwise.

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

	No. of ordinary shares of CHF2.00 each			
	Balance as at 1.1.2015/ Date of appointment	**Granted**	**Sold**	**Balance as at 31.12.2015**
Shares in the ultimate holding company, LafargeHolcim Ltd. in respect of Performance Shares Plan held by:				
Thierry Marie Robert Legrand	–	4,100	–	4,100
Bi Yong So Chungunco	–	4,100	–	4,100

	No. of ordinary shares of €4.00 each			
	Balance as at 1.1.2015/ Date of appointment	**Granted**	**Sold**	**Balance as at 31.12.2015**
Shares in the penultimate holding company, Lafarge S.A. in respect of Performance Shares Plan held by:				
Thierry Marie Robert Legrand	3,340	–	–	3,340
Bi Yong So Chungunco	9,380	–	(917)	8,463
Sapna Rani Sood	1,540	–	–	1,540

EMPLOYEE SHARE PURCHASE PLAN

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

The salient features of the ESPP are as follows:

(a) The shares under ESPP to be issued by Lafarge S.A. will be derived from ordinary shares 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 shares under the ESPP is one (1) share and the maximum payment under the plan is 25% of the total gross annual compensation received by the eligible persons; and

(e) The shares purchased are locked in for a period of five (5) years from the date of grant during which ownership of the shares is not to be transferred, except in the case of early release events, as determined by Lafarge S.A..

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.

OTHER STATUTORY INFORMATION (CONT'D)

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

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

HOLDING COMPANIES

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

AUDITORS

The auditors, 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,

THIERRY MARIE ROBERT LEGRAND

LIM YOKE TUAN

Petaling Jaya, Selangor Darul Ehsan
29 February 2016

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 2015 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 41 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,

THIERRY MARIE ROBERT LEGRAND **LIM YOKE TUAN**

Petaling Jaya, Selangor Darul Ehsan
29 February 2016

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 29th day of February 2016.

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 2015 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 59 to 148.

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 about 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 2015 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.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 41 to the Financial Statements on page 149 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 - 3080/06/17 (J)
Chartered Accountant

29 February 2016

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Revenue	5	**2,750,820**	2,743,090	**232,817**	367,428
Cost of sales	5	**(1,985,919)**	(1,963,619)	**–**	–
Gross profit		**764,901**	779,471	**232,817**	367,428
Selling and distribution expenses	5	**(351,590)**	(363,660)	**–**	–
Administration expenses	5	**(87,649)**	(77,732)	**(9,523)**	(6,357)
Other expenses	5	**(37,192)**	(24,989)	**(6,188)**	(7)
Other income		**54,107**	18,064	**21,082**	2,631
Investment income	6	**7,984**	7,420	**–**	–
Interest income	6	**4,935**	9,565	**–**	–
Other losses	7	**(2,026)**	(3,292)	**–**	–
Profit from operations		**353,470**	344,847	**238,188**	363,695
Finance costs	8	**(2,206)**	(845)	**(1,611)**	(191)
Share of results of associate	17	**(6,107)**	1,181	**–**	–
Profit before tax		**345,157**	345,183	**236,577**	363,504
Income tax expense	9	**(93,924)**	(89,176)	**97**	(54)
Profit for the year	10	**251,233**	256,007	**236,674**	363,450
Other comprehensive income/(loss),					
Items that will not be reclassified subsequently to profit or loss:					
Defined benefits retirement plan actuarial (losses)/gains		**(1,283)**	12,003	**(32)**	97
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(8,700)**	1,719	**–**	–
Reclassification of exchange reserve to profit and loss on disposal of foreign subsidiary		**–**	(188)	**–**	–
Net fair value (loss)/gain on cash flow hedges		**(1,294)**	1,144	**–**	–

(Forward)

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015
(Cont'd)

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Other comprehensive (loss)/income for the year, net of tax		**(11,277)**	14,678	**(32)**	97
Total comprehensive income for the year		**239,956**	270,685	**236,642**	363,547
Profit attributable to:					
Owners of the Company		**251,006**	255,996	**236,674**	363,450
Non-controlling interests		**227**	11	**–**	–
		251,233	256,007	**236,674**	363,450
Total comprehensive income attributable to:					
Owners of the Company		**239,729**	270,661	**236,642**	363,547
Non-controlling interests		**227**	24	**–**	–
		239,956	270,685	**236,642**	363,547
Earnings per ordinary share (sen)					
Basic and diluted	11	**29.54**	30.13		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**1,659,851**	1,466,860	**–**	–
Investment property	13	**3,143**	3,289	**–**	–
Prepaid lease payments on leasehold land	14	**97,022**	97,537	**–**	–
Intangible assets	15	**1,447,232**	1,206,355	**–**	–
Investment in subsidiaries	16	**–**	–	**2,415,761**	2,092,505
Investment in associate	17	**34,298**	22,713	**–**	–
Deferred tax assets	18	**5,755**	2,758	**–**	–
Other financial assets	19	**2,171**	2,189	**1,255**	1,255
Total non-current assets		**3,249,472**	2,801,701	**2,417,016**	2,093,760
Current assets					
Inventories	21	**290,411**	275,359	**–**	–
Trade receivables	22	**432,772**	372,013	**–**	–
Other receivables and prepaid expenses	23	**39,075**	37,287	**666**	500
Amounts owing by holding and other related companies	24	**20,902**	13,933	**–**	–
Amounts owing by subsidiaries	20	**–**	–	**324,814**	302,612
Other financial assets	19	**1,044**	2,288	**–**	–
Current tax assets		**13,857**	27,182	**58**	77
Dividend receivable		**–**	–	**56,000**	68,000
Term deposits	25	**–**	191,092	**–**	8,668
Cash and bank balances	35	**311,395**	269,777	**3,530**	1,953
Total current assets		**1,109,456**	1,188,931	**385,068**	381,810
Total assets		**4,358,928**	3,990,632	**2,802,084**	2,475,570

(Forward)

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	26	**849,695**	849,695	**849,695**	849,695
Reserves	27	**1,129,585**	1,139,579	**1,100,830**	1,100,830
Retained earnings	28	**1,109,266**	1,131,447	**339,211**	374,473
Equity attributable to owners of the Company		**3,088,546**	3,120,721	**2,289,736**	2,324,998
Non-controlling interests	29	**5,225**	4,223	**–**	–
Total equity		**3,093,771**	3,124,944	**2,289,736**	2,324,998
Non-current liabilities					
Borrowings	30	**7,000**	–	**–**	–
Retirement benefits	31	**68,533**	60,009	**1,187**	1,025
Deferred tax liabilities	18	**189,657**	193,365	**–**	–
Total non-current liabilities		**265,190**	253,374	**1,187**	1,025
Current liabilities					
Trade payables	32	**443,825**	426,299	**–**	–
Other payables and accrued expenses	33	**99,867**	95,064	**5,102**	1,090
Amounts owing to holding and other related companies	24	**48,861**	21,925	**–**	–
Amounts owing to subsidiaries	20	**–**	–	**158,083**	80,477
Borrowings	30	**334,100**	11	**280,000**	–
Other financial liabilities	34	**162**	69	**–**	–
Current tax liabilities		**5,176**	970	**–**	4
Dividend payable		**67,976**	67,976	**67,976**	67,976
Total current liabilities		**999,967**	612,314	**511,161**	149,547
Total liabilities		**1,265,157**	865,688	**512,348**	150,572
Total equity and liabilities		**4,358,928**	3,990,632	**2,802,084**	2,475,570

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company									
		Non-distributable					Distributable			
Group	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Exchange equalisation reserve RM'000	Investments revaluation reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 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/ 1 January 2015	**849,695**	**1,067,199**	**33,798**	**37,127**	**36**	**1,419**	**1,131,447**	**3,120,721**	**4,223**	**3,124,944**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**251,006**	**251,006**	**227**	**251,233**
Other comprehensive income for the year, net of tax	**–**	**–**	**–**	**(8,700)**	**–**	**(1,294)**	**(1,283)**	**(11,277)**	**–**	**(11,277)**
Arising from acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,112**	**1,112**
Dividends (Note 28)	**–**	**–**	**–**	**–**	**–**	**–**	**(271,904)**	**(271,904)**	**(337)**	**(272,241)**
As at 31 December 2015	**849,695**	**1,067,199**	**33,798**	**28,427**	**36**	**125**	**1,109,266**	**3,088,546**	**5,225**	**3,093,771**

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

Company	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Retained earnings RM'000	Total equity RM'000
	← Non-distributable		→	Distributable	
As at 1 January 2014	849,695	1,067,191	33,639	376,296	2,326,821
Total comprehensive income for the year	–	–	–	363,547	363,547
Dividends (Note 28)	–	–	–	(365,370)	(365,370)
As at 31 December 2014/1 January 2015	**849,695**	**1,067,191**	**33,639**	**374,473**	**2,324,998**
Total comprehensive income for the year	**–**	**–**	**–**	**236,642**	**236,642**
Dividends (Note 28)	**–**	**–**	**–**	**(271,904)**	**(271,904)**
As at 31 December 2015	**849,695**	**1,067,191**	**33,639**	**339,211**	**2,289,736**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	**345,157**	345,183	**236,577**	363,504
Adjustments for:				
Depreciation of property, plant and equipment	**153,788**	150,748	**–**	–
Provision for retirement benefits	**8,768**	9,789	**130**	140
Allowance for inventory obsolescence	**6,080**	9,985	**–**	–
Amortisation of prepaid lease payments on leasehold land	**6,430**	7,663	**–**	–
Property, plant and equipment written off	**1,314**	5,936	**–**	–
Finance costs	**2,206**	845	**1,611**	191
Impairment loss recognised on trade receivables	**1,669**	3,050	**–**	–
Amortisation of intangible assets	**646**	276	**–**	–
Depreciation of investment property	**9**	25	**–**	–
Interest income	**(4,935)**	(9,565)	**(154)**	(428)
Unrealised gain on foreign exchange	**(22,706)**	(2,051)	**(21,082)**	(2,560)
Share of results of associate	**6,107**	(1,181)	**–**	–
Reversal of impairment loss on:				
– investment property	**(186)**	–	**–**	–
– trade receivables	**(2,850)**	(1,982)	**–**	–
Dividend income	**(162)**	(133)	**(232,663)**	(367,000)
Net unrealised loss/(gain) arising on:				
– hedge ineffectiveness on cash flow hedges	**(42)**	42	**–**	–
– financial assets designated as at fair value through profit or loss	**(4)**	38	**–**	–
– financial liabilities classified as held for trading	**25**	258	**–**	–
(Gain)/Loss on disposal of:				
– property, plant and equipment	**(1,942)**	(2,609)	**–**	–
– prepaid lease payment on leasehold land	**–**	(1,058)	**–**	–
– investment properties	**129**	–	**–**	–
– quoted investment	**(18)**	–	**–**	–
Loss on disposal of a subsidiary	**–**	2,011	**–**	–
Operating Profit/(Loss)Before Working Capital Changes	**499,483**	517,270	**(15,581)**	(6,153)
(Increase)/Decrease in:				
Inventories	**2,409**	(29,896)	**–**	–
Receivables	**(3,526)**	47,539	**(154)**	(7)
Amounts owing by holding and other related companies	**(6,961)**	18,002	**–**	–
Amounts owing by subsidiaries	**–**	–	**1,169**	16,904
Increase/(Decrease) in:				
Payables	**(29,304)**	68,102	**4,012**	(256)
Amounts owing to holding and other related companies	**12,314**	(1,034)	**–**	–
Amounts owing to subsidiaries	**–**	–	**77,606**	1,642

