

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

**Minutes of the 67<sup>th</sup> Annual General Meeting of Shareholders held at  
Ballroom 3, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1,  
60000 Kuala Lumpur, Malaysia on Tuesday, 23 May 2017 at 2.00 p.m.**

**PRESENT**

Y.A.M. Tunku Tan Sri Imran	- Chairman & Proxy for Shareholders
Mr Thierry Legrand (TL)	- Executive Director / President & CEO
Mr Michael Lim Yoke Tuan (ML)	- Executive Director / CFO
Tan Sri A. Razak Bin Ramli (TSR)	- Independent Non-Executive Director
YM Tunku Afwida Binti Tunku A.Malek	- Independent Non-Executive Director
Tan Sri Dr Rebecca Fatima Sta Maria	- Independent Non-Executive Director
Datuk Muhamad Noor Bin Hamid	- Independent Non-Executive Director
Ms Bi Yong So Chungunco	- Non-Independent Non-Executive Director & Proxy for Associated International Cement Ltd
Mr Daniel Nikolaus Bach	- Non-Independent Non-Executive Director & Proxy for Associated International Cement Ltd
Mr Jean Desazars de Montailhard	- Non-Independent Non-Executive Director

**IN ATTENDANCE**

Ms Koh Poi San (KPS)	- Company Secretary
Ms Katina Nurani Binti Abd Rahim	- Company Secretary

**1.0 INTRODUCTION**

The Chairman, Y.A.M. Tunku Tan Sri Imran, presided as Chairman of the meeting. The Chairman introduced each member of the Board who were in attendance. The Chairman also informed the meeting that the Vice Chairman, Mr Martin Kriegner was unable to attend due to unforeseen circumstances.

**2.0 QUORUM**

It was established that a quorum was present.

**3.0 NOTICE OF MEETING**

The Notice convening the meeting dated 25 April 2017 having been circulated, was taken as read.

**4.0 AUDITED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016**

The Reports of the Directors and Auditors and the Statement of Accounts for the year ended 31 December 2016 having been circulated, were tabled, received and considered.

## 5.0 2016 FINANCIAL PERFORMANCE AND HIGHLIGHTS

The Chairman invited TL to present the CEO's message and review, and share the Lafarge Malaysia corporate video with the meeting. TL reported to the meeting on the Company's health & safety performance for the year and the Full Year Financial Performance. He explained that 2016 was a challenging year from a market perspective which was marked by a slowing property and construction market. TL informed the meeting that there has been a contraction in the cement market in 2016 and that at the same time, the cement capacity in Peninsular Malaysia had increased. The meeting was informed that the Company had 4 strategic areas of focus for 2017 which were (i) Cost Optimization, (ii) Asset Optimization, (iii) Differentiating through offers and (iv) Sustainability. He briefed the meeting on each of these focus areas in detail.

## 6.0 QUESTIONS FROM MINORITY SHAREHOLDERS WATCHDOG GROUP AND MEMBERS OF THE COMPANY

6.1 Following the CEO's presentation, questions from the Minority Shareholder Watchdog Group and the answers to these questions were displayed and read out to the meeting. The questions and answers are as follows:

### Strategy & Financial Matters

1. *The CEO's Message reported a slowdown in property and construction market in the year 2016 amid volatile fuel prices, weak global sentiment and the strengthening of US Dollar. The slowdown caused the cement industry to contract by more than 6% in 2016 after six years of continuous growth compounded by an increase in cement industry capacity and conflation of events leading to severe price erosion and intensifying competition.*

(a) *What are the strategies adopted by the Board in making its merged LafargeHolcim organisation "leaner and meaner" with a much bigger network of facilities comprising three integrated plants, two grinding stations, two Drymix plants, around 40 RMX concrete batching plants and four aggregate quarries?*

### Answer:

Following the merger, we have integrated our operations in the Southern Region. Where possible certain operations were combined and where both entities had presence in close proximity, we closed down some sites. For example:

- We closed the Holcim HQ in Johor and a couple of our RMX plants in the South
- We combined our grinding stations in Pasir Gudang and Rapid Project RMX operations respectively under a single management

The usage of Langkawi clinker for Pasir Gudang grinding stations has increased the utilisation factor of our Langkawi plant, helping to cover more of its fixed costs.

We have improved the utilization of our assets network through our de-bottlenecking project to significantly improve our cost to serve within the Peninsular market. We are now able to fully maximize the potential of our Kanthan

and Rawang Plants to serve the markets, reducing our reliance on Langkawi Plant. In response, to reduce cost, we have partially mothballed one of our kilns there.

