ANNUAL REPORT

2011

LAFARGE MALAYAN CEMENT BERHAD

Sustainable Solutions to Build Malaysia Together

LAFARGE

bringing materials to *life* ™

SUSTAINABLE SOLUTIONS TO BUILD MALAYSIA TOGETHER

Our planet needs sustainability. Lafarge has set out to play a leadership role to secure a sustainable future as we are committed to act as a responsible industrial player wherever we operate. We produce high quality materials to meet the needs of customers and communities. We are also working towards reducing our environmental footprint, contribute to energy efficiency in buildings, optimise the cost of construction and play a part to wider initiatives in the society.

Photo Credits
Artist's impression of KLIA 2 courtesy of Malaysia Airports

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"The cement, concrete and aggregates businesses remain a localised business and our focus remains in the domestic market."

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

MARKET REVIEW

The Malaysian economy was resilient especially during the first three quarters of 2011, slowed down slightly in the fourth quarter and closed the year at 5.1%. The euro zone debt and the United States situation continued to place uncertainties on the global economy. The Malaysian Government is continuing efforts to boost domestic demand while exports, particularly of electronics, remain a significant driver of the economy.

The cement, concrete and aggregates businesses remain a localised business and our focus remains in the domestic market. As our cement capacity is in excess of domestic demand, we have continued to export our excess supply.

On the domestic front, demand growth improved while the export market was relatively flat due to the current global economic situation.

FINANCIAL PERFORMANCE

Revenue for the year grew by 9.8% from RM2.325 billion in 2010 to RM2.553 billion in 2011. This is attributed to higher domestic demand for all our product lines, improved performance of our ready-mixed business and better cement plant performance. Operating margin remained stable at 15.1%. With the exhaustion of reinvestment allowances, the effective tax rate in 2011 was higher at 23.4% compared to 15.7% in 2010. Despite higher tax, our profit after tax improved by 9.1% to RM317.6 million in 2011.

The company continued to generate a strong net cash flow from its operating activities in 2011 of RM425.1 million.

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 2011. It is my pleasure to inform the shareholders that the Board of Directors has declared a fourth interim single-tier dividend of 10 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2011 payable on 12 April 2012. Total dividend payout in respect of the financial year ended 31 December 2011 amounted to RM288.9 million which represents a payout ratio of 90.9%. We do not propose any final dividend for the financial year ended 31 December 2011.

PROSPECTS

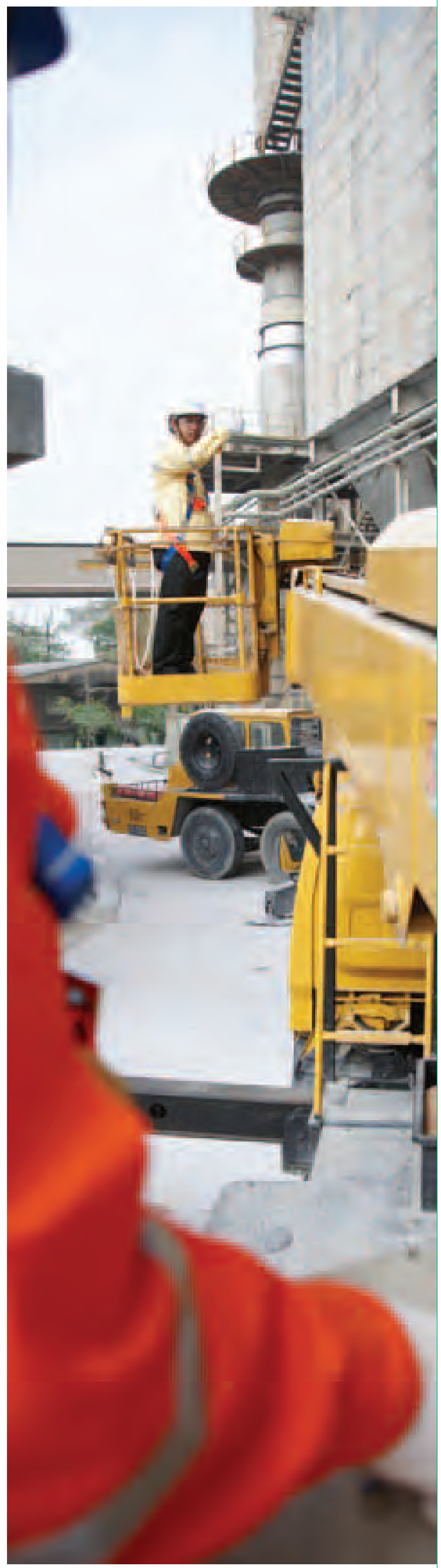
We anticipate continued growth in construction activities in 2012, underpinned by higher investments and infrastructure development projects, which can largely be attributed to the Government's Economic Transformation Programme (ETP) and the 10th Malaysia Plan (10MP). Under the ETP and 10MP, there will be a total of 131 entry point projects and these include infrastructure projects such as a new Mass Rapid Transit line, MATRADE Centre and the Kuala Lumpur International Financial District. We are therefore optimistic of continued stable growth in domestic cement demand and our revenue going forward.