(Forward)

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Cash Generated From Operations		**474,415**	619,983	**67,052**	12,130
Retirement benefits paid		**(1,919)**	(3,039)	**–**	(157)
Income tax (paid)/recoverable		**(89,070)**	(156,024)	**100**	(50)
Net Cash From Operating Activities		**383,426**	460,920	**67,152**	11,923
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES					
Payment for prepaid lease payments		**(2,062)**	–	**–**	–
Purchase of property, plant and equipment		**(216,728)**	(102,775)	**–**	–
Proceeds from disposal of property, plant and equipment		**5,018**	3,803	**–**	–
Proceeds from disposal of prepaid lease payment on leasehold land		**–**	1,668	**–**	–
Proceeds from disposal of an investment property		**194**	–	**–**	–
Proceeds from disposal of a quoted investment		**36**	–	**–**	–
Acquisition of additional interest in an associate		**(13,372)**	–	**–**	–
Subscription of new shares in subsidiary		**–**	–	**–**	(8,000)
Interest received		**4,935**	9,565	**154**	428
Dividends received		**162**	2,716	**244,663**	367,000
Net cash inflow on disposal of a subsidiary		**–**	1,084	**–**	–
Net cash outflow on acquisition of subsidiaries	16.2	**(319,474)**	–	**(325,545)**	–
Net Cash (Used In)/From Investing Activities		**(541,291)**	(83,939)	**(80,728)**	359,428
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Drawdown of borrowings		**282,500**	–	**280,000**	–
Repayment of borrowings		**(3,511)**	(477)	**–**	–
Interest paid		**(2,206)**	(845)	**(1,611)**	(191)
Dividends paid		**(271,904)**	(365,370)	**(271,904)**	(365,370)
Dividend paid to a non-controlling interest		**(337)**	–	**–**	–
Net Cash From/(Used In) Financing Activities		**4,542**	(366,692)	**6,485**	(365,561)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(153,323)**	10,289	**(7,091)**	5,790
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**3,849**	(270)	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**460,869**	450,850	**10,621**	4,831
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	**311,395**	460,869	**3,530**	10,621

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

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 LafargeHolcim Ltd., a public-listed company incorporated in Switzerland as the immediate holding company and ultimate holding company, respectively.

The Company's registered office and principal place of business are located at Level 12, Bangunan TH Uptown 3, No.3, Jalan SS21/39, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance on 29 February 2016.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the 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 2015 as follows:

Amendments to MFRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions)
Amendments to MFRSs	Annual Improvements to MFRSs 2010 - 2012 Cycle
Amendments to MFRSs	Annual Improvements to MFRSs 2011 - 2013 Cycle

The adoption of these revised Standards and Amendments have not affected the amounts reported in the financial statements of the Group and of the Company.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

2.2 Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of 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[2]
MFRS 15	Revenue from Contracts with Customers[2]
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception[1]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to MFRS 101	Disclosure Initiative[1]
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to MFRS 127	Equity Method in Separate Financial Statements[1]
Amendments to MFRSs	Annual Improvements to MFRSs 2012 - 2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] 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 except for MFRS 9 and MFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 and MFRS 15 until the Group and the Company undertakes a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Accounting (Cont'd)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Subsidiaries and Basis of Consolidation (Cont'd)

3.2.1 Changes in Group's ownership interest in existing subsidiaries

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Business Combinations (Cont'd)

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Goodwill (Cont'd)

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

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

3.6 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Revenue Recognition (Cont'd)

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.

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 MFRS117, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Foreign Currencies (Cont'd)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 14 January 2016.

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

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

3.13.3 Share-Based Payments

(a) Performance Share Plan ("PSP")
The fair values of shares issued by the penultimate 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 penultimate holding company, Lafarge S.A..

(b) Employee Share Purchase Plan ("ESPP")
In financial year 2011, the penultimate holding company's ESPP was extended to the eligible Directors and employees of the Group.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Employee Benefits (Cont'd)

3.13.3 Share-Based Payments (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Taxation (Cont'd)

3.14.2 Deferred Tax (Cont'd)

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.

3.15 Property, Plant and Equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

The costs of self-constructed assets also include the cost of materials and direct labour.

Purchased software including development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Property, Plant and Equipment (Cont'd)

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:

	2015	**2014**
Land improvement	Over the remaining period of leases ranging from 5 to 83 years	Over the remaining period of leases ranging from 5 to 51 years
Buildings	2% to 10%	2% to 9%
Office equipment, furniture and fittings and motor vehicles	10% to 33.33%	10% to 20 %
Plant, machinery and cement silos	2% to 20%	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 or based on the unit of production method, as appropriate. Where an indication of impairment exists, the carrying amount of quarry right is assessed and written down immediately to its recoverable amount. The amortisation period and the amortisation method for the quarry rights are reviewed at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

3.21 Financial Instruments

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Financial Instruments (Cont'd)

3.21.2 Financial Assets at FVTPL (Cont'd)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Financial Instruments (Cont'd)

3.21.4 AFS Financial Assets (Cont'd)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Financial Instruments (Cont'd)

3.21.6 Impairment of Financial Assets (Cont'd)

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".

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Financial Instruments (Cont'd)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 contracts 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Derivative Financial Instruments (Cont'd)

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 other comprehensive income relating to the hedged item.

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

3.23.4 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 the statements of cash flows.

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

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.

Evaluation for impairment is significantly impacted by estimates of future prices for the products, the evolution of expenses, economic trends in the local and international construction sectors, expectations of long-term development of growing markets and other factors. The results of such evaluation are also impacted by the discount rates and perpetual growth rates used. The Group has defined country specific discount rates for its CGUs based on the weighted-average cost of capital.

The carrying amount of the Group's goodwill as at 31 December 2015 was approximately RM1,407,589,000 (2014: RM1,203,677,000). Further details are disclosed in Note 15.

4.2.2 Engineering parts and consumables

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

4.2.3 Retirement benefits

The Group has engaged an independent external actuary to assess the provision for retirement benefits. Projected Unit Credit Cost Method is used to determine the present value of the defined benefit obligation and the related current service cost. Under this method, a "projected accrued benefit" is calculated based upon service as of the date of valuation. However, when the benefit formula is based on future compensation and social security levels, assumptions about the growth of those amounts projected to the age at which the employee is assumed to leave active service will be used. Financial and demographic assumptions are used in assessing the actuarial value of the benefit obligations. Financial assumptions used include discount rate, price inflation rate and salary increment rate. While demographic assumptions include staff turnover rate, pre-retirement mortality, normal retirement age and new entrant profile. Further details are disclosed in Note 31.

5. REVENUE AND OPERATING COSTS

5.1 Revenue

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Sale of clinker, cement, ready-mixed concrete, aggregates and other building materials	**2,747,529**	2,739,561	**–**	–
Freight and chartering of vessels and jetty services	**2,148**	2,341	**–**	–
Shared services	**1,143**	1,188	**–**	–
Gross dividend from unquoted investments in subsidiaries in Malaysia	**–**	–	**232,663**	367,000
Interest income:				
Term deposits	**–**	–	**107**	381
Others	**–**	–	**47**	47
	2,750,820	2,743,090	**232,817**	367,428

5.2 Operating Costs Applicable to Revenue

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Raw and packing materials and other consumables used and changes in inventories of finished goods	**1,679,201**	1,698,774	**–**	–
Depreciation and amortisation	**160,873**	158,712	**–**	–
Staff costs	**188,730**	183,382	**1,396**	1,139
Directors' remuneration	**6,908**	5,845	**4,982**	4,001
Others	**426,638**	383,287	**9,333**	1,224
	2,462,350	2,430,000	**15,711**	6,364

5.3 Staff Costs

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Wages, salaries and bonuses	**143,538**	136,930	**1,052**	810
Defined contribution retirement plans	**14,416**	14,312	**40**	82
Termination benefits	**183**	429	**–**	–
Defined benefit retirement plan	**8,768**	9,789	**130**	140
Other employee benefits	**21,825**	21,922	**174**	107
	188,730	183,382	**1,396**	1,139

5. REVENUE AND OPERATING COSTS (CONT'D)

5.4 Directors' Remuneration

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors of the Company				
Executive Directors:				
Salaries and other emoluments	**3,848**	2,835	**3,848**	2,835
Estimated monetary value of benefits	**765**	792	**765**	792
Defined contribution retirement plan	**97**	38	**97**	38
	4,710	3,665	**4,710**	3,665
Non-executive Directors:				
Fees	**272**	336	**272**	336
	4,982	4,001	**4,982**	4,001
Directors of the Subsidiaries				
Executive Directors:				
Salaries and other Emoluments	**1,505**	1,627	**–**	–
Estimated monetary value of benefits	**366**	169	**–**	–
Defined contribution retirement plan	**40**	33	**–**	–
	1,911	1,829	**–**	–
Non-executive Directors:				
Fees	**15**	15	**–**	–
	1,926	1,844	**–**	–
Total	**6,908**	5,845	**4,982**	4,001

6. INVESTMENT AND INTEREST INCOME

	Group	
	2015 RM'000	2014 RM'000
Investment income from:		
– operating lease under Lorry-Owner-Driver scheme	**7,015**	6,481
– other rental income	**686**	675
– rental of investment property	**121**	131
Dividends from available-for-sale investments	**162**	133
	7,984	7,420
Interest income from:		
– Loans and receivables (including cash and bank balances)	**4,935**	9,565

6. INVESTMENT AND INTEREST INCOME (CONT'D)

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

	Group	
	2015	**2014**
	RM'000	**RM'000**
Interest income for financial assets not designated at FVTPL:		
Loans and receivables (including cash and bank balances)	**4,935**	9,565
Income earned on available-for-sale investments	**162**	133
Income earned on non-financial assets	**7,822**	7,287
Total investment and interest income	**12,919**	16,985

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

7. OTHER GAINS AND LOSSES

	Group	
	2015	**2014**
	RM'000	**RM'000**
Net (loss)/gain arising on financial assets designated as at FVTPL		
– realised	**(2,045)**	(943)
– unrealised	**4**	(38)
Net loss arising on financial liabilities classified as held for trading		
– unrealised	**(25)**	(258)
Hedge ineffectiveness on cash flow hedges		
– realised	**(2)**	–
– unrealised	**42**	(42)
Loss on disposal of a subsidiary (Note 16.1)	**–**	(2,011)
	(2,026)	(3,292)

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

8. FINANCE COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Finance costs on:				
– term loan borrowings	**41**	–	**–**	–
– medium term note	**1,611**	–	**1,611**	–
– bankers' acceptance	**27**	–	**–**	–
– revolving credit	**197**	–	**–**	–
– others	**330**	845	**–**	191
	2,206	845	**1,611**	191

9. INCOME TAX EXPENSE

9.1 Income Tax Recognised in Profit or Loss

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysia				
Estimated current tax payable:				
– Current year	**114,724**	114,392	**–**	57
– Under/(Over)provision in prior years	**314**	(853)	**(98)**	(3)
Deferred tax:				
– Current year	**(21,105)**	(25,336)	**1**	–
– Underprovision in prior years	**820**	165	**–**	–
	94,753	88,368	**(97)**	54
Foreign				
Estimated current tax payable:				
– Current year	**212**	876	**–**	–
– Overprovision in prior years	**(21)**	(89)	**–**	–
Deferred tax:				
– Current year	**(1,020)**	21	**–**	–
	(829)	808	**–**	–
Total income tax expense	**93,924**	89,176	**(97)**	54

Malaysian income tax is calculated at the statutory tax rate of 25% (2014: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Finance (No. 2) Act 2014 has gazetted the Income Tax Act 1967 to reduce the Malaysian corporate income tax rate from 25% to 24% with effect from year of assessment 2016. Accordingly, the applicable tax rates to be used for the measurement of any applicable deferred tax for entities in Malaysia will be the expected rates.

