

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

The Directors of LafargeHolcim Bangladesh Limited (the "Company") are pleased to present the 22nd Annual Report of the Company.

The Directors' Report, along with the audited financial statements (Consolidated and Standalone) for the year ended on December 31, 2019, and the Auditors Report thereon have been prepared in compliance with the provisions of Section 184 of the Companies Act, 1994, the Corporate Governance Code issued by Bangladesh Securities and Exchange Commission's (BSEC) notification dated June 3, 2018 (the "Corporate Governance Code"), and the Listing Rules of the Dhaka Stock Exchange Limited and the Chittagong Stock Exchange Limited.

The year 2019 will be remembered as a year of great turnaround for your Company. The financial results have been very encouraging with 56% growth in Net Profit After Tax. The employees, customers, business partners and shareholders have been the key contributors for making 2019 a year of great achievements.



1. OVERVIEW OF THE FINANCIAL PERFORMANCE:

The Company's consolidated operating and financial results as compared to previous year are as follows:

Particulars	2019 (Taka'000)	2018 (Taka'000)	Growth
Revenue	1,78,39,756	1,66,31,529	7%
Cost of goods sold	1,33,07,859	1,25,31,583	
Gross Profit	45,31,897	40,99,946	11%
Net profit before tax	26,80,761	18,82,736	42%
Net profit after tax	17,37,454	11,14,652	56%
Total assets	2,69,24,292	2,68,88,230	
Net asset value	1,61,99,227	1,55,78,320	
Net operating cash flow	40,85,418	31,12,749	
Earning per share	1.50	0.96	56%
NAV per share	13.95	13.41	
Net operating cash flow per share	3.52	2.68	
Return on equity	10.73%	7.16%	
Gross margin	25.40%	24.65%	
Net margin before tax	15.03%	11.32%	
Net margin after Tax	9.74%	6.70%	

The year 2019 was challenging for the cement Industry. Most of the raw material prices increased during the first half of the year. During the second half, changes in the Income Tax law regarding minimum tax and introduction of new Value Added Tax law directly impacted profitability of the companies in Bangladesh. The industry could not pass the increased input cost to the market as the price increase did not take place.

In spite of adverse external environment, your Company delivered the best results in the industry both in terms of top line and bottom line. Our volume grew in line with Industry which resulted in a healthy revenue growth of 7%. This is an outcome of combined approach at front end in terms of expansion of outlet, cross selling of products from synergy of integration, disciplined sales and margin based pricing. Our value maximization initiatives have brought significant efficiency in logistics and procurement which helped achieve significant growth in earnings during the year 2019. The Gross Profit Margin was stable though the variable costs were soft. All major elements of cost related to plant fixed costs, selling and distribution expenses, logistics and administration expenses have been kept well below than that of last year despite the inflation being above 5%.

2. DIVIDEND AND RETAINED EARNINGS:

On March 4, 2020, the Board of Directors of your Company recommended a final dividend of ten percent (10%), in cash, on the paid-up capital of the Company out of the profits of 2019 and retained earnings. The total dividend of 10% of the paid-up capital amounting to BDT 1,161,373,500 which is BDT 1.00 per share of BDT 10.00 each for the year ended on December 31, 2019.

The above dividend recommendation of the Board of Directors shall be forwarded to the Shareholders at the 22nd Annual General Meeting for their consideration and approval.

Retained Earnings

The total Retained Earnings of your Company as of December 31, 2019, stood at BDT 4,242,436,000, details of which are given in the Statement of Changes in Equity of the Consolidated Financial Statement.

3. AMALGAMATION WITH HOLCIM CEMENT (BANGLADESH) LIMITED:

The amalgamation of the Company and Holcim Cement (Bangladesh) Limited (“HBL”) has been successfully completed on November 26, 2019 with the blessings of the favourable Order passed by the Hon’ble High Court Division of the Supreme Court of Bangladesh. The long journey involved shareholder approvals, regulatory approvals and legal processes. In every step, the Company received unequivocal support of the Shareholders, and it is through this support that the Company was inspired to overcome the challenges along the way.

From a strategic point of view, the amalgamation is a perfect business synergy for your Company. It has made your Company stronger and more efficient having pan Bangladesh presence with cement & clinker production facilities at strategic locations in the country. We thank our Shareholders for their undisputable, unconditional & spontaneous supports during this challenging journey.



4. BUSINESS PERFORMANCE - YEAR 2019:

The operational performance of your Company in 2019 has been excellent, be it production performance, sales volume or logistics performance. In the backdrop of increasing input costs against stagnant selling prices, the Company achieved a commendable result in cost optimization. This has resulted in excellent financial performance of the Company as compared to previous years.