BOARD CHANGES AND ACKNOWLEDGEMENT

There have been several changes to our Board during the year. Encik Md Yusof bin Hussin was appointed Chairman of the Audit Committee following the retirement of Mr Chan Hua Eng on 25 May 2011. Mr Jean-Jacques Gauthier resigned on 25 May 2011. Ms Bi Yong Chungunco resigned as President & Chief Executive Officer on 1 February 2012 to assume a senior position with Lafarge S.A. in Paris and she is replaced by Mr Bradley Mulroney on the same date. Mr Chen Theng Aik, currently the Executive Vice President & Chief Financial Officer, was appointed Executive Director on 1 February 2012 to fill the vacancy left by Mr Yeoh Khoon Cheng on 1 August 2011. Mr Isidoro Miranda has indicated his intention to resign as director and vice chairman of the Company at the conclusion of the forthcoming Annual General Meeting in May 2012. Mr Saw Ewe Seng has indicated his intention to step down as director of the Company and will not be seeking re-appointment at the forthcoming Annual General Meeting in May 2012. Mr Saw Ewe Seng, who is a member of the Audit Committee and Remuneration and Nomination Committee, has been with the Board since 2000, and prior to that, was with the Group since 1964 until his retirement in September 2000 and has contributed significantly to the Group for over 48 years. Mr Martin Kriegner, who is due for retirement by rotation at the forthcoming Annual General Meeting, will also not be seeking for re-election. On behalf of the Board of Directors, I would like to thank all the directors for their contribution to the company and welcome Mr Chen 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



"We have reorganised our business in the first quarter of 2012 to enable us to be more focused on our customers and market needs."

Bradley Mulroney
President & Chief Executive Officer

Dear Shareholders,

We experienced strong demand for all of our product lines in Peninsular Malaysia in 2011. This drove an increase in our revenue by 9.8% from RM2.325 billion in 2010 to RM2.553 billion in 2011. Our operating profit grew from RM362.4 million in 2010 to RM417.0 million in 2011. The higher operating profit was driven by an improved performance of our ready-mixed business, coupled with an increase in cement sales volumes and better plant performance, offset by a sharp increase in fuel and energy costs which we were unable to fully recover through price increases.

We also saw an improvement in the performance of our associated ready-mixed business in Singapore which further contributed to our improvement in profit before tax.

HEALTH & SAFETY

We continue to strive for a zero incident environment for all of our employees, contractors and stakeholders. Unfortunately, we experienced a fatality involving one of our contractors in 2011. We will not be satisfied until such time as we achieve our zero incident goal, in terms of fatalities, lost time incidents and medical injuries.

As a concerned company and road users ourselves, we were alarmed with the rising trend of road accidents especially during the festive period. In line with the various measures taken by the Ministry of Transport to prevent and reduce road accidents, the company launched the Road Safety Campaign at PLUS Expressways Toll Plazas with the objective to create road safety awareness and remind motorists to drive safely. The Road Safety Campaign is part of our corporate social responsibility programme to enable us to reach out to the community. More than forty of our employees volunteered their time to distribute road safety brochures to motorists during Malaysia Day on 16 September 2011.

In 2011 also, we initiated the Road Safety Ambassador programme among our transporters' drivers to motivate them to strive for excellence and be a safe driver. A total of 81 drivers were selected as "Lafarge Road Safety Ambassadors".

To promote health among our employees, a LMC Running Team was set up where proper training was given on how to run correctly as well as Running Boot Camp to boost their cardio fitness. Fourteen teammates signed up under the programme and successfully completed their first run at the Standard Chartered Kuala Lumpur Marathon in June 2011. Due to the increased interest, a second batch was open and together with the first batch, a total of 24 teammates completed the Putrajaya Night Marathon in October 2011 with great results. The LMC Running Team is still active and currently training intensively for a hike up Mount Kinabalu under the company banner.