9. INCOME TAX EXPENSE (CONT'D)

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

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before tax	**345,157**	345,183	**236,577**	363,504
Tax expense calculated using the Malaysian statutory income tax rate of 25% (2014: 25%)	**86,289**	86,296	**59,144**	90,876
Tax effects of:				
– different tax rates of subsidiaries operating in other jurisdictions	**(608)**	(478)	**–**	–
– effect on deferred tax balances due to the change in income tax rate from 25% to 24% (effective 1 January 2016)	**225**	(145)	**–**	–
– expenses that are not deductible in determining taxable profit	**8,407**	6,002	**–**	931
– income not subject to tax	**(1,702)**	(1,036)	**(977)**	–
– revenue that is exempt from tax	**(1,114)**	(552)	**(58,166)**	(91,750)
– movement of deferred tax assets not recognised	**2,468**	1,133	**–**	–
– utilisation of previous year tax losses	**56**	–	**–**	–
– utilisation of deferred tax assets not previously recognised	**(725)**	(1,392)	**–**	–
– others	**(485)**	125	**–**	–
Under/(Over)provision of tax payable in prior years	**293**	(942)	**(98)**	(3)
Underprovision of deferred tax in prior years	**820**	165	**–**	–
Income tax expense recognised in profit or loss	**93,924**	89,176	**(97)**	54

9. INCOME TAX EXPENSE (CONT'D)

9.2 Income Tax Recognised in Other Comprehensive Income

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Deferred tax				
Arising on income and expenses recognised in other comprehensive income:				
– Defined benefits retirement plan actuarial (loss)/gain	**(392)**	3,751	**–**	–
– Revaluations of financial instruments treated as cash flow hedges	**14**	230	**–**	–
– Others	**–**	(9)	**–**	–
	(378)	3,972	**–**	–
Reclassification from equity to profit or loss:				
– Relating to cash flow hedges	**(230)**	(68)	**–**	–
Total income tax recognised in other comprehensive income	**(608)**	3,904	**–**	–

As at 31 December 2015, the Company has total tax exempt income amounting to approximately RM293,165,000 (2014: 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 2015, certain subsidiaries have the following tax exempt income arising from various sources:

	Group	
	2015 RM'000	**2014 RM'000**
Reinvestment allowances claimed and utilised under Schedule 7A of the Malaysia Income Tax Act, 1967	**922,937**	922,937
Tax exempt income claimed under Section 54A of the Malaysia Income Tax Act, 1967	**54,872**	54,872
Chargeable income on which income tax has been waived in 1999 in accordance with the Malaysia Income Tax (Amendment) Act, 1999	**12,815**	12,815
	990,624	990,624

9. INCOME TAX EXPENSE (CONT'D)

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

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 2015, certain subsidiaries have unutilised reinvestment allowances claimed of approximately RM5,267,000 (2014: RM5,267,000) 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.

10. PROFIT FOR THE YEAR

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

		Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
10.1	**Impairment Losses on Financial Assets**				
	Impairment loss recognised on trade receivables (Note 22)	**1,669**	3,050	**–**	–
	Reversal of impairment loss recognised on trade receivables (Note 22)	**(2,850)**	(1,982)	**–**	–
10.2	**Depreciation and Amortisation Expense**				
	Depreciation of property, plant and equipment	**153,788**	150,748	**–**	–
	Depreciation of investment property	**9**	25	**–**	–
	Amortisation of prepaid lease payments on leasehold land	**6,430**	7,663	**–**	–
	Amortisation of intangible assets	**646**	276	**–**	–
	Total depreciation and amortisation expense	**160,873**	158,712	**–**	–
10.3	**Inventories**				
	Allowance for slow moving inventory	**6,080**	9,985	**–**	–

10. PROFIT FOR THE YEAR (CONT'D)

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

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
10.4 Other Charges/(Credit)				
Rental of premises and equipment	**43,794**	33,884	**–**	–
Provision for retirement benefits	**8,768**	9,789	**130**	140
Loss/(Gain) on foreign exchange:				
– realised	**12,493**	(1,049)	**338**	(70)
– unrealised	**(22,706)**	(2,051)	**(21,082)**	(2,560)
Property, plant and equipment written off	**1,314**	5,936	**–**	–
Fees paid/payable to external auditors:				
Statutory audit:				
– auditors of the Company	**582**	565	**67**	67
– other member firm of the auditors of the Company	**195**	193	**–**	–
– other auditor	**10**	–	**–**	–
Non-audit services:				
– auditors of the Company	**44**	4	**–**	–
– other member firm of the auditors of the Company	**88**	84	**–**	–
(Gain)/Loss on disposal of:				
– property, plant and equipment	**(1,942)**	(2,609)	**–**	–
– prepaid land lease payment	**–**	(1,058)	**–**	–
– investment property	**129**	–	**–**	–
– quoted investment	**(18)**	–	**–**	–
Loss on disposal of a subsidiary	**–**	2,011	**–**	–
Reversal of impairment loss on an investment property	**(186)**	–	**–**	–

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	
	2015	**2014**
	RM'000	**RM'000**
Profit attributable to owners of the Company	**251,006**	255,996

	Group	
	2015	**2014**
	Units'000	**Units'000**
Number of ordinary shares in issue	**849,695**	849,695

	Group	
	2015	**2014**
Basic earnings per ordinary share (sen)	**29.54**	30.13

Diluted earnings per share

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

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Land Improvement RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plant, Machinery and Cement Silos RM'000	Capital Work-in-Progress RM'000	Total RM'000
Cost/Valuation							
As at 1 January 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 (Note 16.1)	–	–	(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
Accumulated Depreciation							
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 (Note 16.1)	–	–	(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

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold Land RM'000	Land Improvement RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plant, Machinery and Cement Silos RM'000	Capital Work-in-Progress RM'000	Total RM'000
Cost/Valuation							
As at 1 January 2015	**37,800**	**69,214**	**213,566**	**79,976**	**3,232,232**	**96,830**	**3,729,618**
Additions	–	–	**5,272**	**88**	**21,274**	**207,374**	**234,008**
Arising from acquisition of subsidiaries (Note 16.2)	–	–	**58,750**	**14,016**	**28,178**	**16,405**	**117,349**
Reclassifications	–	–	**14,006**	**5,902**	**109,147**	**(129,510)**	**(455)**
Disposals	**(2,925)**	–	–	**(792)**	**(3,763)**	–	**(7,480)**
Write-offs	–	–	**(259)**	**(3,149)**	**(4,574)**	–	**(7,982)**
Effect of foreign currency exchange differences and other adjustments	–	–	**1,403**	**698**	**12,170**	–	**14,271**
As at 31 December 2015	**34,875**	**69,214**	**292,738**	**96,739**	**3,394,664**	**191,099**	**4,079,329**
Accumulated Depreciation							
As at 1 January 2015	–	**25,860**	**161,808**	**75,441**	**1,999,609**	–	**2,262,718**
Charge for the year	–	**5,493**	**3,150**	**2,168**	**142,977**	–	**153,788**
Disposals	–	–	–	**(789)**	**(3,615)**	–	**(4,404)**
Write-offs	–	–	**(213)**	**(5,741)**	**(714)**	–	**(6,668)**
Reclassifications	–	**(32)**	–	–	–	–	**(32)**
Effect of foreign currency exchange differences and other adjustments	–	–	**1,400**	**696**	**11,940**	–	**14,036**
As at 31 December 2015	–	**31,321**	**166,145**	**71,775**	**2,150,197**	–	**2,419,438**

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group

	Freehold Land RM'000	Land Improvement RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plant, Machinery and Cement Silos RM'000	Capital Work-in-Progress RM'000	Total RM'000
Provision for Impairment Loss							
As at 1 January 2014 and 31 December 2014	40	–	–	–	–	–	40
As at 1 January 2015 and 31 December 2015	**40**	**–**	**–**	**–**	**–**	**–**	**40**
Net Book Value							
As at 31 December 2015	**34,835**	**37,893**	**126,593**	**24,964**	**1,244,467**	**191,099**	**1,659,851**
As at 31 December 2014	37,760	43,354	51,758	4,535	1,232,623	96,830	1,466,860

Note

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM234,008,000 (2014: RM116,421,000) of which RM29,586,000 (2014: RM27,494,000) remains unpaid and included in other payables. Cash payments of RM216,728,000 (2014: RM102,775,000) were made to purchase property, plant and equipment of which RM12,306,000 (2014: RM13,848,000) were paid for prior years acquisitions.

As at 31 December 2015, included in property, plant and equipment of the Group are fully depreciated property, plant and equipment at an aggregate cost of approximately RM825,832,000 (2014: RM750,461,000) which are still in use.

13. INVESTMENT PROPERTY

	Group 2015 RM'000	Group 2014 RM'000
At Cost		
At beginning and end of year	**4,550**	4,550
Disposal	**(471)**	–
At end of year	**4,079**	4,550
Accumulated Depreciation		
At beginning of year	**490**	465
Disposal	**(148)**	–
Charge for the year	**9**	25
At end of year	**351**	490
Provision for Impairment Loss		
At beginning of year	**771**	771
Reversal of impairment during the year	**(186)**	–
At end of year	**585**	771
Net Book Value	**3,143**	3,289
Included in the above are:		
Freehold land	**3,100**	3,100
Buildings	**43**	189
	3,143	3,289

The property rental income earned by the Group from its investment property, all of which are leased out under operating leases, amounted to RM111,000 (2014: RM131,000). Direct operating expenses arising on the investment property amounted to RM2,000 (2014: RM2,000).

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

13. INVESTMENT PROPERTY (CONT'D)

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2015 are as follows:

2015	Group			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair value as at 31.12.2015 RM'000
– Freehold land	**–**	**–**	**5,300**	**5,300**
– Buildings	**–**	**–**	**210**	**210**
	–	**–**	**5,510**	**5,510**

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

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

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

	2015 RM'000	2014 RM'000
At beginning of year	**5,759**	5,662
Additions	**–**	97
Disposal	**(249)**	–
At end of year	**5,510**	5,759

14. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

	Group Leasehold Land		
	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
Cost			
As at 1 January 2014	143,664	51,772	195,436
Reclassification	51	–	51
Disposals	(922)	–	(922)
As at 31 December 2014	142,793	51,772	194,565
Addition	2,062	–	2,062
Arising from acquisition of subsidiaries (Note 16.2)	3,430	–	3,430
Reclassification from property, plant and equipment	455	–	455
As at 31 December 2015	**148,740**	**51,772**	**200,512**
Accumulated Amortisation			
As at 1 January 2014	77,073	12,604	89,677
Charge for the year	7,017	646	7,663
Disposals	(312)	–	(312)
As at 31 December 2014	83,778	13,250	97,028
Charge for the year	5,514	916	6,430
Reclassification from property, plant and equipment	–	32	32
As at 31 December 2015	**89,292**	**14,198**	**103,490**
Net Book Value			
As at 31 December 2015	**59,448**	**37,574**	**97,022**
As at 31 December 2014	59,015	38,522	97,537

15. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Group	
	2015 RM'000	2014 RM'000
Goodwill on consolidation	**1,407,589**	1,203,677
Quarry rights	**39,643**	2,678
	1,447,232	1,206,355

15. INTANGIBLE ASSETS (CONT'D)

15.1 Goodwill on Consolidation

	Group	
	2015	**2014**
	RM'000	**RM'000**
At beginning of year	**1,203,677**	1,205,504
Arising from acquisition of subsidiaries (Note 16.2)	**203,912**	–
Derecognised on disposal of a subsidiary (Note 16.1)	**–**	(1,827)
At end of year	**1,407,589**	1,203,677

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	
	2015	**2014**
	RM'000	**RM'000**
Cement	**1,347,043**	1,149,458
Aggregates and concrete	**60,546**	54,219
	1,407,589	1,203,677

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

15.1.1 Key assumptions used

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 2015, 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.