HEALTH & SAFETY:

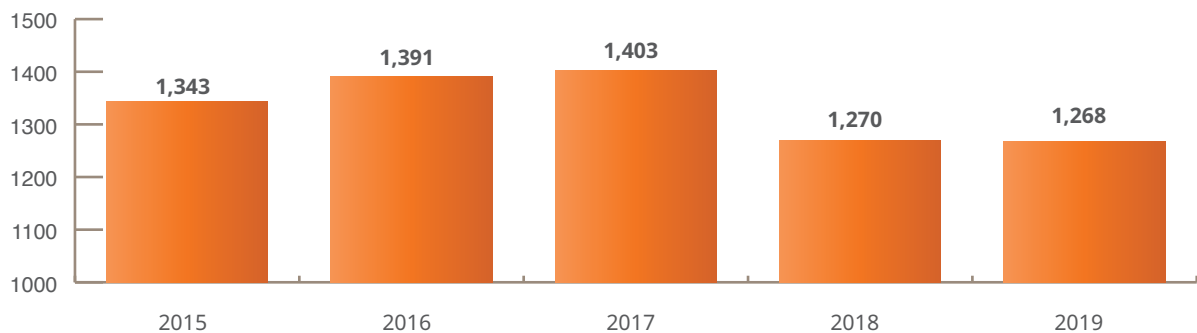
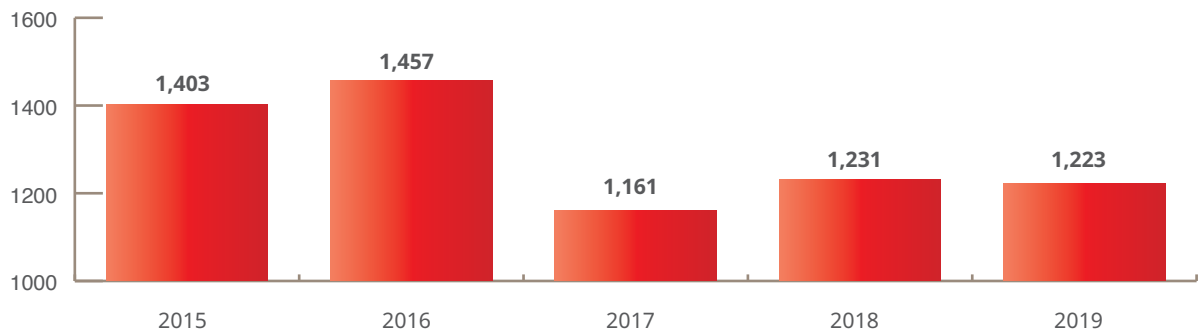
Health and Safety is the core value of your Company. In our corporate culture, Health & Safety gets the highest priority in any business decision. We genuinely believe that all incidents are preventable. Our goal is “ZERO Harm” to people, communities and environment. We continuously work to improve our safety culture and performance across our operations in Bangladesh and in Meghalaya, India. The commitment is rooted in personal objectives of every employee and being monitored periodically by management.

2019 was another year without Lost Time Injury. We are making efforts to reduce Medical and First Aid injuries. Your Company is committed to ensure that both its employees and contractors can work safely on its sites and in the community. We continue on our Health & Safety transformational path which is designed to reduce incidents and move us toward the ambition of ZERO Harm.

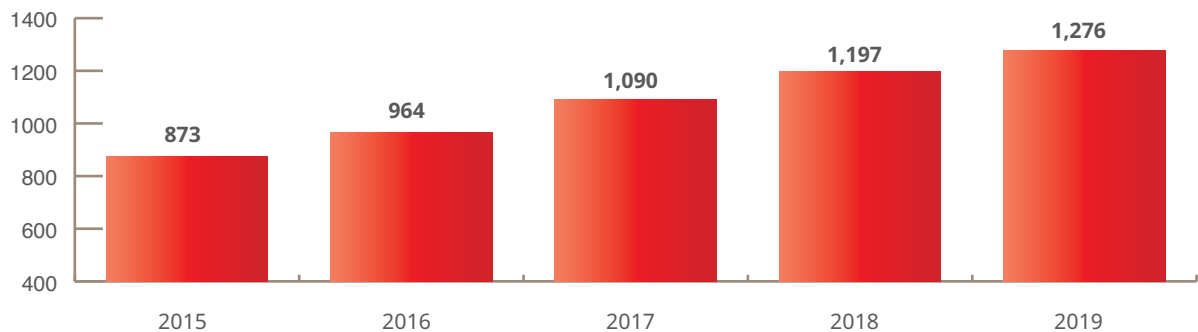
PRODUCTION PERFORMANCE:

Your Company has 4.2 million tons cement production capacity per annum, with fully integrated cement and clinker plant in Chhatak, and three (3) grinding plants near Dhaka and Khulna. The limestone quarry in Meghalaya, India has a production capacity of 5 million tonnes per annum.

