ANNUAL REPORT

2012

Lafarge Malayan Cement Berhad

Advancing Sustainability

LAFARGE

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

CHAIRMAN'S STATEMENT

MARKET REVIEW

The euro zone financial situation and the economic stagnation in the United States continued to place uncertainties in the global economic environment. Despite this backdrop, the Malaysian economy continued to be relatively stable with GDP growth at 5.6%.

The Malaysian Government is continuing efforts to boost domestic demand with the further roll-out of key projects in the 10th Malaysia Plan and the Economic Transformation Programme. This coupled with relatively stable investments by the private sector and steady stream of foreign direct investments has contributed to a growth in the domestic cement demand of approximately 4.2%.

Our cement, concrete and aggregates businesses remain strongly positioned to cater to the increased domestic demand while we continue to export our excess supply.

HEALTH & SAFETY

We are pleased to conclude the year with an overall improved health and safety records with Lost Time Injury Frequency Rate (LTIFR) for both employees and contractors at 0.25 and no fatalities for the year.

FINANCIAL PERFORMANCE

Revenue for the year grew by 7.4% from RM2.553 billion in 2011 to RM2.740 billion in 2012. Net profit improved from RM318 million in 2011 to RM349 million in 2012.

The company continued to generate a strong net cash flow from its operating activities in 2012 of RM455 million.

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

CHAIRMAN'S STATEMENT (CONTINUED)

DIVIDENDS

We have continued to pay dividends every quarter and have since paid three interim single-tier dividends amounting to 24 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2012. It is my pleasure to inform the shareholders that the Board of Directors have declared a fourth interim single-tier dividend of 13 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2012 paid on 16 April 2013. Total dividend payout in respect of the financial year ended 31 December 2012 amounted to RM314.388 million which represents a payout ratio of 90%. We do not propose any final dividend for the financial year ended 31 December 2012.

PROSPECTS

We expect to see continued stable growth in construction activities in 2013, mainly driven by continued investments and infrastructure development projects under the 10th Malaysia Plan and the Government's Economic Transformation Programme. Key development projects that support the growth include the Greater Kuala Lumpur projects such as the roll-out of the Tun Razak Exchange and the Mass Rapid Transit line which is entering its new phases of development, Iskandar Malaysia and the Malaysia-China Industrial Park in Pahang among others. We are therefore optimistic of continued stable growth in domestic demand for building materials and solutions and our revenue going forward.

BOARD CHANGES AND ACKNOWLEDGEMENT

In addition to the appointment of Mr Bradley Mulroney as President & Chief Executive Officer on 1 February 2012 and Mr Chen Theng Aik as Executive Director on the same date, we also welcomed Mr Christian Herrault and Mr Louis Chavane to the Board during the year. Mr Michel Rose was appointed as Vice Chairman following the resignation of Mr Isidoro Miranda. Mr Herrault is also a member of the Remuneration and Nomination Committee while Mr Chavane is a member of the Audit Committee. On behalf of the Board of Directors, I would like to thank all the directors for their contribution to the company and to welcome all the new directors to the Board.

On behalf of the Board, I would also like to express my appreciation to all our customers, business associates, shareholders and government agencies for their continued support to the Group and I would like to thank the management and staff for their contribution during the year.

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

One of Lafarge Malayan Cement batching plants.

CEO'S STATEMENT: BUSINESS OPERATIONS REVIEW

Dear Shareholders

It has been an eventful year for us in 2012. We reorganised our business from a product line-based organisation to a country-based organisation to enable us to be more focused on our customers and the market needs. In order to support the growth as an integrated business and organisation, an internal organisational step change to streamline and accelerate our organisation and business models were carried out effectively.

In 2012, the construction sector continued to expand strongly, mainly driven by the economic policy of the Government, and supported by robust activities in the residential and civil engineering subsectors. With the stronger domestic demand, I am pleased to inform you that our revenue increased by 7.4% to RM2.740 billion in 2012 compared with RM2.553 billion in 2011, with a higher profit before tax of RM470 million in 2012 against RM415 million in 2011. The higher profit before tax was due to the improved plant performance and higher sales volumes of our products.

ADVANCING SUSTAINABILITY

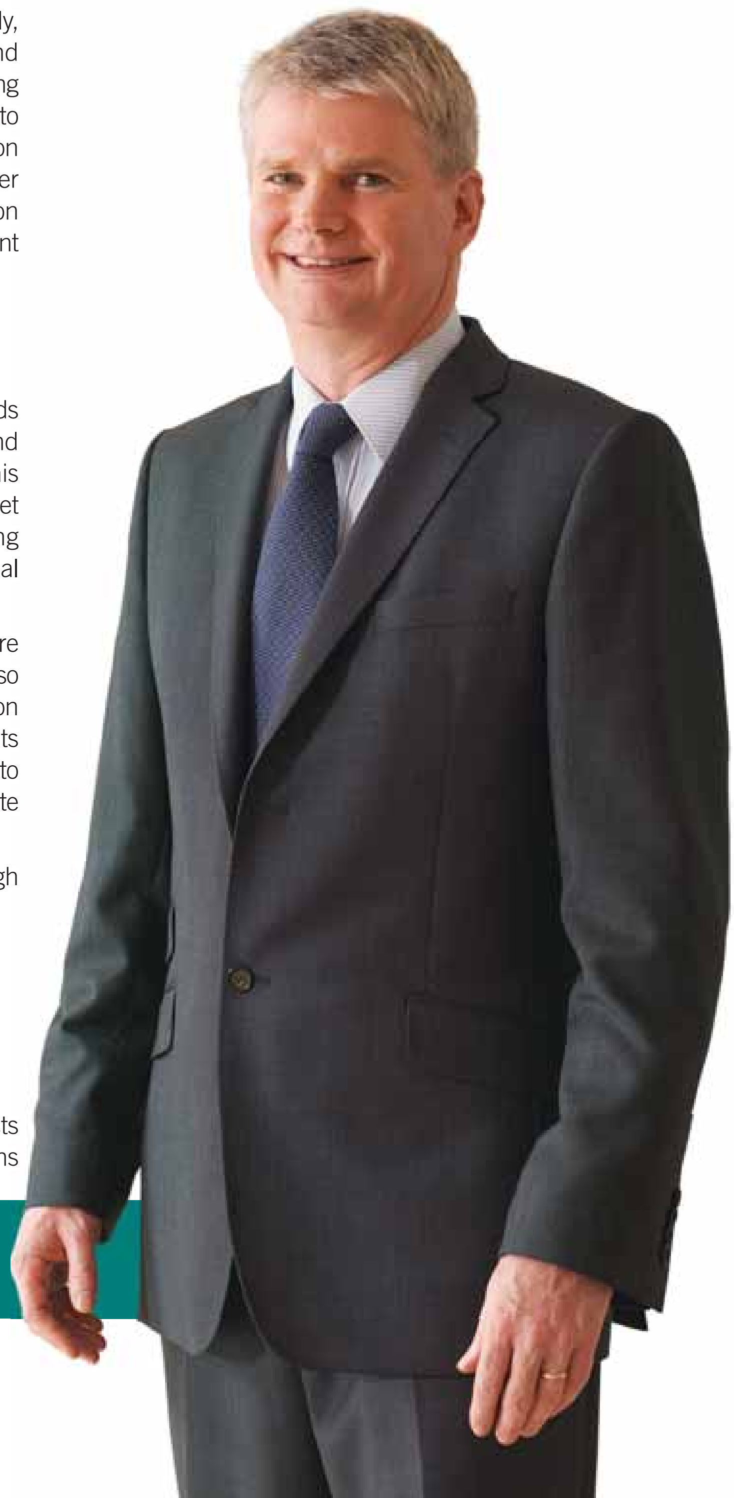
The demand in construction industry in Malaysia is shifting towards sustainable solutions with the building industry developing and working towards more sustainable and green practices. In this regard, our approach in providing innovative solutions to meet the expectations and requirements of customers is working favourably for us. We will continue to advance on this commercial differentiation in our businesses.

Above all, sustainability is integral to our operations. While we are improving and providing better quality building solutions, we are also committed to reducing CO_2 emissions, continuing our progress on Health & Safety performance, striving to develop in-house talents and contributing to long-term social and economic development to further reinforce our efforts and initiatives in meeting our corporate responsibility.

In essence, we are committed to advancing sustainability through the following five main priorities:

- **Health & Safety**
- **People Development**
- **Commercial Differentiation**
- **Environmental Footprint**
- **Corporate Responsibility**

Health & Safety is a core value which is integrated into all aspects of our businesses. We aspire to be one of the safest organisations



Bradley Mulroney
President & Chief Executive Officer

CEO'S STATEMENT: BUSINESS OPERATIONS REVIEW (CONTINUED)

Safety is a way of life at LMC.

in Malaysia and its industry sector. We care for the well-being of our employees, contractors, transporters and the communities we operate in.

In 2012, we adopted risk-based approach in managing our Health & Safety aspects. Consequently, we achieved the lowest lost time injury frequency rate (LTIFR) and total injury frequency rate (TIFR) in our history. It is a world-class safety achievement in any given industry around the globe. Our Cement and Aggregates businesses were free from lost time injury (LTI) in 2012. Our cement industrial plants at Langkawi and Kanthan celebrated 2-year LTI-free anniversary, Rawang Plant celebrated 3-year LTI-free anniversary and Pasir Gudang Plant achieved an excellent 11-year record. We will continue to work towards achieving our goal of "zero incident".

In terms of people development, we believe that excellent companies are able to develop their people into a core of competent informed employees, working together and able to take initiatives to contribute to the vision and priorities of their organisation. At Lafarge Malayan Cement (LMC), having diverse teams and an inclusive mindset represents a real competitive advantage to us. It is even more reason for us to continue developing and training our employees' competence and potential.

As mentioned earlier, meeting customers' expectations and providing added value to them are very important to us and we value their partnership and loyalty. Therefore, we continue to develop innovative products and solutions and provide more added benefits to our customers through improvements in our service level and product offerings.

One of the main priorities of the Group's sustainable ambitions is to actively contribute to climate change mitigation and adaptation. In Malaysia, we are strongly focused on addressing environmental footprint issues through reduction of emissions, more efficient use of resources, better use of alternative fuels and raw materials, developing innovative solutions that can play a role in designing new construction approaches that have a lower environmental

LMC's employees are being developed to reach their potential.

CEO'S STATEMENT: BUSINESS OPERATIONS REVIEW (CONTINUED)

One of the organisation's objectives is creating a functionality diverse and inclusive workplace for its employees.

LMC is desirous to play a significant role in fostering the well-being of the communities.

impact and consume less energy. I am proud to inform you that in 2012, we achieved a reduction of about 1 million tonnes of CO_2 emissions through these initiatives.

As a responsible company, we have a pivotal role to play in the development of the communities. We strive to be the preferred employer for our employees and the preferred partner for the communities in which we conduct our businesses.

I am pleased to have the opportunity to share with you some of our advancing sustainability initiatives in this report.

MOVING FORWARD

We foresee a stable demand for our range of products in 2013 due to the continued roll-out of key infrastructure projects and property developments. This will provide more avenues for us to introduce and launch more innovative products and solutions into the market.

Following the recognition award for "Best Innovative Product" at the Greenbuild exhibition 2012 for Hydromedia, we are truly encouraged and will certainly be launching more sustainable products and solutions in 2013.

ACKNOWLEDGEMENT AND APPRECIATION

I would like to thank all our management and teammates for their contributions to another year of encouraging performance. Without their dedication, commitment and hard work, we would not have been able to achieve so much progress in 2012.

To our customers, I would like to extend my gratitude to you for your continuing support, trust and confidence that you have placed in us. I would also like to thank our communities for their understanding and for working alongside us. Last but not least, I would like to thank our shareholders for their support and we will continue with our best efforts to strengthen this company.

Bradley Mulroney
President & Chief Executive Officer

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CORPORATE INFORMATION

CORPORATE INFORMATION

COMPANY SECRETARIES
Koh Poi San – L.S. No. 9701
Katina Nurani Binti Abd Rahim – L.S. No. 9652

REGISTERED OFFICE
Lafarge Malayan Cement 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 19, Uptown 1
Damansara Uptown
No. 1, Jalan SS21/58
47400 Petaling Jaya
Selangor Darul Ehsan

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 8151

STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad
Main Market

WEBSITE
www.lafarge.com.my

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)

MICHEL ROSE
Non-Executive Director (Vice Chairman)

BRADLEY MULRONEY
Executive Director (President & Chief Executive Officer)

CHEN THENG AIK
Executive Director
(Executive Vice President, Finance & Chief Financial Officer)

TAN SRI A. RAZAK BIN RAMLI
Senior Independent Non-Executive Director

SAW EWE SENG
Independent Non-Executive Director

MD YUSOF BIN HUSSIN
Independent Non-Executive Director

CHRISTIAN HERRAULT
Non-Executive Director

LOUIS CHAVANE
Non-Executive Director

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 65, Malaysian)

An Independent Non-Executive Director since July 1979 and appointed as Chairman in May 2003. Graduated with a Bachelor of Law (Honours) degree from Nottingham University, UK in 1970 and called to the Bar at Gray's Inn in 1971. Tunku Imran has held senior management positions with various companies including Perbadanan Nasional Berhad and Haw Par (Malaysia) Sdn Bhd from 1971 to 1976. He was the Chief Executive Officer of the Antah Group of Companies from 1976 until he stepped down at the end of February 2001. He currently sits as Chairman of Aluminium Company of Malaysia Berhad.

Michel Rose
Non-Executive Director
(Vice Chairman)
(Age 70, French)

Appointed as Non-Executive Director on 18 February 2002 and appointed as Vice Chairman in May 2012. Graduated from Ecole des Mines, France and obtained a Master's degree in Business Administration from IMI, Geneva. Joined the Lafarge Group in 1970 and became Executive Vice President for Human Resource and Corporate Communications in 1984. He was appointed as Senior Executive Vice President in the Lafarge Group in 1989, and also held the position of President & Chief Executive Officer, Lafarge Corporation in North America from 1992 to 1996. He chaired the Executive Committee of the Lafarge Cement Division from September 2000 to September 2007 and then served as Chief Operating Officer of Lafarge S.A. until June 2008. Michel Rose has now retired from Lafarge S.A..

BOARD OF DIRECTORS' PROFILE (CONTINUED)

Bradley Mulroney
Executive Director
(President & Chief Executive Officer)
(Age 50, British)

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

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

Chen Theng Aik
Executive Director
(Executive Vice President, Finance &
Chief Financial Officer)
(Age 47, Malaysian)

Appointed as Executive Director on 1 February 2012. A Certified Public Accountant (CPA) and a member of the Malaysian Institute of Accountants (MIA). Holds Masters in Business Administration (Marketing & Operations Management) from the University of Minnesota, USA. Started his career with PricewaterhouseCoopers in the United States and has subsequently held various senior finance positions with BP Chemical Malaysia and Leo Burnett Advertising before joining Malaysian Oxygen Berhad as Chief Financial Officer and Executive Director, and DHL as the Head of Finance & HR Services for the Asia Pacific, Eastern Europe, Middle East and Africa Regions. On 1 September 2011, he joined the Company as Senior Vice President, Finance & Chief Financial Officer. On 1 April 2012, he assumed the position as Executive Vice President, Finance & Chief Financial Officer.

BOARD OF DIRECTORS' PROFILE (CONTINUED)

Tan Sri A. Razak bin Ramli
Senior Independent Non-Executive Director
(Age 64, 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, Ann Joo Resources Berhad, Favelle Favco Berhad and Hong Leong Bank Berhad. On 22 February 2006, he was appointed the Chairman of the Remuneration and Nomination Committee of the Company. He is also a member of the Audit Committee of the Company.

Saw Ewe Seng
Independent Non-Executive Director
(Age 74, Malaysian)

Appointed as Executive Director in April 2000 and has been a Non-Executive Director since October 2000 following his retirement after 36 years of service with the Group. He became an Independent Non-Executive Director on 1 December 2002. Obtained his fellowship Diploma in Civil Engineering from the Royal Melbourne Institute of Technology, Australia in 1960 and is a member of the Institute of Engineers (Malaysia). He joined the Group in 1964, and had held various positions until his appointment as Managing Director/Group Chief Executive of the Group's operating units in 1981, a position he held until his retirement in September 2000. He is a member of the Audit Committee and the Remuneration and Nomination Committee of the Company.

BOARD OF DIRECTORS' PROFILE (CONTINUED)

Md Yusof bin Hussin
Independent Non-Executive Director
(Age 63, Malaysian)

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

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

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

Christian Herrault
Non-Executive Director
(Age 62, French)

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

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

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

In 1998, he was appointed to the Executive Committee as Executive Vice-President, Human Resources and Organisation.

On 1 September 2007, he became President of the Gypsum Business. Still a member of the Executive Committee, he is Operations Executive Vice-President since 1 January 2012.

He is also the Chairman of the Board of Directors of the Ecole des Mines de Nantes, France.

He is a member of the Remuneration and Nomination Committee of the Company.

BOARD OF DIRECTORS' PROFILE (CONTINUED)

Louis Chavane
Non-Executive Director
(Age 60, French)

Appointed as Non-Executive Director of the Company on 30 May 2012. He is a graduate of Finance from Dauphine University. He started his career with KPMG in France as an External Auditor. Subsequently, he joined Colgate Palmolive in France as its Director of Internal Audit Department, covering France and Africa. In 1985, he was appointed the Financial Controller of Schlumberger for various business units based in France and Mexico. He was then appointed the Financial Controller for the whole division covering South and Central America, US, UK, Belgium and France.

He joined the Lafarge Group in 1989 as Chief Financial Officer (CFO) in Brazil for Cement activity. He was then appointed the CFO of Aggregates & Concrete in France. Subsequently, he held the position of Chief Executive Officer of various Aggregates & Concrete business units in France from 1998 to 2009.

He was promoted to the position of Senior Vice President, Finance of the Gypsum division in 2009. He was appointed to his current position as Senior Vice President, Finance for Cement, Aggregates & Concrete activities attached to one of the Lafarge Group EVP since 2012. He is a member of the Audit Committee of the Company.

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

01 Bradley Mulroney
(President & Chief Executive Officer)

02 Chen Theng Aik
(Executive Vice President, Finance & Chief Financial Officer)

03 Paul Yap Poh Onn
(Vice President, Supply Chain)

04 Rick Pucci
(Vice President, Concrete)

05 Choong Ju Tang
(Vice President, Industrial Sales)

EXECUTIVE COMMITTEE (CONTINUED)

06 **Jim Ruxton**
(Senior Vice President, Industrial Operations)

07 **Vigneswaran Velautham**
(Vice President, Aggregates)

08 **Seet Hooi Ping**
(Vice President, Human Resources)

09 **Yeap Khoon Cheun**
(Vice President, Retail Sales)

10 **Ian Pughsley**
(Vice President, Health & Safety)

11 **Shirley Low**
(Vice President, Marketing)

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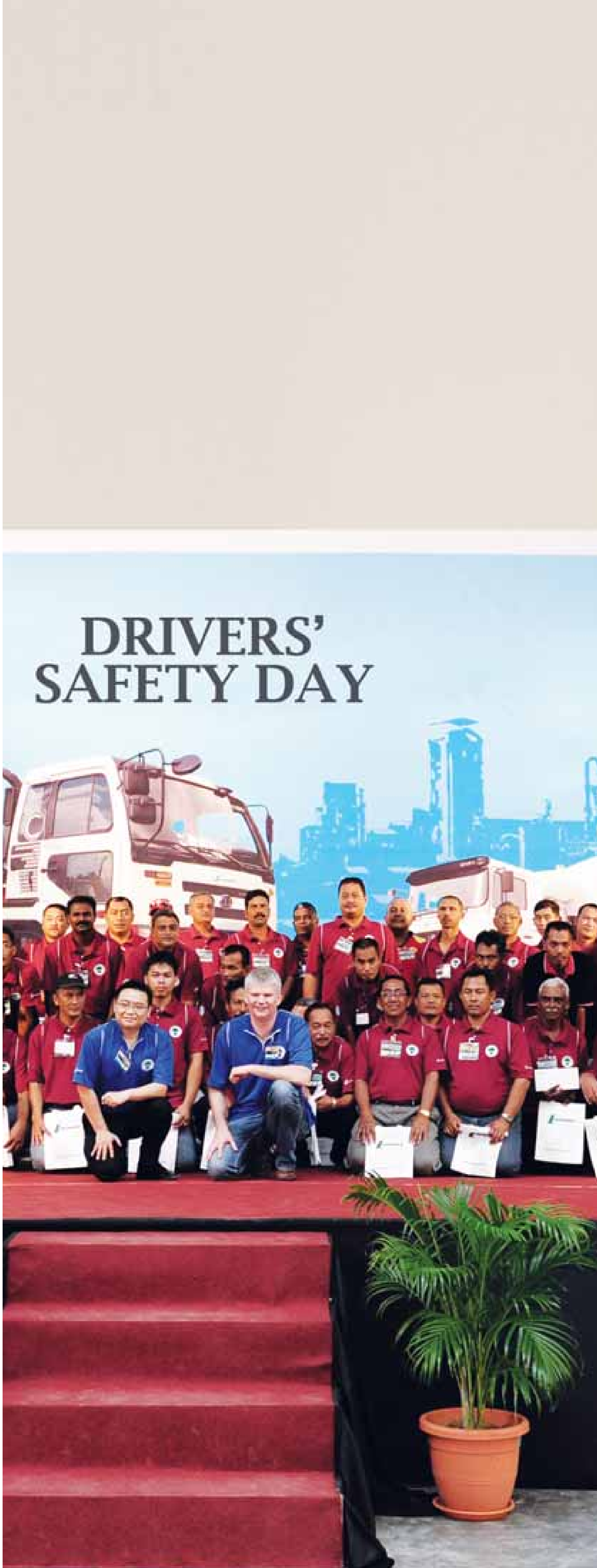
SOCIAL AND ENVIRONMENTAL RESPONSIBILITY



CORPORATE RESPONSIBILITY



Together with sustainability and good governance, commitment to corporate responsibility is an important component of good corporate citizenship. Corporate responsibility forms an essential element in how we conduct our business. We continue to play a significant role in fostering the well-being of the communities wherever our operations are located through education, voluntarism, social unity and sustainable community development.

EDUCATION

Sustainable development of any nation lies in education. Education is the key that unlocks the door to success. Recognising this, Lafarge Malayan Cement (LMC) has in place an educational programme known as the Schools Project to provide assistance to students covering 32 schools in Rawang, Selangor; Kanthan, Perak; Pasir Gudang, Johor; and Langkawi, Kedah.

SCHOOLS PROJECT

The Schools Project is an integral component of LMC's corporate social responsibility programme initiated to recognise students with outstanding results in their examinations and to help lessen the burden of deserving students from the low-income families. Over and above its social obligations, LMC hopes to instil the importance of academic achievements and the spirit to pursue excellence among the younger generation.

Over the years, the programme is increasingly regarded by the participating schools as a pillar of support in their endeavours to encourage their students to excel in their studies. Evidently, the programme has assisted in garnering improved results from students through its supportive role of instilling enthusiasm and pride in pursuing academic excellence.

In 2012, a total of 288 students benefited from the initiative with 192 students awarded the Lafarge Malayan Cement Bursary Awards and 96 students received the Excellence Awards.

Since its inception in 1997, this annually sustained effort has helped over 3,300 academic achievers and deserving students from the low-income families.

Students and guests participated in the activities held during the LMC Excellence and Bursary Awards presentation.

Students entertaining guests during the presentation.