15. INTANGIBLE ASSETS (CONT'D)

15.2 Quarry Rights (with finite useful life)

	Group 2015 RM'000	Group 2014 RM'000
Cost		
At beginning and end of year	**5,500**	5,500
Arising from acquisition of subsidiaries (Note 16.2)	**37,611**	–
At end of year	**43,111**	5,500
Accumulated Amortisation		
At beginning of year	**2,822**	2,546
Charge for the year	**646**	276
At end of year	**3,468**	2,822
Net	**39,643**	2,678

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 2015 RM'000	Company 2014 RM'000
Unquoted shares:		
In Malaysia	**2,415,761**	2,092,505
Outside Malaysia	**–***	–*
	2,415,761	2,092,505

* comprising cost of investment amounting to SGD2.00.

Movement in the cost of investment:

	2015 RM'000	2014 RM'000
At beginning of year	**2,092,505**	2,084,505
Additional investment in :		
– Lafarge Shared Services Sdn. Bhd.	**–**	8,000
New investment in:		
– Holcim Malaysia Sdn. Bhd.	**296,854**	–
– Holcim Marketing (Malaysia) Sdn. Bhd.	**22,014**	–
– ISB Kuari Kota Tinggi Sdn. Bhd.	**2,388**	–
– Geocycle Malaysia Sdn. Bhd.	**2,000**	–
At end of year	**2,415,761**	2,092,505

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the Company's subsidiaries are as follows:

Name of Subsidiary	Principal Activities	Proportion of ownership interest and voting power held by the Group 2015 %	2014 %
Incorporated in Malaysia			
Associated Pan Malaysia Cement Sdn. Bhd.	Manufacture and sale of clinker and cement	**100**	100
Lafarge Cement Sdn. Bhd.	Manufacture and sale of clinker and cement	**100**	100
Lafarge Drymix Sdn. Bhd.	Manufacture and sale of cement and drymix products	**100**	100
CMCM Perniagaan Sdn. Bhd.	Trading of cement and other building materials	**100**	100
Jumewah Shipping Sdn. Bhd.	Shipping of bulk cement and chartering of vessels	**100**	100
Kedah Cement Jetty Sdn. Bhd.	Management and operation of a jetty	**100**	100
Lafarge Aggregates Sdn. Bhd.	Investment holding, trading and quarrying of aggregates and related products	**100**	100
Lafarge Aggregates (Pantai Remis) Sdn. Bhd.	Producer and supplier of aggregates and related products	**100**	100
Lafarge 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
Probuilders Centre Sdn. Bhd.^	Trading of cement and other building materials	**100**	–
Holcim Malaysia Sdn. Bhd.#	Manufacturing and sale of cement	**100**	–
Holcim Marketing (Malaysia) Sdn. Bhd.#	Marketing, trading and manufacturing of cement and related products	**100**	–
ISB Kuari Kota Tinggi Sdn. Bhd.#	Quarrying and trading of granite and quarry products	**100**	–

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of Subsidiary	Principal Activities	Proportion of ownership interest and voting power held by the Group 2015 %	2014 %
Incorporated in Malaysia			
Geocycle Malaysia Sdn. Bhd.#	Trading of any type of cementitious materials for cement or concrete use	**70**	–
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
Incorporated in Singapore			
LMCB Holding Pte. Ltd.*	Investment holding	**100**	100
Lafarge Cement Singapore Pte. Ltd.*	Bulk import and sale of cement and trading of other building materials	**100**	100
Supermix Concrete Pte. Ltd.*	Investment holding	**100**	100
Lafarge Marketing Pte. Ltd.*	Investment holding	**100**	100
PMCWS Enterprises Pte. Ltd.*	Investment holding	**100**	100
LCS Shipping Pte. Ltd.*	Shipping of bulk cement and chartering of vessels	**100**	100
Morelastic Green Resources Pte. Ltd.@	Recycling of non-metal waste	**–**	–

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

@ In 2014, 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).

On 16 November 2015, the Group has completed its acquisition of a 100% equity stake each on Holcim Malaysia Sdn. Bhd. and its subsidiaries comprising of Holcim Malaysia Sdn. Bhd., Holcim Marketing (Malaysia) Sdn. Bhd., ISB Kuari Kota Tinggi Sdn. Bhd. and a 70% equity interest in Geocycle Malaysia Sdn. Bhd. respectively for a gross cash consideration of RM325,545,000. The financial statements of these subsidiaries were audited by other auditors.

^ A newly incorporated subsidiary during year.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

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:

	2014 RM'000
Non-current assets	
Property, plant and equipment (Note 12)	32
Goodwill (Note 15.1)	1,827
Deferred tax assets (Note 18)	25
Current assets	
Inventories	521
Trade receivables	1,089
Other receivables	193
Cash and cash equivalents	1,095
Current liabilities	
Trade and other payables	(275)
Net assets disposed of	4,507
Loss on disposal of a subsidiary	
Consideration received	2,179
Net assets disposed of	(4,507)
Non-controlling interests (Note 29)	505
Cumulative exchange loss reclassified from equity as disposal of subsidiary	(188)
Loss on disposal	(2,011)
Net cash inflow on disposal of a subsidiary	
Consideration received in cash	2,179
Less: cash and cash equivalent balances disposed	(1,095)
	1,084

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

16.2. Acquisition of subsidiaries

On 16 November 2015, the Group completed its acquisition of a 100% equity stake each on Holcim Malaysia Sdn.Bhd. and its subsidiaries comprising of Holcim Malaysia Sdn. Bhd., Holcim Marketing (Malaysia) Sdn. Bhd., ISB Kuari Kota Tinggi Sdn. Bhd. and a 70% equity interest in Geocycle Malaysia Sdn. Bhd. respectively ("Holcim Malaysia") for a gross cash consideration of RM325,545,000.

The newly acquired Holcim Malaysia Group has contributed a consolidated revenue and profit after tax of RM23,461,000 and RM186,000 respectively to the Group during the year.

If the Group had acquired Holcim Malaysia Group on 1 January 2015, the revenue and profit of the Group would have been RM3,027,489,000 and RM255,778,000 respectively.

Assets acquired and liabilities assumed at the date of acquisition:

	At the date of acquisition RM'000
Non-current assets	
Property, plant and equipment (Note 12)	117,349
Prepaid lease payments (Note 14)	3,430
Other intangibles (Note 15.2)	37,611
Net current assets/(liabilities)	
Inventories	22,600
Cash and cash equivalents	6,071
Short-term borrowings	(51,600)
Other net current assets	11,078
Non-current liabilities	
Long-term borrowings	(10,500)
Deferred tax liabilities (Note 18)	(15,583)
Net assets acquired	120,456
Non-controlling interests (Note 29)	(1,112)
	119,344
Gross consideration paid	(325,545)
Purchase sum indemnify	2,289
Provisional goodwill arising from acquisition of subsidiaries (Note 15.1)	(203,912)

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

16.2. Acquisition of subsidiaries (Cont'd)

Net cash outflow arising from acquisition of subsidiaries:

	2015 RM'000
Consideration paid	**325,545**
Less: Cash and bank balances acquired	**(6,071)**
Net cash outflow from acquisition of subsidiaries	**319,474**

As at 31 December 2015, on the acquisition of Holcim Malaysia, the Group is currently undergoing an exercise to determine the fair values to be assigned to the Holcim Malaysia subsidiaries' identifiable assets, liabilities and contingent liabilities (if any) pursuant to the requirements on MFRS 3: *Business Combinations*. As allowed under MFRS 3: *Business Combinations*, the Group has a 12 month period to finalise this fair value exercise. As such, upon finalisation of this exercise, the fair values of the assets acquired and liabilities assumed and, consequently, the provisional goodwill on consolidation (as shown above) may need to be adjusted accordingly.

The provisional goodwill of RM203,912,000 arising from the acquisition of Holcim Malaysia is mainly attributable to the expected synergies to be realised, among others, synergies on operational efficiencies, cost efficiencies and capital expenditure synergies upon combining the operations of the Group and Holcim Malaysia.

17. INVESTMENT IN ASSOCIATE

	Group	
	2015 RM'000	2014 RM'000
Unquoted shares at cost, representing share of net assets acquired	**17,975**	4,603
Group's share of post acquisition results	**25,140**	31,247
Exchange differences	**7,091**	2,771
	50,206	38,621
Less: Dividends received	**(15,908)**	(15,908)
	34,298	22,713

17. INVESTMENT IN ASSOCIATE (CONT'D)

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	
	2015	**2014**
	RM'000	**RM'000**
Total assets	**150,890**	147,590
Total liabilities	**(89,417)**	(79,452)
Net assets	**61,473**	68,138
Group's share of associate's net assets	**34,298**	22,713
Total revenue	**426,891**	397,026
Total (loss)/profit for the year	**(14,940)**	3,543
Share in results of associate	**(6,107)**	1,181

Particulars of the associate are as follows:

Name of Associate	Principal Activities	Proportion of ownership interest and voting power held by the Group	
		2015	**2014**
		%	**%**
Incorporated in Singapore			
Alliance Concrete Singapore Pte. Ltd. *	Production and sale of ready-mixed concrete	**50.00**	33.33

* During the year, the Group acquired an additional 2 million ordinary shares in Alliance Concrete Singapore Pte. Ltd. ("ACS") for a total consideration of approximately RM13,372,000 (equivalent to SGD$5,000,000), thereby, increasing the Group's equity stake from 33.33% to 50% in ACS. The financial statements of the associate were audited by another firm other than Deloitte & Touche.

18. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred Tax Assets

	Group	
	2015 RM'000	2014 RM'000
At beginning of year	**2,758**	2,963
Recognised in profit or loss	**2,688**	666
Recognised in other comprehensive income	**117**	(847)
Reclassed from deferred tax liabilities	**(183)**	–
Arising from disposal of a subsidiary (Note 16.1)	**–**	(25)
Exchange difference on foreign operations	**375**	1
At end of year	**5,755**	2,758

Deferred Tax Liabilities

	Group	
	2015 RM'000	2014 RM'000
At beginning of year	**(193,365)**	(214,659)
Recognised in profit or loss	**18,617**	24,484
Recognised in other comprehensive income	**261**	(3,125)
Reclassified from equity to profit or loss	**230**	68
Reclassed to deferred tax assets	**183**	–
Arising from acquisition of subsidiaries (Note 16.2)	**(15,583)**	–
Exchange difference on foreign operations	**–**	(133)
At end of year	**(189,657)**	(193,365)

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 2015, 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	
	2015 RM'000	2014 RM'000
Unused tax losses	**77,135**	68,864
Unused capital allowances	**19,916**	16,858
Deductible temporary differences	**738**	1,092
	97,789	86,814

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

18. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

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

Group	Property, plant and equipment RM'000	Receivables RM'000	Payables and reserves RM'000	Unused tax losses RM'000	Unused capital allowances RM'000	Total RM'000
Deferred Tax Assets						
As at 1 January 2014	264	–	2,672	–	27	2,963
Recognised in profit or loss	(69)	–	275	438	22	666
Recognised in other comprehensive income	–	–	(847)	–	–	(847)
Arising from disposal of subsidiary (Note 16.1)	–	–	–	(25)	–	(25)
Exchange difference on foreign operations	–	–	–	1	–	1
As at 31 December 2014	195	–	2,100	414	49	2,758
Recognised in profit or loss	**1,109**	**–**	**265**	**1,306**	**8**	**2,688**
Recognised in other comprehensive income	**–**	**–**	**117**	**–**	**–**	**117**
Reclassed from deferred tax liabilities	**(183)**	**–**	**–**	**–**	**–**	**(183)**
Exchange difference on foreign operations	**375**	**–**	**–**	**–**	**–**	**375**
As at 31 December 2015	**1,496**	**–**	**2,482**	**1,720**	**57**	**5,755**

Group	Property, plant and equipment RM'000	Receivables RM'000	Inventories RM'000	Payables and reserves RM'000	Unused tax losses RM'000	Unused capital allowances RM'000	Total RM'000
Deferred Tax Liabilities							
As at 1 January 2014	(237,137)	22	4,384	18,008	64	–	(214,659)
Recognised in profit or loss	20,286	108	1,432	2,313	224	121	24,484
Recognised in other comprehensive income	–	–	–	(3,125)	–	–	(3,125)
Reclassified from equity to profit or loss	–	–	–	68	–	–	68
Exchange difference on foreign operations	(133)	–	–	–	–	–	(133)
As at 31 December 2014	(216,984)	130	5,816	17,264	288	121	(193,365)
Recognised in profit or loss	**17,210**	**(130)**	**(219)**	**1,117**	**527**	**112**	**18,617**
Recognised in other comprehensive income	**–**	**–**	**–**	**261**	**–**	**–**	**261**
Reclassified from equity to profit or loss	**–**	**–**	**–**	**230**	**–**	**–**	**230**
Reclassed to deferred tax asset	**183**	**–**	**–**	**–**	**–**	**–**	**183**
Arising from acquisition of subsidiaries (Note 16.2)	**(10,149)**	**–**	**–**	**(9,871)**	**4,437**	**–**	**(15,583)**
As at 31 December 2015	**(209,740)**	**–**	**5,597**	**9,001**	**5,252**	**233**	**(189,657)**

19. OTHER FINANCIAL ASSETS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Available-for-sale investments carried at fair value:				
Non-current:				
In Malaysia:				
Quoted investments	**374**	392	**–**	–
Unquoted investments	**168**	168	**–**	–
Others	**374**	374	**–**	–
	916	934	**–**	–
Held-to-maturity investment carried at amortised cost				
Non-current:				
Debenture, unquoted in Malaysia	**1,255**	1,255	**1,255**	1,255
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Current:				
Foreign currency forward contracts	**1,044**	2,229	**–**	–
Financial assets carried at fair value through profit or loss:				
Current:				
Derivatives that are not designated in hedge accounting relationship	**–**	59	**–**	–
	3,215	4,477	**1,255**	1,255
Current	**1,044**	2,288	**–**	–
Non-current	**2,171**	2,189	**1,255**	1,255
	3,215	4,477	**1,255**	1,255

20. AMOUNTS OWING BY/(TO) SUBSIDIARIES

20.1 Amounts Owing by Subsidiaries

	Company	
	2015	**2014**
	RM'000	**RM'000**
Loans carried at amortised cost:		
Current:		
Short-term loans to subsidiaries (a)	**33,155**	84,455
Outstanding balances receivable for other operating transactions (b)	**291,659**	218,157
	324,814	302,612

(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	
	2015	**2014**
	RM'000	**RM'000**
Other financial liabilities:		
Current:		
Loans from subsidiaries (c)	**(156,873)**	(80,477)
Outstanding balances payables for other operating transactions (d)	**(1,210)**	–
	(158,083)	(80,477)

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

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

21. INVENTORIES

	Group	
	2015	**2014**
	RM'000	**RM'000**
At cost:		
Fuels, raw and packing materials	**88,601**	92,688
Finished and semi-finished goods	**102,248**	83,973
Engineering spares and consumables	**123,928**	123,473
	314,777	300,134
Allowance for inventory obsolescence	**(24,366)**	(24,775)
	290,411	275,359

The cost of inventories recognised as an expense of the Group includes RM6,080,000 (2014: RM9,985,000) 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.

22. TRADE RECEIVABLES

	Group	
	2015	**2014**
	RM'000	**RM'000**
Trade receivables	**445,357**	378,107
Allowance for doubtful debts	**(12,585)**	(6,094)
	432,772	372,013

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 (2014: 30 to 60 days).

Included in trade receivables is an amount totaling RM12,019,000 (2014: RM8,685,000) 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.

22. TRADE RECEIVABLES (CONT'D)

Ageing of trade receivables not impaired:

	Group	
	2015 RM'000	2014 RM'000
Not past due	**168,320**	215,163
Past due 0 - 30 days	**119,684**	86,591
Past due 31 - 60 days	**70,336**	44,077
Past due 61 - 90 days	**39,270**	16,046
Past due more than 90 days	**35,162**	10,136
	432,772	372,013

Ageing of impaired trade receivables:

	Group	
	2015 RM'000	2014 RM'000
Past due 61 - 90 days	**1,819**	–
Past due more than 90 days	**10,766**	6,094
	12,585	6,094

Movement in the allowance for doubtful debts:

	Group	
	2015 RM'000	2014 RM'000
At beginning of year	**6,094**	5,940
Impairment losses recognised on receivables	**1,669**	3,050
Arising from acquisition of subsidiaries	**8,573**	–
Amounts written off during the year as uncollectible	**(901)**	(914)
Impairment losses reversed	**(2,850)**	(1,982)
At end of year	**12,585**	6,094

22. TRADE RECEIVABLES (CONT'D)

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	
	2015 RM'000	2014 RM'000
Ringgit Malaysia	**403,143**	343,444
Singapore Dollar	**27,106**	21,951
United States Dollar	**2,523**	6,618
	432,772	372,013

23. OTHER RECEIVABLES AND PREPAID EXPENSES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other receivables	**12,798**	12,613	**12**	33
Prepaid expenses	**15,057**	16,840	**101**	1
Refundable deposits	**11,220**	7,834	**553**	466
	39,075	37,287	**666**	500

Other receivables of the Group includes amount due from associate of RM727,000 (2014: RM691,000) and loans and advances given to the staff which are interest free and repayable on demand.

24. RELATED PARTY DISCLOSURES

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

24. RELATED PARTY DISCLOSURES (CONT'D)

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

Name of related parties	Relationship
Lafarge S.A.	Penultimate holding company of the Company
Associated International Cement Limited	Immediate holding company of the Company
Alliance Concrete Singapore Pte. Ltd.	Associate of the Company
Cementia Trading AG	Subsidiary of LafargeHolcim Ltd.
Cementia Asia Sdn. Bhd.	Subsidiary of LafargeHolcim Ltd.
Coprocem Services Malaysia Sdn. Bhd.	Subsidiary of LafargeHolcim Ltd.
Lafarge Asia Sdn. Bhd.	Subsidiary of LafargeHolcim Ltd.
Lafarge Energy Solutions SAS	Subsidiary of LafargeHolcim Ltd.
Marine Cement Ltd.	Subsidiary of LafargeHolcim Ltd.
PT Lafarge Cement Indonesia	Subsidiary of LafargeHolcim Ltd.
Thalamar Shipping AG	Subsidiary of LafargeHolcim Ltd.
Holcim Trading Pte. Ltd.	Subsidiary of LafargeHolcim Ltd.
Holcim Group Support Ltd.	Subsidiary of LafargeHolcim Ltd.
Holcim Technology & Services Ltd.	Subsidiary of LafargeHolcim Ltd.
Holcim East Asia Business Service Centre B.V.	Subsidiary of LafargeHolcim Ltd.
Holcim Services (Asia) Ltd.	Subsidiary of LafargeHolcim Ltd.
Holcim (Singapore) Pte. Ltd.	Subsidiary of LafargeHolcim Ltd.

The amounts owing by/(to) penultimate holding, immediate holding and other related companies represent mainly trade transactions, provision of trademark license and general assistance and payments on behalf. The amounts outstanding arising from expenses paid on behalf by the related companies are interest free with no fixed terms of repayment. The amount outstanding relating to the provision of trademark license and general assistance is interest-free and payable on a quarterly basis. The amounts outstanding relating to trade and other transactions were made under normal terms and conditions similar to those normally granted to independent parties.

24. RELATED PARTY DISCLOSURES (CONT'D)

24.1 Related Party Transactions

	Group			
	2015		2014	
	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
Ultimate holding company of the Company:				
Provision of trademark license and general assistance fee	**33,456**	**(8,844)**	34,532	(8,606)
Specific technical assistance	**2,446**	**(2,446)**	1,869	–
Associate of the Group:				
Sales of cement and ready-mixed concrete	**59,980**	**11,608**	48,165	8,325
Batching income	**1,752**	**343**	1,531	300
Management service fee	**254**	**68**	232	60
Subsidiaries of ultimate holding company of the Company:				
Sales of cement and clinker	**143,884**	**17,608**	157,464	10,196
Purchase of cement and clinker	**128,737**	**(21,668)**	40,996	(12,663)
Time charter hire/sub-charter of vessels	**26,797**	**(4,676)**	2,394	1,190
Maintenance of hardware and software	**9,587**	**(1,514)**	7,627	(220)
Industrial franchising fees	**703**	**(2,062)**	–	–
Rental of office premises	**676**	**–**	676	676
Service fees for sourcing alternative fuel/alternative raw materials	**2,284**	**(414)**	1,837	(67)
Service fees for sourcing supply of solid fuels	**1,471**	**(1,880)**	1,936	(1,936)
Administrative and supporting service fee	**1,644**	**516**	1,714	719

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.

24. RELATED PARTY DISCLOSURES (CONT'D)

24.2 Amounts Owing by Holding and Other Related Companies

	Group	
	2015	**2014**
	RM'000	**RM'000**
Current:		
Trade amount owing by holding and other related companies	**17,180**	11,530
Outstanding balances receivable for other operating transactions	**3,722**	2,403
	20,902	13,933

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

	Group	
	2015	**2014**
	RM'000	**RM'000**
Not past due	**13,543**	11,392
Past due 0 - 30 days	**3,629**	18
Past due 31 - 60 days	**–**	35
Past due 61 - 90 days	**–**	6
Past due more than 90 days	**8**	79
	17,180	11,530

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 (2014: 30 to 60 days).

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

	Group	
	2015	**2014**
	RM'000	**RM'000**
United States Dollar	**18,516**	12,478
Ringgit Malaysia	**2,362**	1,455
Euro Dollar	**24**	–
	20,902	13,933

24. RELATED PARTY DISCLOSURES (CONT'D)

24.3 Amounts Owing to Holding and Other Related Companies

	Group	
	2015	**2014**
	RM'000	**RM'000**
Current:		
Trade amount owing to holding and other related companies	**32,329**	21,494
Outstanding balances payable for other operating transactions	**16,532**	431
	48,861	21,925

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

	Group	
	2015	**2014**
	RM'000	**RM'000**
United States Dollar	**17,403**	12,947
Euro Dollar	**11,275**	8,545
Ringgit Malaysia	**19,106**	421
Singapore Dollar	**–**	12
Sterling Pound	**1,077**	–
	48,861	21,925

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	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Term deposits placed with licensed banks	–	191,092	–	8,668

There were no outstanding term deposits by the Group and of the Company as of 31 December 2015.