PEOPLE DEVELOPMENT

At Lafarge, we continue to build a learning culture and develop the skills of our people to undertake their tasks and work.

The Lafarge Plant Operating Model (POM) programme defines a set of coherent principles, processes, procedures and tools that enable a given organisation to function effectively and efficiently. The Operating Model focuses on the critical elements of a business in order to produce safely and reliably and at optimum cost. After the successful implementation of POM at Kanthan Plant, we have rolled out the programme to our Rawang and Langkawi Plants with the aim of enhancing the performance efficiency of each plant by creating a competent, motivated and qualified team that runs the plants professionally using proven work processes on a continuous basis.

In February 2012, 18 young engineers graduated from a two-year Cement Professional Development Programme which exposes them to all aspects of our industrial operations and it is structured to include on-the-job training, training sessions, individual work assignments and formal coaching by their immediate supervisors. They were the sixth batch of young engineers enrolled in the "Lafarge Young Engineers Programme" which was launched in 2004. Currently, we have 43 engineers in the pool and we are focusing on character and team building to enhance the confidence level and to develop these young engineers to build their career and visibility within the organisation.

Our sales team are our front-liners serving our customers and it is necessary that we provide the necessary skills for them to continuously service our customers better. We have structured relevant workshops and training sessions to assist our sales team to achieve their fullest potential. In March 2011, we started the first phase of the sales competency project for our ready-mixed sales force with the support of the Lafarge Group's Learning & Development using the Group's tools and principles which has been adapted to the needs of Malaysia.

CUSTOMER SATISFACTION

Our customers are key to our success and fulfilling customers' requirements is one of LMC's top priorities. Thus, a newly developed web-based Customer Portal that is more user-friendly and convenient has been created to meet our customers' needs. The new Customer Portal which offers much more than just placing a cement order was launched during the Distributors' Night on 20 May 2011. With the implementation of the Customer Portal, we will distinguish ourselves in the marketplace with a customer tool that surpasses current competitive offerings in terms of functionality and usability. This tool is efficient in allowing our customers to manage current and forward cement orders with live updates on cement stock availability by product and brand.

We have held a number of technical seminars, bringing together contractors, engineers, architects along with our own technical experts to look at the challenges and trends of the construction industry in Malaysia and to develop new solutions for our customers. We have launched Agilia, a self-compacting self-levelling concrete and Artevia, a decorative concrete developed in our Research & Development (R&D) facilities in France to meet these new trends.

I am proud to inform you that we were among the first cement companies to receive the SIRIM Eco-Label for two of our cement products bearing the registration numbers EL000001 and EL000003. Our industrial and technical teams worked hard to ensure that our product quality is consistent with the requirements of the labels. Besides the SIRIM Eco-Label, the innovative and eco-friendly Mascrete LH and Phoenix also received the Green Label certification awarded by the Singapore Environment Council and Green Building Product certification awarded by the Singapore Green Building Council.

CORPORATE RESPONSIBILITY

Corporate responsibility has always been an integral part of Lafarge Malayan Cement's sustainable development initiatives. We are committed to protect the environment and conduct ourselves responsibly in the communities in which we live as well as work, while meeting the requirements for construction that society demands of us today.

As part of our core values and success of the business, we have an essential role to play in finding new ways of meeting present and future needs that are more socially and environmentally sustainable.

Recognising this, we continue to work closely with our local stakeholders by understanding and partnering with them to bring long-term benefits to the surrounding areas where we operate and reinforcing the presence of our value-adding operations.

We are involved in a broad spectrum of corporate responsibility initiatives such as education, voluntarism and social unity, health & safety and sustainable community development.

MOVING FORWARD

We can see a visible shift in the construction trends within Malaysia towards sustainable solutions. The consumer of tomorrow is much more discerning in terms of their requirements. In response to this shift, we have reorganised our business in the first quarter of 2012 to enable us to be more focused on our customers and market needs. We have a great team here in Malaysia with an excellent network of assets, and this combined with Lafarge's global experience including its world class R&D facilities and technical support provides the ideal platform to deliver sustainable solutions to build Malaysia together.