CORPORATE RESPONSIBILITY (CONTINUED)

INSTILLING READING HABIT

In 2012 and for the second consecutive year, LMC sponsored 5,000 copies of "Utusan Malaysia" to students studying in the six schools under the Schools Project in Pasir Gudang, Johor. This is one of the ways to instil good reading habit among the students, and at the same time, widen their general knowledge. The six schools covered were Sekolah Kebangsaan Pasir Putih, Sekolah Kebangsaan Pasir Gudang 2, Sekolah Kebangsaan Pasir Gudang 3, Sekolah Kebangsaan Perigi Acheh, Sekolah Menengah Kebangsaan Pasir Gudang and Sekolah Menengah Kebangsaan Telok Kerang.

ESSENTIALS FOR STUDENTS

Students from the Sekolah Menengah Kebangsaan (Tamil) Dovenby were grinning from ear to ear when they were presented with school bags and stationeries on 9 January 2012 to coincide with the return to school after the long year end break. Year One students were presented with schools bags while the older students were given stationeries. This gesture was to spur the students to do well in their studies.

MOTIVATIONAL CAMP

The Camp Motivation UPSR 2012 (Primary School Evaluation Assessment), held from 18 to 20 May 2012 was sponsored by the Persatuan India Sungai Siput. The motivational camp, targeted students in Year Six, was to help these students to excel in their examinations so that they will be promoted to Form 1 without having to spend a year in transitional class. Our plant at Kanthan donated 70 school bags to these students to encourage and spur them in their quest for excellence.

ELEVATING SCHOOLS' AMBIENCE

A good and conducive school environment will generate excellent students. It is also essential that students enjoy their formative years at school. Bearing this in mind, LMC donated cement to Sekolah Kebangsaan Taman Rinting 3, Pasir Gudang, Johor on 26 April 2012. This gesture was to enable the school to carry out the repairs that were urgently needed to improve the condition of the school and offer some comfort to the students.

In June 2012, LMC donated monetary aid to Sekolah Menengah Kebangsaan Taman Johor Jaya 2 to build a Petanque field for students. This school educates students with special needs and the construction of the Petanque field will encourage these special students to exercise and have fun.

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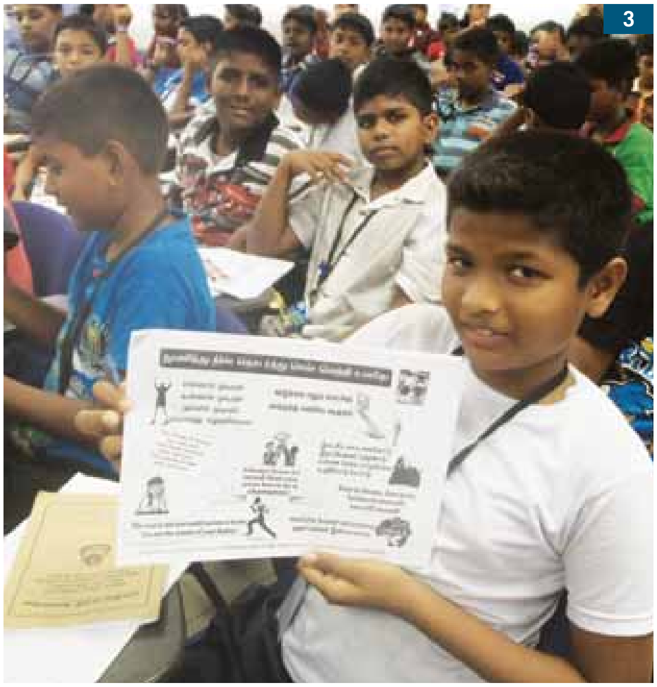

1 *The schools principals and representatives of Utusan Malaysia during the cheque presentation.*

2 *Students from Sekolah Menengah Kebangsaan (Tamil) Dovenby expressing their happiness.*

3 *With a deep desire to excel in their examinations, students attended the motivational camp.*

CORPORATE RESPONSIBILITY (CONTINUED)

VOLUNTARISM AND SOCIAL UNITY

The engagement of our employees with community activities is an essential part of our business. Some of the initiatives carried out in 2012 were:

FESTIVE CELEBRATION

In conjunction with the Chinese New Year celebration, 70 goody bags were given to the poor and less fortunate residents of Kanthan Baru, Perak on 11 January 2012. This event was hosted jointly between LMC and the Village Security and Development Committee of Kanthan Baru (JKKP) to bring additional festive cheer and relief to this community.

Sekar Kaliannan, Plant Manager, Kanthan presenting goodies to the community of Kanthan Baru.

Children with learning disabilities and from the underprivileged homes were beaming with joy and expressed glee during a breaking of fast event held jointly with the Department of Education, Pasir Gudang, Johor and our employees at Pasir Gudang Plant on 27 July 2012. These children were entertained with a magic show and a nasyid singing performance by the Al-Amin group from the Sekolah Menengah Pasir Gudang 2.

The special children helping themselves to the array of dishes.

At Rawang Plant, we invited the children from "Anak-Anak Yatim, Damai Kuang and OKU", Kg Kenanga, Rawang, the Royal Malaysian Police, the Fire and Rescue Department of Malaysia, officials from the Labour Department and the local authorities to a breaking of fast event held on 9 August 2012. Besides a sumptuous meal, children received donation, guests were treated to entertainment and lucky draws.

3

A Grandstand and Walkway for Football Field at District Police Station, Sungai Siput

To help foster a closer relationship between the local authorities and the communities, on 2 February 2012, LMC presented monetary donation to assist the district police station in Sg Siput, Perak to build a grandstand and a walkway leading to the football field. This is to enable the local community to appreciate the improved conditions.

Road Safety: Preparedness in Times of Emergencies

Health & Safety is the top priority at LMC. As part of its engagement with its stakeholders, and in collaboration with the local government agencies, LMC carried out a mock drill road accident to test the preparedness of the respective responders. The 45-minute exercise, in the form of a staged accident, involved a truck carrying waste material controlled by the Department of Environment and a car with four passengers, was played out at Jalan Kuala Kangsar, Chemor, Perak on 29 November 2012. Members of the Fire and Rescue Department of Malaysia, the Royal Malaysian Police, the Department of Occupational Safety and Health, the Malaysian Institute of Road Safety Research, the Department of Environment, Public Works Department, Road Safety Department, the National Security Council, Hospital Raja Permaisuri Bainun, Masterskill Global College, Ipoh Campus and the neighbouring local agencies played their respective roles and contributed to the success of the exercise.

CORPORATE RESPONSIBILITY (CONTINUED)

Our very own angels.

COMMUNITY PROGRAMMES

GRANTING EMPLOYMENT TO THOSE WITH HEARING AND SPEECH IMPAIRMENTS

We aspire to be an employer of choice within the community where we conduct our business. Last year, we recruited a number of employees with hearing and speech impairments to work at our head office. These employees are affectionately known as "Angels". Despite the challenges in life, the Angels are given equal opportunity to work as a team in LMC with the rest of the teammates and this is highly fulfilling for them. Though the recruitment of the disabled was initially part of LMC's corporate responsibility programme, their commitment and ability to adjust to the working environment have earned the company's respect. They have progressed well and are providing real business value for the company.

STAKEHOLDER ENGAGEMENT

We continued to interact actively with our stakeholders through dialogues and meetings throughout the year. During these dialogues, we were able to understand our stakeholders concerns and gather their opinions and feedback on topics of mutual importance.

Besides exchanging of views, we participated in the activities organised by our stakeholders such as friendly football matches, carnivals, celebrations at the mosques and temples.

During the company's Health & Safety month, held annually in June, we invited the local communities and authorities to participate in the activities organised by the locations such as complimentary medical check-up, talks on safety and blood donation. These stakeholders were supportive of our programmes and the events were well attended by them.

HEALTH & SAFETY

Health & Safety (H&S) is critical to Lafarge Malayan Cement's (LMC) ability to conduct business; therefore, it is a core value and remains the first priority. H&S responsibilities extend beyond the production sites to the complete supply chain, customer sites and third parties. Everyone involved in LMC's operations has the right to go home without harm and the role of everyone is to make this a consistent reality.

The ultimate goal is to achieve "zero harm" for payroll employees, contractors and third parties, and for LMC to aspire to be one of the safest organisations in Malaysia. In 2012, LMC has committed to 10 key H&S sustainable ambitions covering both safety and health to be achieved by 2020.

To further improve our performance, the H&S team has been restructured in 2012 to provide support by each critical activity to the respective operational managers.

I CARE FOR OUR HEALTH & SAFETY

A supervisor and his team conducting a task risk assessment.

RISK MANAGEMENT

The extraction of raw materials, subsequent downstream manufacture of finished products and delivery of finished product to customers presents hazardous situations. The business leadership works consistently to understand the risks attached to these hazards, learn from incidents and implement risk mitigating controls within its operations. We seek to eliminate exposure to potential injuries. As such, "risk based annual improvement plans" have been introduced as a key component of improving H&S performance by identifying the exposures, risk rating them and prioritising the introduction of suitable control measures. This risk based planning process is complementary to "task" or job based risk assessments conducted in operational field work.

LMC's employees are reminded that safety brings them home safely.

HEALTH & SAFETY (CONTINUED)

SUPPLY CHAIN

LMC organises in excess of 120,000 truck movements per day and therefore, road transportation of products to customers presents particular risks. To control incident occurrence, management is working diligently with the practical implementation of a set of Logistics and Health Advisory elements, focusing on contractual arrangements, drivers, vehicle condition, loads and journey planning. Annual mock emergency response drills are undertaken with the cooperation of Government agencies to experience and practice the management of an unforeseen emergency event. The number of road transporter organisations engaged by LMC has been reduced to assist the management of H&S and regular dialogues are held with the transporters to assist continuous improvement of standards.

As one of the programmes to educate LMC's transporters and their drivers on health and safety, since 2005, LMC has been organising the Drivers' Safety Day with the aim to promote safety in the workplace as well as to stimulate awareness on road safety. This annual event is not only about safety but it has also evolved to an annual gathering of the transporters, drivers and the drivers' spouses from all over the country. The event, held at the Malaysia Agro Exposition Park Serdang on 24 June 2012, was by far LMC's biggest ever. About 1,000 participants comprised of transporters, truck drivers, drivers' spouses and LMC employees attended the event.

CONTRACTORS

LMC employs a large number of regular contractors, particularly during planned operational shutdown periods, mainly for maintenance work. In the context of its overall Contractor Safety Management (CSM), the organisation engages in dialogues both at the senior management-contractor owner level as well as the plant management-contractor worker level. In addition, a set of 10 pro-active measures developed for management of H&S with large numbers of workers is proving a success.

TRANSPARENCY AND INTEGRITY MANAGEMENT

LMC promotes an open H&S management culture where management and staff from all the business product lines and activities can log unsafe acts, unsafe conditions, near misses and good practices through an electronic safety reporting system (SRS). A follow through facility prompts management to take corrective action and close out any exposures.

In addition to the above, LMC's Executive Committee (Excom) reviews incidents (major or minor) on a regular basis for purposes of understanding true root causes, important learnings arising and the gaps which have to be closed to avoid repeats and the potential for something more serious to occur.

Mock drill operation carried out with government agencies on 29 November 2012.

During the Drivers' Safety Day, LMC set-up an exhibition booth featuring safety.

HEALTH & SAFETY (CONTINUED)

Contractor Safety Day dialogue session.

HEALTH & SAFETY KEY PERFORMANCE INDICATORS

LMC uses a range of "lagging and leading" H&S Key Performance Indicators to bench mark improvement progress. Key lagging KPI data for 2012 vs 2011 is tabled below:

	2012	2011
Fatalities	0	2
LTI	1	1
MI	7	11
LTIFRe	0.25	0.00
LTIFRc	0.00	0.19
TIFRe	0.99	1.56
TIFRc	0.71	1.54

Table 1: Key lagging KPI data for 2012 vs 2011.

Definitions

LTIFRe – Lost Time Injury Frequency Rate (No. of LTI's x 1,000,000/ Lafarge employee worked hours).

LTIFRc – Lost Time Injury Frequency Rate (No. of LTI's x 1,000,000/contractor employee hours).

TIFRe – Total Injury Frequency Rate (No. of fatalities, LTI's, MI's x 1,000,000/ Lafarge employee worked hours).

TIFRc – Total Injury Frequency Rate (No. of fatalities, LTI's, MI's x 1,000,000/ contractor employee worked hours).

LTI – Lost Time Injury

MI – Medical Injury

In addition, LMC tracks Lost Time Injury (LTI) free days for its individual product lines and activities. For example in our Cement business, our Pasir Gudang Plant has been running for 4,266 days without LTI as at 31 December 2012, which is the best achievement so far. Our Aggregates quarry at Hulu Langat has been free from LTI since it started its operations in 2005.

Since lagging indicators reveal historical outcomes, leading indicators are being used more and more by management to help identify changes in H&S exposure, leading to prevention rather than dealing with cure. Typically, the management tracks percentage closure on annual improvement plan actions, the number of hours spent on H&S training, the number of visible felt leadership (VFL) engagements conducted by management and key staff, the number of near misses reported and serious event reviews (SER's) undertaken, the number of H&S processes reviewed such as risk assessments, standard operating procedures (SOP's) and permits to work (PTW) as well as audits undertaken and gaps closed out and the number of health assessments undertaken.

HEALTH & SAFETY (CONTINUED)

BEHAVIOURAL HEALTH & SAFETY (VISIBLE FELT LEADERSHIP)

The implementation of specific H&S standards as well as good practices in the workplace is central to running a safe business. However, this is also supported with an important behavioural based safety in so far as management and key staff (including Excom) are required to show visible felt leadership (VFL) by engaging with workers and staff, identifying unsafe acts or good practices, correcting behaviour or encouraging good practice according to what is observed. These conversations are then entered into the SRS for follow through.

Management conducting VFL on site.

HEALTH

To reduce the prevalence of health risks associated with our operations, a number of health priorities have been communicated during 2012, covering health assessments or medical surveillance as well as fitness for work (Occupational Medicine) in addition to dust, noise and ergonomics assessments in the work environment (Occupational Hygiene). Action plans will be developed from these assessments during 2013 and onwards. Employees and personnel engaged in LMC's operations and administration centres are also encouraged to lead healthy lifestyles.

An ergonomics screening assessment exercise in operation.

PEOPLE DEVELOPMENT

People Development is one of Lafarge Group's strategic priorities, which focus on filling the company's channel of talents, leveraging diversity and ensuring effective organisation. To support this priority, the People Development objectives at Lafarge Malayan Cement (LMC) are structured along the following plans:

- **Support the company's transformation process.**
- **Develop leadership capability of managers and supervisors.**
- **Develop competencies of key stakeholders that will support our sustainable performance ambitions.**

To support the above strategy, LMC offers a number of development interventions through on-the-job training, coaching, mentoring, e-learning, purpose-built workshops and classroom training.

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SUPPORT THE COMPANY'S TRANSFORMATION PROCESS

Cross-business product training is offered for all employees to enable them to understand and appreciate the strength of the company.

DEVELOP LEADERSHIP CAPABILITY OF MANAGERS AND SUPERVISORS

Lafarge leadership development programme is targeted at three key groups, namely the middle managers, young executives and supervisors.

- **Lafarge Leadership Excellence Programme**

  Lafarge Leadership Excellence Programme or simply known as "iLead" is targeted at the middle managers and young executives. Training modules are offered to bridge gaps in six areas of Leadership profiles namely Vision & Purpose, Leading People, Leading Change, Driving for Results, Customer Focus and Integrity & Values.

- **Leadership Development Programme for Supervisors**

  Following the success of the first Leadership Development Programme for Supervisors (LDPS), we have decided to extend LDPS to other supervisors in the company. The second batch of supervisors, which consist of 23 teammates from the Industrial team, have been attending the programme since the beginning of 2012. They will be completing the programme in 2013 with a presentation of their learnings to the Senior Managers.

- **Young Graduates Development Programme**

  In 2012, 12 young graduates were hired to join the cement Professional Development Programme. Another four graduates were employed under the Graduate Trainee Programmes for Concrete operations.

  There were three young graduates who graduated from the Graduate Trainee Programme in 2012. All these three graduates were appointed and assigned to the Technical Department and Projects.

Young graduates undergoing the Professional Development Programme.

PEOPLE DEVELOPMENT (CONTINUED)

DEVELOP EXTRA MILE AND PERFORMANCE CAPABILITIES

Continuous improvement of competencies of critical groups in the business is vital to achieve our vision. Competency improvement is planned to improve our revenue through innovative solutions, marketing and selling and achieving excellence in our operations.

To support the above, a number of competency development programmes are offered in LMC. The targeted groups for competency development are Sales (Cement, Concrete and Aggregates), Quarry Managers and Ready-Mixed Plant Operators.

- **Sales Development Programme**

  In Cement, we continued with the Sales Development Programme or S.T.E.P.. The sales personnel were exposed to Cement and Concrete production process and were also trained on functional skill improvement such as selling and negotiation skills.

  In Concrete, the Sales Competency Programme was continued and expanded to all regions. In 2011, a pilot programme was launched in the Central region and subsequently extended to the Northern and Southern regions.

- **Process Improvement**

  The Shared Services team went through a 3-day Lean Six Sigma programme. At the end of the 3-day programme, participants were prepared to embark on the process improvement. The team has identified five improvement projects which will be implemented in early 2013.

The Shared Services team brainstorming on the improvement projects.

LEARNING MINDSET

One key aspect of People Development is to change the learning mindset. The focus of change is to move beyond classroom training to on-the-job training. The learning mindset needs to change from 70% classroom training to 70% on-the-job training and the rest on classroom training.

With the changed mindset, learning takes place at all times and anywhere. It also places the responsibility on managers to assume the role of people developer. With more and more managers taking on this role, LMC is on its way to a learning organisation, and at the same time, achieving its objectives.

Sales personnel attending S.T.E.P.

COMMERCIAL DIFFERENTIATION

Manjung Power Plant

THE CONSTRUCTION INDUSTRY TREND

The Government has developed several programmes such as the New Economic Model, Government Transformation Programme and Economic Transformation Programme aimed at improving the country's social and economic status to become a high income nation.

The construction industry is set to benefit from the abundant planned programmes, some of which are underway. These include high impact projects such as Iskandar Malaysia, Northern Corridor Economic Region, East Coast Economic Region, Sarawak Corridor of Renewable Energy, Sabah Development Corridor and niche sectors such as the development of green townships and sustainable living.

LAFARGE MALAYAN CEMENT'S ROLE AS THE MARKET LEADER

Lafarge Malayan Cement's core businesses are in the manufacturing and sale of cement, ready-mixed concrete and other related building materials.

In the first quarter of 2012, our three main operating units comprising of cement, concrete and aggregates were organised at the country level to be more market-facing organisation. With a combined team, we are now stronger as one and able to focus on our customers' requirements.

We provide materials for the construction of homes, commercial buildings and infrastructures, meeting the expectations of customers. At the same time, we desire to make customers our partners and in return, we will be able to meet their requirements through innovative, high-quality products and services. By involving our customers from the stage of product development, marketing and sales up to the after-sales support services, it gives us a competitive advantage and enhances our leadership in the industry.

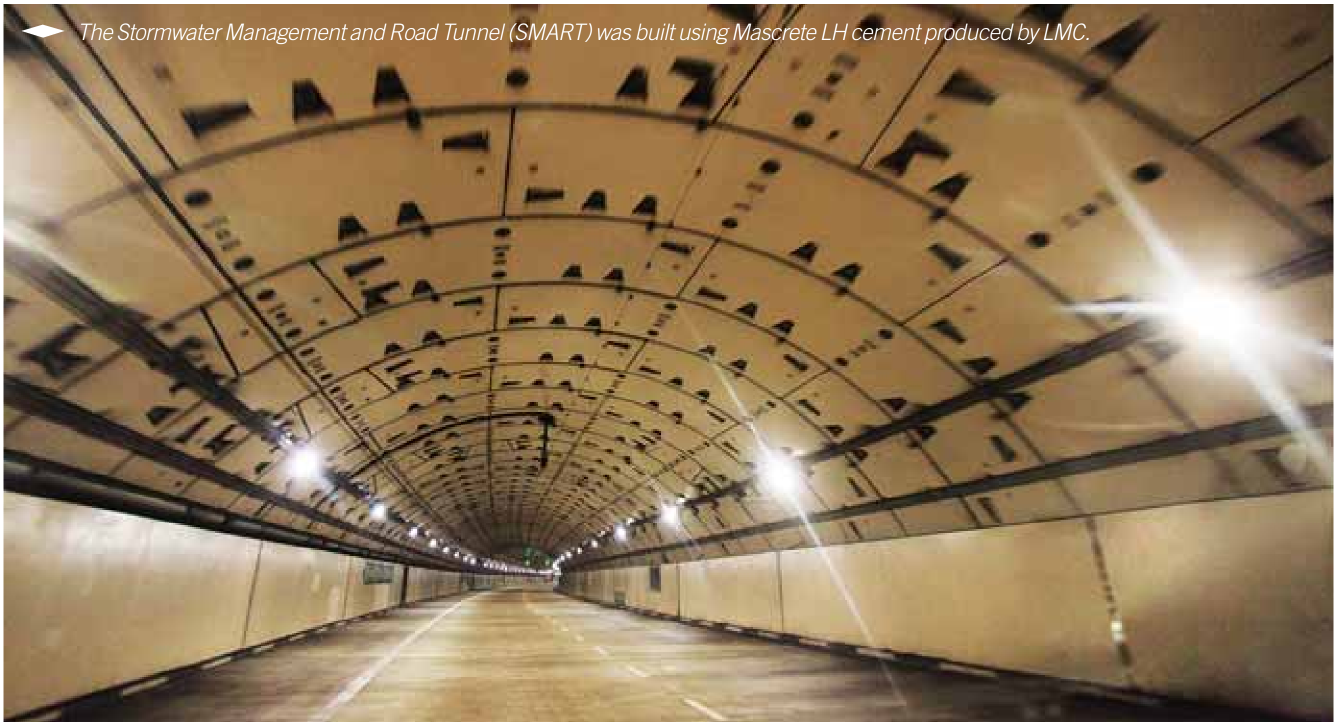
We have been committed to sustainable construction, particularly through delivering innovative products and solutions for the construction industry. Some of the solutions include Mascrete Pro, Mascrete LH, Mascrete Eco, Phoenix, Artevia, Agilia and Hydromedia.

The latest cutting-edge concrete innovation offered is Hydromedia, a fast-draining concrete solution that rapidly drains and channels stormwater off streets, car parks, driveways and pavements; water that has the potential of being harvested and recycled. For these qualities, Hydromedia earned the "Best Innovative Product" during the Greenbuild Asia 2012.

Our innovative products and solutions enabled us to be the exclusive supplier of cement based products including concrete products to build the new KLIA 2 terminal, which is scheduled to open in the middle of 2013, as well as the Power Stations at Manjung and Tanjung Bin.

On our Aggregates business, in view of the increasing shortage of natural sand resources, it is becoming more significant to seek for alternative materials as substitute for fine aggregates in concreting. Manufactured sand, our new product innovation, was launched to ease the scarcity of sand in the coming days.

ENVIRONMENTAL FOOTPRINT



The Stormwater Management and Road Tunnel (SMART) was built using Mascrete LH cement produced by LMC.

Our actions on climate change mitigation and adaptation are part of a wider sustainable development strategy to create shared value and ensure that our operations create a positive contribution to the local communities.

REDUCING EMISSIONS

Sustainable construction is an approach to construction, which minimises the CO_2 footprint, reduces the consumption of finite natural resources including water and energy and decreases emissions all along the buildings' life-cycle.

Lafarge Malayan Cement (LMC) has invested in its cement plants so that its kilns are able to burn waste and biomass.