During the previous year, the Group and the Company earned effective interest rates ranging from 1.4% to 3.3% and 3.1% respectively per annum and had maturities ranging from 2 to 33 days and 30 days respectively.

26. SHARE CAPITAL

	Group and Company 2015 RM'000	2014 RM'000
Authorised:		
3,000,000,000 ordinary shares of RM1.00 each	**3,000,000**	3,000,000
Issued and fully paid:		
849,695,476 ordinary shares of RM1.00 each	**849,695**	849,695

27. RESERVES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non–distributable:				
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	**28,427**	37,127	**–**	–
Investments revaluation reserve	**36**	36	**–**	–
Hedging reserve	**125**	1,419	**–**	–
	1,129,585	1,139,579	**1,100,830**	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. RESERVES (CONT'D)

27.3 Exchange Equalisation Reserve

	Group 2015 RM'000	Group 2014 RM'000
At beginning of year	**37,127**	35,609
Exchange differences arising on translating the net assets of foreign operations	**(8,700)**	1,518
At end of year	**28,427**	37,127

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 2015 RM'000	Group 2014 RM'000
At beginning and end of year	**36**	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.

27.5 Hedging Reserve

	Group 2015 RM'000	Group 2014 RM'000
At beginning of year	**1,419**	275
(Loss)/Gain recognised on cash flow hedges:		
– Foreign currency forward contracts	**(589)**	1,576
Deferred tax related to gains/losses recognised in other comprehensive income	**(14)**	(230)
Reclassified to profit or loss:		
– Foreign currency forward contracts	**(921)**	(270)
Deferred tax related to amounts transferred to profit or loss	**230**	68
At end of year	**125**	1,419

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.

27. RESERVES (CONT'D)

27.5 Hedging Reserve (Cont'd)

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	
	2015	**2014**
	RM'000	**RM'000**
Other expenses	**(921)**	(270)
Income tax expense	**230**	68
	(691)	(202)

28. RETAINED EARNINGS AND DIVIDENDS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Distributable reserve:				
Retained earnings	**1,109,266**	1,131,447	**339,211**	374,473
At beginning of year	**1,131,447**	1,228,818	**374,473**	376,296
Profit attributable to owners of the Company	**251,006**	255,996	**236,674**	363,450
Dividends	**(271,904)**	(365,370)	**(271,904)**	(365,370)
Actuarial (loss)/gain on defined benefit retirement plan recognised directly in retained earnings	**(1,675)**	15,754	**(32)**	97
Income tax on income and expenses taken directly to retained earnings	**392**	(3,751)	**–**	–
At end of year	**1,109,266**	1,131,447	**339,211**	374,473

28.1 Retained Earnings

Distributable reserves are those available for distribution by way of dividends. The entire retained earnings of the Company are available for distribution as single-tier dividends. Under the single-tier dividend system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders.

28. RETAINED EARNINGS AND DIVIDENDS (CONT'D)

28.2 Dividends

	Group and Company	
	2015	**2014**
	RM'000	**RM'000**
Fourth interim single tier dividend of 8.0 sen per share (2014: Fourth interim single tier dividend of 17.0 sen per share)	**67,976**	144,448
First interim single tier dividend of 8.0 sen per share (2014: First interim single tier dividend of 9.0 sen per share)	**67,976**	76,473
Second interim single tier dividend of 8.0 sen per share (2014: Second interim single tier dividend of 9.0 sen per share)	**67,976**	76,473
Third interim single tier dividend of 8.0 sen per share (2014: Third interim single tier dividend of 8.0 sen per share)	**67,976**	67,976
	271,904	365,370

- 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;

- a fourth 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 26 February 2015 and paid on 15 April 2015;

- a first interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2015 amounting to RM67.976 million was declared on 20 May 2015 and paid on 15 July 2015;

- a second interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2015 amounting to RM67.976 million was declared on 27 August 2015 and paid on 21 October 2015; 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 2015 amounting to RM67.976 million was declared on 18 November 2015 and paid on 13 January 2016.

The Directors on 29 February 2016 declared a fourth interim dividend of 7.0 sen single tier dividend per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2015 amounting to RM59.479 million, payable on 22 March 2016.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2015.

29. NON-CONTROLLING INTERESTS

	Group	
	2015	**2014**
	RM'000	**RM'000**
At beginning of year	**4,223**	4,199
Share of profit for the year	**227**	529
Dividend	**(337)**	–
Disposal of a subsidiary (Note 16.1)	**–**	(505)
Arising from acquisition of subsidiaries (Note 16.2)	**1,112**	–
At end of year	**5,225**	4,223

30. BORROWINGS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current - at amortised cost				
Secured:				
Finance lease liabilities (a)	**–**	11	**–**	–
Non-secured:				
Medium Term Note (b)	**280,000**	–	**280,000**	–
Term loan (current) (c)	**7,000**	–	**–**	–
Bankers' acceptance (c)	**7,600**	–	**–**	–
Revolving credit (c)	**39,500**	–	**–**	–
At end of year	**334,100**	11	**280,000**	–
Non-current - at amortised cost				
Non-secured:				
Term loan (non-current) (c)	**7,000**	–	**–**	–
	7,000	–	**–**	–
Current	**334,100**	11	**280,000**	–
Non-current:				
1 - 2 years	**7,000**	–	**–**	–
Total borrowings	**341,100**	11	**280,000**	–

All borrowings are denominated in Ringgit Malaysia.

30. BORROWINGS (CONT'D)

Finance lease liabilities are payable as follows:

	Group			
	2015		2014	
	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
Later than one year and not later than five years	–	–	–	–
	–	–	11	11

(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.

(b) On 16 November 2015, the Group raised a Medium Term Note of RM280,000,000 via a direct private placement for a tenure period of twelve (12) months which carries an interest rate of 4.30%.

(c) The average interest rate for the revolving credits and bankers' acceptance ranges from 4.21% to 4.26% and the term loan carries an interest rate of 4.20% per annum.

In 2003, a wholly-owned subsidiary in Singapore, LMCB Holding Pte. Ltd. ("LMCBH") issued SGD225 million of fixed rate notes ("the Notes") due in 2014 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 had 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 2014, 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% (2014: 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.

31. RETIREMENT BENEFITS (CONT'D)

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out on 14 January 2016 by the external actuary.

The present value of the defined benefit obligation, and the related current service cost and past service cost, where measured using the projected unit credit method.

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

	2015 %	2014 %
Discount rate	**5.2**	5.4
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 RM3,524,741 (increase by RM3,814,208) (2014: decreased by RM3,157,044 /increased by RM3,418,076).

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At beginning of year	**60,009**	68,869	**1,025**	1,139
Charge for the year	**8,768**	9,789	**130**	140
Benefits paid	**(1,919)**	(3,039)	**–**	(157)
Actuarial loss/(gain) recognised in other comprehensive income	**1,675**	(15,754)	**32**	(97)
Others	**–**	144	**–**	–
At end of year	**68,533**	60,009	**1,187**	1,025

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Present value of unfunded obligation	**68,533**	60,009	**1,187**	1,025

31. RETIREMENT BENEFITS (CONT'D)

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**60,009**	68,869	**1,025**	1,139
Current service cost	**5,494**	6,262	**73**	81
Interest cost	**3,274**	3,527	**57**	59
Actuarial loss/(gain)	**1,675**	(15,754)	**32**	(97)
Benefits paid	**(1,919)**	(3,039)	**–**	(157)
Others	**–**	144	**–**	–
At end of year	**68,533**	60,009	**1,187**	1,025

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current service cost	**5,494**	6,262	**73**	81
Interest cost	**3,274**	3,527	**57**	59
	8,768	9,789	**130**	140

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**7,502**	(8,252)	**(11)**	(108)
Recognised during the year	**(1,675)**	15,754	**(32)**	97
At end of year	**5,827**	7,502	**(43)**	(11)

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 (2014: 30 to 90 days).

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

	2015 RM'000	2014 RM'000
Ringgit Malaysia	**392,018**	399,922
United States Dollar	**35,280**	10,389
Singapore Dollar	**10,521**	13,176
Euro Dollar	**6,006**	2,812
	443,825	426,299

33. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses consist of:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other payables	**44,580**	45,758	**1,949**	175
Accrued expenses	**55,287**	49,306	**3,153**	915
	99,867	95,064	**5,102**	1,090

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.

34. OTHER FINANCIAL LIABILITIES

	Group	
	2015 RM'000	2014 RM'000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Current:		
Foreign currency forward contracts	**162**	35
Financial liabilities carried at fair value through profit or loss (FVTPL):		
Current:		
Derivatives not designated in hedge accounting relationships	**–**	34
Current	**162**	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	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Term deposits (Note 25)	–	191,092	–	8,668
Cash and bank balances	**311,395**	269,777	**3,530**	1,953
	311,395	460,869	**3,530**	10,621

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**281,365**	397,002	**3,530**	10,621
Singapore Dollar	**12,875**	32,522	**–**	–
United States Dollar	**16,411**	31,345	**–**	–
Euro Dollar	**744**	–	**–**	–
	311,395	460,869	**3,530**	10,621

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. FINANCIAL INSTRUMENTS (CONT'D)

36.3 Categories of Financial Instruments

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial assets				
Derivative instruments:				
– In designated hedge accounting relationships (Note 19)	**1,044**	2,229	**–**	–
– Not in designated hedge accounting relationships (Note 19)	**–**	59	**–**	–
Loan and receivables:				
– Amounts owing by subsidiaries (Note 20)	**–**	–	**324,814**	302,612
– Trade receivables (Note 22)	**432,772**	372,013	**–**	–
– Other receivables and refundable deposits (Note 23)	**24,018**	20,447	**565**	499
– Amounts owing by holding and other related companies (Note 24)	**20,902**	13,933	**–**	–
– Term deposits (Note 25)	**–**	191,092	**–**	8,668
– Cash and bank balances (Note 35)	**311,395**	269,777	**3,530**	1,953
Available-for-sale financial assets:				
– Available-for-sale investments carried at fair value (Note 19)	**916**	934	**–**	–
Held-to-maturity investment (Note 19)	**1,255**	1,255	**1,255**	1,255
Financial liabilities				
Derivative instruments:				
– In designated hedge accounting relationships (Note 34)	**162**	35	**–**	–
– Not in designated hedge accounting relationships (Note 34)	**–**	34	**–**	–
Amortised cost:				
– Borrowings (Note 30)	**341,100**	11	**280,000**	–
– Trade payables (Note 32)	**443,825**	426,299	**–**	–
– Other payables and accrued expenses (Note 33)	**99,867**	95,064	**5,102**	1,090
– Amounts owing to holding and other related companies (Note 24)	**48,861**	21,925	**–**	–
– Amounts owing to subsidiaries (Note 20)	**–**	–	**158,083**	80,477

36. FINANCIAL INSTRUMENTS (CONT'D)

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.