In 2019, your Company produced 2292 kt of limestone, 1,268 kt of clinker and 2,703 of kt cement.

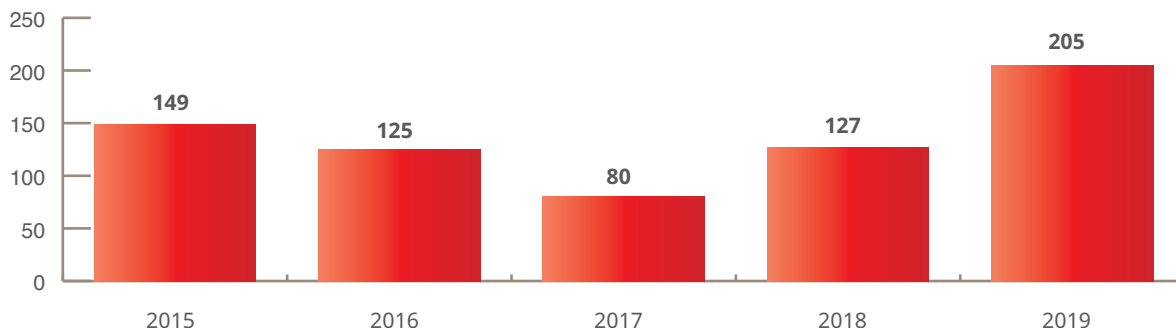
Surma Plant Clinker Production (kt) (2015-2019)**Surma Plant Cement Production (kt) (2015-2019)**

Among 128 cement plants of LafargeHolcim Group, Surma Plant at Chhatak, Sunamganj, proudly secured the top position in terms of industrial performance benchmark in efficiency and costs. Furthermore, for the fourth year in a row, Surma Plant achieved 100% lab accuracy index (LAI), ranking third position globally and first position in Asia, in the Round Robin Test. This test was conducted in over 156 laboratories in LafargeHolcim Group all over the globe. These remarkable achievements have been made possible by the dedication, belief and hard work of Team Surma.

Meghnaghat Plants Cement Production (kt) (2015-2019)

Meghnaght Plants are located in Sonargaon, Narayanganj. During the year, a 500 tonnes multipurpose silo was inaugurated at the Meghnaght Plant. In 2019, these plants recorded highest production since established. Mongla Plant located in south eastern part of the country has operated at full capacity and has achieved record breaking performance in 2019.

Mongla Plant Cement Production (kt) (2015-2019)



In 2019, the limestone Quarry in Meghalaya, India, exported 4.83% higher quantity limestone compared to previous year. The Quarry team demonstrated an exemplarily performance in optimization of mining & crushing costs, thereby ensuring a reduction in operational costs. The Quarry has been awarded with the “Guru Dronacharya” award for the fifth consecutive year by the Directorate General of Mines Safety of the Government of India for continued pristine performance in Safety. The Quarry also received the “Outstanding Performance Award” by the Indian Bureau of Mines of the Government of India for the third consecutive year as recognition of its continued performance in protection of the environment.

SALES AND MARKETING:

During the year, our focus lay on emphasising and highlighting our products, their benefits & differentiation. While the market created huge pressure on price, our brands, Supercrete and Holcim, successfully maintained its price premium, which is a testimony to customer confidence in our brands as well as outstanding product quality.

In a highly competitive and fragmented cement market like Bangladesh, it is challenging to uphold customer confidence, price premium and brand image on a continuous and sustainable basis. Your Company is successfully facing that challenge with right sales and marketing strategy, efficient sales force, continuous engagements and programs for influencers like engineers, architects, masons, individual home builders and industry experts. Your Company is different from others in providing technical services. In 2019, we focused in reaching out to the untapped areas and customers and successfully did channel expansion with over 4000 new retailers, 200 new dealers and 250 new Business-to-Business customers.

The implementation of digital customer portal for efficient distributor management, training programs for learning & development for each member of Sales, Marketing & Technical teams are highlights of the key initiatives taken in 2019.

LOGISTICS & PROCUREMENT:

Procurement and Logistics Function fixed simple but effective targets - improve efficiency and optimize costs!! Business process simplifications were introduced for improved operational efficiency, transparency, and to reduce time taken. Strategic sourcing plan launched by Procurement Department generated substantial amount of net saving.

Efficiency improvement projects for both inbound and outbound logistics and innovation delivered better discipline in logistic costs and reduced variable and fixed costs year on year basis while enhancing the margin. Logistics Department underwent digitalization with successful onboarding of a digital transport service provider. Your Company aims to increase network optimization and introduce further digital platforms in the coming years.