To reduce these emissions and in fulfilling our commitment as a member of the Lafarge Group, we have taken the following steps:

Implementing resource recovery activities

Since 2000, we have started using biomass and other industries' wastes as alternative fuels.

Compared to 2011, in 2012,

- the use of Petcoke which is a by-product of petroleum refineries has increased by some 50%.
- the use of alternative fuels comprising biomass and other industries' wastes has increased by some 12.5%.

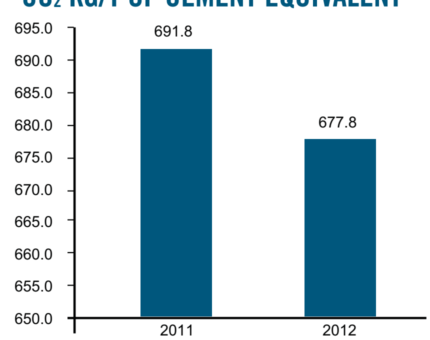
As a result, the use of traditional fuel like coal which is a non-renewable resource has decreased by some 18%.

In 2012, LMC had also increased the use of cementitious material in its cement manufacturing process.

The end-result of all these continued efforts was that the generation of carbon dioxide per tonne of cement has further decreased in 2012 from 2011.

In 2012, the average carbon footprint of cement of our plants in Malaysia was 677.8kg CO_2/metric tonne of cement.

CO_2 KG/T OF CEMENT EQUIVALENT



ENVIRONMENTAL FOOTPRINT (CONTINUED)

Developing the use of cementitious materials

We have been using Pulverised Fuel Ash (PFA), a by-product from coal fired power plants, since 1989 as a cementitious material for the production of our cement. The use of PFA reduces the amount of clinker required to make cement, resulting in less CO_2 emission and less consumption of raw materials (natural resources) and energy.

By developing fly ash blended cement, we have contributed positively to the environment. In addition to the positive environmental impact, these two cements; Mascrete LH and Mascrete Pro also contributed to better durability in concrete construction. Both products have been well received by the construction fraternity.

Similar to Mascrete LH and Mascrete Pro which are for bulk application, we have also successfully developed bag cement, trade named Phoenix, for general applications in the bagged cement market. Today, 100% of our bagged cement produced is blended cement (mainly with fly ash and limestone additions).

By using alternative fuels and alternative raw materials and by producing blended or composite cements, LMC achieved a reduction of about 1 million tonnes of CO_2 emissions in 2012.

LMC is the first Malaysian cement company to have two of its cement products, Mascrete LH and Phoenix, awarded the Green Label certification by the Singapore Environment Council and Singapore Green Building Council in 2010 and 2011 respectively. In addition, on 21 November 2011, we were one of the first Malaysian cement companies awarded the SIRIM Eco-Label for Phoenix and Mascrete LH.

Sustainable construction is not just a fashionable trend but it is a wave impacting the construction industry and if sustained, will have a tangible positive impact on our environment in the future.

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CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board of Directors 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 and best practices of the Code were applied throughout the financial year ended 31 December 2012.

A. BOARD OF DIRECTORS

Role and Responsibilities

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

Board Composition and Balance

Presently, the Board consists of 9 members comprising 2 Executive Directors and 7 Non-Executive Directors, 4 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 009 to 013 of this Annual Report.

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

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

Senior Independent Non-Executive Director

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

Meetings of the Board

The Board ordinarily meets at least 4 times a year at quarterly intervals with additional meetings convened when urgent important decisions need to be taken between the scheduled meetings. During the year ended 31 December 2012, the Board met on 4 occasions and the attendance record of each Director is as follows:-

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Meetings of the Board (continued)

Name	Attendance
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar	4/4
Michel Rose	4/4
Bradley Mulroney	4/4
Chen Theng Aik	4/4
Tan Sri A. Razak bin Ramli	4/4
Saw Ewe Seng	4/4
Md Yusof bin Hussin	4/4
Christian Herrault (appointed on 30 May 2012)	1/2
Louis Chavane (appointed on 30 May 2012)	2/2
Isidoro Miranda (resigned on 30 May 2012)	1/2
Martin Kriegner (retired on 30 May 2012)	2/2
Bi Yong Chungunco (resigned on 1 February 2012)	0/0

Prior to the meetings of the Board and Committees of the Board, a pre-set agenda together with relevant Board papers and reports are circulated to the Directors. These papers are issued in sufficient time to enable the Directors to obtain further clarification or explanation, where necessary, in order to be properly briefed before the meeting. 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.

All Directors have access to the advice and services of the Company Secretary in carrying out their duties. The Board and individual Directors may seek advice from independent professionals, at the expense of the Company, on any matter connected with the discharge of their responsibilities.

Board Committees

The Board of Directors delegate certain responsibilities to the Board Committees, namely 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 3 independent non-executive directors and 1 non-executive director with En Md Yusof bin Hussin appointed as the Chairman of this Committee on 25 May 2011. En Md Yusof bin Hussin is a member of the Malaysian Institute of Accountants.

The members of the Audit Committee and their attendance, the terms of reference and activities of the Audit Committee during the financial year ended 31 December 2012 prepared pursuant to paragraph 15.15 of the Listing Requirements are set out in the Audit Committee report on pages 040 to 042 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Committees (continued)

2. The Remuneration and Nomination Committee

The Remuneration and Nomination Committee for the year ended 31 December 2012 comprised 2 independent non-executive directors and 1 non-executive director. Tan Sri A. Razak bin Ramli is the Chairman of this Committee. During the year, Mr Christian Herrault was appointed on 30 May 2012 as a member of this Committee in place of Mr Martin Kriegner who resigned as a member on the same date.

The Committee met 5 times during the financial year and the attendance of each individual is set out below:

Name	Attendance
Tan Sri A. Razak bin Ramli (Chairman)	5/5
Saw Ewe Seng	5/5
Christian Herrault (appointed on 30 May 2012)	2/2
Martin Kriegner (resigned on 30 May 2012)	3/3

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 President & Chief Executive Officer 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 President & Chief Executive Officer'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 President & Chief Executive Officer regarding his succession plans in relation to Executive Directors.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Appointment Process

The Board through the Remuneration and Nomination Committee continuously reviews its size and composition with particular consideration on its impact on the effective functioning of the Board. The Remuneration and Nomination Committee also undertakes an assessment of the independence of the independent directors on an annual basis to evaluate whether the independent directors can continue to bring independent and objective judgement to board deliberations. Based on the appraisal of the Committee, the Board believes that its current composition provides the required mix of skills, independence and core competencies required for the Board to discharge its duties effectively. The Committee also undertakes assessment of all potential candidates for the role as women directors to the Board. The target is to have at least one woman director on the Board with the required skills set and experience in the sector.

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 & 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.

In accordance with Section 129(6) of the Companies Act 1965, Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in order to continue in office until the next Annual General Meeting.

Directors' Remuneration

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

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

	Fees RM	Salaries RM	Other Emoluments* RM	Benefits-In-Kind RM	Total RM
Executive Directors	-	#2,476,334	#972,502	#674,836	#4,123,672
Non-Executive Directors	275,000	-	-	-	275,000

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

\# Includes salaries, other emoluments and benefits-in-kind paid to Ms Bi Yong Chungunco during her term as an Executive Director (President & Chief Executive Officer). Ms Bi Yong Chungunco resigned as an Executive Director (President & Chief Executive Officer) on 1 February 2012.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Directors' Remuneration (continued)

(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	-	4
RM400,001 to RM450,000	1	-
RM850,001 to RM900,000	1	-
RM2,500,001 to RM3,000,000	1	-

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

Directors' Training

As at the date of this Statement, all Directors have attended the Mandatory Accreditation Programme of Bursa Malaysia Securities Berhad ("Bursa Securities") within the stipulated period. Every Director of the Company undergoes continuous training to equip himself to effectively discharge his duties as a Director and for that purpose he 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 the business and operations of the Group and the Company.

During the year, the Directors attended an in-house training session on the Corporate Disclosure Guide. External training programmes attended by the Directors include talks and seminars on corporate governance, corporate compliance and the MICPA-Bursa Malaysia Business Forum 2012.

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B. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

In line with good corporate governance, the Group adopts an open and transparent policy in respect of its relationship with its shareholders and investors. The Company communicates with its shareholders and investors through the Annual Report, Annual General Meeting ("AGM"), Company's website (www.lafarge.com.my) 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, 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 President & Chief Executive Officer would do a visual presentation and provide an executive summary of the performance of the Group highlighting key financial information and challenges.

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

The primary person responsible for investor relations is Mr Chen Theng Aik, an Executive Director and Executive Vice President, Finance & Chief Financial Officer (telephone: 603-77238200). The direct involvement of an executive director in investor relations reflects the commitment of the Board in providing high standard of transparency to its shareholders.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

C. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to preparing financial statements that present a balanced and meaningful assessment of the Group's financial performance and prospects. This assessment is provided in the Chairman's Statement, Chief Executive Officer's 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

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 judgement 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.

State of Internal Controls

The Board of Directors is responsible for the system of internal control and for regularly reviewing its effectiveness. The principal aim of the system of internal control is the management of business risks with a view to enhancing the value of our shareholders' investments and safeguarding assets and not to provide absolute assurance that business risks will be fully mitigated. The Statement on Internal Control set out on pages 038 to 039 of this Annual Report provides an overview of the state of internal controls within the Group. The Company has a Head of Internal Control, Ms Wong Swee Peng, who monitors and ensures that the Group's Internal Control Standards are effectively implemented and key controls are regularly tested. The Company's internal audit function is performed in-house by a team of internal auditors led by the Head of Internal Audit, Mr Lawrence Ho. Internal Audit is responsible for performing an independent assessment of the quality of internal control at all levels in the organisation. The total cost incurred by the Internal Audit department in relation to the conduct of the internal audit functions of the Group for the financial year ended 31 December 2012 was RM1 million. The work undertaken by the Audit Committee, Head of Internal Control and the internal audit team assist the Board to discharge its internal control duty.

Code of Business Conduct

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

Relationship with the Auditors

The key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed in pages 040 to 041 of this Annual Report.

Additional Compliance Statement

(a) Share Buyback
The Company did not undertake any share buyback during the financial year ended 31 December 2012. 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 2012 is RM160,000. 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 2012 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 20 February 2013.

STATEMENT ON INTERNAL CONTROL

BOARD RESPONSIBILITY

The Board of Directors of Lafarge Malayan Cement Berhad ("LMCB" or "the Group") recognises the importance of good corporate governance. The Board affirms its overall responsibility for the Group's system of internal control and risk management which includes the establishment of an appropriate control environment and risk management framework as well as reviewing the adequacy and integrity of the said systems to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the year.

As there are limitations that are inherent in any systems of internal control and risk management, such systems are designed to manage rather than eliminate the risk that may impede the achievement of the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations. The Board has received assurance from the President & Chief Executive Officer and the Executive Vice President, Finance & Chief Financial Officer that the Company's risk management and internal control systems are operating adequately and effectively in all material aspects.

The Group's system of internal control has been in place for the entire year under review. The key features of the internal control systems which operated throughout the period covered by the financial statements are described under the following headings:

RISK MANAGEMENT

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

INTERNAL CONTROL STRUCTURE

The Group has in place a sound internal control structure with sufficient assurance mechanism to safeguard the Group's assets. There is a clearly defined operating structure with lines of responsibilities and delegated authority. The control structure and environment are supported by the following activities:

Main Control Procedures

The Group has defined procedures and controls, including information system controls, to ensure the reporting of complete and accurate financial information. These procedures and controls include obtaining authority for major transactions and ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured to ensure appropriate segregation of duties.

Reporting

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

Audit Committee

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

STATEMENT ON INTERNAL CONTROL (CONTINUED)

Internal Audit

The annual risk based internal audit plan is reviewed and approved by the Audit Committee before the beginning of the year. The objectives of the said audit plan is to ensure, through regular internal audit reviews, that the Group's policies and procedures are being complied with in order to provide assurance on the adequacy and effectiveness of the Group's system of internal controls. Follow up reviews on previous audit reports are carried out to ensure that appropriate actions are taken to address internal control weaknesses highlighted.

Internal Control

Compliance review and tests are carried out in ensuring operating effectiveness of key controls in accordance with Lafarge Group internal control requirements.

Monitoring

The monitoring of control procedures is achieved through management review by the responsible Executive Director reporting to the Board. These are supplemented by comprehensive reviews undertaken by the internal audit function on the controls in operation in each individual business. Regular reports are produced for senior management to assess the impact of control issues and recommend appropriate actions.

Control Environment

The Group has in place a proper control environment which emphasises on quality and performance of the Group's employees through the development and implementation of human resource policies and programmes which are designed to enhance the effectiveness and efficiency of the individual and the organisation. Group annual certification was carried out to support the Lafarge Group internal control practices.

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 20 February 2013.

MD YUSOF BIN HUSSIN
Chairman of Audit Committee

BRADLEY MULRONEY
President & Chief Executive Officer

REPORT OF THE AUDIT COMMITTEE

A. MEMBERS AND MEETINGS

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

Name	Membership Status	Attendance
Md Yusof bin Hussin *(Member of the Malaysian Institute of Accountants)*	Chairman, Independent Non-Executive Director	4/4
Tan Sri A. Razak bin Ramli	Senior Independent Non-Executive Director	4/4
Saw Ewe Seng	Independent Non-Executive Director	4/4
Louis Chavane *(appointed on 30 May 2012)*	Non-Executive Director	1/2
Martin Kriegner *(resigned on 30 May 2012)*	Non-Executive Director	2/2

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;

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

Functions (continued)

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.

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 President & Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit will be invited to attend all meetings of the Committee. There shall be at least 2 meetings a year with external auditors without the executive directors and external auditors will also be invited to attend additional meetings when appropriate. The external auditors may request a meeting if they consider it necessary. Other Board members may attend meetings upon the invitation of the Committee.

The Company Secretary shall be the secretary of the Committee and as a reporting procedure, the minutes of each Committee meeting shall be circulated to all members of the Board.

C. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

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

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

Financial Results

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

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

External Audit

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

Internal Audit

- Reviewed the annual audit plan to ensure adequate scope and coverage on the activities of the Group taking into consideration the assessment of the key internal control risks areas.
- Reviewed the resource requirements of the Internal Audit Department for the year and assessed the performance of the Internal Audit Department.
- Reviewed the internal audit reports, audit recommendations made and management response to these recommendations and actions taken to improve the system of internal control and procedures.
- Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.
- Monitored and reviewed the impact and progress of compliance with the system of internal control and procedures.

Others

- Reviewed risk management process and updates from management on the existence of mitigating controls and action plans identified to mitigate the business risks identified.
- Reviewed the terms of all related party transactions entered into by the Group.
- Reviewed the procedures and processes for monitoring, tracking and identifying recurrent related party transactions in a timely and orderly manner to ensure its adequacy and sufficiency of the procedures for ensuring that the recurrent related party transactions are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.
- Reviewed the Report of the Audit Committee and the statement of Internal Control and recommended to the Board for inclusion in the 2012 Annual Report.

D. INTERNAL AUDIT FUNCTIONS AND SUMMARY OF ACTIVITIES

The Group has an in-house Internal Audit Department that reports directly to the Audit Committee and assists the Audit Committee in the discharge of its duties and responsibilities. Its role is to provide independent assurance on the adequacy and effectiveness of the risk management, internal control and governance process.

Risk assessment is carried out to examine the Group's business activities and the inherent risks. Audits are prioritised taking into consideration the assessment of the key 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 Internal Control under pages 038 and 039 of this Annual Report.

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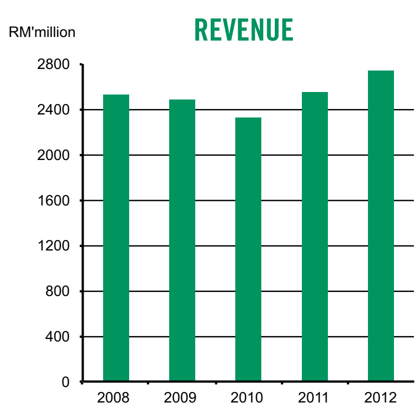
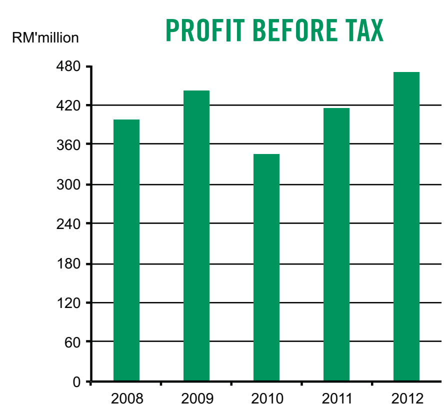
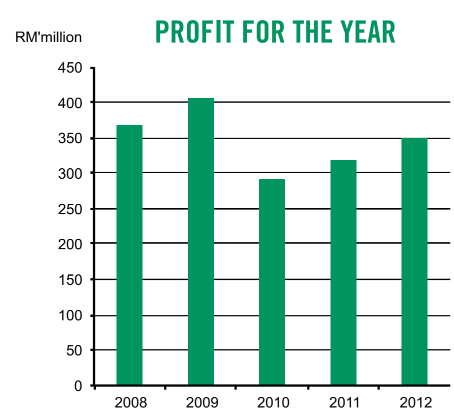
ADDITIONAL INFORMATION

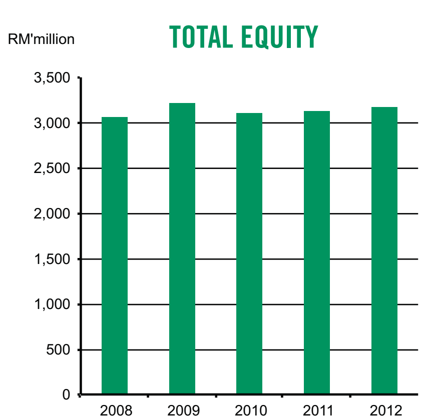
FIVE-YEAR FINANCIAL STATISTICS

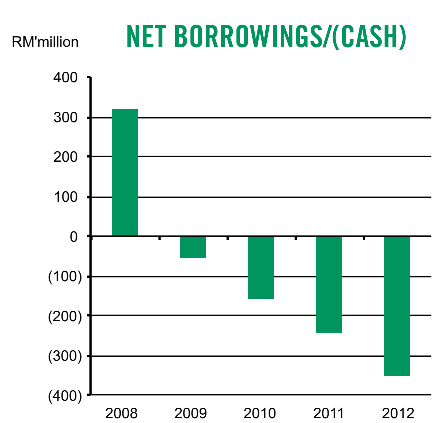
	2008 (RM'000)	2009 (RM'000)	2010 (RM'000)	2011 (RM'000)	2012 (RM'000)
Operating Results					
Revenue	2,530,771	2,483,106	2,324,888	2,552,564	**2,740,062**
Profit from operations	415,384	460,854	362,419	417,002	**472,982**
Profit before tax	397,772	441,914	345,397	414,647	**469,752**
Profit for the year	368,218	406,215	291,098	317,647	**349,490**
Key Balance Sheet Data					
Share capital	849,695	849,695	849,695	849,695	**849,695**
Total equity	3,059,026	3,214,644	3,101,767	3,125,074	**3,172,620**
Net borrowings/(cash)	320,047	(54,245)	(156,932)	(244,355)	**(352,295)**
Net tangible assets	1,849,990	2,005,904	1,891,699	1,915,303	**1,963,298**
Share Information & Financial Ratios					
Net gearing ratio (times)	0.10	-	-	-	**-**
Net tangible assets per share (RM)	2.18	2.36	2.23	2.25	**2.31**
Net earnings per share (EPS) (sen)	43.27	48.51	34.76	37.41	**41.07**
Net dividend per share (sen)	30.00	38.00	34.00	34.00	**37.00**
Share price (RM) - Year High	6.25	6.63	8.10	7.99	**10.18**
Share price (RM) - Year Low	2.28	3.10	6.06	6.19	**6.66**

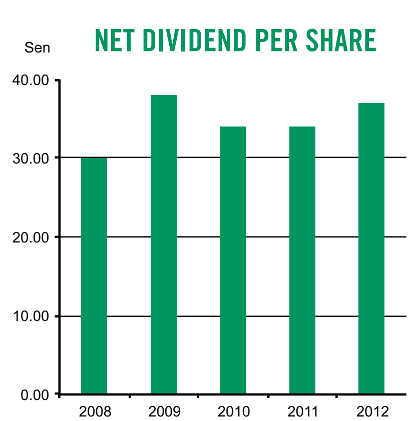












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FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors of **LAFARGE MALAYAN CEMENT 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 2012.

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	469,752	385,850
Income tax expense	(120,262)	(8,106)
Profit for the year	349,490	377,744
Profit attributable to:		
Owners of the Company	349,005	377,744
Non-controlling interests	485	-
	349,490	377,744

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.

DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

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

- a third interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM67.976 million was declared on 22 November 2011 in respect of the financial year ended 31 December 2011 and dealt with in the previous Directors' Report was paid on 13 January 2012;

- a fourth interim dividend of 10.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM84.970 million declared on 22 February 2012 in respect of the financial year ended 31 December 2011 and dealt with in the previous Directors' Report was paid on 12 April 2012;

- 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 2012 amounting to RM67.976 million was declared on 29 May 2012 and paid on 18 July 2012;

- 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 2012 amounting to RM67.976 million was declared on 28 August 2012 and paid on 17 October 2012; 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 2012 amounting to RM67.976 million was declared on 22 November 2012 and paid on 16 January 2013.

The Directors on 20 February 2013 declared a fourth interim dividend of 13.0 sen single tier dividend per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2012 amounting to RM110.460 million, payable on 16 April 2013.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2012.

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' REPORT (CONTINUED)

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
Michel Rose
Bradley Mulroney
Chen Theng Aik
Tan Sri A. Razak bin Ramli
Saw Ewe Seng
Md Yusof bin Hussin
Christian Herrault (appointed on 30 May 2012)
Louis Chavane (appointed on 30 May 2012)
Isidoro Miranda (resigned on 30 May 2012)
Martin Kriegner (retired on 30 May 2012)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefits (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Note 5.4 to the Financial Statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transaction between the Company and certain companies in which certain Directors of the Company are also Directors and/or shareholders as disclosed in Note 24 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby the Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the shares issued or acquired under the Performance Share Plan and Employee Share Purchase Plan as disclosed below.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

The shareholdings in the Company and in the related companies of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 are as follows:

	No. of ordinary shares of RM1.00 each			
	Balance as of 1.1.2012	Bought	Sold	Balance as of 31.12.2012
Shares in the Company held by:				
Direct interest:				
Saw Ewe Seng	16,500	-	-	16,500
Indirect interest:				
Saw Ewe Seng	30,000	-	(30,000)	-

	No. of ordinary shares of €4.00 each			
	Balance as of 1.1.2012/ Date of appointment	Bought	Sold	Balance as of 31.12.2012
Shares in the ultimate holding company, Lafarge S.A. held by:				
Direct interest:				
Michel Rose	16,086	-	-	16,086
Bradley Mulroney	2,404	-	-	2,404
Christian Herrault	2,527	-	-	2,527
Louis Chavane	78	-	-	78

	No. of options over ordinary shares of €4.00 each			
	Balance as of 1.1.2012/ Date of appointment	Granted	Exercised/ Expired	Balance as of 31.12.2012
Options over the ordinary shares of the ultimate holding company, Lafarge S.A. held by:				
Michel Rose	100,782	-	(124)	100,658
Bradley Mulroney	38,617	4,200	(124)	42,693
Christian Herrault	160,624	17,500	(12,421)	165,703
Louis Chavane	14,365	2,400	-	16,765

DIRECTORS' REPORT (CONTINUED)

PERFORMANCE SHARES PLAN

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

The salient features of the PSP are as follows:

(a) The shares to be issued by Lafarge S.A. will be derived from either existing or to be issued ordinary shares with a nominal value of four (4) Euros each;

(b) The subsidiaries included in the PSP are those entities in which Lafarge S.A. holds directly or indirectly at least 10% of the share capital or of the voting rights;

(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 Director of the Company during the financial year are as follows:

	No. of ordinary shares of €4.00 each			
	Balance as of 1.1.2012/ Date of appointment	Granted	Sold	Balance as of 31.12.2012
Shares in the ultimate holding company, Lafarge S.A. in respect of Performance Shares Plan held by:				
Bradley Mulroney	670	730	-	1,400
Chen Theng Aik	-	355	-	355
Christian Herrault	1,875	3,475	-	5,350
Louis Chavane	250	510	-	760

DIRECTORS' REPORT (CONTINUED)

EMPLOYEE SHARE PURCHASE PLAN

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

The salient features of the ESPP are as follows:

(a) The shares under ESPP to be issued by Lafarge S.A. will be derived from ordinary shares with a nominal value of four (4) Euros each;

(b) Eligible persons are employees including the Directors of the Company or any company within the Group that meets a minimum employment condition of two (2) months at the beginning of the subscription period. In addition, such person must also be an employee of the Group on the last day of the subscription period;

(c) The subscription price of the shares is fixed in Euros prior to the opening of the subscription period on 1 June 2011 and 12 October 2009 respectively, equal to 80% of the average opening price of Lafarge S.A. share on Euronext Paris S.A. over the twenty (20) trading days preceding of such fixing date ("discounted value");

(d) The minimum purchase of the share under the ESPP is one (1) share and the maximum payment under the plan is 25% of the total gross annual compensation received by the eligible persons; and

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

OTHER STATUTORY INFORMATION

Before the statements of 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.