36.6.1 Foreign currency sensitivity

The Group is mainly exposed to US Dollar and Euro Dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in RM against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the RM strengthens 10% against the relevant currency. For a 10% weakening of the RM against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.6 Foreign Currency Risk Management (Cont'd)

36.6.1 Foreign currency sensitivity (Cont'd)

	Group	
	USD Impact	**Euro Impact**
2015	**RM'000**	**RM'000**
Profit or loss	**(813)** (i)	**1,440** (iii)
Hedging reserve	**(5,723)** (ii)	**(862)** (ii)

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

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.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.6 Foreign Currency Risk Management (Cont'd)

36.6.2 Forward foreign exchange contracts (Cont'd)

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

	Group			
2015 **Outstanding contracts**	**Average exchange rate**	**Foreign currency FC'000**	**Contract value RM'000**	**Fair value RM'000**
Cash flow hedges				
Buy US Dollar				
Less than 3 months	**4.28**	**5,300**	**22,695**	**964**
3 to 6 months	**4.32**	**5,600**	**24,171**	**14**
Buy Euro Dollar				
Less than 3 months	**4.75**	**1,650**	**7,840**	**(51)**
3 to 6 months	**4.76**	**70**	**333**	**(2)**
				925
Fair value hedges				
Buy US Dollar				
Less than 3 months	**4.30**	**5,394**	**23,191**	**(10)**
3 to 6 months				
Buy Euro Dollar				
Less than 3 months	**4.77**	**440**	**2,101**	**(33)**
				(43)

36. FINANCIAL INSTRUMENTS (CONT'D)

36.6 Foreign Currency Risk Management (Cont'd)

36.6.2 Forward foreign exchange contracts (Cont'd)

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

36. FINANCIAL INSTRUMENTS (CONT'D)

36.7 Interest Rate Risk Management

The Group is exposed to interest rate risk because entities in the Group borrow funds at fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by using interest rate swap contract.

36.7.1 Interest Rate Sensitivity

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate instruments				
Medium term note	**280,000**	–	**280,000**	–
Term loans	**14,000**	–	**–**	–
Finance lease liabilities	**–**	11	**–**	–
	294,000	11	**280,000**	–
Floating rate instruments				
Bankers' acceptance	**7,600**	–	**–**	–
Revolving credit	**39,500**	–	**–**	–
	47,100	–	**–**	–
	341,100	11	**280,000**	–

Fixed Rate Instruments

The Group and the Company do not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Floating Rate Instruments

A change of 100 basis point ("bp") in interest rates would have increased or decreased equity and profit or loss by RM471,000 (2014: Nil). This analysis assumes that all other variables remain constant.

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

36. FINANCIAL INSTRUMENTS (CONT'D)

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.

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 2015 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 RM38,000 (2014: increase/decrease by RM39,000) 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. FINANCIAL INSTRUMENTS (CONT'D)

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.

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).

36. FINANCIAL INSTRUMENTS (CONT'D)

36.12 Fair Values (Cont'd)

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

		Group		
2015	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets at FVTPL				
Derivative financial assets	**–**	**1,044**	**–**	**1,044**
Available-for-sale financial assets				
Quoted investments	**374**	**–**	**–**	**374**
Unquoted investments	**–**	**–**	**168**	**168**
Others	**–**	**–**	**374**	**374**
	374	**1,044**	**542**	**1,960**
Financial liabilities at FVTPL				
Derivative financial liabilities	**–**	**(162)**	**–**	**(162)**

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

There were no transfers between Levels 1 and 2 in 2015 and 2014.

36. FINANCIAL INSTRUMENTS (CONT'D)

36.12 Fair Values (Cont'd)

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

Reconciliation of Level 3 fair value measurements of financial assets.

	Group Available-for-sale			
	Unquoted investments 2015 RM'000	Others 2015 RM'000	Unquoted investments 2014 RM'000	Others 2014 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).

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.)

36. FINANCIAL INSTRUMENTS (CONT'D)

36.12 Fair Values (Cont'd)

36.12.2 Fair Values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Financial assets/ (Financial liabilities)	2015 RM'000	2014 RM'000	Fair value hierarchy	Valuation techinique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available for sale						
Quoted investments	**374**	392	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
	916	934				
Held to maturity						
Unquoted debenture	**1,255**	1,255	Level 3	Amortised cost	N/A	N/A
Derivatives that are designated and effective as hedging instruments carried at fair value						
Foreign currency forward contracts						
– Financial assets	**1,044**	2,229	Level 2	Observable foreign currency forward contract rates at the end of reporting period	N/A	N/A
– Financial liabilities	**(162)**	(35)	Level 2		N/A	N/A
Derivatives that are not designated in hedge accounting relationship						
Foreign currency forward contracts						
– Financial assets	**–**	59	Level 2	Observable foreign currency forward contract rate at the end of reporting period	N/A	N/A
– Financial liabilities	**–**	(34)	Level 2		N/A	N/A

37. COMMITMENTS

37.1 Capital Commitments

	Group	
	2015	**2014**
	RM'000	**RM'000**
In respect of capital expenditure:		
Approved, contracted but not provided for	**75,903**	83,878
Approved but not contracted for	**44,603**	47,372
	120,506	131,250

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	
	2015	**2014**
	RM'000	**RM'000**
Not later than 1 year	**42,035**	43,287
Later than 1 year and not later than 5 years	**45,878**	46,821
Later than 5 years	**46,241**	49,450
	134,154	139,558

38. FINANCIAL GUARANTEE

	Company	
	2015	**2014**
	RM'000	**RM'000**
Unsecured		
Corporate guarantee given to a third party in respect of provision for services to subsidiaries	**21,100**	21,100

39. MATERIAL LITIGATION

Lafarge Malaysia Berhad ("LMB") and LMCB Holding Pte. Ltd. ("LMCBH") were served with a Writ of Summons in respect of a claim in the High Court of Singapore by the Comptroller of Income Tax ("Writ") for repayment of the sum of SGD9,589,816.84.

The particulars of the claim under the Writ were as follows:

(i) Repayment of the sum of SGD9,589,816.84;
(ii) Further or in the alternative, damages to be assessed;
(iii) Further or in the alternative, tracing;
(iv) Interest pursuant to section 12 of the Singaporean Civil Law Act (the amount claimed is not stated in the Writ);
(v) Costs; and
(vi) Such further and/or other relief as the Court deems fit.

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

(i) LMCBH received from Inland Revenue Authority of Singapore (IRAS) in January 2005, September 2005 and November 2006, tax refunds for Years of Assessment ("YA") 2004 to 2006 amounting to the sum claimed under the Writ.

(ii) Expected refunds for YA 2007 and 2008 amounting to SGD7,525,000 were recognised as a tax receivable in the financial statements for the relevant financial periods.

(iii) In 2008, LMCBH received Notices of Additional Assessment from the Comptroller for YA 2004 to 2006 by which the Comptroller sought a return of the refunds made for those years, and a Notice of Original Assessment for YA 2007 giving rise to a tax payable instead of a tax receivable in that YA.

(iv) In October 2008, LMCBH appealed to the Income Tax Board of Review ("Board") against all the Notices of Additional Assessment received for YA 2004 to 2006 and the Notice of Original Assessment for YA 2007. The Board upheld the decision of the Comptroller.

(v) In April 2011, LMCBH filed an appeal to the High Court against the decision at the Board.

(vi) In December 2012, the High Court allowed LMCBH's appeal against the Notices of Additional Assessment in connection with the tax refunds received by LMCBH for YA 2004 to 2006. The High Court also discharged the Notice of Original Assessment for YA 2007.

(vii) In January 2013, LMCBH and the Comptroller filed appeals to the Court of Appeal against the aspects of the High Court decision that were unfavourable to them.

(viii) On 26 February 2014, the Court of Appeal issued its written grounds of decision. The Court of Appeal disallowed the Comptroller's appeal in respect of the Notices of Additional Assessment for YA 2004 to 2006 and allowed the Comptroller's appeal in respect of the Notice of Original Assessment for YA 2007. The Court of Appeal also disallowed LMCBH's appeal against certain other aspects of the High Court decision which were unfavourable to LMCBH. As a result of the Court of Appeal's decision, the sum refunded to LMCBH for YA 2004 to 2006 was unaffected, and the amount of SGD3,971,977.60 for YA 2007 will not be refunded to LMCBH and accordingly, the tax refund was written off by the Group in the year ended 31 December 2013.

39. MATERIAL LITIGATION (CONT'D)

LMCBH is a wholly owned subsidiary of LMB. LMCBH's 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 the reserve hearing dates for this matter have been fixed for January 2017.

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.

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

40.1 Segment Revenue and Results

Group 2015	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
REVENUE				
External sales	2,277,948	472,872	–	2,750,820
Inter-segment sales	319,373	5,495	(324,868)	–
Total revenue	2,597,321	478,367	(324,868)	2,750,820
RESULTS				
Segment results	353,447	(4,912)	–	348,535
Interest income				4,935
Profit from operations				353,470
Finance costs				(2,206)
Share in results of associate				(6,107)
Income tax expense				(93,924)
Profit for the year				251,233

40. SEGMENTAL INFORMATION (CONT'D)

40.1 Segment Revenue and Results (Cont'd)

Group 2014	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
REVENUE				
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
RESULTS				
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

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.

40. SEGMENTAL INFORMATION (CONT'D)

40.2 Segment Assets and Liabilities (Cont'd)

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.

	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
Group				
2015				
SEGMENT ASSETS				
Segment assets	**4,032,366**	**285,206**	**(326,120)**	**3,991,452**
Investment in associate				**34,298**
Unallocated corporate assets				**333,178**
Consolidated total assets				**4,358,928**
SEGMENT LIABILITIES				
Segment liabilities	**841,646**	**218,424**	**(330,846)**	**729,224**
Interest bearing instruments				**341,100**
Unallocated corporate liabilities				**194,833**
Consolidated total liabilities				**1,265,157**
Group				
2014				
SEGMENT ASSETS				
Segment assets	3,503,667	251,052	(279,798)	3,474,921
Investment in associate				22,713
Unallocated corporate assets				492,998
Consolidated total assets				3,990,632
SEGMENT LIABILITIES				
Segment liabilities	747,928	202,526	(279,112)	671,342
Interest bearing instruments				11
Unallocated corporate liabilities				194,335
Consolidated total liabilities				865,688

40. SEGMENTAL INFORMATION (CONT'D)

40.3 Other Segment Information

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
OTHER INFORMATION				
2015				
Capital expenditure	**198,773**	**35,235**	**–**	**234,008**
Depreciation and amortisation	**149,628**	**11,245**	**–**	**160,873**
2014				
Capital expenditure	104,082	12,339	–	116,421
Depreciation and amortisation	147,910	10,802	–	158,712

40.4 Geographical Information

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

	Revenue		Segment Assets		Capital Expenditure	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Malaysia	**2,596,400**	2,616,693	**3,876,169**	3,367,803	**234,008**	115,933
Singapore	**154,420**	126,397	**115,283**	107,118	**–**	488
	2,750,820	2,743,090	**3,991,452**	3,474,921	**234,008**	116,421
Investment in associate			**34,298**	22,713		
Unallocated corporate assets			**333,178**	492,998		
			4,358,928	3,990,632		

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

DISCLOSURE ON REALISED AND UNREALISED PROFITS

SUPPLEMENTARY INFORMATION

41. 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 2015 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings of the Company and its subsidiaries				
Realised	**1,401,158**	1,362,209	**307,549**	363,899
Unrealised	**10,638**	(117,394)	**31,662**	10,574
	1,411,796	1,244,815	**339,211**	374,473
Total share of retained earnings from associate				
Realised	**25,140**	31,247	**–**	–
	1,436,936	1,276,062	**339,211**	374,473
Less: Consolidation adjustments	**(327,670)**	(144,615)	**–**	–
Total retained earnings as per statements of financial position	**1,109,266**	1,131,447	**339,211**	374,473

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 has 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 28 MARCH 2016