Our partnership with the Malaysia Airports Authority for the exclusive supply of concrete and cement to the new low-cost carrier terminal (KLIA2) is an example of the recognition of our strengths as a technical, service and solution provider for large scale projects. This positions us well for the infrastructure projects associated with the Economic Transformation Programme (ETP) and the 10th Malaysia Plan (10MP).

These projects, combined with our existing strength in providing innovative solutions for all our customers, regardless of size, will allow us to maintain our leadership in the industry.

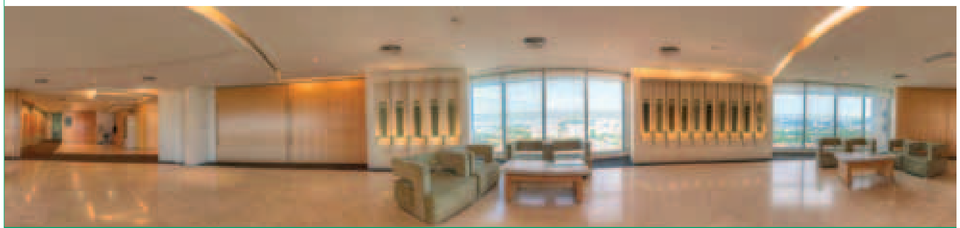
ACKNOWLEDGEMENT AND APPRECIATION

I would like to thank all our management and teammates for their hard work and contributions in 2011. To our customers, I would like to thank you for the trust and confidence that you have placed in us and we look forward to providing you with the solutions of tomorrow. I would also like to thank our communities for their understanding and for working alongside us. To our shareholders, I would like to assure you that we will continue in our efforts to strengthen your company.

I look forward to working with all of you, our stakeholders, in building Malaysia together.

Bradley Mulroney
President & Chief Executive Officer

CORPORATE INFORMATION



COMPANY SECRETARIES

Seet Hooi Ping - L.S. No. 9415
Katina Nurani binti Abd Rahim - L.S. No. 9652

REGISTERED OFFICE

Lafarge Malayan Cement Berhad
Level 12, Bangunan TH Uptown 3
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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)

Isidoro Miranda
Non-Executive Director (Vice Chairman)

Bradley Mulroney
Executive Director (President & Chief Executive Officer)

Chen Theng Aik
Executive Director (Executive Vice President & 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

Michel Rose
Non-Executive Director

Martin Kriegner
Non-Executive Director

Y.A.M. TUNKU TAN SRI IMRAN IBNI ALMARHUM TUANKU JA'AFAR

DKYR, PSM, SPNS, AMN, PJK
Independent Non-Executive Director
(Chairman)
Age 64, 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.

ISIDORO MIRANDA

Non-Executive Director
(Vice Chairman)
Age 53, Spaniard

Appointed as Non-Executive Director of the Company on 17 August 2007. He graduated with a degree in Mechanical Engineering and a PhD in Applied Mechanics from Navarre University, Spain in 1982 and 1985 respectively. He was a Senior Scholar from Standford University in 1986 and obtained his MBA from Insead in 1989. Following his earlier career in engineering and consultancy, he joined Lafarge S.A. in 1995 as Vice President, Group Strategies Studies. He was appointed Chief Executive Officer of Lafarge Asland, Spain from 1998 to 2001. He was later appointed as Executive Vice President Cement Division, Lafarge S.A. and was also a member of the Executive Committee from 2001 to 2003. From 2003, he was appointed as Group Executive Vice President & President, Gypsum Division where he served until his appointment as Group Executive Vice President and Co-President Cement Division in September 2007.

CHEN THENG AIK

Executive Director
(Executive Vice President &
Chief Financial Officer)
Age 46, 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 & Chief Financial Officer.

BRADLEY MULRONEY

Executive Director
(President & Chief Executive Officer)
Age 49, British

An Executive Director of the Company since July 2009 and appointed as President and Chief Executive Officer on 1 February 2012 and as of 1 April 2012, he assumed the position as Country CEO of Malaysia. 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.

TAN SRI A. RAZAK BIN RAMLI

Senior Independent Non-Executive Director
Age 63, Malaysian

An Independent Non-Executive Director since November 2004 and appointed as Senior Independent Non-Executive 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. He was appointed Chairman of the Cement & Concrete Association of Malaysia on 22 June 2005. 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 73, 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.

MD YUSOF BIN HUSSIN

Independent Non-Executive Director
Age 62, 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 Glenealy Plantations (Malaya) Berhad, 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.