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (continued)

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

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

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

HOLDING COMPANIES

On 26 January 2012, the Company ceased to be a subsidiary of Lafarge Cement UK PLC ("LCUK"), following LCUK's disposal of its entire interest in the Company to Associated International Cement Limited ("AIC") pursuant to an internal restructuring exercise. Both LCUK and AIC are companies incorporated in the United Kingdom and are subsidiaries of Lafarge S.A., a public-listed company incorporated in France. Accordingly, the Directors regard AIC and Lafarge S.A. as the immediate holding company and ultimate holding company respectively.

DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

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

BRADLEY MULRONEY

CHEN THENG AIK

Petaling Jaya, Selangor Darul Ehsan
15 March 2013

STATEMENT BY DIRECTORS

The Directors of **LAFARGE MALAYAN CEMENT BERHAD** state that, in their opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

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

BRADLEY MULRONEY

CHEN THENG AIK

Petaling Jaya, Selangor Darul Ehsan
15 March 2013

DECLARATION BY THE DIRECTOR

PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **CHEN THENG AIK**, being the Director primarily responsible for the financial management of **LAFARGE MALAYAN CEMENT 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.

CHEN THENG AIK

Subscribed and solemnly declared by the abovenamed
CHEN THENG AIK at Petaling Jaya, Selangor Darul Ehsan
on this 15th day of March 2013.

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LAFARGE MALAYAN CEMENT BERHAD
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **LAFARGE MALAYAN CEMENT BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 31 December 2012 and statements of 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 58 to 170.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors 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.

(Forward)

INDEPENDENT AUDITORS' REPORT

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

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 of 31 December 2012 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 42 to the Financial Statements on pages 171 to 172 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.

(Forward)

INDEPENDENT AUDITORS' REPORT

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

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

NG YEE HONG
Partner - 2886/04/13 (J)
Chartered Accountant

15 March 2013

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	5	**2,740,062**	2,552,564	**393,892**	399,137
Cost of sales	5	**(1,905,137)**	(1,833,052)	**-**	-
Gross profit		**834,925**	719,512	**393,892**	399,137
Selling and distribution expenses	5	**(289,366)**	(261,873)	**-**	-
Administration expenses	5	**(74,721)**	(64,173)	**(6,023)**	(4,401)
Other expenses	5	**(20,787)**	(11,121)	**(42)**	(1)
Other income		**8,218**	19,305	**1,863**	1,149
Investment income	6	**8,248**	8,905	**-**	-
Interest income	6	**6,330**	6,427	**-**	-
Other gains and losses	7	**135**	20	**-**	-
Profit from operations		**472,982**	417,002	**389,690**	395,884
Finance costs	8	**(6,072)**	(10,229)	**(3,840)**	(8,097)
Share of results of associate	17	**2,842**	7,874	**-**	-
Profit before tax		**469,752**	414,647	**385,850**	387,787
Income tax (expense)/credit	9	**(120,262)**	(97,000)	**(8,106)**	77
Profit for the year	10	**349,490**	317,647	**377,744**	387,864
Other comprehensive (loss)/income					
Net value gains, net of tax on available-for-sale financial assets		**-**	36	**-**	-
Exchange differences on translating foreign operations		**(620)**	(1,437)	**-**	-
Net value gain on cash flow hedges		**256**	188	**-**	307
Defined benefits retirement plan actuarial losses		**(2,466)**	(4,118)	**(40)**	(104)
Others		**-**	(111)	**-**	-

(Forward)

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Other comprehensive (loss)/income for the year, net of tax		**(2,830)**	(5,442)	**(40)**	203
Total comprehensive income for the year		**346,660**	312,205	**377,704**	388,067
Profit/(Loss) attributable to:					
Owners of the Company		**349,005**	317,845	**377,744**	387,864
Non-controlling interests		**485**	(198)	**-**	-
		349,490	317,647	**377,744**	387,864
Total comprehensive income/(loss) attributable to:					
Owners of the Company		**346,169**	312,392	**377,704**	388,067
Non-controlling interests		**491**	(187)	**-**	-
		346,660	312,205	**377,704**	388,067
Earnings per ordinary share (sen)					
Basic and diluted	11	**41.07**	37.41		

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

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STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2012

	Note	The Group 31 December 2012 RM'000	The Group 31 December 2011 RM'000	The Group 1 January 2011 RM'000	The Company 31 December 2012 RM'000	The Company 31 December 2011 RM'000	The Company 1 January 2011 RM'000
ASSETS							
Non-current assets							
Property, plant and equipment	12	**1,589,405**	1,673,062	1,763,888	**-**	-	163
Investment property	13	**3,532**	3,568	3,777	**-**	-	-
Prepaid lease payments on leasehold land	14	**112,721**	118,827	124,649	**-**	-	-
Intangible assets	15	**1,209,322**	1,209,771	1,210,068	**-**	-	-
Investment in subsidiaries	16	**-**	-	-	**2,274,665**	2,264,449	2,264,449
Investment in associate	17	**19,797**	16,488	9,601	**-**	-	-
Deferred tax assets	18	**2,050**	2,444	1,205	**-**	-	102
Other financial assets	19	**1,815**	1,936	2,111	**1,255**	1,255	1,255
Amount owing by a subsidiary	20	**-**	-	-	**5,518**	9,433	10,447
Total non-current assets		**2,938,642**	3,026,096	3,115,299	**2,281,438**	2,275,137	2,276,416

(Forward)

STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2012 (CONTINUED)

		The Group			The Company		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Current assets							
Inventories	21	**282,161**	271,524	261,133	**-**	-	-
Trade receivables	22	**344,266**	320,705	275,814	**-**	-	-
Other receivables and prepaid expenses	23	**34,477**	35,784	36,234	**346**	929	912
Amounts owing by holding and other related companies	24	**21,028**	23,268	23,517	**-**	-	-
Amounts owing by subsidiaries	20	**-**	-	-	**231,384**	227,837	239,238
Other financial assets	19	**108**	49	26	**-**	-	-
Current tax assets		**22,822**	21,345	20,884	**77**	77	2
Dividend receivable		**-**	-	-	**68,292**	68,000	68,000
Term deposits	25	**105,807**	93,248	128,909	**2**	3,018	-
Fixed income trust fund	36	**28,729**	27,885	30,083	**-**	-	-
Cash and bank balances	36	**219,466**	231,171	213,715	**1,028**	6,866	4,707
		1,058,864	1,024,979	990,315	**301,129**	306,727	312,859

(Forward)

STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2012 (CONTINUED)

		The Group			The Company		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets classified as held for sale	26	**-**	-	18,748	**-**	-	-
Total current assets		**1,058,864**	1,024,979	1,009,063	**301,129**	306,727	312,859
Total assets		**3,997,506**	4,051,075	4,124,362	**2,582,567**	2,581,864	2,589,275
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	27	**849,695**	849,695	849,695	**849,695**	849,695	849,695
Reserves	28	**1,140,137**	1,140,507	1,141,731	**1,100,830**	1,100,830	1,100,523
Retained earnings	29	**1,178,321**	1,118,127	1,093,587	**374,918**	286,112	187,250

(Forward)

STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2012 (CONTINUED)

		The Group			The Company		
	Note	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Equity attributable to owners of the Company		**3,168,153**	3,108,329	3,085,013	**2,325,443**	2,236,637	2,137,468
Non-controlling interests	30	**4,467**	16,745	16,754	**-**	-	-
Total equity		**3,172,620**	3,125,074	3,101,767	**2,325,443**	2,236,637	2,137,468
Non-current liabilities							
Borrowings	31	**488**	1,707	107,949	**-**	-	105,000
Retirement benefits	32	**59,874**	51,280	40,920	**1,034**	873	670
Deferred tax liabilities	18	**237,637**	260,342	283,076	**-**	-	-
Total non-current liabilities		**297,999**	313,329	431,945	**1,034**	873	105,670

(Forward)

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STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2012 (CONTINUED)

	Note	The Group 31 December 2012 RM'000	The Group 31 December 2011 RM'000	The Group 1 January 2011 RM'000	The Company 31 December 2012 RM'000	The Company 31 December 2011 RM'000	The Company 1 January 2011 RM'000
Current liabilities							
Trade payables	33	**319,131**	318,901	293,075	**-**	-	-
Other payables and accrued expenses	34	**100,040**	82,525	96,670	**2,248**	2,769	3,693
Amounts owing to holding and other related companies	24	**22,286**	12,997	12,422	**-**	-	-
Amounts owing to subsidiaries	20	**-**	-	-	**185,866**	168,609	169,059
Borrowings	31	**1,219**	106,242	107,826	**-**	105,000	105,000
Other financial liabilities	35	**1**	612	998	**-**	-	409
Current tax liabilities		**16,234**	23,419	11,683	**-**	-	-
Dividend payable		**67,976**	67,976	67,976	**67,976**	67,976	67,976
Total current liabilities		**526,887**	612,672	590,650	**256,090**	344,354	346,137
Total liabilities		**824,886**	926,001	1,022,595	**257,124**	345,227	451,807
Total equity and liabilities		**3,997,506**	4,051,075	4,124,362	**2,582,567**	2,581,864	2,589,275

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the Company										
		Non-distributable						Distributable			
Group	Share capital RM'000	Share premium RM'000	Capital reserve 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 of 1 January 2011											
As previously stated	849,695	1,067,199	34,079	33,798	41,164	-	(430)	1,059,508	3,085,013	16,754	3,101,767
- Effect of adopting MFRS (Note 41)	-	-	(34,079)	-	-	-	-	34,079	-	-	-
As restated	849,695	1,067,199	-	33,798	41,164	-	(430)	1,093,587	3,085,013	16,754	3,101,767
Total comprehensive income/(loss) for the year	-	-	(111)	-	(1,448)	36	188	313,727	312,392	(187)	312,205
Effect of adopting MFRS (Note 41)	-	-	111	-	-	-	-	(111)	-	-	-
Changes in ownership with no loss of control	-	-	-	-	-	-	-	(178)	(178)	178	-
Dividends (Note 29)	-	-	-	-	-	-	-	(288,898)	(288,898)	-	(288,898)
As of 31 December 2011	849,695	1,067,199	-	33,798	39,716	36	(242)	1,118,127	3,108,329	16,745	3,125,074

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

	Attributable to owners of the Company										
	Non-distributable							Distributable			
Group	Share capital RM'000	Share premium RM'000	Capital reserve 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 of 1 January 2012											
As previously stated	849,695	1,067,199	33,968	33,798	39,716	36	(242)	1,084,159	3,108,329	16,745	3,125,074
- Effect of adopting MFRS (Note 41)	-	-	(33,968)	-	-	-	-	33,968	-	-	-
As restated	849,695	1,067,199	-	33,798	39,716	36	(242)	1,118,127	3,108,329	16,745	3,125,074
Total comprehensive income/(loss) for the year	-	-	-	-	(626)	-	256	346,539	346,169	491	346,660
Changes in ownership with no loss of control	-	-	-	-	-	-	-	2,553	2,553	(12,769)	(10,216)
Dividends (Note 29)	-	-	-	-	-	-	-	(288,898)	(288,898)	-	(288,898)
As of 31 December 2012	849,695	1,067,199	-	33,798	39,090	36	14	1,178,321	3,168,153	4,467	3,172,620

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

		Non-distributable			Distributable	
Company	**Share capital RM'000**	**Share premium RM'000**	**Capital redemption reserve RM'000**	**Hedging reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
As of 1 January 2011	849,695	1,067,191	33,639	(307)	187,250	2,137,468
Total comprehensive income for the year	-	-	-	307	387,760	388,067
Dividends (Note 29)	-	-	-	-	(288,898)	(288,898)
As of 31 December 2011/1 January 2012	849,695	1,067,191	33,639	-	286,112	2,236,637
Total comprehensive income for the year	-	-	-	-	377,704	377,704
Dividends (Note 29)	-	-	-	-	(288,898)	(288,898)
As of 31 December 2012	**849,695**	**1,067,191**	**33,639**	**-**	**374,918**	**2,325,443**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	**469,752**	414,647	**385,850**	387,787
Adjustments for:				
Depreciation of property, plant and equipment	**138,423**	151,271	**-**	61
Allowance for inventory obsolescence	**10,601**	13,260	**-**	-
Provision for retirement benefits	**8,198**	6,649	**121**	99
Amortisation of prepaid lease payments on leasehold land	**6,106**	6,299	**-**	-
Finance costs	**6,072**	10,229	**3,840**	8,097
Impairment loss recognised on trade receivables	**1,721**	3,520	**-**	-
Property, plant and equipment written off	**666**	2,915	**-**	-
Amortisation of intangible assets	**449**	297	**-**	-
Depreciation of investment property	**36**	43	**-**	-
(Gain)/Loss on disposal of:				
- property, plant and equipment	**(982)**	(3,264)	**-**	(76)
- assets classified as held for sale	**-**	(376)	**-**	-
- available-for-sale investments	**37**	(38)	**-**	-
- investment property	**-**	(27)	**-**	-
Net unrealised (loss)/gain arising on:				
- hedge ineffectiveness on cash flow hedges	**8**	(15)	**-**	-
- financial assets designated as at fair value through profit or loss	**4**	(1)	**-**	-
- financial liabilities classified as held for trading	**(322)**	(82)	**-**	-
Interest income	**(6,330)**	(6,427)	**(1,469)**	(1,407)
Share of results of associate	**(2,842)**	(7,874)	**-**	-
Unrealised gain on foreign exchange	**(1,708)**	(1,540)	**(1,803)**	(1,073)
Reversal of impairment loss on trade receivables	**(1,413)**	(2,563)	-	-
Dividend income	**(892)**	(812)	**(392,423)**	(397,730)
Operating Profit/(Loss) Before Working Capital Changes	**627,584**	586,111	**(5,884)**	(4,242)
(Increase)/Decrease in:				
Inventories	**(21,099)**	(23,528)	**-**	-
Receivables	**(22,008)**	(45,032)	**583**	(17)
Amounts owing by holding and other related companies	**5,761**	3,177	**-**	-
Amounts owing by subsidiaries	**-**	-	**(56,687)**	(35,230)
Increase/(Decrease) in:				
Payables	**14,421**	17,055	**(521)**	243
Amounts owing to holding and other related companies	**3,531**	(2,722)	**-**	-
Amounts owing to subsidiaries	**-**	-	**17,257**	(449)
Cash Generated From/(Used In) Operations	**608,190**	535,061	**(45,252)**	(39,695)
Retirement benefits paid	**(2,880)**	(1,741)	**-**	-
Income tax (paid)/refund	**(150,111)**	(108,249)	**-**	2
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**455,199**	425,071	**(45,252)**	(39,693)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(50,092)**	(67,382)	**-**	-
Proceeds from disposal of property, plant and equipment		**1,329**	4,153	**-**	178
Proceeds from disposal of assets classified as held for sale		**-**	19,463	**-**	-
Proceeds from disposal of investment property		**-**	193	**-**	-
Proceeds from disposal of available-for-sale investments		**84**	249	**-**	-
Payments for prepaid lease		**-**	(477)	**-**	-
Acquisition of additional interest in a subsidiary		**(10,216)**	-	**(10,216)**	-
Interest received		**6,330**	6,427	**1,469**	1,407
Dividends received		**892**	2,028	**384,025**	397,730
Loan drawdown by a subsidiary		**-**	-	**-**	(1,000)
Loan repaid by subsidiaries		**-**	-	**58,858**	49,718
Net Cash (Used In)/From Investing Activities		**(51,673)**	(35,346)	**434,136**	448,033
CASH FLOWS USED IN FINANCING ACTIVITIES					
Repayment of borrowings		**(106,242)**	(107,826)	**(105,000)**	(105,000)
Interest paid		**(7,267)**	(11,396)	**(3,840)**	(9,265)
Dividends paid		**(288,898)**	(288,898)	**(288,898)**	(288,898)
Net Cash Used In Financing Activities		**(402,407)**	(408,120)	**(397,738)**	(403,163)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**1,119**	(18,395)	**(8,854)**	5,177
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**579**	(2,008)	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**352,304**	372,707	**9,884**	4,707
CASH AND CASH EQUIVALENTS AT END OF YEAR	36	**354,002**	352,304	**1,030**	9,884

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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.

On 26 January 2012, the Company ceased to be a subsidiary of Lafarge Cement UK PLC ("LCUK"), following LCUK's disposal of its entire interest in the Company to Associated International Cement Limited ("AIC") pursuant to an internal restructuring exercise. Both LCUK and AIC are companies incorporated in the United Kingdom and are subsidiaries of Lafarge S.A., a public-listed company incorporated in France. Accordingly, the Directors regard AIC and Lafarge S.A. 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 15 March 2013.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

2.1 Adoption of Malaysian Financial Reporting Standards

The Group's and the Company's financial statements for the financial year ended 31 December 2012 have been prepared in accordance with MFRSs for the first time. In previous years, these financial statements were prepared in accordance with Financial Reporting Standards ("FRSs").

The transition to MFRSs is accounted for in accordance with MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*, with 1 January 2011 as the date of transition. The changes in accounting policies as a consequence of the transition to MFRSs and the reconciliations of the effects of the transition to MFRSs are presented in Note 41.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.2 Standards and Amendments in issue but not effective

At the date of authorisation for issue of these financial statements, the relevant new and revised Standards and Amendments which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below.

MFRS 7	Financial Instruments: Disclosures [Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009 and October 2010 respectively)][1]
MFRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures - Offsetting Financial Assets and Liabilities)[2]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)[3]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)[3]
MFRS 10	Consolidated Financial Statements[2]
MFRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance)[2]
MFRS 12	Disclosures of Interests In Other Entities[2]
MFRS 12	Disclosures of Interests In Other Entities (Amendments relating to Transition Guidance)[2]
MFRS 13	Fair Value Measurement[2]
MFRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)[4]
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)[2]
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)[2]
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)[2]
MFRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)[5]

Amendments to MFRSs contained in the document entitled Annual Improvements 2009 - 2011 cycle[2]

1 Effective immediately on issuance date of 1 March 2012

2 Effective for annual periods beginning on or after 1 January 2013

3 Effective for annual periods beginning on or after 1 January 2015 instead of 1 January 2013 immediately upon the issuance of Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and MFRS 7 relating to "Mandatory Effective Date of MFRS 9 and Transition Disclosures" on 1 March 2012

4 Effective for annual periods beginning on or after 1 July 2012

5 Effective for annual periods beginning on or after 1 January 2014

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.2 Standards and Amendments in issue but not effective (continued)

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 as discussed below.

Amendments to MFRS 7 and MFRS 132: Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to MFRS 132 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to MFRS 7 introduce new disclosure requirements relating to rights of offset and related arrangements for financial instruments under an enforceable master netting agreements or similar arrangements. Both MFRS 132 and MFRS 7 require retrospective application upon adoption.

To date, the Group has not entered into any such agreements or similar arrangements. However, the directors anticipate that the application of these amendments to MFRS 132 and MFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

MFRS 9 and Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures

MFRS 9 (IFRS 9 issued by IASB in November 2009) introduces new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued by IASB in October 2010) includes the requirements for the classification and measurement of financial liabilities and for derecognition.

The amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) (“MFRS 9”) relating to “Mandatory Effective Date of MFRS 9 and Transition Disclosures” which became immediately effective on the issuance date of 1 March 2012 amended the mandatory effective date of MFRS 9 to annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013, with earlier application still permitted as well as modified the relief from restating prior periods. MFRS 7 which was also amended in tandem with the issuance of the aforementioned amendments introduces new disclosure requirements that are either permitted or required on the basis of the entity’s date of adoption and whether the entity chooses to restate prior periods.

Key requirements of MFRS 9 are described as follows:

- all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.2 Standards and Amendments in issue but not effective (continued)

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under FRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the application of MFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until a detailed review has been completed.

MFRS 10, MFRS 11, MFRS 12, MFRS 127 and MFRS 128

In November 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, comprising MFRS 10, MFRS 11, MFRS 12, MFRS 127 (IAS 27 as amended by IASB in May 2011) and MFRS 128 (IAS 28 as amended by IASB in May 2011).

Key requirements of these five Standards which are relevant to the Group and to the Company are described below.

MFRS 10 replaces the parts of MFRS 127 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. IC Int. 112 *Consolidation - Special Purpose Entities* will be withdrawn upon the effective date of MFRS 10. Under MFRS 10, there is only one basis for consolidation, that is, control. In addition, MFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in MFRS 10 to deal with complex scenarios.

MFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in MFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to MFRS 10, MFRS 11 and MFRS 12 were issued to clarify certain transitional guidance on the application of these MFRSs for the first time.

The directors anticipate that the application of these five standards may have significant impact on amounts reported in the consolidated financial statements. A detailed review will be performed by the Directors to quantify the impact on application of MFRS 10.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.2 Standards and Amendments in issue but not effective (continued)

MFRS 13

MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. This scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under MFRS 7 *Financial Instruments: Disclosures* will be extended by MFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments also introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to MFRS 101, the "statement of comprehensive income" is renamed "statement of profit or loss and other comprehensive income" and the "income statement" is renamed the "statement of profit or loss".

The amendments will be applied retrospectively upon adoption and hence, the presentation of items of other comprehensive income will be modified accordingly to reflect the changes. Other than the abovementioned presentation changes, the application of the amendments to MFRS 101 would not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.2 Standards and Amendments in issue but not effective (continued)

MFRS 119 (IAS 19 as amended by IASB in June 2011)

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Further, the interest cost and expected return on plan assets used in the previous version of MFRS 119 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to MFRS 119 require retrospective application. Based on the directors' preliminary assessment, when the amendments to MFRS 119 is applied for the first time for the year ending 31 December 2013, the profit after income tax for the year ended 31 December 2012 would be reduced by RM287,000 with corresponding adjustments being recognised in the retirement benefit obligation and the income tax liability. This net effect reflects a number of adjustments, including their income tax effects: (a) full recognition of actuarial gains through other comprehensive income and decrease in the net pension deficit: (b) immediate recognition of past service costs in profit or loss and an increase in the net pension deficit; and (c) reversal of the difference between the gain arising from the expected rate of return on pension plan assets and the discount rate through other comprehensive income.