- (b) *What are the special projects and initiatives that Lafarge Holcim organisation launched in 2016 in meeting customer needs at the heart of its business over the medium to long term via the Group's commercial transformation and modernisation of its business? Please elaborate.*

Answer:

LH Malaysia has and will continue to invest in the differentiation of our product and service offers.

Offers in the infrastructure and building segments include:

- Road integrated offers to capitalise on opportunities in the infrastructure segment, especially road and rail.
- FASTBUILD system for affordable housing and solutions for high-rise projects,
- Pushing our full-range of offers for walls and floors
- Enhancing our Placing & Finishing offers and services

Modernizing retail:

- Widening our distribution
- Modernizing the way we go to market and expanding our flagship outlets. All flagship outlets have our full-range of wall and floor solutions on display. Training is provided to outlet staff and customer on using the right product for the right application.

- (c) *With continued investment and progress in enhancing LafargeHolcim's network of facilities, cost optimisation, differentiation and development of its people, how would the Board optimise and control the group's selling and distribution, administration and other expenses as well as the group's finance costs? Could the Board clarify the needs for additional borrowings as stated under Note 41 to the Financial Statements on page 163 of the Annual Report?*

Answer:

The Board together with the Audit Committee is constantly reviewing reports submitted by the management of the Company detailing the Groups selling and distribution, administration, other expenses as well as the Group's Finance Costs. Management is constantly challenged to manage all expenses and to implement initiatives to reduce expenses. Even in this year's challenging operating environment due to adverse market conditions, Management has come up with a list of actions to mitigate the declining results of the Group. Among actions identified:

- Delivering cement from Kanthan and Rawang Plants to the central market instead of supply from Langkawi
- Negotiating for lower freight cost from Langkawi to Pasir Gudang in view of larger clinker volume transported

On 13 January 2017, the Group raised a 1 year Medium Term Notes ("MTN") of RM100 million and 3 years MTN of RM180 million through the RM500 million

unsecured Sukuk Wakalah Programme. Around 46% of the RM280 million raised was utilised to redeem a previous MTN facility that was due and the balance 54% was utilised for the Group's working capital requirements.

- (d) *What was the cause of the share of the results of joint venture to be loss-making for the past two years? Why is there a change of status from an associate to a joint venture given the group's equity interest of 50% in Alliance Concrete Singapore Pte Ltd?*

Answer:

The loss was mainly due to sluggish RMX demand caused by softening property market and downward pricing pressure. The change of classification from an associate to joint venture was made based on the revised Joint venture agreement after the increase in shareholding from 33.3% to 50%. However, there are no changes in terms of the accounting treatment for Joint venture compared to associate and therefore no impact to the financial statement.

2. *The Group launched its 2016 Sustainability Development Plan, known simply as the 2030 Plan that highlighted four key areas, namely climate, circular economy, water and nature, people and communities.*

- (a) *What are the key challenges and risks facing the cement industry amid competition and tough market conditions upon implementing the 2030 Plan on sustainable practices into the business model to complement and be a key driver for growth in the group?*

Answer:

The 2030 plan is central to the vision of the LH Group and LH Malaysia for the future. The ambitions set out under these four key areas not only drive sustainability but make business sense. Operating in a sustainable manner reduces cost and manages our impact on the environment and the local community.

We have made progress in 2016. For example:

- The recent acquisition of Geocycle from Lafarge Industrial Ecology International SA. This is in line with our 2030 vision as we look at promoting a circular economy. Every year, through Geocycle, cement plants in LafargeHolcim group co-processes more than 14 million tons of waste worldwide. This development presents Malaysia with an opportunity to use more resources derived from waste.
- We closely engage with the local community within which we operate to ensure that we remain as good neighbours as we progress together.
- Continued our focus on Health & Safety, with progress made in Road Safety. We received ISO39001 certification for our Road Transport Management System.

- (b) *What would likely be the Group's revenue and tangible results mix arising from the 2030 solutions on its portfolio of its products and services in line with the sustainability agenda, going forward? Please elaborate the end results the group would like to achieve within the plan.*

Answer:

Sustainability is embedded in our operations and therefore, we do not and cannot segregate our sustainability actions from the day-to-day running of our business. The LH Group seeks to generate 1/3 of its revenue from its 2030 solutions through a portfolio of products and services leveraging on sustainability. Malaysia is aligned with this objective as we aim to contribute to helping Malaysia build better through our solutions and offerings.