HUMAN RESOURCES:

Your Company value, acknowledge and recognize the importance of human resources behind its every success. Recruiting right people for the right position is not enough. Continuous and sustainable development of workforce, their capability building with regular, periodical and special trainings, and various engagement and motivational programs have been our key focus areas.

5. CORPORATE SOCIAL RESPONSIBILITY (CSR) & SUSTAINABLE DEVELOPMENT:

Your Company continues its commitment in driving CSR activities while ensuring positive impact and sustainable development for the communities around which it operates. A wide variety of CSR programs have been undertaken which are bringing in positive changes in the lifestyle and livelihood of the people of the communities. The CSR activities are conducted around our operations in Chhatak, Meghna & Mongla in Bangladesh and in Meghalaya, India.

Highlights of our CSR activities include, providing primary education to community children, healthcare facilities to the local community through Community Development Centres and sub-centres, vocational trainings. In Meghnaghat, we participated in the reconstruction of the road connecting Meghnaghat Plant to the highway. We also distributed fire fighting equipment. Cement bags were donated to a school situated at Vederganj, Shariatpur which is the only home of education in that far flung area.

Lafarge Umiam Mining Private Limited (LUMPL), as part of its CSR, undertakes a wide range of community development activities in the field of Healthcare, Education, Infrastructure Development, sustainable livelihood development in the villages surrounding its mining site in Meghalaya. LUMPL has been extending education benefits to communities; it has established a Secondary School and gives sponsorships to the students. We run community health services and mobile health clinic, which has positively contributed to health facilities in the area. The weaving centres established at Nongtraï and Shella villages helps sustainable livelihood generation by women. LUMPL has also been creating employment opportunities for local youths by providing free skill development training programs on livestock, agriculture, apiculture and other related sectors for sustainable livelihoods.



SUSTAINABLE DEVELOPMENT: GEOCYCLE:

Geocycle is your Company's contribution towards sustainable development, commitment for protection of environment and efficient waste disposals. Waste management is a major challenge for Bangladesh. Millions of tonnes of wastes are generated each year which is contaminating the rivers, water-bodies, agricultural lands and end up as landfill contaminating the precious lands or reaches the oceans polluting the eco systems.

In 2017, your Company introduced Geocycle in Bangladesh and has been working to find a sustainable and efficient solution for managing industrial, agricultural and municipal wastes. In Geocycle, we apply the proven technology of 'co-processing' and utilize our facilities in our state-of-the-art integrated cement plant at Chhatak, Sunamganj to resolve waste management challenges. This enables us to recover energy and recycle materials from waste.

So far, we have efficiently managed more than 6,500 tons of wastes including sludge, bulky solids and aqueous liquids till date thus making a tangible contribution to bringing society a step closer to a zero-waste future. Moving forward, we plan to manage more volumes and streams of wastes. We are also working with the Ministry of Industries, Department of Environment and different national and international non-government organizations to enhance the scope of Geocycle in Bangladesh.

6. RISKS AND CONCERNS INCLUDING INTERNAL AND EXTERNAL RISK FACTORS, THREAT TO SUSTAINABILITY AND NEGATIVE IMPACT ON ENVIRONMENT:

The Auditors of the Company in their Report to the Shareholders have given "Emphasis" relating to excess gas tariff raised by Jalalabad Gas Transmission and Distribution Systems Ltd. ("Jalalabad Gas").

In this regard, the Board of Directors would like to mention that the supply of natural gas is critical for your Company's operations. Your Company entered into a Gas Sales Agreement (GSA) with Jalalabad Gas for supply of gas to Surma Plant. The GSA is valid until the end of 2025. The terms and conditions of the GSA are legally binding on both the parties. The payments to Jalalabad Gas are in full compliance with the terms and conditions of GSA. The Company is engaged with Jalalabad Gas and making its best efforts to resolve the differences of opinion on the terms & conditions of the GSA in an amicable manner.

Another major risk lies in the Company's cross border operation. Any interruption of limestone supply from its Indian subsidiary company causes a business continuity issue. Strict compliance with applicable laws coupled with strong community development programs is key to minimize this risk.

Bangladesh is a cement capacity surplus market. Despite this fact, new capacity is being added at a higher rate than demand growth. This may further intensify competition in the market resulting in pressure on price. The availability of clinker in Asia impacts the price of clinker imports, which has a significant impact on the level of cement prices in the market and hence on your Company's profitability.

7. RISK MANAGEMENT:

The management of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management policies require establishing standard procedures to identify and analyze the main risks to which the Company is exposed and continually deploying and managing risk management systems designed to eliminate or reduce the probability that risks will arise and to limit their impact. The Company is exposed to credit risk, liquidity risk and market risk.