Amendments to MFRSs: Annual Improvements 2009 - 2011 Cycle

The *Annual Improvements 2009 - 2011 Cycle* include a number of amendments to various MFRSs. The amendments to MFRSs include:

- Amendments to MFRS 101 *Presentation of Financial Statements*;
- Amendments to MFRS 116 *Property, Plant and Equipment*; and
- Amendments to MFRS 132 *Financial Instruments: Presentation*

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Amendments to MFRS 101

MFRS 101 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to MFRS 101 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position. Hence, the adoption of the amendments when it becomes effective will affect the presentation of the third statement of financial position and related notes in the future periods.

Amendments to MFRS 116

The amendments to MFRS 116 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in MFRS 116 and as inventory otherwise. The directors do not anticipate that the amendments to MFRS 116 will have a significant effect on the Group's and Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.2 Standards and Amendments in issue but not effective (continued)

Amendments to MFRS 132

The amendments to MFRS 132 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with MFRS 112 *Income Taxes*. The directors anticipate that the amendments to MFRS 132 will have no effect on the Group's and Company's financial statements as this treatment has already been adopted.

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.

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 where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results from subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Subsidiaries and Basis of Consolidation (continued)

3.2.1 Subsidiaries

Investments in subsidiaries which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

3.3 Business Combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under MFRS 3 (revised) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with MFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Investment in Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3.5 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment of Goodwill

At the end of each reporting period, the net book value of goodwill is tested for impairment by using a combination of a market approach (fair value less costs to sell) and an income approach (value-in-use). In the market approach, comparison is made on the carrying value of the cash-generating units with multiples of earnings before interest, tax, depreciation and amortisation ("EBITDA"). For cash-generating units presenting an impairment risk according to the market approach, value-in-use approach is then applied by estimating the discounted value of the sum of the expected future cash flows. If the carrying value of the cash-generating unit exceeds the higher of the fair value less costs to sell or the value-in-use of the related assets and liabilities, an impairment of goodwill will be recognised in the profit or loss. Evaluations for impairment are impacted by estimates of future selling prices of products, the evolution of expenses, economic trends in the local and international construction sector and other factors. The result of these evaluations requires the Group to estimate the future cash flows expected to arise from the cash-generating units, constant growth rates and a suitable discount rate.

3.7 Non-Current Assets Held for Sale

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

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

3.8 Revenue Recognition

Revenue of the Group from sale of clinker, cement, ready-mixed concrete, aggregates and other building materials is stated at invoiced value net of discounts, rebates, commissions and returns. Revenue of the Company represents gross dividend and interest income received and/or receivable from subsidiaries and financial institutions.

Revenue is recognised on the following bases:

- Gross invoiced value of goods sold: upon shipment/delivery of products, net of discounts, rebates, commissions and returns and when the risks and rewards of ownership have passed to the customers.

- Dividend income: when the shareholder's right to receive payment is established.

- Interest income: on an accrual basis by reference to the principal outstanding and at the effective interest rate applicable.

- Rental income: on a straight line basis over the tenure of the rental period of properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the 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 FRS117, the leasehold land previously classified as property, plant and equipment is reclassified as prepaid lease payment at its revalued amount which is 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. Further details of the adjustment made are disclosed in Note 41.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Foreign Currencies

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

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RM using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 10 January 2013.

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.

The Group adopts the option offered by the Amendments to MFRS 119, *Employee Benefits*, to recognise through other comprehensive income all actuarial gains and losses.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Employee Benefits (continued)

3.13.3 Share-Based Payments

(a) Performance Share Plan ("PSP")

The fair values of shares issued by the ultimate holding company under the PSP are measured at grant date. The financial impact of PSP granted to selected employees and executive officers of the Group and of the Company for the current and previous financial years is not material and has been accounted for accordingly in the financial statements of the ultimate holding company, Lafarge S.A..

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

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

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

This cost is measured at the grant date.

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

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

3.14 Taxation

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

3.14.1 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Taxation (continued)

3.14.2 Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The tax effects of unutilised reinvestment allowances are only recognised upon actual realisation.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

3.14.3 Current and Deferred Tax for the Period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Property, Plant and Equipment

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

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

The Group's policy is to state its property, plant and equipment at cost. Revaluation of the Group's freehold land and building in 1993 was carried out primarily to cater for the bonus issue exercise and was not intended to effect a change in accounting policy to revalue its properties. Hence, in accordance with the transitional provisions of MASB Approved Accounting Standard IAS 16 (Revised) *Property, Plant and Equipment*, these properties were previously stated at their last revalued amounts less accumulated depreciation up to 1 January 2011, being the transition date in adopting the MFRS framework. Further details of the adjustment made are disclosed in Note 41.

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

The principal annual rates are:

Land improvement	Over the remaining period of leases ranging from 6 to 54 years
Buildings	2% to 9%
Office equipment, furniture and fittings and motor vehicles	10% to 20%
Plants, machinery and cement silos	2% to 6%

Capital work-in-progress is not depreciated until they have been completed and ready for commercial operation.

At the end of each reporting period, the residual values, useful lives and depreciation method of the property, plant and equipment are reviewed, and the effects of any changes in estimates are recognised prospectively.

3.16 Investment Property

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

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

3.17 Quarry Rights

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Impairment of Non-financial Assets Excluding Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets excluding goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.19 Inventories

Inventories comprising fuels, raw and packing materials, finished and semi-finished goods, engineering spares and consumables are stated at the lower of cost and net realisable value. The cost of inventories is determined on the weighted average basis.

Cost of fuels, raw and packing materials, engineering spares and consumables comprises the original purchase price plus costs incurred in bringing the inventories to their present location and condition. Cost of finished and semi-finished goods comprises fuels, raw and packing materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Allowance for inventory obsolescence is made when an item had been identified as obsolete or excess inventory. The identification of an item as obsolete is done on an item by item basis after proper analysis has been conducted. Allowance is also made when inventories are generally considered in excess when the quantity on hand exceeds the normal operational needs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Provisions

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

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

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

3.21 Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.21.1 Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial Instruments (continued)

3.21.2 Financial Assets at FVTPL (continued)

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 comprehensive income. Fair value is determined in the manner described in Note 37.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial Instruments (continued)

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 37. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial Instruments (continued)

3.21.6 Impairment of Financial Assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial Instruments (continued)

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”.

3.22.4 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.22.4 Financial Liabilities at FVTPL (continued)

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 comprehensive income. Fair value is determined in the manner described in Note 37.

3.22.5 Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3.22.6 Derecognition of Financial Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate, interest rate and commodity price risk, including foreign exchange forward contracts, interest rate swap contact and commodity swap contracts. Further details of derivative financial instruments are disclosed in Note 37.

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 37 sets out details of the fair values of the derivative instruments used for hedging purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Derivative Financial Instruments (continued)

3.23.3 Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statements of comprehensive income relating to the hedged item.

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 comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3.24 Statements of Cash Flows

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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 constructions sectors, expectations of long-term development of growing markets and other factors. The result of such evaluation are also impacted by the discount rates and perpetual growth rate used. The Group has defined country specific discount rates for its CGUs based on the weighted-average cost of capital.

The carrying amount of the Group's goodwill as at 31 December 2012 was approximately RM1,205,889,000 (2011:RM1,205,889,000; 2010: RM1,205,889,000). Further details are disclosed in Note 15.

5. REVENUE AND OPERATING COSTS

5.1 Revenue

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sale of clinker, cement, ready-mixed concrete, aggregates and other building materials	**2,738,266**	2,547,606	**-**	-
Freight and chartering of vessels and jetty services	**1,796**	4,958	**-**	-
Gross dividend from unquoted investments in subsidiaries in Malaysia	**-**	-	**392,423**	397,730
Interest income:				
Loans to subsidiaries	**-**	-	**1,043**	1,070
Term deposits	**-**	-	**426**	290
Others	**-**	-	**-**	47
	2,740,062	2,552,564	**393,892**	399,137

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5. REVENUE AND OPERATING COSTS (continued)

5.2 Operating Costs Applicable to Revenue

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Raw and packing materials and other consumables used and changes in inventories of finished goods	**1,713,626**	1,626,391	**-**	-
Depreciation and amortisation	**145,014**	157,910	**-**	61
Staff costs	**164,791**	146,824	**770**	410
Directors' remuneration	**6,421**	5,112	**4,399**	2,899
Others	**260,159**	233,982	**896**	1,032
	2,290,011	2,170,219	**6,065**	4,402

5.3 Staff Costs

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Wages, salaries and bonuses	**119,743**	107,589	**613**	336
Defined contribution retirement plans	**12,087**	11,051	**36**	48
Termination benefits	**8,770**	542	**-**	-
Defined benefit retirement plan	**8,155**	6,445	**121**	26
Other employee benefits	**16,036**	21,197	**-**	-
	164,791	146,824	**770**	410

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

5. REVENUE AND OPERATING COSTS (continued)

5.4 Directors' Remuneration

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors of the Company				
Executive Directors:				
Salaries and other emoluments	**3,355**	2,023	**3,355**	2,023
Estimated money value of benefits	**675**	436	**675**	436
Defined contribution retirement plan	**94**	64	**94**	64
Defined benefit retirement plan	**-**	73	**-**	73
	4,124	2,596	**4,124**	2,596
Non-executive Directors:				
Fees	**275**	303	**275**	303
	4,399	2,899	**4,399**	2,899
Directors of the Subsidiaries				
Executive Directors:				
Salaries and other emoluments	**1,644**	1,758	**-**	-
Estimated money value of benefits	**248**	219	**-**	-
Defined contribution retirement plan	**72**	100	**-**	-
Defined benefit retirement plan	**43**	131	**-**	-
	2,007	2,208	**-**	-
Non-executive Directors:				
Fees	**15**	5	**-**	-
	2,022	2,213	**-**	-
Total	**6,421**	5,112	**4,399**	2,899

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

6. INVESTMENT AND INTEREST INCOME

	Group	
	2012	**2011**
	RM'000	**RM'000**
Investment income from:		
- operating lease under Lorry-Owner-Driver scheme	**6,387**	5,326
- other rental income	**955**	2,652
- rental of investment property	**14**	115
Dividends from available-for-sale investments	**892**	812
	8,248	8,905
Interest income from:		
- Loans and receivables (including cash and bank balances)	**6,330**	6,380
- Held-to-maturity investment	**-**	47
	6,330	6,427

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

	Group	
	2012	**2011**
	RM'000	**RM'000**
Loans and receivables (including cash and bank balances)	**6,330**	6,380
Held-to-maturity investment	**-**	47
Total interest income for financial assets not designated at FVTPL	**6,330**	6,427
Income earned on available-for-sale investments	**892**	812
Income earned on non-financial assets	**7,356**	8,093
Total investment and interest income	**14,578**	15,332

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

7. OTHER GAINS AND LOSSES

	Group	
	2012 RM'000	2011 RM'000
Gain on disposal of available-for-sale investments	**-**	38
Net (loss)/gain arising on financial assets designated as at FVTPL		
- realised	**(175)**	(116)
- unrealised	**(4)**	1
Net gain arising on financial liabilities classified as held for trading		
- unrealised	**322**	82
Hedge ineffectiveness on cash flow hedges		
- unrealised	**(8)**	15
	135	**20**

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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Finance costs on:				
- floating rate notes	**3,321**	7,879	**3,321**	7,879
- bankers' acceptances	**290**	639	**-**	-
- others	**2,461**	1,711	**519**	218
	6,072	10,229	**3,840**	8,097

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

9. INCOME TAX EXPENSE/(CREDIT)

9.1 Income Tax Recognised in Profit or Loss

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Malaysia				
Estimated current tax payable:				
- Current year	**140,591**	118,414	**8,106**	-
- Under/(Over)provision in prior years	**312**	(2,396)	**-**	(77)
Deferred tax:				
- Current year	**(19,989)**	(13,928)	**-**	-
- Overprovision in prior years	**(1,066)**	(6,391)	**-**	-
	119,848	95,699	**8,106**	(77)
Foreign				
Estimated current tax payable:				
- Current year	**1,209**	3,995	**-**	-
- Overprovision in prior years	**(252)**	(134)	**-**	-
Deferred tax:				
- Current year	**(543)**	(2,547)	**-**	-
- Overprovision in prior years	**-**	(13)	**-**	-
Total tax expense/(credit)	**120,262**	97,000	**8,106**	(77)

The tax charge of the Company for the current financial year relates to taxation deducted at source on dividend income.

Malaysian income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

9. INCOME TAX EXPENSE/(CREDIT) (continued)

9.1 Income Tax Recognised in Profit or Loss (continued)

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

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Profit before tax	**469,752**	414,647	**385,850**	387,787
Tax expense calculated using the Malaysian statutory income tax rate of 25% (2011: 25%)	**117,438**	103,662	**96,463**	96,947
Tax effects of:				
- different tax rates of subsidiaries operating in other jurisdictions	**3,545**	3,198	**-**	-
- expenses that are not deductible in determining taxable profit	**2,908**	3,462	**1,643**	2,626
- revenue not subject to tax	**(1,446)**	(4,104)	**-**	(140)
- revenue that is exempt from tax	**(64)**	(369)	**(90,000)**	(99,433)
- movement of deferred tax assets not recognised	**-**	411	**-**	-
- utilisation of reinvestment allowance	**(952)**	-	**-**	-
- utilisation of deferred tax assets not previously recognised	**(386)**	-	**-**	-
- others	**225**	(326)	**-**	-
Under/(Over)provision of tax payable in prior years	**60**	(2,530)	**-**	(77)
Overprovision of deferred tax in prior years	**(1,066)**	(6,404)	**-**	-
Income tax expense/(credit) recognised in profit or loss	**120,262**	97,000	**8,106**	(77)

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

9. INCOME TAX EXPENSE/(CREDIT) (continued)

9.2 Income Tax Recognised in Other Comprehensive Income

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deferred Tax				
Arising on income and expenses recognised in other comprehensive income:				
- Defined benefits retirement plan actuarial loss	**(810)**	(1,334)	**-**	-
- Revaluations of financial instruments treated as cash flow hedges	**6**	(80)	**-**	-
- Others	**-**	111	**-**	-
	(804)	(1,303)	**-**	-
Reclassification from equity to profit or loss:				
- Relating to cash flow hedges	**80**	143	**-**	102
Total income tax recognised in other comprehensive income	**(724)**	(1,160)	**-**	102

In 2003, LMCB Holding Pte. Ltd. ("LMCBH"), a wholly-owned subsidiary of the Company incorporated in Singapore, acquired the entire equity interests in certain other subsidiaries, also incorporated in Singapore, pursuant to an internal group reorganisation exercise. The acquisitions were financed by the issuance of long-term fixed rate notes as mentioned in Note 31. Subsequent to the said acquisitions, LMCBH received tax refunds from the Inland Revenue Authority of Singapore ("IRAS") totalling SGD9,593,000 (RM21,276,000) arising from dividends received from the subsidiaries acquired in respect of the financial years 2003 to 2005. LMCBH has also recognised similar tax refunds receivable from the IRAS totalling SGD7,525,000 (RM17,275,000) relating to further dividends received in respect of the financial years 2006 and 2007. Total tax refunds recognised in the financial statements of the Group for the financial years 2003 to 2007 amounted to SGD17,118,000 (RM38,551,000).

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

9. INCOME TAX EXPENSE/(CREDIT) (continued)

9.2 Income Tax Recognised in Other Comprehensive Income (continued)

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

To preserve its rights, LMCBH had on the same date filed a notice of appeal to the Court of Appeal against those parts of the Judgement which dismissed and/or did not accept LMCBH's arguments which were advanced in the High Court of Singapore. LMCBH has received on 22 January 2013 notice from the Supreme Court of Singapore that both appeals have been fixed for hearing before the Court of Appeal for the week commencing 1 July 2013.

As of 31 December 2012, the Company has a total tax exempt income amounting to approximately RM293,165,000 (2011: RM293,165,000; 2010: 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 of 31 December 2012, certain subsidiaries have the following tax exempt income arising from various sources:

	Group	
	2012 **RM'000**	**2011** **RM'000**
Reinvestment allowances claimed and utilised under Schedule 7A of the Malaysia Income Tax Act, 1967	**917,114**	913,304
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	**19,352**	19,352
	991,338	987,528

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 of 31 December 2012, certain subsidiaries have unutilised reinvestment allowances claimed of approximately RM5,825,000 (2011: RM5,825,000) the deferred tax effects of which were not recognised in the financial statements of the Group. The reinvestment allowances, subject to agreement by the tax authorities, are available for offset against future chargeable income of these subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

10. PROFIT FOR THE YEAR

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

		Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
10.1	**Impairment Losses on Financial Assets**				
	Impairment loss recognised on trade receivables (Note 22)	**1,721**	3,520	**-**	-
	Reversal of impairment loss recognised on trade receivables (Note 22)	**(1,413)**	(2,563)	**-**	-
10.2	**Depreciation and Amortisation Expense**				
	Depreciation of property, plant and equipment	**138,423**	151,271	**-**	61
	Depreciation of investment property	**36**	43	**-**	-
	Amortisation of prepaid lease payments on leasehold land	**6,106**	6,299	**-**	-
	Amortisation of intangible assets	**449**	297	**-**	-
	Total depreciation and amortisation expense	**145,014**	157,910	**-**	61
10.3	**Inventories**				
	Allowance for slow moving inventory	**10,601**	13,260	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

10. PROFIT FOR THE YEAR (continued)

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

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
10.4 Other Charges/(Credit)				
Rental of premises and equipment	**26,788**	18,878	**-**	-
Provision for retirement benefits	**8,198**	6,649	**121**	99
(Gain)/Loss on foreign exchange:				
- realised	**3,383**	(86)	**31**	1
- unrealised	**(1,708)**	(1,540)	**(1,803)**	(1,073)
Property, plant and equipment written off	**666**	2,915	**-**	-
Fees paid/payable to external auditors:				
Statutory audit:				
- auditors of the Company	**540**	540	**53**	53
- other member firm of the auditors of the Company	**185**	183	**-**	-
Non-audit services:				
- auditors of the Company	**86**	87	**-**	14
- other member firm of the auditors of the Company	**74**	85	**-**	-
Gain on sales of Certified Emission Reductions ("CERs")	**-**	(3,429)	**-**	-
(Gain)/Loss on disposal of:				
- property, plant and equipment	**(982)**	(3,264)	**-**	(76)
- investment property	**-**	(27)	**-**	-
- available-for-sale investments	**37**	(38)	**-**	-
- assets classified as held for sale	**-**	(376)	**-**	-

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

11. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the year as follows:

Basic earnings per share

	Group	
	2012	**2011**
	RM'000	**RM'000**
Profit attributable to owners of the Company	**349,005**	317,845

	Group	
	2012	**2011**
	Units'000	**Units'000**
Number of ordinary shares in issue	**849,695**	849,695

	Group	
	2012	**2011**
Basic earnings per ordinary share (sen)	**41.07**	37.41

Diluted earnings per share

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold Land RM'000	Land Improvement RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plants, Machinery and Cement Silos RM'000	Capital Work-in-Progress RM'000	Total RM'000
Cost/Valuation							
As of 31 December 2010/ 1 January 2011	37,480	47,691	208,558	104,255	3,048,404	60,694	3,507,082
Additions	-	-	30	3,138	12,819	47,995	63,982
Reclassifications	-	553	550	606	82,595	(84,304)	-
Disposals	-	-	-	(5,129)	(3,047)	-	(8,176)
Write-offs	-	-	-	(6,855)	(3,700)	(563)	(11,118)
Effect of foreign currency exchange differences and other adjustments	-	-	192	114	1,702	-	2,008
As of 31 December 2011	37,480	48,244	209,330	96,129	3,138,773	23,822	3,553,778
Accumulated Depreciation							
As of 31 December 2010/ 1 January 2011	-	11,546	144,467	84,131	1,503,010	-	1,743,154
Charge for the year	-	2,700	7,231	8,937	132,403	-	151,271
Disposals	-	-	-	(4,385)	(2,902)	-	(7,287)
Write-offs	-	-	-	(6,305)	(1,898)	-	(8,203)
Effect of foreign currency exchange differences and other adjustments	-	-	170	115	1,456	-	1,741
As of 31 December 2011	-	14,246	151,868	82,493	1,632,069	-	1,880,676

(Forward)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Freehold Land RM'000	Land Improvement RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plants, Machinery and Cement Silos RM'000	Capital Work-in-Progress RM'000	Total RM'000
Cost/Valuation							
As of 1 January 2012	37,480	48,244	209,330	96,129	3,138,773	23,822	3,553,778
Additions	-	-	7	158	13,522	41,946	55,633
Reclassifications	-	535	848	1,097	26,993	(29,473)	-
Disposals	-	-	(135)	(3,392)	(1,220)	-	(4,747)
Write-offs	-	-	(159)	(3,689)	(4,077)	-	(7,925)
Effect of foreign currency exchange differences and other adjustments	-	-	240	147	2,028	-	2,415
As of 31 December 2012	37,480	48,779	210,131	90,450	3,176,019	36,295	3,599,154
Accumulated Depreciation							
As of 1 January 2012	-	14,246	151,868	82,493	1,632,069	-	1,880,676
Charge for the year	-	2,727	3,923	6,227	125,546	-	138,423
Disposals	-	-	(57)	(3,285)	(1,058)	-	(4,400)
Write-offs	-	-	(154)	(3,548)	(3,557)	-	(7,259)
Effect of foreign currency exchange differences and other adjustments	-	-	236	140	1,893	-	2,269
As of 31 December 2012	-	16,973	155,816	82,027	1,754,893	-	2,009,709

(Forward)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold Land RM'000	Land Improvement RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plants, Machinery and Cement Silos RM'000	Capital Work-in-Progress RM'000	Total RM'000
Provision for Impairment Loss							
As of 1 January 2011 and 31 December 2011	40	-	-	-	-	-	40
As of 1 January 2012 and 31 December 2012	**40**	**-**	**-**	**-**	**-**	**-**	**40**
Net Book Value							
As of 31 December 2012	**37,440**	**31,806**	**54,315**	**8,423**	**1,421,126**	**36,295**	**1,589,405**
As of 31 December 2011	37,440	33,998	57,462	13,636	1,506,704	23,822	1,673,062
As of 31 December 2010	37,440	36,145	64,091	20,124	1,545,394	60,694	1,763,888

Note

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM55,633,000 of which RM5,541,000 remains unpaid and included in other payables. Cash payments of RM50,092,000 were made to purchase property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture and Fittings RM'000	Motor Vehicles RM'000	Total RM'000
Cost			
As of 1 January 2011	344	407	751
Disposals	-	(407)	(407)
Write-offs	(344)	-	(344)
As of 31 December 2011/31 December 2012	-	-	-
Accumulated Depreciation			
As of 1 January 2011	344	244	588
Charge for the year	-	61	61
Disposals	-	(305)	(305)
Write-offs	(344)	-	(344)
As of 31 December 2011/31 December 2012	-	-	-
Net Book Value			
As of 31 December 2012	-	-	-
As of 31 December 2011	-	-	-
As of 31 December 2010	-	163	163

As of 31 December 2012, included in property, plant and equipment of the Group and of the Company are fully depreciated property, plant and equipment at an aggregate cost of approximately RM448,169,000 and RMNil (2011: RM376,005,000 and RMNil; 2010: RM336,366,000 and RM344,000) respectively which are still in use.