**Corporate Governance matters**

*Under Resolution 14 and Resolution 15, the Company is seeking shareholders' approval for the payment of directors' fees and benefits to the directors for 2016 and 2017.*

*Could the Board provide the breakdown of the fees and benefits to be approved by the shareholders?*

Answer:

- i) For Ordinary Resolution 14, the approval is sought for directors' fees and benefits payable to directors in FY2016. The amount of fees paid to independent directors of RM321,231 is based on the fees approved by the shareholders at the previous AGM. The breakdown is set out in page 39 of the Annual Report. There is also a RM15,000 for director fees paid to a director of subsidiary of Lafarge Malaysia.

The Benefits of RM508,465 to the Executive Directors are as follows:

- Thierry Legrand - RM480,876 (for children's education, accommodation, utilities, car and leave passage)
- Michael Lim Yoke Tuan - RM27,589 (for car, leave passage and club subscription)

- ii) For Ordinary Resolution 15, the approval is sought for directors' fees and benefits payable to directors in FY2017. The amount of fees paid to independent directors will amount to RM438,550 is based on the fees approved by the shareholders at the previous AGM. The amount is higher than 2016 as 2 new independent executive directors have been appointed to the Board. There is also a RM15,000 for directors fee paid to a director of a subsidiary of Lafarge Malaysia. The benefits to the Executive Directors have been increased to RM650,000 to account for inflation.

6.2 Some of the other questions raised by members and responded to by the Board were as follows:

- (i) Question: *Does the goodwill from the Holcim Malaysia acquisition represent an overpayment?*

Answer: The acquisition of Holcim Malaysia has and will continue to bring about many benefits and contributions to the Company. The contribution received will amount to more than the amount of the goodwill from the Holcim Malaysia acquisition.

- (ii) Question: *How long will it take for the market to absorb the over-supply in the cement market?*

Answer: There is over-supply in the market as the manufacturers increased capacity due to very healthy demand prior to 2016. There has been a slowdown in demand since 2016 and therefore there are no new capacities coming on stream. As such, once the market improves, it should not take too long for the current over-supply to be absorbed.

(iii) Question: *Why was there an increase in admin expenses and other expenses as shown in page 72 of the Annual Report?*

Answer: The increase is due to a one off severance payment to employees following the Holcim Malaysia acquisition and a one-time write off of the old JDE ERP system which has been replaced with a new ERP system.

(iv) Question: *Does the Company have any competitive advantage over its competitors?*

Answer: The Company has a competitive advantage due to its wide range of products and other offerings. It also has an advantage in special projects due to its experience and technical know-how.

(v) Question: *Why don't any of the Directors hold shares in the Company?*

Answer: The Directors choose not to hold any shares in the Company so that they can be completely independent when making decisions on matters relating to the Company.

(vi) Question: *What steps have been taken to contain the losses being faced by the Company?*

Answer: The Company is undergoing cost optimisation and exercises to become leaner and more cost efficient.

(vii) Question: *What is the reason for the drop in share price?*

Answer: We have noted that the share price has dropped following the removal of the Company from the MSCI Malaysia Index. The Company was removed as it did not meet the minimum free float adjusted market capitalization requirements to be maintained in the index.

## **7.0 VOTING PROCEDURES**

Before proceeding with the Agenda of the Meeting, the shareholders/proxies present were briefed by the Chairman that pursuant to the Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolutions set out in the notice of the Meeting would be voted on by way of poll.

## **8.0 ANNOUNCEMENT OF THE RESOLUTIONS SOUGHT TO BE PASSED**

The Chairman then read out each of the Ordinary Resolutions sought to be passed at this AGM:

**Ordinary Resolution 1:** The re-election of Mr Thierry Legrand who retires in accordance with Article 85 of the Company's Articles of Association.

**Ordinary Resolution 2:** The re-election of Ms Bi Yong So Chungunco who retires in accordance with Article 85 of the Company's Articles of Association.

**Ordinary Resolution 3:** The re-election of YM Tunku Afwida Binti Tunku A.Malek who retires in accordance with Article 85 of the Company's Articles of Association.

**Ordinary Resolution 4:** The re-election of Mr Martin Kriegner who retires in accordance with Article 91 of the Company's Articles of Association.

**Ordinary Resolution 5:** The re-election of Mr Daniel Nikolaus Bach who retires in accordance with Article 91 of the Company's Articles of Association.

**Ordinary Resolution 6:** The re-election of Tan Sri Dr Rebecca Fatima Sta Maria who retires in accordance with Article 91 of the Company's Articles of Association.

**Ordinary Resolution 7:** The re-election of Mr Jean Desazars de Montgailhard who retires in accordance with Article 91 of the Company's Articles of Association.