A. Credit Risk:

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other current assets. The management has established a credit policy under which each new customer is analysed individually for creditworthiness. Credit limits are established for each customer and reviewed on a regular basis. Any sales exceeding those limits require approval from the Credit Committee. The Company obtains bank guarantee from all trade customers. A large part of non-trade customers are also under the coverage of bank guarantee and security cheques.

B. Liquidity Risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

C. Market Risk:

Market risk is the risk that changes in market prices, e.g. foreign exchange rates and interest rates will impact the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company uses derivatives to manage market risks. Market risk comprises three types of risks: foreign currency risk, interest rate risk and commodity risk.

- i. **Foreign Currency Risk** - The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which purchases and borrowings are denominated. The currencies in which these transactions are primarily denominated are euro, US dollars, Swiss franc and Indian rupee.
- ii. **Interest Rate Risk** - The risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its debts and short term deposits.
- iii. **Commodity Risk** - Commodity risk arises from fluctuation of value of commodity in terms of price, quantity, and cost of the market from or to which the Company procure or sell product respectively. The Company does not have any significant exposure to commodity price risk.

8. RELATED PARTIES TRANSACTIONS:

All the transactions/contracts/arrangements of the nature as specified under the provisions of IAS 24 entered by the Company during the year under review with related party (ies) are in ordinary course of business. The details of the names of the related parties, nature of the transactions/contracts/arrangements and their total value are contained in Note No. 29 of the Financial Statements.

9. DIRECTORS' DECLARATION TO FINANCIAL STATEMENTS:

The Directors are of the opinion that the Company is a going concern. Accordingly, Financial Statements are prepared on a going concern basis.

The Directors are responsible for the governance of the Company, as part of preparation and presentation of the Financial Statements, the Directors confirm, to the best of their knowledge that:

- ▶ The financial statements prepared by the Management of the Company presents fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- ▶ Proper Books of Account of the Company have been maintained.
- ▶ Appropriate Accounting policies have been consistently applied in preparation of the Financial Statements and that the accounting estimates are based on reasonable and prudent judgment. The International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed. The Company has initially applied IFRS 15 and IFRS 9 from 1 January 2018.
- ▶ A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Company's financial statements
- ▶ The system of internal control is sound in design and has been effectively implemented and monitored.

- ▶ The minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress.
- ▶ The Board of Directors have made appropriate examinations and analyzed the significant financial, operating as well as other indicators for enabling them to understand the ability of the Company to continue its operations for a foreseeable period.
- ▶ The Board of Directors is satisfied and has a reasonable expectation that the Company has adequate resources to continue its operation consistently for the foreseeable future. Hence, the Company adopted the going concern basis in preparing of the Company's financial statements.
- ▶ No interim dividend has been declared by the Company.
- ▶ The key operating and financial data for the last five (5) years, discussion on cost of goods sold, gross profit margin and net profit margin and explanation on significant deviation from the last year's operating results are disclosed in **Annexure I**.
- ▶ Details of the Board Meetings held and attendance, details of appointment and reappointment of Directors with a brief resume are disclosed in **Annexure II**.
- ▶ The pattern of shareholding is disclosed in **Annexure VI**.
- ▶ A declaration signed by the CEO and CFO to the Board as required under the Corporate Governance Code is disclosed in **Annexure VII**.
- ▶ A Management's Discussion and Analysis signed by CEO presenting detailed analysis of the Company's position and operations along with a brief discussion of changes in the financial statements is disclosed in **Annexure VIII**.

10. RESEARCH, DEVELOPMENT AND INNOVATION

As part of the LafargeHolcim Group Research & Development (R&D) of your Company is driven by customer's needs, who face today's major challenges: achieving energy efficiency, lowering cost of construction, reducing our environmental footprint, and meeting high standards of aesthetics, health, comfort, and well-being. Together with our partners and customers, our best-in-class R&D teams develop the most innovative products, solutions, and services, as well as advanced manufacturing processes.

11. INTERNAL CONTROL SYSTEM:

The Company has well-documented Policies, Directives and Work Instructions which are periodically reviewed. Implementation and compliance with the Policies, Directives and Work Instructions are monitored and reported to the Audit Committee.