MICHEL ROSE

Non-Executive Director
Age 69, French

Appointed as Non-Executive Director on 18 February 2002. 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.

MARTIN KRIEGNER

Non-Executive Director
Age 50, Austrian

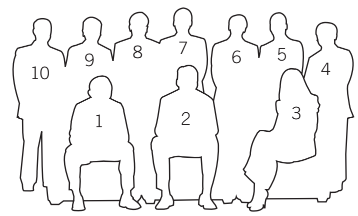
Appointed as Non-Executive Director of the Company on 14 November 2008. He graduated with a Doctorate of Law from University of Vienna in 1985 and obtained his MBA from University of Economics in Vienna in 1990. He joined the Group in 1990 as Assistant to the CEO of Lafarge Perlmooser AG, Austria and was named Chief Financial Officer in 1995. He was later appointed as the Chief Executive Officer in 1998.

In 2002, he assumed the role of Chief Executive Officer of Lafarge India Ltd, India. In October 2005, he was appointed as the Regional President, Cement – Asia of Lafarge Asia Sdn Bhd (Regional Office at Kuala Lumpur) and later as the Regional President, Cement - South West Asia on 1 November 2008. Recently, he was appointed as the Country CEO of India. He is a member of the Remuneration and Nomination 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



1. **Chen Theng Aik**
   (Executive Vice President &
   Chief Financial Officer)

2. **Bradley Mulroney**
   (President & Chief Executive Officer)

3. **Seet Hooi Ping**
   (Vice President, Human Resources)

4. **Paul Yap Poh Onn**
   (Vice President, Supply Chain)

5. **Younes Alaoui**
   (Senior Vice President, Concrete)

6. **Jim Ruxton**
   (Senior Vice President,
   Industrial Operations)

7. **Choong Ju Tang**
   (Vice President, Industrial Sales)

8. **Vigneswaran Velautham**
   (Vice President, Aggregates)

9. **Yeap Khoon Cheun**
   (Vice President, Retail Sales)

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

Lafarge recognises the importance of being a "good neighbour" to all of our communities. We strive to provide more than just the immediate employment and economic benefits that our operations bring. We want to actively participate in all aspects of our surrounding communities and to improve the quality of life for all.

EDUCATION

Education enables society to obtain knowledge, develop skills and nurture values necessary in a highly competitive and globalised world impacted by rapid development in science, technology and information. It is a top priority for Malaysia to achieve developed nation status, as laid out in its Vision 2020.

Recognising this, Lafarge Malayan Cement is proud to be playing a significant role in investing in tomorrow's generation by promoting academic excellence and assisting needy students through Lafarge Malayan Cement's Schools Project, increasing students' knowledge through the sponsorship of newspapers and enhancing the quality of students' school life by providing them an improved ambience to study and interact.

Schools Project

The Schools Project, which was launched in 1997, covering 29 schools in Rawang, Selangor; Kanthan, Perak; Pasir Gudang, Johor; and Langkawi, Kedah does not only honour deserving talents but also to assist needy students through Bursaries and Excellence Awards. Students, from primary through secondary, are provided with monetary rewards.

In 2011, a total of 280 students benefited from the initiative with 192 students awarded the Lafarge Malayan Cement's Bursary Awards and 88 students received the Excellence Awards.

Since the inception of the project, it has provided assistance to more than 2,500 students nationwide.

Newspaper in Education

During the year, Lafarge Malayan Cement sponsored 5,000 copies of "Akhbar dalam Pembelajaran" or "ADaP" (Newspaper in Education), to the six schools under the Schools Project in Pasir Gudang, Johor. ADaP is the educational insert of Utusan Malaysia, which features guidelines and samples of questions for students sitting for "Ujian Penilaian Sekolah Rendah" (Primary School Evaluation Test), Penilaian Menengah Rendah" (Lower Secondary Assessment) and "Sijil Pelajaran Malaysia" (Malaysian Certificate of Education).

Improve School Facilities for the Benefit of Students

There are about 50 students at Sekolah Menengah Kebangsaan Pasir Gudang 2 with special needs, ranging from learning disabilities to physical disabilities. To help these students to develop skills to enable them to be independent when they come of age, Lafarge Malayan Cement donated cement to the school to enable them to carry out some projects such as setting-up a car washing area, mushroom farming, launderette and landscaping facilities.