The carrying amount of property, plant and equipment under finance lease arrangement of the Group as of 31 December 2012 is RM1,728,000 (2011: RM4,390,000; 2010: RM7,853,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

13. INVESTMENT PROPERTY

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At Cost			
At beginning of year	**4,550**	4,762	4,762
Disposals	**-**	(212)	-
At end of year	**4,550**	4,550	4,762
Accumulated Depreciation			
At beginning of year	**398**	401	356
Charge for the year	**36**	43	45
Disposals	**-**	(46)	-
At end of year	**434**	398	401
Provision for Impairment Loss			
At beginning and at end of year	**584**	584	584
Net Book Value	**3,532**	3,568	3,777
Included in the above are:			
Freehold land	**3,100**	3,100	3,100
Buildings	**432**	468	677
	3,532	3,568	3,777
Fair value of investment property	**5,469**	5,469	5,773

The fair value of the Group's investment property was arrived at by reference to market indication of transaction prices for similar properties.

The property rental income earned by the Group from its investment property, all of which are leased out under operating leases, amounted to RM89,000 (2011: RM115,000; 2010: RM82,000). Direct operating expenses arising on the investment property amounted to RM2,000 (2011: RM2,000; 2010: RM2,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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 of 1 January 2011	143,187	51,772	194,959
Additions	477	-	477
As of 31 December 2011/31 December 2012	**143,664**	**51,772**	**195,436**
Accumulated Amortisation			
As of 1 January 2011	59,459	10,851	70,310
Charge for the year	6,061	238	6,299
As of 31 December 2011	65,520	11,089	76,609
Charge for the year	5,239	867	6,106
As of 31 December 2012	**70,759**	**11,956**	**82,715**
Net Book Value			
As of 31 December 2012	**72,905**	**39,816**	**112,721**
As of 31 December 2011	78,144	40,683	118,827
As of 31 December 2010	83,728	40,921	124,649

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

15. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Group 31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Goodwill on consolidation	1,205,889	1,205,889	1,205,889
Quarry rights	3,433	3,882	4,179
	1,209,322	1,209,771	1,210,068

15.1 Goodwill on Consolidation

	Group 31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At beginning of year	**1,205,889**	1,205,889	1,206,264
Derecognised on liquidation of a subsidiary	**-**	-	(375)
At end of year	**1,205,889**	1,205,889	1,205,889

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 had been allocated to the following business segments as independent CGUs:

	Group 31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Cement	**1,151,670**	1,151,670	1,151,670
Aggregates and concrete	**54,219**	54,219	54,219
	1,205,889	1,205,889	1,205,889

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

15. INTANGIBLE ASSETS (continued)

15.1 Goodwill on Consolidation (continued)

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

15.1.1 Key assumptions used

For market approach, the Group compares the carrying value of the CGUs with multiples of EBITDA. For CGUs presenting an impairment risk according to the market approach, the value-in-use approach will be carried out. As of 31 December 2012, 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.

15.2 Quarry Rights (with finite useful life)

	Group		
	31 December 2012 RM'000	**31 December 2011 RM'000**	**1 January 2011 RM'000**
Cost			
At beginning of year	**5,500**	5,500	3,500
Additions through acquisition externally	**-**	-	2,000
At end of year	**5,500**	5,500	5,500
Accumulated Amortisation			
At beginning of year	**1,618**	1,321	1,024
Charge for the year	**449**	297	297
At end of year	**2,067**	1,618	1,321
Net	**3,433**	3,882	4,179

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

16. INVESTMENT IN SUBSIDIARIES

	Company 31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Unquoted shares:			
In Malaysia	**2,274,665**	2,264,449	2,264,449
Outside Malaysia	**-***	-*	-*
	2,274,665	2,264,449	2,264,449

* comprising cost of investment amounting to SGD2.00.

Details of the Company's subsidiaries are as follows:

Name of Subsidiary	Principal Activities	Group Effective Equity Interest 31 December 2012 %	31 December 2011 %	1 January 2011 %
Incorporated in Malaysia				
Associated Pan Malaysia Cement Sdn. Bhd.	Manufacture and sale of clinker and cement	**100**	100	100
Lafarge Cement Sdn. Bhd.	Manufacture and sale of clinker and cement	**100**	100	100
Southern Cement Industries Sdn. Bhd. **	Inactive	**100**	100	100
Simen Utama Sdn. Bhd. **	Inactive	**100**	100	100
Lafarge Drymix Sdn. Bhd. (formerly known as Kedah Cement Marketing Sdn. Bhd.)	Manufacture and sale of cement and drymix products	**100**	100	100
CMCM Perniagaan Sdn. Bhd.	Trading of cement and other building materials	**100**	100	100
Jumewah Shipping Sdn. Bhd.	Shipping of bulk cement and chartering of vessels	**100**	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

16. INVESTMENT IN SUBSIDIARIES (continued)

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

Name of Subsidiary	Principal Activities	Group Effective Equity Interest 31 December 2012 %	31 December 2011 %	1 January 2011 %
Incorporated in Malaysia				
Kedah Cement Jetty Sdn. Bhd.	Management and operation of a jetty	**100**	100	100
Lafarge Aggregates Sdn. Bhd.	Investment holding, trading and quarrying of aggregates and related products	**100**	100	100
Lafarge Aggregates (Pantai Remis) Sdn. Bhd.	Producer and supplier of aggregates and related products	**100**	100	100
Lafarge Aggregates (Ipoh) Sdn. Bhd.	Producer and supplier of aggregates, premix and related products	**100**	100	100
Lafarge Concrete (Malaysia) Sdn. Bhd.^	Manufacture and sale of ready-mixed concrete	**91.74**	61.74	61.74
Lafarge Concrete Industries Sdn. Bhd.^	Manufacture and sale of ready-mixed concrete	**91.74**	61.74	61.74
Lafarge Concrete (East Malaysia) Sdn. Bhd.^	Manufacture and sale of ready-mixed concrete	**91.74**	61.74	61.74
APMC Enterprises Sdn. Bhd. **	Inactive	**100**	100	100
M-Cement Sdn. Bhd.	Investment holding	**100**	100	100
Kedah Cement Holdings Berhad	Investment holding	**100**	100	100
Lafarge Shared Services Sdn Bhd	Accounting shared services and management consulting services	**100**	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

16. INVESTMENT IN SUBSIDIARIES (continued)

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

Name of Subsidiary	Principal Activities	Group Effective Equity Interest 31 December 2012 %	31 December 2011 %	1 January 2011 %
Incorporated in Singapore				
LMCB Holding Pte. Ltd. *	Investment holding	**100**	100	100
Lafarge Cement Singapore Pte. Ltd. *	Bulk import and sale of cement and trading of other building materials	**100**	100	100
Supermix Concrete Pte. Ltd. *	Investment holding	**100**	100	100
Lafarge Marketing Pte. Ltd. [formerly known as Cement Marketing Company (Singapore) Pte. Ltd.] *	Investment holding	**100**	100	100
PMCWS Enterprises Pte. Ltd. *	Investment holding	**100**	100	100
LCS Shipping Pte. Ltd.*	Shipping of bulk cement and chartering of vessels	**100**	100	100
Morelastic Green Resources Pte. Ltd. *#	Recycling of non-metal waste	**81.19**	81.19	75

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

** These subsidiaries were being placed under members' voluntary liquidation on 24 January 2011 (Southern Cement Industries Sdn. Bhd.) and 21 December 2011 (Simen Utama Sdn. Bhd. and APMC Enterprises Sdn. Bhd.). Accordingly, no audited financial statements are available in current year.

\# In 2011, the Group acquired an additional 6.19% interest in Morelastic Green Resources Pte. Ltd. ("MGR"), thus increasing its continuing interest in MGR to 81.19%, by way of capitalisation of amount owing by MGR to LMCB Holding Pte. Ltd..

^ During the current financial year, the Group acquired an additional 30.00% interest in Lafarge Concrete (Malaysia) Sdn. Bhd. ("LCM") thus increasing its continuing interest in LCM to 91.74% by way of acquisition of 2,086,800 ordinary shares of RM1.00 each for a cash consideration of RM10,216,200.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

17. INVESTMENT IN ASSOCIATE

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Unquoted shares at cost, representing share of net assets acquired	**4,603**	4,603	4,603
Group's share of post acquisition results	**27,038**	24,196	16,322
Exchange differences	**1,481**	1,014	785
	33,122	29,813	21,710
Less: Dividends received	**(13,325)**	(13,325)	(12,109)
	19,797	16,488	9,601

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		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Total assets	**162,853**	112,783	89,836
Total liabilities	**(103,463)**	(63,319)	(61,033)
Net assets	**59,390**	49,464	28,803
Group's share of associate's net assets	**19,797**	16,488	9,601
Total revenue	**429,340**	404,219	289,073
Total profit/(loss) for the year	**8,530**	23,623	(18,617)
Share in results of associate	**2,842**	7,874	(6,205)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

17. INVESTMENT IN ASSOCIATE (continued)

Particulars of the associate are as follows:

Name of Associate	Principal Activities	Group Effective Equity Interest 31 December 2012 %	31 December 2011 %	1 January 2011 %
Incorporated in Singapore				
Alliance Concrete Singapore Pte. Ltd. *	Production and sale of ready-mixed concrete	**33.33**	33.33	33.33

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

18. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred Tax Assets

	Group 31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At beginning of year	**2,444**	1,205	690
Recognised in profit or loss	**(499)**	1,175	768
Recognised in other comprehensive income	**168**	318	(193)
Reclassified from equity to profit or loss	**-**	(102)	-
Reclassifications	**(66)**	(156)	(62)
Exchange difference on foreign operations	**3**	4	2
At end of year	**2,050**	2,444	1,205

	Company 31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At beginning of year	**-**	102	370
Recognised in other comprehensive income	**-**	-	(268)
Reclassified from equity to profit or loss	**-**	(102)	-
At end of year	**-**	-	102

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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

Deferred Tax Liabilities

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At beginning of year	**(260,342)**	(283,076)	(291,998)
Recognised in profit or loss	**22,097**	21,704	7,893
Recognised in other comprehensive income	**636**	984	395
Reclassified from equity to profit or loss	**(80)**	(41)	463
Reclassifications	**66**	156	62
Exchange difference on foreign operations	**(14)**	(69)	109
At end of year	**(237,637)**	(260,342)	(283,076)

Deferred tax asset of the Company as of 1 January 2011 represents tax effects of temporary differences arising from derivatives instruments in designated hedge accounting relationships.

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 of 31 December 2012, 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		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Unused tax losses	**57,113**	49,739	48,415
Unused capital allowances	**8,558**	8,328	11,834
Deductible temporary differences	**12,523**	21,671	17,845
	78,194	79,738	78,094

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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

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

Group	Property, plant and equipment RM'000	Receivables RM'000	Payables and reserves RM'000	Unused tax losses RM'000	Unused capital allowances RM'000	Total RM'000
Deferred Tax Assets						
As of 1 January 2011	(1,027)	107	1,268	550	307	1,205
Recognised in profit or loss	(253)	(72)	258	714	528	1,175
Recognised in other comprehensive income	-	-	318	-	-	318
Reclassifications	-	-	(156)	-	-	(156)
Reclassified from equity to profit or loss	-	-	(102)	-	-	(102)
Exchange difference on foreign operations	-	-	-	4	-	4
As of 31 December 2011/ 1 January 2012	**(1,280)**	**35**	**1,586**	**1,268**	**835**	**2,444**
Recognised in profit or loss	**1,495**	**(35)**	**81**	**(1,205)**	**(835)**	**(499)**
Recognised in other comprehensive income	**-**	**-**	**168**	**-**	**-**	**168**
Reclassifications	**-**	**-**	**-**	**(66)**	**-**	**(66)**
Exchange difference on foreign operations	**-**	**-**	**-**	**3**	**-**	**3**
As of 31 December 2012	**215**	**-**	**1,835**	**-**	**-**	**2,050**

(Forward)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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

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 of 1 January 2011	(301,238)	36	2,460	15,419	141	106	(283,076)
Recognised in profit or loss	19,513	(14)	1,835	389	21	(40)	21,704
Recognised in other comprehensive income	(111)	-	-	1,095	-	-	984
Reclassified from equity to profit or loss	-	-	-	(41)	-	-	(41)
Reclassifications	-	-	-	156	-	-	156
Exchange difference on foreign operations	(69)	-	-	-	-	-	(69)
As of 31 December 2011/ 1 January 2012	**(281,905)**	**22**	**4,295**	**17,018**	**162**	**66**	**(260,342)**
Recognised in profit or loss	**19,557**	**28**	**2,484**	**132**	**(38)**	**(66)**	**22,097**
Recognised in other comprehensive income	**-**	**-**	**-**	**636**	**-**	**-**	**636**
Reclassified from equity to profit or loss	**-**	**-**	**-**	**(80)**	**-**	**-**	**(80)**
Reclassifications	**-**	**-**	**-**	**-**	**66**	**-**	**66**
Exchange difference on foreign operations	**(14)**	**-**	**-**	**-**	**-**	**-**	**(14)**
As of 31 December 2012	**(262,362)**	**50**	**6,779**	**17,706**	**190**	**-**	**(237,637)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

19. OTHER FINANCIAL ASSETS

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Available-for-sale investments carried at fair value:			
Non-current:			
In Malaysia:			
Quoted investments	**18**	18	11
Unquoted investments	**168**	168	168
Others	**374**	495	677
	560	681	856
Held-to-maturity investment carried at amortised cost:			
Non-current:			
Debenture, unquoted in Malaysia	**1,255**	1,255	1,255
Derivatives that are designated and effective as hedging instruments carried at fair value:			
Current:			
Foreign currency forward contracts	**13**	49	26
Financial assets carried at fair value through profit or loss:			
Current:			
Derivatives that are not designated in hedge accounting relationship	**95**	-	-
	1,923	1,985	2,137
Current	**108**	49	26
Non-current	**1,815**	1,936	2,111
	1,923	1,985	2,137

Company	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Held-to-maturity investment carried at amortised cost:			
Non-current:			
Debenture, unquoted in Malaysia	**1,255**	1,255	1,255

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

20. AMOUNTS OWING BY/(TO) SUBSIDIARIES

20.1 Amounts Owing by Subsidiaries

	Company		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Loans carried at amortised cost:			
Non-current:			
Amount owing by a subsidiary			
Unsecured loan (a)	**5,518**	9,433	10,447
Current:			
Short-term loans to subsidiaries (a) & (b)	**91,594**	149,952	193,653
Outstanding balances receivable for other operating transactions (c)	**139,790**	77,885	45,585
	231,384	227,837	239,238
Current	**231,384**	227,837	239,238
Non-current	**5,518**	9,433	10,447
	236,902	237,270	249,685

(a) The loan to a subsidiary totaling RM13,518,000 (2011: RM12,933,000; 2010: RM12,447,000) is unsecured and repayable between 2011 and 2015. The portion of loan repayable within the next twelve months amounting to RM8,000,000 (2011: RM3,500,000; 2010: RM1,000,000) has been classified under short-term loan. The weighted average interest rate on this loan is 5.0% (2011: 5.0%; 2010: 5.0%) per annum.

(b) Other than as mentioned under (a) above, included in short-term loans to subsidiaries are unsecured interest bearing loans which bear interest at rates ranging from 3.5% to 3.6% (2011: 3.5% to 4.3%; 2010: 3.5% to 4.0%) per annum totalling RM4,000,000 (2011: RM14,000,000; 2010: RM13,000,000). The remaining balance of short-term loans is interest-free and repayable on demand.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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

20.2 Amounts Owing to Subsidiaries

	Company		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Other financial liabilities:			
<u>Current:</u>			
Amounts owing to subsidiaries			
Loans from subsidiaries (d)	**(185,866)**	(168,609)	(169,059)

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

21. INVENTORIES

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At cost:			
Fuels, raw and packing materials	**91,894**	86,950	54,328
Finished and semi-finished goods	**87,355**	65,416	78,563
Engineering spares and consumables	**130,218**	136,970	138,557
	309,467	289,336	271,448
Allowance for inventory obsolescence	**(27,306)**	(17,812)	(10,315)
	282,161	271,524	261,133

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

22. TRADE RECEIVABLES

	Group		
	31 December 2012 RM'000	**31 December 2011 RM'000**	**1 January 2011 RM'000**
Trade receivables	**349,695**	333,345	288,456
Allowance for doubtful debts	**(5,429)**	(12,640)	(12,642)
	344,266	320,705	275,814

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 (2011: 30 to 60 days; 2010: 30 to 60 days).

Included in trade receivables is amount totalling to RM17,620,000 (2011: RM6,666,000; 2010: RM6,397,000) owing by an associate.

The Group's historical experience in collection of trade receivables falls within the recorded credit period and management believes that no additional credit risk for collection losses is inherent in the Group's trade receivables. The Group does not hold any collateral over these balances.

Ageing of trade receivables not impaired:

	Group		
	31 December 2012 RM'000	**31 December 2011 RM'000**	**1 January 2011 RM'000**
Not past due	**205,779**	240,421	192,235
Past due 0-30 days	**80,880**	56,460	47,629
Past due 31-60 days	**36,801**	13,420	16,753
Past due 61-90 days	**10,112**	5,414	13,525
Past due more than 90 days	**10,694**	4,990	5,672
	344,266	320,705	275,814

Ageing of impaired trade receivables:

	Group		
	31 December 2012 RM'000	**31 December 2011 RM'000**	**1 January 2011 RM'000**
Past due more than 90 days	**5,429**	12,640	12,642

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

22. TRADE RECEIVABLES (continued)

Movement in the allowance for doubtful debts:

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At beginning of year	**12,640**	12,642	16,871
Impairment losses recognised on receivables	**1,721**	3,520	2,885
Amounts written off during the year as uncollectible	**(7,519)**	(959)	(3,974)
Impairment losses reversed	**(1,413)**	(2,563)	(3,140)
At end of year	**5,429**	12,640	12,642

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		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Ringgit Malaysia	**294,792**	299,169	254,288
Singapore Dollar	**27,245**	19,501	14,425
United States Dollar	**22,229**	2,035	7,101
	344,266	320,705	275,814

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

23 OTHER RECEIVABLES AND PREPAID EXPENSES

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Other receivables	**14,197**	15,528	18,757
Prepaid expenses	**14,288**	14,825	12,478
Refundable deposits	**5,992**	5,431	4,999
	34,477	35,784	36,234

	Company		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Other receivables	**34**	427	424
Prepaid expenses	**1**	26	12
Refundable deposits	**311**	476	476
	346	929	912

Other receivables of the Group includes amount due from associate of RM895,000 (2011: RM332,000; 2010: RM396,000) and loans and advances given to the staff.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

24. RELATED PARTY DISCLOSURES

On 26 January 2012, the Company ceased to be a subsidiary of Lafarge Cement UK PLC ("LCUK"), following LCUK's disposal of its entire interest in the Company to Associated International Cement Limited ("AIC") pursuant to an internal restructuring exercise. Both LCUK and AIC are companies incorporated in the United Kingdom and are subsidiaries of Lafarge S.A., a public-listed company incorporated in France. Accordingly, the Directors regard AIC and Lafarge S.A. as the immediate holding company and ultimate holding company respectively.

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

Name of related parties	**Relationship**
Lafarge S.A.	Ultimate holding company of the Company
Lafarge Cement UK PLC	Former immediate holding company of the Company
Alliance Concrete Singapore Pte. Ltd.	Associate of the Company
Cementia Trading AG	Subsidiary of Lafarge S.A.
Cement Shipping Company Ltd.	Subsidiary of Lafarge S.A.
Cementia Asia Sdn. Bhd.	Subsidiary of Lafarge S.A.
Coprocem Services Malaysia Sdn. Bhd.	Subsidiary of Lafarge S.A.
Lafarge Asia Sdn. Bhd.	Subsidiary of Lafarge S.A.
LBGA Trading (Singapore) Pte. Ltd.	Subsidiary of Lafarge S.A.
Marine Cement Ltd.	Subsidiary of Lafarge S.A.
PT Lafarge Cement Indonesia	Subsidiary of Lafarge S.A.

The amounts owing by/(to) holding and other related companies represent mainly trade transactions, provision of trademark licence and general assistance and payment 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 licence 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

24. RELATED PARTY DISCLOSURES (continued)

24.1 Related Party Transactions

	Group					
	2012		2011		2010	
	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	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	**35,620**	**(8,999)**	33,834	(8,762)	31,355	(8,329)
Specific technical assistance fee	**-**	**-**	669	-	-	(130)
Associate of the Group:						
Sales of cement and aggregates	**66,269**	**17,354**	36,376	6,581	32,070	6,397
Batching income	**1,174**	**210**	1,068	85	1,128	396
Management service fee	**222**	**56**	219	-	213	-
Subsidiaries of ultimate holding company of the Company:						
Sales of cement and clinker	**234,846**	**19,276**	259,007	20,696	288,720	20,417
Purchase of cement and clinker	**104,435**	**(5,044)**	38,819	-	44,213	(5,140)
Time charter hire/ Sub-charter of vessels	**2,500**	**152**	9,961	398	1,553	1,625
Maintenance of hardware and software	**2,982**	**(460)**	2,266	(220)	2,083	(167)
Rental of office premises	**1,051**	**150**	1,091	-	1,139	93
Service fees for sourcing alternative fuel/alternative raw materials	**1,770**	**(109)**	2,228	(203)	-	-
Administrative and supporting service fee	**120**	**-**	120	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

24. RELATED PARTY DISCLOSURES (continued)

24.1 Related Party Transactions (continued)

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.

24.2 Amounts Owing by Holding and Other Related Companies

		Group	
	31 December 2012 RM'000	**31 December 2011 RM'000**	**1 January 2011 RM'000**
Current:			
Trade amount owing by holding and other related companies	**19,222**	20,936	23,517
Outstanding balances receivable for other operating transactions	**1,806**	2,332	-
	21,028	23,268	23,517

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

		Group	
	31 December 2012 RM'000	**31 December 2011 RM'000**	**1 January 2011 RM'000**
Not past due	**18,360**	20,537	23,517
Past due 0-30 days	**781**	-	-
Past due 31-60 days	**62**	21	-
Past due 61-90 days	**13**	378	-
Past due more than 90 days	**6**	-	-
	19,222	20,936	23,517

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 (2011: 30 to 60 days; 2010: 30 to 60 days).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

24. RELATED PARTY DISCLOSURES (continued)

24.2 Amounts Owing by Holding and Other Related Companies (continued)

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

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
United States Dollar	**20,891**	22,904	19,387
Ringgit Malaysia	**137**	327	4,091
Singapore Dollar	**-**	34	22
Euro	**-**	3	17
	21,028	23,268	23,517

24.3 Amounts Owing to Holding and Other Related Companies

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Current:			
Trade amount owing to holding and other related companies	**10,695**	10,377	11,396
Outstanding balances payable for other operating transactions	**11,591**	2,620	1,026
	22,286	12,997	12,422

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

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Ringgit Malaysia	**7,584**	1,377	681
United States Dollar	**284**	321	2,932
Euro	**14,418**	11,299	8,809
	22,286	12,997	12,422

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

25. TERM DEPOSITS

Group	**31 December 2012 RM'000**	**31 December 2011 RM'000**	**1 January 2011 RM'000**
Term deposits placed with licensed banks	**105,807**	93,248	128,909
Company			
Term deposits placed with licensed banks	**2**	3,018	-

The term deposits of the Group and of the Company earn effective interest rate ranging from 2.9% to 3.1% and 2.9% (2011: 2.9% to 3.1% and 2.9%; 2010: 2.7% to 3.0% and Nil) respectively per annum and have maturity ranging from 2 to 61 days and 3 days (2011: 5 to 33 days and 11 days; 2010: 1 to 60 days and Nil) respectively.