SHARE CAPITAL

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

DISTRIBUTION ACCORDING TO SIZE OF SHAREHOLDINGS AS AT 28 MARCH 2016

Size of Shareholdings	No. of Shareholders & Percentage		No. of Shares & Percentage	
	Shareholders	%	Shares	%
Less than 100	323	4.66	7,389	0.00
100 - 1,000	2,968	42.80	1,601,621	0.19
1,001 - 10,000	2,603	37.53	8,769,146	1.03
10,001 - 100,000	804	11.59	24,604,787	2.90
100,001 to less than 5% of issued ordinary shares	234	3.37	234,225,765	27.57
5% of issued ordinary shares and above	3	0.04	580,486,768	68.32
TOTAL	**6,935**	**100.00**	**849,695,476**	**100.00**

DIRECTORS SHAREHOLDINGS

Based on the Register of Directors' Shareholdings as at 28 March 2016

		Direct		Indirect	
Name	Nationality	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	–	–	–	–
Ian Thackwray	British	–	–	–	–
Thierry Legrand	French	–	–	–	–
Michael Lim Yoke Tuan	Malaysian	–	–	–	–
Tan Sri A. Razak bin Ramli	Malaysian	–	–	–	–
Y.M. Tunku Afwida Tunku A.Malek	Malaysian	–	–	–	–
Bi Yong Chungunco	Filipino	–	–	–	–
Sapna Sood	British	–	–	–	–

THIRTY LARGEST SECURITIES ACCOUNTS HOLDER

(According to Register of Depositors as at 28 March 2016)

No.	Names	Shareholdings No.	%
1.	Associated International Cement Limited	433,344,693	51.00
2.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	77,947,375	9.17
3.	AmanahRaya Trustees Berhad Skim Amanah Saham Bumiputera	69,194,700	8.14
4.	Kumpulan Wang Persaraan (Diperbadankan)	13,860,100	1.63
5.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	11,318,800	1.33
6.	AmanahRaya Trustees Berhad As 1Malaysia	11,236,900	1.32
7.	Citigroup Nominees (Tempatan) Sdn Bhd Yayasan Hasanah (AUR-VCAM)	10,208,500	1.20
8.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLTOD67)	9,719,251	1.14
9.	AmanahRaya Trustees Berhad Amanah Saham Didik	8,638,600	1.02
10.	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	7,289,000	0.86
11.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	7,115,000	0.84
12.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	6,802,320	0.80
13.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A)	6,787,703	0.80
14.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	6,121,660	0.72
15.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustee Berhad for Public Ittikal Fund (N14011970240)	5,800,000	0.68

THIRTY LARGEST SECURITIES ACCOUNTS HOLDER

(According to Register of Depositors as at 28 March 2016) (Cont'd)

No.	Names	Shareholdings No.	%
16.	Loke Wan Yat Realty Sdn Bhd	5,163,148	0.61
17.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	3,967,040	0.47
18.	Malaysia Nominees (Tempatan) Sendirian Berhad Lee Foundation, States of Malaya (00-00197-000)	3,763,620	0.44
19.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon Acct)	3,747,858	0.44
20.	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) SCA For Fidelity Funds Asian Special Situations	3,450,300	0.41
21.	AmanahRaya Trustees Berhad Public Islamic Select Enterprises Fund	3,355,900	0.39
22.	Amsec Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (VT-CIMB-DALI)	3,262,800	0.38
23.	CitiGroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	3,090,000	0.36
24.	CitiGroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	2,740,000	0.32
25.	Lembaga Tabung Angkatan Tentera	2,520,700	0.30
26.	AmanahRaya Trustees Berhad Public Islamic Equity Fund	2,507,500	0.30
27.	HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC for Abu Dhabi Investment Authority (AGUS)	2,105,400	0.25
28.	AmanahRaya Trustees Berhad Amanah Saham Nasional	1,908,800	0.22
29.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for RBC Investor Services Trust (Clients Account)	1,842,519	0.22
30.	CitiGroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,832,300	0.22
	TOTAL	**730,642,487**	**85.98**

SUBSTANTIAL SHAREHOLDERS

(According to the Company's Register of Substantial Shareholders as at 28 March 2016)

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 %
LafargeHolcim Ltd ("LH")	Switzerland	-	-	(1) 433,344,693	51.00
Associated International Cement Limited ("AIC")	United Kingdom	433,344,693	51.00	-	-
Blue Circle International Holdings BV ("BCIH")	Netherlands	-	-	(2) 433,344,693	51.00
Lafarge International Holdings Limited ("LIHL")	United Kingdom	-	-	(3) 433,344,693	51.00
Lafarge Finance Ltd ("LFL")	Jersey	-	-	(4) 433,344,693	51.00
Lafarge Building Materials Limited ("LBML")	United Kingdom	-	-	(5) 433,344,693	51.00
Financiere Lafarge SA ("FLSA")	France	-	-	(6) 433,344,693	51.00
SOFIMO *	France	-	-	(7) 433,344,693	51.00
Lafarge SA ("Lafarge")	France	-	-	(8) 433,344,693	51.00
Employees Provident Fund Board ("EPF")	Malaysia	77,947,375	9.17	(9) 4,947,100	0.58
AmanahRaya Trustees Berhad – Skim Amanah Saham Bumiputera ("AmanahRaya")	Malaysia	69,194,700	8.14	-	-

* *Societe Financiere Immobiliere et Mobiliere*

Notes:
(1) LH : Deemed interest via its indirect interest in the shares of AIC, through its indirect interest in BCIH, LIHL, LFL, LBML, FLSA and SOFIMO, and direct interest in Lafarge SA following the successful completion of a public exchange offer by Holcim Ltd for Lafarge S.A. shares and completion of merger between Lafarge SA and Holcim Ltd.
(2) BCIH : Deemed interest by virtue of its 100% shareholding in AIC.
(3) LIHL : Deemed interest by virtue of its 100% shareholding in BCIH.
(4) LFL : Deemed interest by virtue of its shareholding in LIHL.
(5) LBML : Deemed interest by virtue of its shareholding in LIHL and LFL.
(6) FLSA : Deemed interest by virtue of its 100% shareholding in LBML.
(7) SOFIMO : Deemed interest by virtue of its 100% shareholding in FLSA.
(8) Lafarge : Deemed interest by virtue of its 100% shareholding in SOFIMO.
(9) EPF : Held through Aberdeen, RHB Islamic, AberIslamic.

TOP 10 LIST OF PROPERTIES

AS OF 31 DECEMBER 2015

	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	31	30,001
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	25	22,046
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	40	20,090
4.	Lot 19079, Kg Keramat Pulai, 31300 Kg Kepayang, Simpang Pulai, Perak Darul Ridzuan	39.99 hectares	Leasehold expiring on 03/03/2035	Quarry land	01/07/2008	–	18,020
5.	No. 2, Jalan Kilang, Petaling Jaya 46050 Selangor Darul Ehsan	6 acres	Leasehold expiring in 2068	Office complex	Dec 1998	30	15,671
6.	Lot No. 1956 Rawang, Selangor Darul Ehsan	49 acres	Leasehold expiring in 2056	Cement factory complex and ancillary buildings	Dec 1998	16-40	12,180
7.	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	–	9,558
8.	Lot Nos. 3546 to 3548, 3551, 3554, 3555 & 3557 to 3560 Rawang, Selangor Darul Ehsan	105.83 acres	Freehold	Agricultural land	Dec 1998	–	6,818
9.	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	40	6,016
10.	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	18	5,748

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 66th Annual General Meeting of LAFARGE MALAYSIA BERHAD will be held at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 24 May 2016 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 2015.

2. To re-elect Michael Lim Yoke Tuan who retires as a Director of the Company under Article 85 of the Articles of Association of the Company. **Resolution 1**

3. To re-elect Sapna Sood who retires as a Director of the Company under Article 85 of the Articles of Association of the Company. **Resolution 2**

4. To re-elect Thierry Legrand as a Director of the Company under Article 91 of the Articles of Association of the Company. **Resolution 3**

5. To re-elect Bi Yong Chungunco as a Director of the Company under Article 91 of the Articles of Association of the Company. **Resolution 4**

6. To re-elect Y.M. Tunku Afwida Binti Tunku A.Malek as a Director of the Company under Article 91 of the Articles of Association of the Company. **Resolution 5**

7. To re-elect Ian Thackwray as a Director of the Company under Article 91 of the Articles of Association of the Company. **Resolution 6**

8. To approve the appointment of Messrs. Deloitte, having consented to act as auditor of the Company in place of the retiring auditor Messrs. Deloitte & Touche and to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 7**

9. To approve the increase of Independent Directors' remuneration, with effect from financial year 2016, as follows: **Resolution 8**

Non-Executive Chairman	from RM120,000 to RM126,000 p.a.
Non-Executive Directors	from RM52,500 to RM55,125 p.a.
Chairman of Audit Committee	from RM17,500 to RM22,750 p.a.
Members of Audit Committee	from RM12,000 to RM15,600 p.a.
Chairman of R&N Committee	from RM12,000 to RM12,600 p.a.
Members of R&N Committee	from RM5,000 to RM5,250 p.a.

As Special Business

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

10. **Ordinary Resolution**
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. **Resolution 9**

11. **Ordinary Resolution**
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. **Resolution 10**

12. **Ordinary Resolution**
Proposed Renewal of Shareholders' Mandate as well as Proposed New Mandate for Recurrent Related Party Transactions ("Recurrent RPTs"). **Resolution 11**

13. **Ordinary Resolution**
Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback"). **Resolution 12**

14. **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 Abd Rahim (L.S. No. 9652)
Company Secretaries

Petaling Jaya,
Selangor Darul Ehsan
26 April 2016

Explanatory Notes on Special Business

a. **Ordinary Resolution 9**
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 fulfills the independent criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore, is able to bring independent and objective judgment to the Board.

    ii. Tunku Tan Sri Imran's relevant experience and expertise as set out in his profile on page 26 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.

b. **Ordinary Resolution 10**
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 fulfills the independent criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore, is able to bring independent and objective judgment to the Board.

ii. 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 28 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 11 and 12, please refer to the Circular to Shareholders for the Proposed Recurrent RPT Mandate and the Share Buyback Statement, all dated 26 April 2016 despatched together with the Company's Annual Report for the financial year ended 31 December 2015.

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 17 May 2016 shall be entitled to attend, speak and vote at the meeting.

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Form of Proxy

LAFARGE | A member of LafargeHolcim

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 66th Annual General Meeting of the Company to be held on Tuesday, 24 May 2016 at 10.00 a.m. at Ballroom 1, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia and at any adjournment thereof, and to vote as indicated below:-

NO.	RESOLUTION	FOR	AGAINST
ORDINARY BUSINESS			
1.	Re-election of Michael Lim Yoke Tuan under Article 85.		
2.	Re-election of Sapna Sood under Article 85.		
3.	Re-election of Thierry Legrand under Article 91.		
4.	Re-election of Bi Yong Chungunco under Article 91.		
5.	Re-election of Y.M. Tunku Afwida Binti Tunku A.Malek under Article 91.		
6.	Re-election of Ian Thackwray under Article 91.		
7.	Approve appointment of Messrs Deloitte as new Auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	Proposed Increase in the Independent Directors' remuneration.		
SPECIAL BUSINESS			
9.	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.		
10.	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.		
11.	Proposed Renewal of Shareholders' Mandate as well as Proposed New Mandate for Recurrent Related Party Transactions ("Recurrent RPTs").		
12.	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 ____________________ 2016.

SEAL

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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Fold this flap for sealing

Affix
Stamp

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

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

1st fold here

2nd fold here

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