In May 2011, Lafarge Malayan Cement donated cash to Sekolah Kebangsaan Perigi Acheh in Pasir Gudang to build a platform in the school to enable activities and events to be carried out. The platform not only benefited the school but also the surrounding community.

VOLUNTARISM AND SOCIAL UNITY

Like any of the member of the community, it is imperative that wherever we operate, we strive to integrate ourselves into the local community to foster a closer relationship and contribute to its development and well-being.

As a reflection of our values, some of the main programmes carried out in 2011 are illustrated as follows:

Festive Celebration

On 22 January 2011, teammates at Rawang Plant celebrated the Thai Pongal or Harvest Festival with the children from Persatuan Kebajikan Sri Saradha Devi Illam, Rawang. The event was held at the company's clubhouse in Rawang where pots of boiling rice cooked in milk and brown sugar and left to spill-over to symbolise prosperity was the highlight of the celebration.

In conjunction with Maulidur Rasul (birthday of Prophet Muhammad S.A.W.) on 15 February 2011, teammates at Langkawi Plant and the local community marked the occasion with a parade starting from the teammates' housing quarters in Teluk Ewa and ending at Teluk Yu.

One of the annual activities at all our plants to reach out to the local community is to break fast or "Buka Puasa" during the month of Ramadan. Our teammates at Langkawi Plant and Rawang Plant held a breaking of fast with stakeholders consisting of teachers, local authorities and "Jawatankuasa Kemajuan dan Keselamatan Kampung" (JKKK) or village's development and safety committee on 15 August and 18 August respectively.

In conjunction with Deepavali, our teammates at Kanthan Plant visited the residents at Persatuan Orang Istimewa located in Sungei Siput, Perak on 21 October 2011, and celebrated the festive occasion with fun-filled activities and delicious food.

Enhancing the Lives of Orang Asli

In October 2011, Lafarge Malayan Cement partnered with CSI Leasing Malaysia Sdn Bhd to reach out to an Orang Asli Settlement in Kampong Tekir, Negri Sembilan. There are about 300 people in the community and they are in need of facilities. Lafarge Malayan Cement contributed cement to rebuild the fencing to the Orang Asli Community, refurbish the kiddie care-centre and build a library.

Extending Help to Colleagues of Natural Disaster

Tropical storm Washi hit the Philippines on 18 December 2011 leaving a trail of destruction that killed thousands of people and made scores of them homeless, including 30 of our own Lafarge employees and their families in the Philippines. Lafarge Malayan Cement's employees immediately initiated a donation drive to collect clothes, blankets and cash for the affected employees and its neighbouring communities.

A Cleaner Surrounding

On 6 April 2011, armed with brooms, rags and pails, teammates at Langkawi Plant rolled up their sleeves for a "gotong-royong" (co-operation among many people to attain a shared goal) at Teluk Yu to clean-up the surrounding areas.

In addition, the local community and teammates at Langkawi Plant gathered on 29 July 2011 to clean-up the burial grounds located at Teluk Ewa.

Create Awareness on Road Safety

Road safety is of particular concern at Lafarge Malayan Cement, as on a daily basis, our trucks cover more than 120,000 km to and from more than 800-1,000 delivery points. The distance travelled is equivalent to circling the earth's circumference three times in a single day!

As part of our corporate responsibility, Lafarge Malayan Cement organised a road safety campaign at the Damansara and Subang Toll Plazas on 16 September 2011. The desired objective is to create road safety awareness and remind motorists to drive safely and also distribute to them specially designed printed safety items with the theme "No to Road Accident". About 40 employees of Lafarge Malayan Cement, led by the President & Chief Executive Officer, volunteered in this unique awareness-raising campaign.

This safety initiative was also carried out at Langkawi, Kedah; Pasir Gudang, Johor and Rawang, Selangor.

At Langkawi, on 7 October 2011, our teammates, together with the local community, took part in a road safety walk and took the opportunity to distribute safety items to pedestrians.

In Pasir Gudang, the road safety campaign was held on 18 November 2011 and it was held near the entrance to Johor Port. More than 13 employees from Pasir Gudang Plant not only handed out goody bags consisting of safety items to motorists but also to remind them on safety.

On 9 December 2011, about 12 employees from Rawang Plant gathered at the Toll Plaza in Rawang to promote road safety to road users.

COMMUNITY DEVELOPMENT

Environmental Awareness

Lafarge Malayan Cement was one of the participating companies of the nature camp organised jointly with the Ministry of Natural Resources & Environment for secondary school students in Langkawi. The objective of the 2-day camp, held from 26 to 29 May 2011, was to create public awareness, especially to students, on the importance of preserving the environment.