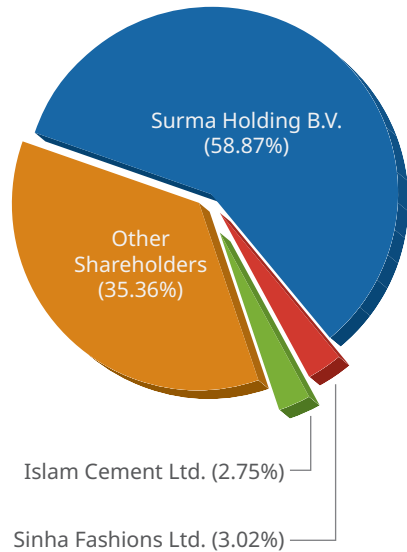
12. CODE OF BUSINESS CONDUCT, GOVERNANCE, ETHICS AND COMPLIANCE:

Your Company is a law abiding corporate citizen committed to running its business in strict adherence with the applicable local and international laws. Compliance with the Code of Business Conduct, Anti-Bribery & Corruption Policy and Fair Trade Practices Directive are part and parcel of our daily business activities and mandatory to follow by each and every employee of the Company.

The Nomination and Remuneration Committee (NRC) has determined that the Code of Conduct of the Company, as posted on the website of the Company, shall also be applicable to the Chairman, CEO and other Board Members of the Company.

13. SHARE HOLDING PATTERN:

Your Company is listed at the Dhaka Stock Exchange and Chittagong Stock Exchange. The total Shareholdings of the Company are distributed as follows:



Further information on Shareholding pattern is annexed to this report as **Annexure VI**.

Surma Holding B.V.

Surma Holding B.V., incorporated in The Netherlands, owns 58.87% shares of your Company. Lafarge S.A. (a subsidiary of LafargeHolcim) owns 50% shares of Surma Holding B.V., and the other 50% are owned by Cemolins Internacional S.L.U. of Spain.

About the Sponsors

LafargeHolcim operates four businesses segments: Cement, Aggregates, Ready-Mix Concrete and Solutions & Products, which includes precast concrete, asphalt, mortar and building solutions. LafargeHolcim's broad portfolio is focused on solving the toughest challenges that masons, builders, architects and engineers face, from urbanization to population growth and the demand for affordable housing.

Cementos Molins is one of the most important companies in the sector in Spain, Born as a family business, over the years, it has developed products of recognized prestige in the construction materials industry, keeping intact its traditional values of integrity, continuous improvement, efficiency, passion, sustainability and environmental protection. Molins operates in Spain, Argentina, Uruguay, Mexico, Bolivia, Colombia, Tunisia and Bangladesh. In addition to cement, it participates in the business of cement, concrete, aggregates, prefabricated concrete, special mortars, adhesive cements and ecomaterials. More information on <https://www.cemolins.es>

Besides Surma Holding B.V., other sponsors of this venture are Islam Cement Limited and Sinha Fashions Limited from Bangladesh.

14. BOARD OF DIRECTORS:

(a) Board composition

The Board of Directors of the Company is having twelve (12) members. Three (3) of them are Independent Directors.

(b) Independent Directors

Mr. Tufail K Haider, Independent Director, retired during the year after completing two (2) terms in office. The Board acknowledges the valuable contributions made by Mr. Haider during his tenure in office and expresses his gratitude for his support given to your company with great passion and insight. Pursuant to the provisions of the Corporate Governance Code, the Board of Directors appointed Dr. Rubana Huq, as Independent Director for one term of three (3) years, effective from December 7, 2019.

It is proposed that the Shareholders approve the appointment of Dr. Rubana Huq as an Independent Director of the Company, not liable to retire by rotation at the 22nd Annual General Meeting of the Company. The bio-data of Dr. Rubana Huq forms a part of this Annual Report.

(c) Resignation of Directors:

Ms. Rajani Kesari and Mr. Carlos Martinez Ferrer, Directors of the Company, submitted their resignations as Directors of the Company and members of the Audit Committee of the Company, effective from August 15, 2019 and December 4, 2019, respectively.

The Board accepted the resignations tendered by Ms. Rajani and Mr. Carlos, and acknowledged the valuable contributions during their association with the Company.

(d) Appointment of Directors:

In accordance with article 15.1.2 of Article of Association of the Company, Surma Holding B.V., the holding company of the Company, nominated Mr. Martin Kriegner, on August 9, 2019 and Mr. Jorge Bonnin Bioslada on November 28, 2019 as its nominee in the Board of Directors of the Company.

Pursuant to Article 15.1.3 of the Article of Association of the Company, Mr. Martin and Mr. Jorge have been appointed as Director of the Company, effective from August 22, 2019 and December 7, 2019 respectively.

(e) Recommendation for re-elections:

Pursuant to Regulation 79 of Schedule I of the Companies Act, 1994, the following Directors of the Board shall retire at the 22nd Annual General Meeting. Being eligible they offer themselves for re-election:

- I. Mr. Jorge Bonnin Bioslada
- II. Mr. Martin Kriegner
- III. Mr. Shivesh Kumar Sinha

A brief profile of the above mentioned three Directors is disclosed in Annexure-III as a part of the Board of Directors' Report.