26. ASSETS CLASSIFIED AS HELD FOR SALE

The assets classified as held for sale in 2010 relate to a dry-mix plant in Singapore owned by a subsidiary of the Company, being leased to a third party in previous years. On 28 December 2010, the subsidiary entered into a conditional sale and purchase agreement with the lessee to dispose of the dry-mix plant. As of 31 December 2010, the agreement was still pending fulfillment of the conditions precedent stipulated therein. The sale transaction was completed in 2011 after all conditions precedent were being fulfilled.

The lease rental earned by the Group for the financial year ended 31 December 2010 amounted to RM2,031,000 while the direct operating expenses arising on the dry-mix plant amounted to RM1,637,000.

	Group 1 January 2011 RM'000
Property, plant and equipment	18,748

Property, plant and equipment held for sale comprise the following:

	Group 1 January 2011 RM'000
Cost	31,837
Accumulated depreciation	(13,089)
	18,748

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

27. SHARE CAPITAL

	Group and Company		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Authorised:			
3,000,000,000 ordinary shares of RM1.00 each	**3,000,000**	3,000,000	3,000,000
Issued and fully paid:			
849,695,476 ordinary shares of RM1.00 each	**849,695**	849,695	849,695

28. RESERVES

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Non-distributable:			
Share premium	**1,067,199**	1,067,199	1,067,199
Capital redemption reserve	**33,798**	33,798	33,798
Exchange equalisation reserve	**39,090**	39,716	41,164
Capital reserve	**-**	-	-
Investments revaluation reserve	**36**	36	-
Hedging reserve	**14**	(242)	(430)
	1,140,137	1,140,507	1,141,731
Company			
Non-distributable:			
Share premium	**1,067,191**	1,067,191	1,067,191
Capital redemption reserve	**33,639**	33,639	33,639
Hedging reserve	**-**	-	(307)
	1,100,830	1,100,830	1,100,523

28.1 Share Premium

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

28. RESERVES (continued)

28.2 Capital Reserve

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
As previously stated	-	33,968	34,079
- Effect of adopting MFRS (Note 41)	-	(34,079)	(34,079)
As restated	-	(111)	-
(Increase)/Decrease in deferred tax liability recognised on revaluation	-	111	-
At end of year	-	-	-

Capital reserve arose from the revaluation of the Group's property, plant and equipment and prepaid lease payments on leasehold land in prior years. When revalued property, plant and equipment and prepaid lease payments on leasehold land are sold, the related portion of revaluation reserve is effectively realised and transferred directly to retained earnings.

28.3 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.

28.4 Exchange Equalisation Reserve

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At beginning of year	**39,716**	41,164	44,209
Exchange differences arising on translating the net assets of foreign operations	**(626)**	(1,448)	(3,045)
At end of year	**39,090**	39,716	41,164

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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

28. RESERVES (continued)

28.5 Investments Revaluation Reserve

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At beginning of year	**36**	-	-
Net gain arising on revaluation of available-for-sale investments	**-**	36	-
At 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.

28.6 Hedging Reserve

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At beginning of year	**(242)**	(430)	278
Gain/(Loss) recognised on cash flow hedges:			
- Foreign currency forward contracts	**18**	15	(166)
- Commodity swap contracts	**-**	(339)	-
- Interest rate swap contract	**-**	-	1,068
Deferred tax related to gains/losses recognised in other comprehensive income	**(6)**	80	(225)
Reclassified to profit or loss:			
- Foreign currency forward contracts	**(15)**	166	(515)
- Commodity swap contracts	**339**	-	(1,333)
- Interest rate swap contract	**-**	409	-
Deferred tax related to amounts transferred to profit or loss	**(80)**	(143)	463
	14	(242)	(430)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

28. RESERVES (continued)

28.6 Hedging Reserve (continued)

Company	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At beginning of year	**-**	(307)	(1,107)
Gain recognised on cash flow hedges:			
- Interest rate swap contract	**-**	-	1,068
Deferred tax related to gain recognised in other comprehensive income	**-**	-	(268)
Reclassified to profit or loss:			
- Interest rate swap contract	**-**	409	-
Deferred tax related to amounts transferred to profit or loss	**-**	(102)	-
	-	-	(307)

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedge instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Gains and losses reclassified from equity into profit or loss during the year are included in the following line items in the statement of comprehensive income:

	Group	
	2012 RM'000	**2011 RM'000**
Cost of sales	**339**	-
Other expenses	**(15)**	166
Finance costs	**-**	409
Income tax expense	**(80)**	(143)
	244	432

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

29. RETAINED EARNINGS AND DIVIDENDS

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Distributable reserve:			
Retained earnings	**1,178,321**	1,118,127	1,093,587
As previously stated	**1,084,159**	1,059,508	1,164,390
- Effect of adopting MFRS (Note 41)	**33,968**	34,079	-
As restated	**1,118,127**	1,093,587	1,164,390
Profit attributable to owners of the Company	**349,005**	317,845	295,340
Dividends	**(288,898)**	(288,898)	(399,357)
Actuarial loss on defined benefit retirement plan recognised directly in retained earnings	**(3,276)**	(5,452)	(1,181)
Income tax on income and expenses taken directly to retained earnings	**810**	1,334	316
Changes in ownership with no loss of control	**2,553**	(178)	-
Effect of adopting MFRS (Note 41)	**-**	(111)	34,079
At end of year	**1,178,321**	1,118,127	1,093,587

Company	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Distributable reserve:			
Retained earnings	**374,918**	286,112	187,250
At beginning of year	**286,112**	187,250	219,381
Profit attributable to owners of the Company	**377,744**	387,864	367,223
Dividends	**(288,898)**	(288,898)	(399,357)
Actuarial (loss)/gain on defined benefit retirement plan recognised directly in retained earnings	**(40)**	(104)	3
At end of year	**374,918**	286,112	187,250

29.1 Retained Earnings

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

29. RETAINED EARNINGS AND DIVIDENDS (continued)

29.2 Dividends

	Group and Company	
	2012	**2011**
	RM'000	**RM'000**
Fourth interim single tier dividend of 10.0 sen per share (2011: Fourth interim single tier dividend of 10.0 sen per share)	**84,970**	84,970
First interim single tier dividend of 8.0 sen per share (2011: First interim single tier dividend of 8.0 sen per share)	**67,976**	67,976
Second interim single tier dividend of 8.0 sen per share (2011: Second interim single tier dividend of 8.0 sen per share)	**67,976**	67,976
Third interim single tier dividend of 8.0 sen per share (2011: Third interim single tier dividend of 8.0 sen per share)	**67,976**	67,976
	288,898	288,898

A third interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM67.976 million was declared on 22 November 2011 in respect of the financial year ended 31 December 2011 and dealt with in the previous Directors' Report was paid on 13 January 2012.

A fourth interim dividend of 10.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM84.970 million declared on 22 February 2012 in respect of the financial year ended 31 December 2011 and dealt with in the previous Directors' Report was paid on 12 April 2012.

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 2012 amounting to RM67.976 million was declared on 29 May 2012 and paid on 18 July 2012.

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 2012 amounting to RM67.976 million was declared on 28 August 2012 and paid on 17 October 2012; 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 2012 amounting to RM67.976 million was declared on 22 November 2012 and paid on 16 January 2013.

The Directors on 20 February 2013 declared a fourth interim dividend of 13.0 sen single tier dividend per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2012 amounting to RM110.460 million, payable on 16 April 2013.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

30. NON-CONTROLLING INTERESTS

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At beginning of year	**16,745**	16,754	20,996
Share of profit/(loss) for the year	**491**	(187)	(4,242)
Changes in ownership with no loss of control	**(12,769)#**	178*	-
At end of year	**4,467**	16,745	16,754

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

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

31. BORROWINGS

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Current - at amortised cost			
Secured:			
Finance lease liabilities (a)	**1,219**	1,242	2,826
Unsecured:			
Floating rate notes (b)	**-**	105,000	105,000
	1,219	106,242	107,826
Non-current - at amortised cost			
Secured:			
Finance lease liabilities (a)	**488**	1,707	2,949
Unsecured:			
Floating rate notes (b)	**-**	-	105,000
Total non-current borrowings	**488**	1,707	107,949
Total borrowings	**1,707**	107,949	215,775
Current	**1,219**	106,242	107,826
Non-current:			
1 - 2 years	**488**	1,696	106,242
2 - 5 years	**-**	11	1,707
	1,707	107,949	215,775

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31. BORROWINGS (continued)

	Company		
	31 December 2012 RM'000	**31 December 2011 RM'000**	**1 January 2011 RM'000**
Current - at amortised cost			
Unsecured:			
Floating rate notes (b)	-	105,000	105,000
Non-current - at amortised cost			
Unsecured:			
Floating rate notes (b)	-	-	105,000
Total borrowings	-	105,000	210,000
Current	-	105,000	105,000
Non-current:			
1 - 2 years	-	-	105,000
	-	105,000	210,000

All borrowings are denominated in Ringgit Malaysia.

Finance lease liabilities are payable as follows:

	Group 31 December 2012	
	Minimum lease payments RM'000	**Present value of minimum lease payments RM'000**
Not later than one year	**1,276**	**1,219**
Later than one year and not later than five years	**496**	**488**
	1,772	**1,707**
Less: Future finance charges	**(65)**	**-**
	1,707	**1,707**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31. BORROWINGS (continued)

	Group 31 December 2011	
	Minimum lease payments RM'000	Present value of minimum lease payments RM'000
Not later than one year	1,367	1,242
Later than one year and not later than five years	1,772	1,707
	3,139	2,949
Less: Future finance charges	(190)	-
	2,949	2,949

	Group 1 January 2011	
	Minimum lease payments RM'000	Present value of minimum lease payments RM'000
Not later than one year	3,164	2,826
Later than one year and not later than five years	3,139	2,949
	6,303	5,775
Less: Future finance charges	(528)	-
	5,775	5,775

(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 26 September 2008, the Company issued the Floating Rate Notes ("FRN") (unsecured) for a total amount of RM350 million, of which RM250 million was subscribed by a subsidiary of the ultimate holding company. The FRN is repayable over three (3) to five (5) years from the issuance date. The Company had fully redeemed the remaining balance of the FRN during the current financial year.

The interest rate on the FRN was revised semi-annually. The effective interest rate for the said FRN during the year is 3.16% (2011: 4.33%; 2010: 3.96%) per annum. The Company hedges a portion of the loan via an interest rate swap exchanging variable rate interest for fixed rate interest and this interest rate swap contract has expired in 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

31. BORROWINGS (continued)

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

The said Notes were subsequently bought and held by one of the Company's subsidiaries, M-Cement Sdn. Bhd. ("MCSB") under the Conditional Payment Obligation Agreement entered into by the Bank and MCSB. The Notes bear 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.

32. RETIREMENT BENEFITS

The Group operates an unfunded final salary defined benefit plan covering eligible employees. Provision for retirement benefits is made based on an actuarial valuation carried out periodically using the Projected Unit Credit Method. The latest actuarial valuation was undertaken on 10 January 2013.

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

Group	**31 December 2012 RM'000**	**31 December 2011 RM'000**	**1 January 2011 RM'000**
At beginning of year	**51,280**	40,920	37,685
Charge for the year	**8,198**	6,649	6,430
Benefits paid	**(2,880)**	(1,741)	(4,376)
Actuarial loss recognised in other comprehensive income	**3,276**	5,452	1,181
At end of year	**59,874**	51,280	40,920
Company			
At beginning of year	**873**	670	582
Charge for the year	**121**	99	91
Actuarial loss/(gain) recognised in other comprehensive income	**40**	104	(3)
At end of year	**1,034**	873	670

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

32. RETIREMENT BENEFITS (continued)

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

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Present value of unfunded obligation	**60,161**	51,665	41,402
Unrecognised past service cost	**(287)**	(385)	(482)
Net liability	**59,874**	51,280	40,920
Company			
Present value of unfunded obligation	**1,034**	873	670
Net liability	**1,034**	873	670

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

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
At beginning of year	**51,665**	41,402	38,266
Current service cost	**5,002**	3,952	3,879
Interest cost	**3,098**	2,600	2,452
Actuarial loss	**3,276**	5,452	1,181
Benefits paid	**(2,880)**	(1,741)	(4,376)
At end of year	**60,161**	51,665	41,402
Company			
At beginning of year	**873**	670	582
Current service cost	**68**	56	53
Interest cost	**53**	43	38
Actuarial loss/(gain)	**40**	104	(3)
At end of year	**1,034**	873	670

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

32. RETIREMENT BENEFITS (continued)

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

Group	**2012 RM'000**	**2011 RM'000**
Current service cost	**5,002**	3,952
Interest cost	**3,098**	2,600
Past service cost	**98**	97
	8,198	6,649
Company		
Current service cost	**68**	56
Interest cost	**53**	43
	121	99

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

Group	**2012 RM'000**	**2011 RM'000**
At beginning of year	**(2,408)**	3,044
Recognised during the year	**(3,276)**	(5,452)
At end of year	**(5,684)**	(2,408)
Company		
At beginning of year	**65**	169
Recognised during the year	**(40)**	(104)
At end of year	**25**	65

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

32. RETIREMENT BENEFITS (continued)

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

	31 December 2012 %	31 December 2011 %	1 January 2011 %
Discount rate	**5.4**	6.1	6.4
Future salary increase	**7.0**	7.0	6.0

33. 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 60 days (2011: 30 to 60 days; 2010: 30 to 60 days).

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

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Ringgit Malaysia	**283,356**	281,446	260,889
United States Dollar	**26,841**	29,934	24,528
Singapore Dollar	**5,716**	4,893	5,235
Euro	**3,218**	2,628	2,423
	319,131	318,901	293,075

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

34. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses consist of:

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Other payables	**39,186**	34,733	45,240
Accrued expenses	**60,854**	47,792	51,430
	100,040	82,525	96,670
Company			
Other payables	**154**	120	102
Accrued expenses	**2,094**	2,649	3,591
	2,248	2,769	3,693

Other payables of the Group mainly arose from retention monies, deposits received and general administrative expenses payable which are interest-free with no fixed terms of repayment. Included in accrued expenses of the Group and of the Company is an amount of RM97,000 and RMNil respectively (2011: RM1,216,000 and RM1,196,000; 2010: RM2,383,000 and RM2,364,000) representing interest expense accrued for borrowings.

35. OTHER FINANCIAL LIABILITIES

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Derivatives that are designated and effective as hedging instruments carried at fair value:			
Current:			
Foreign currency forward contracts	**1**	45	279
Commodity swap contracts	**-**	339	-
Interest rate swap contract	**-**	-	409
	1	384	688
Financial liabilities carried at fair value through profit or loss (FVTPL):			
Current:			
Derivatives not designated in hedge accounting relationships - foreign currency forward contracts	**-**	228	310
	1	612	998

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

35. OTHER FINANCIAL LIABILITIES (continued)

Company	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Derivatives that are designated and effective as hedging instruments carried at fair value:			
Current:			
Interest rate swap contract	**-**	-	409

36. 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	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Term deposits (Note 25)	**105,807**	93,248	128,909
Fixed income trust fund (a)	**28,729**	27,885	30,083
Cash and bank balances	**219,466**	231,171	213,715
	354,002	352,304	372,707
Company			
Term deposits (Note 25)	**2**	3,018	-
Cash and bank balances	**1,028**	6,866	4,707
	1,030	9,884	4,707

(a) The portfolio of investment of the fixed income trust fund is only in Shariah based short term deposits which is readily convertible to cash with insignificant risk of changes in value. During the year, the Group received dividend of 1.55 sen (2011: 1.49 sen; 2010: 0.56 sen) per unit totalling to RM892,000 (2011: RM794,000; 2010: RM111,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

36. CASH AND CASH EQUIVALENTS (continued)

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

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Ringgit Malaysia	**335,914**	315,314	340,019
Singapore Dollar	**9,458**	23,803	20,976
United States Dollar	**8,430**	13,173	11,253
Euro	**200**	14	459
	354,002	352,304	372,707
Company			
Ringgit Malaysia	**1,030**	9,884	4,707

37. FINANCIAL INSTRUMENTS

Comparatives figures in 37.12.1 have not been presented for 31 December 2010 by virtue of the exemption given in paragraph 44AA of FRS 7.

37.1 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.

37.2 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL INSTRUMENTS (continued)

37.3 Categories of Financial Instruments

Group	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Financial assets			
Derivative instruments:			
- In designated hedge accounting relationships (Note 19)	**13**	49	26
- Not in designated hedge accounting relationships (Note 19)	**95**	-	-
Loan and receivables:			
- Trade receivables (Note 22)	**344,266**	320,705	275,814
- Other receivables and refundable deposits (Note 23)	**20,189**	20,959	23,756
- Amounts owing by holding and other related companies (Note 24)	**21,028**	23,268	23,517
- Term deposits (Note 25)	**105,807**	93,428	128,909
- Cash and bank balances (Note 36)	**219,466**	231,171	213,715
Available-for-sale financial assets:			
- Available-for-sale investments carried at fair value (Note 19)	**560**	681	856
- Fixed income trust fund (Note 36)	**28,729**	27,885	30,083
Held-to-maturity investment (Note 19)	**1,255**	1,255	1,255
Financial liabilities			
FVTPL:			
- Held for trading (Note 35)	**-**	228	310
Derivative instruments in designated hedge accounting relationships (Note 35)	**1**	384	688
Amortised cost:			
- Borrowings (Note 31)	**1,707**	107,949	215,775
- Trade payables (Note 33)	**319,131**	318,901	293,075
- Other payables (Note 34)	**39,186**	34,733	45,240
- Amounts owing to holding and other related companies (Note 24)	**22,286**	12,997	12,422

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL INSTRUMENTS (continued)

37.3 Categories of Financial Instruments (continued)

Company	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Financial assets			
Loan and receivables:			
- Amounts owing by subsidiaries (Note 20)	**236,902**	237,270	249,685
- Other receivables and refundable deposits (Note 23)	**345**	903	900
- Term deposits (Note 25)	**2**	3,018	-
- Cash and bank balances (Note 36)	**1,028**	6,866	4,707
Held-to-maturity investment (Note 19)	**1,255**	1,255	1,255
Financial liabilities			
Derivative instruments in designated hedge accounting relationships (Note 35)	**-**	-	409
Amortised cost:			
- Borrowings (Note 31)	**-**	105,000	210,000
- Other payables (Note 34)	**154**	120	102
- Amounts owing to subsidiaries (Note 20)	**185,866**	168,609	169,059

37.4 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.

37.5 Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 37.6 below), interest rates (see 37.7 below) and commodity prices (see 37.8 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL INSTRUMENTS (continued)

37.6 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 33 for trade payables and Note 36 for cash and cash equivalents.

37.6.1 Foreign currency sensitivity

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

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

	Group		
	USD Impact RM'000	**SGD Impact RM'000**	**Euro Impact RM'000**
2012			
Profit or loss	**(2,534)** (i)	**(3,099)** (iii)	**1,232** (iv)
Hedging reserve	**(372)** (ii)	**-**	**(42)**(ii)
2011			
Profit or loss	(881) (i)	(3,845) (iii)	647 (iv)
Hedging reserve	(232) (ii)	-	(84)(ii)
2010			
Profit or loss	(1,028) (i)	(3,019) (iii)	1,076 (iv)
Hedging reserve	440 (ii)	-	525 (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 SGD receivables and cash and cash equivalents net off with SGD payables of the Group at the end of the reporting period.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL INSTRUMENTS (continued)

37.6 Foreign Currency Risk Management (continued)

37.6.2 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 only limited to forward foreign currency contracts, with a term generally less than one year.

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

	Group			
	Average exchange rate	Foreign currency FC'000	Contract value RM'000	Fair value RM'000
31 December 2012				
Outstanding contracts				
Cash flow hedges				
Buy US Dollar				
Less than 3 months	3.06	1,170	3,580	5
Buy Euro				
Less than 3 months	3.97	100	397	7
				12
Fair value hedges				
Buy US Dollar				
Less than 3 months	3.06	300	918	-
FVTPL				
Buy Euro				
Less than 3 months	3.98	1,250	4,976	95

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL INSTRUMENTS (continued)

37.6 Foreign Currency Risk Management (continued)

37.6.2 Forward foreign exchange contracts (continued)

	Group			
	Average exchange rate	Foreign currency FC'000	Contract value RM'000	Fair value RM'000
31 December 2011				
Outstanding contracts				
Cash flow hedges				
Buy US Dollar				
Less than 3 months	3.12	600	1,872	40
3 to 6 months	3.15	100	315	4
Buy Euro				
Less than 3 months	4.26	200	852	(28)
				16
Fair value hedges				
Buy US Dollar				
Less than 3 months	3.11	100	311	5
Less than 3 months	3.22	200	644	(8)
Buy Euro				
Less than 3 months	4.28	50	214	(9)
				(12)
FVTPL				
Buy Euro				
Less than 3 months	4.26	1,700	7,242	(228)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL INSTRUMENTS (continued)

37.6 Foreign Currency Risk Management (continued)

37.6.2 Forward foreign exchange contracts (continued)

	Group			
	Average exchange rate	Foreign currency FC'000	Contract value RM'000	Fair value RM'000
1 January 2011				
Outstanding contracts				
Cash flow hedges				
Buy US Dollar				
Less than 3 months	3.14	600	1,884	(40)
3 to 6 months	3.15	900	2,835	(59)
Buy Euro				
Less than 3 months	4.30	200	860	(41)
3 to 6 months	4.12	1,000	4,120	(26)
More than 6 months	4.29	100	429	(15)
				(181)
Fair value hedges				
Buy US Dollar				
Less than 3 months	3.15	300	945	(25)
Buy Euro				
Less than 3 months	4.34	200	868	(47)
				(72)
FVTPL				
Buy Euro				
Less than 3 months	4.29	500	2,145	(97)
3 to 6 months	4.30	800	3,440	(133)
More than 6 months	4.28	600	2,568	(80)
				(310)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL INSTRUMENTS (continued)

37.7 Interest Rate Risk Management

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

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

37.7.1 Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting period end date was outstanding for the whole year. A 10 basis point increase or decrease is used.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would decrease/increase by RMNil (2011: RM469,000; 2010: RM832,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

37.7.2 Interest rate swap contract

Under interest rate swap contract, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contract enables the Group to mitigate the risk of cash flow exposure on the issued variable rate debt. The interest rate swap contract entered into by the Group has expired in 2011.

The following table details the notional principal amount and remaining term of interest rate swap contract outstanding at the end of the last reporting period:

	Group and Company		
	Average contracted fixed interest rate 1 January 2011 %	Notional principal amount 1 January 2011 RM'000	Fair value 1 January 2011 RM'000
Outstanding receive floating pay fixed contract			
Cash flow hedge			
Less than 1 year	4.80%	80,000	(409)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL INSTRUMENTS (continued)

37.7 Interest Rate Risk Management (continued)

37.7.2 Interest rate swap contract (continued)

The interest rate swap settles on a half yearly basis. The floating rate on the interest rate swap is the local interbank rate of Malaysia. The Group will settle the difference between the fixed and floating interest rate on a net basis.

The interest rate swap contract exchanging floating rate interest amount for fixed rate interest amount is designated as cash flow hedge in order to reduce the Group's cash flow exposure resulting from variable interest rate on borrowing. The interest rate swap and the interest payment on the loan occur simultaneously and the amount deferred in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

37.8 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.

37.8.1 Commodity price sensitivity

The sensitivity analyses below have been determined based on the exposure to commodity price risks at the reporting date.