Stakeholder Engagement

Building rapport with local stakeholders is fundamental to Lafarge Malayan Cement. During the year under review, we continued to establish collaborative relationships with our stakeholders living within the vicinity of our plants by constantly engaging them through regular meetings and dialogues to garner their views and feedback, and at the same time, responding to issues that are relevant to them and to our operations.

AWARDS AND RECOGNITION

Green Building Product Certification

Lafarge Malayan Cement was awarded the Singapore Green Building Product certification for Mascrete LH cement and Phoenix cement by the Singapore Green Building Council. We are the first cement company in Malaysia to win the double-certification; the Singapore Green Label certification by the Singapore Environment Council and the Singapore Green Building Product certification by the Singapore Green Building Council.

Innovative Award

In recognition of Lafarge Malayan Cement's commitment to sustainable development, it was awarded an Innovative Award for Sustainable Production of Building Materials by the Malaysian French Chamber of Commerce & Industry on 24 June 2011.

Green Initiatives Award

Lafarge Malayan Cement was recognised as a sustainable development leader and was presented the "Enterprise Governance Award 2011 for Green Initiative" by The Malaysian Business and the Chartered Institute of Management Accountants Malaysia on 27 September 2011.

SIRIM Eco-Label

On 21 November 2011, Lafarge Malayan Cement was one of the first Malaysian cement companies awarded the SIRIM Eco-Label for two of its cement products, Phoenix and Mascrete LH.

Health & Safety is Lafarge Malayan Cement's top operational priority. Our goal is to attain zero fatality and zero incident amongst our employees, contractors, transporters and stakeholders who are involved in our operations. We also aspire to be one of the safest companies in Malaysia and in the industry.

"Safety Our Way of Life" is our vision and we are reinforcing a culture where safety is a core value, where we respect each other, care for one another and excel in our undertakings.

To achieve our aim, we have put in place measures to strive for high levels of safety awareness by way of carrying out safe work practices, conducting site visits, reporting, educating and training, as well as attaining commitment from our employees and stakeholders. Although we have put in a lot of effort on safety, we are still not satisfied with our safety performance. We have put in place and set key indicators for improvements to ensure that all our employees, contractors and transporters are safe at all times be it at our plants, at customers' sites or on the road. To ensure continuous improvement, we learned from the incidents and set-up clear safety expectations and carry out follow-up to provide assurance, thorough tracking and reporting.

Although a lot of work on safety has been carried out, it is with deep regret that we experienced a fatality in 2011 which occurred at one of our customers' sites where a life was lost. It was also unfortunate that we suffered a Lost Time Injury related to truck operations on the road. We are fully aware of the need to deliver safe and productive operations. Although, we have made progress, however, there is room for improvement. Keeping our people safe is a company-wide effort, and our employees at Lafarge Malayan Cement (LMC) have been ingrained to think, act and work safe at all times.

During the year under review, in addition to the on-going safety initiatives such as Safety Month, Industrial Safety Conference, Lafarge Transporters' Safety Day, dialogues with contractors and suppliers, Contractors and Transporters Safety Assessment, several new safety initiatives were rolled out with the aim to elevate the employees and contractors awareness on our safety operational values and safety leadership. Some of these initiatives were:

A. REINFORCING SAFE BEHAVIOUR AT WORKPLACE

Across all our operations, we place great emphasis on Safety Observation and Safety Engagement to raise the awareness of job hazards and correct safety behaviours. In 2011, we trained Contractor Leaders and Employee Line Managers on Visible Felt Leadership to enable them to conduct effective safety conversation, coach and encourage employees and workers at the field to behave safely and follow safe work practices.

In addition, we launched a new Safety Recognition and Rewarding Policy to deliver positive reinforcement and acknowledgement for the involvement of employees and safe work behaviours.

Significant improvement is seen in the behaviour of employees and the way line managers approached their team at site. A key milestone has been achieved where all plants completed their major shutdowns with zero injury.

B. SAFETY AREA OWNERSHIP PROGRAMME

We believe that a clean environment improves safety and productivity at the workplace. During LMC's Safety Day in March, a programme known as Safety Area Ownership was launched with the objective to improve good housekeeping and compliance to Job Plan, Hazard Identification, Risk Assessment and Risk Control and Pre-job Meeting (JHP) process where each teammate is accountable and has ownership over specific areas in the plants.