(f) Sub Committee of the Board:

For ensuring good governance in the Company, the Board of Directors formed two sub Committees of the Board.

(i) The Audit Committee of the Board:

The Board of Directors have constituted an Audit Committee of the Board consisting of three Directors including one Independent Director as Chairman of the Audit Committee. The Audit Committee ensures that adequate internal checks & balances supported by adequate Minimum Control Standards as defined by the Sponsor Groups are in place for detection of errors, frauds and other deficiencies. The Audit Committee also ensures compliance of requirements of BSEC. The Audit Committee reviews the Quarterly and Annual Financial Statements. The Audit Committee also reviews adequacy and effectiveness of financial reporting process, accounting policies, internal control and risk management process.

(ii) Nomination and Remuneration Committee (NRC)

The Board of Directors have constituted a Nomination and Remuneration Committee of the Board consisting of three Directors including one Independent Director as Chairman of the NRC to set the principles, parameters and governance framework for the nomination and remuneration of the Directors, Key Managerial Personnel, Top-Level Executives and other employees comprising the senior management.

(g) Board and Sub Committee Meetings and Attendance:

During the financial year ended on December 31, 2019, four (4) meetings of the Board of Directors of the Company, four (4) meetings of the Audit Committee and two (2) meetings of the Nomination & Remuneration Committee were held. The details including dates of the meetings and attendance records of the Directors are annexed to this Annual Report. The Directors who could not attend the meetings were granted leave of absence.

15. CORPORATE GOVERNANCE COMPLIANCE STATEMENT:

The Company has complied with all the necessary guidelines under BSEC Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018. A separate section on Corporate Governance and the Compliance Report along with the necessary remarks and disclosures is appended in this Annual Report for the year 2019. A Certificate of Compliance required under the said Guidelines, as provided by M/s. Ahmed Mashuque and Co., Chartered Accountants, is annexed to this Annual Report.

M/s Al-Muqtadir Associates, Chartered Secretaries & Consultants, have expressed their interest to be appointed as Corporate Governance Compliance Auditors of the Company for the year 2020. The Board of Directors has accepted the willingness of M/s Al-Muqtadir Associates, Chartered Secretaries & Consultants, for appointment as Corporate Governance Compliance Auditors for the year ending December 31, 2020, which is being placed in the 22nd Annual General Meeting for approval.

16. AUDITORS:**(a) Auditors Report:**

The Statutory Auditors of the Company in their Report to the Shareholders on the Standalone Financial Statements have drawn attention to the excess gas tariff raised by Jalalabad Gas Transmission and Distribution System Limited and the Amalgamation of the Company with HBL. The explanations or comments by the Board on "Emphasis of Matters" made by the Statutory Auditors in their Report are dealt in details in point no. 3 and 6 of this Report.

(b) Statutory Auditors:

Pursuant to Section 210 of the Companies Act, 1994, the Company's Statutory Auditors; M/s Nurul Faruk Hasan & Co., Chartered Accountants, shall retire at the ensuing 22nd Annual General Meeting of the Company on completion of consecutive term of three (3) years. They are not eligible for reappointment as per BSEC Notification on financial reporting and disclosure dated June 20, 2018 and Dhaka Stock Exchange (Listing) Regulations, 2015 dated June 30, 2015.

M/s. Hoda Vasi Chowdhury & Co, Chartered Accountants expressed their interest to be appointed as statutory auditors of the Company for the year 2020. The Board of Directors has accepted the willingness of M/s. Hoda Vasi Chowdhury & Co., Chartered Accountants, as per recommendation of Audit Committee, for appointment as statutory auditors for the year ending December 31, 2020 which is being placed in the 22nd Annual General Meeting.

(C) Corporate Governance Compliance Auditors:

Every year, the Company obtains a certificate of compliance from a Practicing Professional Accountant/Secretary (Chartered Accountant/Cost and Management Accountant/Chartered Secretary) regarding compliance of conditions of the Corporate Governance Code.

M/s. Al-Muqtadir Associates, Chartered Secretaries & Consultants expressed their interest to be appointed as Corporate Governance Compliance Auditors of the Company for the year 2020. The Board of Directors has accepted the willingness of M/s. Al-Muqtadir Associates, Chartered Secretaries & Consultants for appointment as Corporate Governance Compliance Auditors for the year ending December 31, 2020, which is being placed in the 22nd Annual General Meeting.