If coal prices had been 10% higher/lower, the Group's:

- net profit for the year ended 31 December 2012 would have been unaffected as all commodity swap contracts are designated as cash flow hedges; and
- hedging reserve would increase/decrease by RMNil (2011: RM354,000; 2010: RMNil) as a result of the changes in fair value of all the commodity swap contracts.

37.8.2 Commodity swap contracts

The following table details the commodity swap contracts outstanding as at reporting date:

	Group					
	Contract value	Fair value	Contract value	Fair value	Contract value	Fair value
	31 December 2012		31 December 2011		31 December 2011	
Coal swap contracts	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash flow hedges						
Less than 1 year	-	-	7,259	(339)	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL INSTRUMENTS (continued)

37.9 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.

37.9.1 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 2012 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 RM2,000 (2011: increase/decrease by RM2,000; 2010: increase/decrease by RM1,000) as a result of the changes in fair value of available-for-sale shares.

37.10 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.

37.11 Liquidity Risk

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

<u>Financial liabilities</u>

The Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods are disclosed in Note 31.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL INSTRUMENTS (continued)

37.12 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.

37.12.1 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL INSTRUMENTS (continued)

37.12 Fair Values (continued)

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

	Group			
31 December 2012	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets at FVTPL				
Derivative financial assets	**-**	**108**	**-**	**108**
Available-for-sale financial assets				
Quoted investments	**18**	**-**	**-**	**18**
Unquoted investments	**-**	**-**	**168**	**168**
Others	**-**	**-**	**374**	**374**
	18	**108**	**542**	**668**
Financial liabilities at FVTPL				
Other derivative financial liabilities	**-**	**(1)**	**-**	**(1)**
31 December 2011				
Financial assets at FVTPL				
Derivative financial assets	-	49	-	49
Available-for-sale financial assets				
Quoted investments	18	-	-	18
Unquoted investments	-	-	168	168
Others	-	-	495	495
	18	49	663	730
Financial liabilities at FVTPL				
Other derivative financial liabilities	-	(384)	-	(384)
Financial liabilities designated at FVTPL	-	(228)	-	(228)
	-	(612)	-	(612)

There were no transfers between Levels 1 and 2 in 2012 and 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

37. FINANCIAL INSTRUMENTS (continued)

37.12 Fair Values (continued)

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

Reconciliation of Level 3 fair value measurements of financial assets.

	Group			
	Available-for-sale			
	Unquoted investments 31 December 2012 RM'000	Others 31 December 2012 RM'000	Unquoted investments 31 December 2011 RM'000	Others 31 December 2011 RM'000
At beginning of year	**168**	**495**	168	677
Total gains or losses:				
- in other comprehensive income	**-**	**-**	-	29
Disposals	**-**	**(121)**	-	(211)
	168	**374**	168	495

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 and are reported as changes of "investments revaluation reserve" (see Note 28.5).

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

38. COMMITMENTS

38.1 Capital Commitments

	Group		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
In respect of capital expenditure:			
Approved, contracted but not provided for	**12,724**	6,958	17,466
Approved but not contracted for	**12,886**	11,173	15,949
	25,610	18,131	33,415

38.2 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		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Not later than 1 year	**28,772**	22,974	14,335
Later than 1 year and not later than 5 years	**42,684**	37,176	23,522
Later than 5 years	**40,209**	43,914	51,069
	111,665	104,064	88,926

39. CONTINGENT LIABILITIES

	Company		
	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Unsecured			
Corporate guarantee given to a third party in respect of provision for services to subsidiaries	**21,100**	21,100	21,100
Corporate guarantee for lease commitment granted by financial institutions to subsidiaries	**-**	644	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
2012				
REVENUE				
External sales	2,277,726	462,336	-	2,740,062
Inter-segment sales	303,236	150	(303,386)	-
Total revenue	2,580,962	462,486	(303,386)	2,740,062
RESULTS				
Segment results	460,979	5,673	-	466,652
Interest income				6,330
Profit from operations				472,982
Finance costs				(6,072)
Share in results of associate				2,842
Income tax expense				(120,262)
Profit for the year				349,490

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40. SEGMENTAL INFORMATION (continued)

40.1 Segment Revenue and Results (continued)

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
2011				
REVENUE				
External sales	2,160,494	392,070	-	2,552,564
Inter-segment sales	249,503	712	(250,215)	-
Total revenue	2,409,997	392,782	(250,215)	2,552,564
RESULTS				
Segment results	410,320	255	-	410,575
Interest income				6,427
Profit from operations				417,002
Finance costs				(10,229)
Share in results of associate				7,874
Income tax expense				(97,000)
Profit for the year				317,647

40.2 Segment Assets and Liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40. SEGMENTAL INFORMATION (continued)

40.2 Segment Assets and Liabilities (continued)

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
31 December 2012				
SEGMENT ASSETS				
Segment assets	**3,637,861**	**252,001**	**(292,842)**	**3,597,020**
Investment in associate				**19,797**
Unallocated corporate assets				**380,689**
Consolidated total assets				**3,997,506**
SEGMENT LIABILITIES				
Segment liabilities	**714,520**	**148,078**	**(293,311)**	**569,287**
Interest bearing instruments				**1,707**
Unallocated corporate liabilities				**253,892**
Consolidated total liabilities				**824,886**
31 December 2011				
SEGMENT ASSETS				
Segment assets	3,692,365	227,973	(263,780)	3,656,558
Investment in associate				16,488
Unallocated corporate assets				378,029
Consolidated total assets				4,051,075
SEGMENT LIABILITIES				
Segment liabilities	669,186	126,558	(262,669)	533,075
Interest bearing instruments				109,165
Unallocated corporate liabilities				283,761
Consolidated total liabilities				926,001

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40. SEGMENTAL INFORMATION (continued)

40.2 Segment Assets and Liabilities (continued)

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
1 January 2011				
SEGMENT ASSETS				
Segment assets	3,720,391	208,378	(210,915)	3,717,854
Investment in associate				9,601
Unallocated corporate assets				396,907
Consolidated total assets				4,124,362
SEGMENT LIABILITIES				
Segment liabilities	598,150	122,449	(210,921)	509,678
Interest bearing instruments				218,158
Unallocated corporate liabilities				294,759
Consolidated total liabilities				1,022,595

40.3 Other Segment Information

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
OTHER INFORMATION				
31 December 2012				
Capital expenditure	**40,628**	**15,005**	**-**	**55,633**
Depreciation and amortisation	**130,895**	**14,119**	**-**	**145,014**
31 December 2011				
Capital expenditure	50,044	14,415	-	64,459
Depreciation and amortisation	143,483	14,427	-	157,910

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40. SEGMENTAL INFORMATION (continued)

40.4 Geographical Information

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

	Revenue		Segment Assets			Capital Expenditure	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Malaysia	**2,616,823**	2,453,515	**3,482,004**	3,549,322	3,586,097	**55,479**	62,885
Singapore	**123,239**	99,049	**115,016**	107,236	131,757	**154**	1,574
	2,740,062	2,552,564	**3,597,020**	3,656,558	3,717,854	**55,633**	64,459
Investment in associate			**19,797**	16,488	9,601		
Unallocated corporate assets			**380,689**	378,029	396,907		
			3,997,506	4,051,075	4,124,362		

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

41. EXPLANATION OF TRANSITION TO MFRSs

This is the first year that the Group's and Company's financial statements were prepared and presented in accordance with MFRSs. The last financial statements under FRSs were for the year ended 31 December 2011 and the date of transition to MFRSs was therefore, 1 January 2011.

An opening statement of financial position as at the date of transition has been prepared based on the accounting policies as described in Note 3 to the financial statements. The transition to MFRSs has been accounted for in accordance with MFRS 1, as disclosed in Note 2.1 to the financial statements.

The disclosures set out below explain how the transition from FRSs to MFRSs have affected the financial position, financial performance and cash flows of the Group. The changes in accounting policies as a consequence of transition to MFRSs are as described in the notes following the aforementioned disclosures. The transition to MFRSs does not have significant impact to the reported financial position, financial performance and cash flows of the Group and of the Company other than as disclosed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

41. EXPLANATION OF TRANSITION TO MFRSs

41.1 Effect of MFRSs Adoption for the Statement of Financial Position

		Group					
	Note	FRSs RM'000	Effect of transition to MFRSs RM'000	1.1.2011 (date of transition) Opening MFRSs statement of financial position RM'000	FRSs RM'000	Effect of transition to MFRSs RM'000	31.12.2011 (end of last period presented under FRSs) MFRSs RM'000
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital		849,695	-	849,695	849,695	-	849,695
Reserves	41.2	1,175,810	(34,079)	1,141,731	1,174,475	(33,968)	1,140,507
Retained earnings	41.2	1,059,508	34,079	1,093,587	1,084,159	33,968	1,118,127
Equity attributable to owners of the Company		3,085,013	-	3,085,013	3,108,329	-	3,108,329
Non-controlling interests		16,754	-	16,754	16,745	-	16,745
Total equity		3,101,767	-	3,101,767	3,125,074	-	3,125,074

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

41. EXPLANATION OF TRANSITION TO MFRSs (continued)

41.2 Reconciliation of Retained Earnings

	Group	
	1 January 2011 RM'000	**31 December 2011 RM'000**
Total retained earnings under FRSs	**1,059,508**	1,084,159
Adjustment to retained earnings:		
- Transfer of capital reserve to retained earnings (Notes 41.3 & 41.4)	**34,079**	33,968
Total retained earnings under MFRSs	**1,093,587**	1,118,127

41.3 Property, Plant and Equipment

Prior to the adoption of MFRSs, the Group had availed itself of the transitional provision which was made available upon first application of the MASB Approved Accounting Standard IAS 16 (revised) *Property, plant and equipment* which was effective for periods beginning on or after 1 September 1998. By virtue of this transitional provision, the Group had recorded its freehold land and building at revalued amounts but had not adopted a policy of revaluation and continued to carry those assets on the basis of their previous revaluation subject to continuity in its depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments.

Upon transition to MFRSs, the Group had decided to measure the assets using the cost model under MFRS 116 *Property, plant and equipment*. Thus, at the date of transition to MFRSs, the optional exemption in MFRS 1 was applied to regard the revalued amount as deemed cost under MFRSs as these revalued amounts were broadly comparable to fair value at that date. The revaluation surplus of RM24,590,000 as at 1 January 2011 was transferred to retained earnings.

41.4 Prepaid Lease Payments on Leasehold Land

Prior to the adoption of MFRSs, the Group had availed itself of the transitional provision in FRS 117 *Leases*. By virtue of this transitional provision, the Group had retained the unamortised revalued amount of leasehold land as the surrogate carrying amount of the prepaid lease payments.

Upon transition to MFRSs, no similar transition provision is available in MFRS 117 *Leases*. However, at the date of transition to MFRSs, the Group had applied the optional exemption in MFRS 1 to regard the revalued amount of the leasehold land as deemed cost under MFRSs as the revaluation was due to a bonus issue exercise which took place in 1993. The revaluation surplus of RM9,489,000 as at 1 January 2011 was transferred to retained earnings.

DISCLOSURE ON REALISED AND UNREALISED PROFITS
- SUPPLEMENTARY INFORMATION

42. DISCLOSURE ON REALISED AND UNREALISED PROFITS - SUPPLEMENTARY INFORMATION

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of 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 of 31 December 2012 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Total retained earnings of the Company and its subsidiaries				
Realised	**1,491,002**	1,434,147	**371,331**	284,328
Unrealised	**(71,826)**	(112,661)	**3,587**	1,784
	1,419,176	1,321,486	**374,918**	286,112
Total share of retained earnings from associate				
Realised	**27,038**	24,196	**-**	-
	1,446,214	1,345,682	**374,918**	286,112
Less: Consolidation adjustments	**(267,893)**	(227,555)	**-**	-
Total retained earnings as per statements of financial position	**1,178,321**	1,118,127	**374,918**	286,112

DISCLOSURE ON REALISED AND UNREALISED PROFITS

- SUPPLEMENTARY INFORMATION (CONTINUED)

42. DISCLOSURE ON REALISED AND UNREALISED PROFITS - SUPPLEMENTARY INFORMATION (continued)

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

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

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SHAREHOLDERS AND SHARE CAPITAL AND OTHER INFORMATION

ANALYSIS OF SHAREHOLDINGS

AS AT 21 MARCH 2013

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 21 MARCH 2013

Size of Shareholdings	No. of Shareholders & Percentage		No. of Shares & Percentage	
	Shareholders	%	Shares	%
Less than 100	303	4.08	7,770	0.00
100 - 1,000	3,225	43.38	1,706,965	0.20
1,001 - 10,000	2,753	37.03	9,262,919	1.09
10,001 - 100,000	841	11.31	24,191,439	2.85
100,001 to less than 5% of issued ordinary shares	310	4.17	318,609,845	37.50
5% of issued ordinary shares and above	2	0.03	495,916,538	58.36
TOTAL	**7,434**	**100.00**	**849,695,476**	**100.00**

DIRECTORS' SHAREHOLDINGS

Based on the Register of Directors' Shareholdings as at 21 March 2013

		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	-	-	-	-
Michel Rose	French	-	-	-	-
Bradley Mulroney	British	-	-	-	-
Chen Theng Aik	Malaysian	-	-	-	-
Tan Sri A. Razak bin Ramli	Malaysian	-	-	-	-
Saw Ewe Seng	Malaysian	16,500	@	-	-
Md Yusof bin Hussin	Malaysian	-	-	-	-
Christian Herrault	French	-	-	-	-
Louis Chavane	French	-	-	-	-

Note : @ : Less than 0.002%

ANALYSIS OF SHAREHOLDINGS (CONTINUED)

AS AT 21 MARCH 2013

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

(According to Register of Depositors as at 21 March 2013)

No.	Names	Shareholdings No.	%
1	Associated International Cement Limited	433,344,693	51.00
2	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	62,571,845	7.36
3	Amanah Raya Trustees Berhad Skim Amanah Saham Bumiputera	28,714,000	3.38
4	HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Lux for Aberdeen Global	17,955,600	2.11
5	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (BNYM as E&A)	12,449,445	1.47
6	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLTOD67)	12,195,051	1.44
7	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Resident USA-2)	10,899,000	1.28
8	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	8,452,120	0.99
9	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustee Berhad for Public Ittikal Fund (N14011970240)	7,831,330	0.92
10	HSBC Nominees (Asing) Sdn Bhd BNY LUX for Invesco Funds	7,590,000	0.89
11	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund W4B3 for Wasatch Emerging Markets Small Cap Fund	6,559,757	0.77
12	HSBC Nominees (Asing) Sdn Bhd BBH (LUX) SCA for The Genesis Emerging Markets Investment Company	6,470,473	0.76
13	HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC for Saudi Arabian Monetary Agency	6,176,100	0.73
14	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund 1LNO for The Genesis Group Trust Employee Benefit Plans	5,849,847	0.69
15	Amanah Raya Trustees Berhad Public Islamic Dividend Fund	5,330,800	0.63
16	Loke Wan Yat Realty Sdn Bhd	5,163,148	0.61

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ANALYSIS OF SHAREHOLDINGS (CONTINUED)

AS AT 21 MARCH 2013

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS (continued)

(According to Register of Depositors as at 21 March 2013)

No.	Names	Shareholdings No.	%
17	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon Acct)	5,094,906	0.60
18	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)	4,389,040	0.52
19	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) SCA for Fidelity Funds Asian Special Situations	4,299,500	0.51
20	Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	4,099,660	0.48
21	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A)	3,958,720	0.47
22	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.A.E)	3,913,435	0.46
23	Malaysia Nominees (Tempatan) Sendirian Berhad Lee Foundation, States of Malaya (00-00197-000)	3,763,620	0.44
24	Amanah Raya Trustees Bhd Public Islamic Select Enterprises Fund	3,424,300	0.40
25	Amanah Raya Trustees Berhad Public Islamic Sector Select Fund	3,290,800	0.39
26	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Wisdomtree Emerging Markets Equity Income Fund	3,037,527	0.36
27	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Wisdomtree Emerging Markets Smallcap Dividend Fund	2,962,400	0.35
28	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Saudi Arabia)	2,847,900	0.34
29	Amanah Raya Trustees Berhad Public Islamic Equity Fund	2,619,200	0.31
30	Kumpulan Wang Persaraan (Diperbadankan)	2,496,800	0.29
TOTAL		**687,751,017**	**80.94**

ANALYSIS OF SHAREHOLDINGS (CONTINUED)

AS AT 21 MARCH 2013

SUBSTANTIAL SHAREHOLDERS

(According to the Company's Register of Substantial Shareholders as at 21 March 2013)

Name	Place of Incorporation/ Nationality	Direct: No. of Ordinary Shares of RM1.00 each	Direct: Percentage of Share Capital %	Indirect: No. of Ordinary Shares of RM1.00 each	Indirect: Percentage of Share Capital %
Associated International Cement Limited ("AIC")	United Kingdom	433,344,693	51.00	-	-
Blue Circle International Holdings BV ("BCIH")	Netherlands	-	-	(1) 433,344,693	51.00
Lafarge International Holdings Limited ("LIHL")	United Kingdom	-	-	(2) 433,344,693	51.00
Lafarge Finance Ltd ("LFL")	Jersey	-	-	(3) 433,344,693	51.00
Lafarge Building Materials Limited ("LBML")	United Kingdom	-	-	(4) 433,344,693	51.00
Financiere Lafarge S.A. ("FLSA")	France	-	-	(5) 433,344,693	51.00
SOFIMO *	France	-	-	(6) 433,344,693	51.00
Lafarge S.A. ("Lafarge")	France	-	-	(7) 433,344,693	51.00
Employees Provident Fund Board ("EPF")	Malaysia	63,471,845	7.47	(8) 5,053,500	0.60

* *Societe Financiere Immobiliere et Mobiliere*

Notes :

(1) BCIH : Deemed interest by virtue of its 100% shareholding in AIC.

(2) LIHL : Deemed interest by virtue of its 100% shareholding in BCIH.

(3) LFL : Deemed interest by virtue of its shareholding in LIHL.

(4) LBML : Deemed interest by virtue of its shareholding in LIHL and LFL.

(5) FLSA : Deemed interest by virtue of its 100% shareholding in LBML.

(6) SOFIMO : Deemed interest by virtue of its 100% shareholding in FLSA.

(7) Lafarge : Deemed interest by virtue of its 100% shareholding in SOFIMO.

(8) EPF : Held through Aberdeen Asset Management, CIMB-Principal Asset, Hwang DBS Investment and Amundi Malaysia.

TOP 10 LIST OF PROPERTIES

AS AT 31 DECEMBER 2012

	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	28	33,151
2	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	37	27,523
3	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	-	19,945
4	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	-	18,749
5	No. 2, Jalan Kilang, Petaling Jaya 46050 Selangor Darul Ehsan	6 acres	Leasehold expiring in 2068	Office complex	Dec 1998	27	16,764
6	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	22	11,489
7	Lot No. 1956 Rawang, Selangor Darul Ehsan	49 acres	Leasehold expiring in 2056	Cement factory complex and ancillary buildings	Dec 1998	13-37	8,982
8	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	15	7,935
9	Lot Nos. 3546 to 3548, 3551, 3554, 3555 & 3557 to 3560 Rawang, Selangor Darul Ehsan	105.83 acres	Freehold	Agricultural land	Dec 1998	-	6,936
10	Lot No. 1957 Rawang, Selangor Darul Ehsan	57 acres (Total gross floor area of buildings: approximately 46,893 sq ft)	Leasehold expiring in 2056	Employees' quarters comprising 6 bungalows and 24 units single storey houses	Dec 1998	37	6,639

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 63rd Annual General Meeting of LAFARGE MALAYAN CEMENT BERHAD will be held at Saujana Ballroom, Ground Floor, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on 23 May 2013 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 2012.	
2.	To re-elect Bradley Mulroney 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 Christian Herrault as a Director of the Company under Article 91 of the Articles of Association of the Company.	**Resolution 2**
4.	To re-elect Louis Chavane as a Director of the Company under Article 91 of the Articles of Association of the Company.	**Resolution 3**
5.	To re-appoint Michel Rose who retires in accordance with Section 129 of the Companies Act, 1965 as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting.	**Resolution 4**
6.	To re-appoint Saw Ewe Seng who retires in accordance with Section 129 of the Companies Act, 1965 as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting.	**Resolution 5**
7.	To re-appoint Deloitte & Touche as Auditors for the ensuing year at a remuneration to be determined by the Directors.	**Resolution 6**
As Special Business		
	To consider and, if thought fit, to pass the following Resolutions:	
	Ordinary Resolution	
8.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("Recurrent RPTs").	**Resolution 7**
	Ordinary Resolution	
9.	Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback").	**Resolution 8**
	Special Resolution	
10.	Proposed Amendment to the Articles of Association of the Company ("Proposed Amendment").	**Resolution 9**
	Special Resolution	
11.	Proposed change of name of the Company ("Proposed Change of Name").	**Resolution 10**
	(For the full text of the Ordinary Resolutions on Items 8 and 9, and Special Resolutions on Items 10 and 11 (Resolutions 7, 8, 9 and 10), please refer to the Circular to Shareholders dated 24 April 2013 for the Proposed Recurrent RPTs Mandate, the Share Buyback Statement, Statement to Shareholders in relation to the Proposed Amendment and Statement to Shareholders on the Proposed Change of Name, which are enclosed with the Annual Report of the Company for the financial year ended 31 December 2012).	

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NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

AGENDA (continued)

As Ordinary Business

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

By Order of the Board

Koh Poi San (L.S. No. 9701)
Katina Nurani Binti Abd Rahim (L.S. No. 9652)
Company Secretaries

Petaling Jaya
Selangor Darul Ehsan
24 April 2013

Explanatory Notes on Special Business

For Ordinary Resolutions 7 and 8, and Special Resolutions 9 and 10, please refer to the Circular to Shareholders for the Proposed Recurrent RPT Mandate, the Share Buyback Statement, Statement to Shareholders in relation to the Proposed Amendment and Statement to Shareholders on the Proposed Change of Name, all dated 24 April 2013 despatched together with the Company's Annual Report for the financial year ended 31 December 2012.

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.
2. 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.
3. 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.

FORM OF PROXY

LAFARGE MALAYAN CEMENT BERHAD (1877-T)
(Incorporated in Malaysia)

I/We ____
(Full name in block letters)

of ____
(Address)

being a member/members of **LAFARGE MALAYAN CEMENT 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 63rd Annual General Meeting of the Company to be held on 23 May 2013 at 10.00 a.m. at Saujana Ballroom, Ground Floor, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan and at any adjournment thereof, and to vote as indicated below:-

NO.	RESOLUTION	FOR	AGAINST
	ORDINARY BUSINESS		
1.	Re-election of Bradley Mulroney under Article 85		
2.	Re-election of Christian Herrault under Article 91		
3.	Re-election of Louis Chavane under Article 91		
4.	Re-appointment of Michel Rose under Section 129 of the Companies Act, 1965		
5.	Re-appointment of Saw Ewe Seng under Section 129 of the Companies Act, 1965		
6.	Re-appointment of Auditors		
	SPECIAL BUSINESS		
7.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("Recurrent RPTs")		
8.	Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback")		
9.	Proposed Amendment to the Articles of Association of the Company ("Proposed Amendment")		
10.	Proposed change of name of the Company ("Proposed Change of Name")		

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	

SEAL

Signed this _________ day of ____________________ 2013.

Signature: ________________________________

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.
2. 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.
3. 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.

Fold this flap for sealing

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Affix
Stamp

LAFARGE MALAYAN CEMENT BERHAD (1877-T)
(Incorporated in Malaysia)

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

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47400 Petaling Jaya
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LAFARGE