**Ordinary Resolution 8:** The re-election of Datuk Muhamad Noor Bin Hamid who retires in accordance with Article 91 of the Company's Articles of Association.

**Ordinary Resolution 9:** Re-appointment of Messrs. Deloitte PLT to continue in office as the auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. The Chairman informed the meeting that Mr Mark Thomson, the engagement partner of Messrs. Deloitte PLT and his team were present.

The Chairman handed over the proceedings to TSR.

TSR informed the meeting that the new Malaysian Code on Corporate Governance (“New Code”) was recently issued less than a month ago by the Securities Commission and will apply to all large companies from January 2018. He informed that as the New Code introduces many new practices, the Board will need to study in more detail against the Company’s current practices and the consequences of implementing such practices for the Company. He informed that the Company has set up a task force to study the recommendations of the New Code, assess these recommendations against our current practices, identify any difference and apply or propose alternatives practices, if necessary. TSR then proceeded to announce the next resolution on the Agenda:

**Ordinary Resolution 10:** The reappointment of Yang Amat Mulia, Tunku Tan Sri Imran, 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 in accordance with recommendation 3.3 of the Malaysian Code on Corporate Governance 2012.

The Chairman thanked TSR and took over the proceedings. He proceeded to announce the following resolutions:

**Ordinary Resolution 11:** The reappointment of 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 in accordance with recommendation 3.3 of the Malaysian Code on Corporate Governance 2012. At this juncture the Chairman informed the meeting that TSR had indicated that he would resign from the Board at the end of 2017. He thanked TSR for his enormous contribution to the Company during his

tenure on the Board.

**Ordinary Resolution No. 12:** The proposed renewal of shareholders' mandate as well as proposed new mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day to day operations of the Group, subject to the terms of the said Ordinary Resolution as set out in the Circular to Shareholders (Part A) on Recurrent Related Party Transactions.

**Ordinary Resolution No. 13:** The proposed renewal of authority for the purchase by the Company of its own shares, subject to the terms of the said Ordinary Resolution as set out in the Circular to Shareholders (Part B) for Purchase by the Company of its Own Shares.

**Ordinary Resolution No. 14:** To approve the payment of Directors' fees and benefits of RM829,696.00 payable to the Directors in respect of the financial year ended 31 December 2016. The fees of the Independent Directors are based upon the rates which have been approved by the shareholders at the AGM held last year. The Non-Independent Directors and Executive Directors do not receive any fees. The benefits are received by the Executive Directors only.

**Ordinary Resolution No. 15:** To approve the payment of Directors' fees and benefits of RM1,088,550.00 payable to the Directors in respect of the financial year ending 31 December 2017. The Non-Independent Directors and Executive Directors do not receive any fees and the benefits are received by the Executive Directors only.

## 9.0 E-POLLING

KPS then informed the meeting that voting will be carried out by e-polling and she explained the e-polling procedure to the shareholders. The Chairman invited the shareholders to cast their votes and to reconvene in the hall in 20 minutes.

## 10.0 POLL RESULTS

The Chairman announced that the Ordinary Resolutions tabled at the 67<sup>th</sup> AGM of the Company were duly passed by the shareholders of the Company and the poll results of the resolutions are as summarized below:

	FOR		AGAINST	
	No. of shares	%	No. of shares	%
Ordinary Resolution No. 1	599,446,533	99.9078	553,442	0.0922
Ordinary Resolution No. 2	595,484,682	99.2371	4,577,593	0.7629
Ordinary Resolution No. 3	599,681,033	99.9365	381,242	0.0635
Ordinary Resolution No. 4	598,045,222	99.6639	2,017,053	0.3361



Ordinary Resolution No. 5	595,518,732	99.2428	4,543,543	0.7572
Ordinary Resolution No. 6	599,671,843	99.9349	390,432	0.0651
Ordinary Resolution No. 7	597,777,482	99.6192	2,284,793	0.3808
Ordinary Resolution No. 8	600,050,775	99.9996	2,500	0.0004
Ordinary Resolution No. 9	716,638,745	99.9984	11,530	0.0016
Ordinary Resolution No. 10	497,781,262	82.966	102,200,726	17.034
Ordinary Resolution No. 11	522,240,279	87.031	77,821,996	12.969
Ordinary Resolution No. 12	283,305,382	100	0	0
Ordinary Resolution No. 13	603,908,275	99.9996	2,500	0.0004
Ordinary Resolution No.14	715,820,575	99.9943	40,600	0.0057
Ordinary Resolution No. 15	639,395,089	89.317	76,476,386	10.683

## 11.0 CONCLUSION

There being no other business, the Chairman declared the meeting closed at 4.00 p.m.