17. FIRST QUARTER OF 2020:

The year 2020 started on a positive note. Your Company achieved 46% growth in Net Profit compared to the same period last year. This reflects that the strategy and initiatives taken by your Company in last few years, including amalgamation with HBL, rigorous cost optimization initiatives, and implementation of new marketing & sales strategy, have started yielding the expected results

The unaudited financial statements for the first quarter were published on May 7, 2020. The financial results as compared to same period of last year are as follows:

Particulars	Q1 2020 (Taka'000)	Q1 2019 (Taka'000)	Growth
Revenue	51,28,269	52,06,544	-2%
Cost of goods sold	39,78,992	42,04,262	
Gross Profit	11,49,277	10,02,282	15%
Net profit before tax	6,31,515	5,29,058	19%
Net profit after tax	5,22,452	3,57,815	46%
Total assets	2,69,89,411	2,69,24,292	
Net asset value	1,65,26,456	1,61,99,361	
Net operating cash flow	13,51,705	6,12,883	
Earning per share	0.45	0.31	46%
NAV per share	14.23	13.95	
Net operating cash flow per share	1.16	0.53	
Return on equity	3.16%	2.21%	
Gross margin	22.41%	19.25%	
Net margin before tax	12.31%	10.16%	
Net margin after Tax	10.19%	6.87%	

18. COVID 19 OUTBREAK: IMPACT ON YOUR COMPANY'S BUSINESS:

The year 2020 started on a very good note with continued positive momentum in the Cement Industry. Unfortunately, the situation developed with COVID 19 globally has impacted Bangladesh. The Construction sector is one of the worst hit sectors. Demand for cement has declined drastically as construction projects have been halted following COVID 19 lockdown.

To overcome the challenges imposed by the COVID 19, the Company is focussing on execution of initiatives on HEALTH, COST & CASH. We have taken specific measures to ensure the Health and Safety of the employees and implemented tighter controls over cash and on expenditure. Some of the production facilities, including our Quarry in India, had to be stopped for brief periods. However, as of the date of this Directors Report, all production facilities of your Company are fully operational.

With withdrawal of general holiday by the Government of Bangladesh, the Construction sector is expected to recover gradually. We remain fully committed to work together with our employees and stakeholders during this challenging period and overcome this crisis.

19. INDUSTRY: OUTLOOK & POSSIBLE FUTURE DEVELOPMENTS:

For the last five years, the economy of Bangladesh grew around 7%. The country was geared to graduate from a least developed country (LDC) to a developing country by 2021. However, the COVID 19 pandemic has emerged as a major challenge. The Economist Intelligence Unit, the world leader in global business intelligence, has projected that the preventive measures taken domestically and globally to stem the spread of the COVID 19 will weigh on economic growth in the short term for Bangladesh. We are very optimistic that the measures being taken by the Government to safeguard the country's economy shall effectively mitigate the impacts of the virus.

Our vision is to transform your Company into a building materials solutions and service provider from a cement manufacturing entity. To achieve this goal, your Company is actively working to enter into the businesses of graded aggregates. Your Company's Geocycle segment shall be scaled further to enhance the contribution towards sustainable development and efficient waste disposal in Bangladesh. Your Company is working in full swing to achieve these goalposts in the near future.

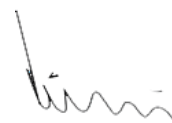
20. AWARD & RECOGNITIONS:

- ▶ Your Company has been judged as the "Best Corporate" among the cement manufacturing companies by the Institute of Cost and Management Accountants of Bangladesh.
- ▶ The quality team in your Company's Plant in Chhatak is performing consistently on "excellent" level in the Laboratory Accuracy competition of the LafargeHolcim Group.
- ▶ LUMPL, the subsidiary of your Company in India, has been awarded with the "Guru Dronacharya Award" by the Directorate General of Mines Safety of the Government of India, for the fifth consecutive occasion in recognition of its consistent and outstanding achievements in the field of health & safety.
- ▶ LUMPL has also been awarded for the third consecutive time, the first prize in the overall performance during the Mines Environment and Mineral Conservation Week held under the aegis of the Indian Bureau of Mines of the Government of India.

21. ACKNOWLEDGEMENTS:

Your Directors are thankful to the various departments and offices of the Government of Bangladesh, the Government of India and the State Government of Meghalaya for their continued guidance and co-operation. The Directors are grateful to all valuable stakeholders of the Company viz. customers, dealers, vendors, banks, suppliers, business partners for their support and services rendered during the year. The Directors are also grateful for the support received from the local communities around the Surma plant in Chhatak, Mongla Plant and the Quarry in Meghalaya. The Directors would like to recognize the management and all employees of the Company for their dedication and commitment. The results achieved are outstanding. Finally, the Directors are grateful to the Shareholders for their continued and valuable support to the Company.

For and on behalf of the Board of Directors



Christof Hässig
Chairman

Date: June 4, 2020