C. "NO TO ROAD ACCIDENT" SAFETY CAMPAIGN

In line with the launch of the new Road Safety Advisories by Group, a "No to Road Accident" safety campaign was initiated at LMC in the beginning of the year. As safety is still an area of great concern, we have to work earnestly to improve safety at the workplace, on the road and wherever we are.

As a reminder to every employee to say "No to Road Accident", a screensaver based on the theme was designed for all employees to enable them to install the screensaver on their desktops/ computers. In addition, a "No to Road Accident" windscreen sticker was printed and distributed to all the employees for them to stick onto their cars.

Each employee was also given a safety vest for their use in the event of an emergency and the employees were advised to leave the vest in their cars for easy retrieval.

Our transporters' drivers have been recognised and rewarded for their good safety performance since 2005. As a mark of appreciation and recognition of these drivers for their excellence achievement in health and safety, the Road Safety Ambassador initiative was launched in 2011. The programme is designed to stimulate interest in accident prevention and to promote safety in the workplace and on the road. Eighty-one drivers were selected, recognised and awarded during the Lafarge Transporters' Safety Day held on 3 July 2011.

Some of the initiatives related to this campaign were defensive driving training for Lafarge employees and transporters' truck drivers, road hazard mapping, journey management and truck inspection.

D. SAFETY AT CUSTOMER SITE

With the objective to minimise risk of all truck drivers while delivering cement to customers' sites, the teams from Supply Chain and Sales together with the customers' representatives have assessed 100 sites. As a result of this assessment, some significant positive condition changes on the access route, loading point and silo dust collector system were carried out.

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 ("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 2011.

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 require 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 9 to 13 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 new 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 four 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 2011, the Board met on four occasions and the attendance record of each Director is as follows:-

Name	Attendance
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar	4/4
Isidoro Miranda	3/4
Bi Yong Chungunco	4/4
Saw Ewe Seng	4/4
Tan Sri A. Razak bin Ramli	4/4
Michel Rose	4/4
Martin Kriegner	4/4
Md Yusof bin Hussin	4/4
Bradley Mulroney	4/4
Yeoh Khoon Cheng *(resigned on 1 August 2011)*	2/2
Chan Hua Eng *(retired on 25 May 2011)*	1/2
Jean-Jacques Gauthier *(retired on 25 May 2011)*	0/2

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 meeting 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 delegates 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 three independent non-executive directors and one 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 2011 prepared pursuant to paragraph 15.15 of the Listing Requirements are set out in the Audit Committee report on pages 33 to 35 of this Annual Report.

2. The Remuneration and Nomination Committee

The Remuneration and Nomination Committee for the year ended 31 December 2011 comprised of two independent non-executive directors and one non-executive director after the resignation of Mr Chan Hua Eng, an independent non-executive director from the Remuneration and Nomination Committee. Tan Sri A. Razak bin Ramli is the Chairman of this Committee. During the year, Mr Martin Kriegner was appointed on 25 May 2011 as a member of this Committee in place of Mr Isidoro Miranda who resigned as a member on the same date.

The Committee met twice during the financial year and the attendance of each Director is set out below:

Name	Attendance
Tan Sri A. Razak bin Ramli *(Chairman)*	2/2
Mr Saw Ewe Seng	2/2
Mr Chan Hua Eng *(resigned on 25 May 2011)*	2/2
Mr Isidoro Miranda *(resigned on 25 May 2011)*	2/2
Mr Martin Kriegner *(appointed on 25 May 2011)*	0/0

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 Executive 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 of Association 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.

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. Based on the appraisal of the Committee, the Board believes that its current composition provides the required mix of skills and core competencies required for the Board to discharge its duties effectively.

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 re-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 the 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	-	#1,504,035	#518,593	#436,411	#2,523,143
Non-Executive Directors	^ 302,500	-	-	-	^ 302,500

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

^ Includes directors' fees paid to Mr Chan Hua Eng during his term as a Director. Mr Chan Hua Eng retired on 25 May 2011.

\# Includes salaries, other emoluments and benefits-in-kind paid to Mr Yeoh Khoon Cheng during his term as an Executive Director. Mr Yeoh Khoon Cheng resigned as an Executive Director on 1 August 2011.

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

Range of Remuneration	**Number of Directors** Executive	Non-Executive
RM50,001 to RM100,000	-	5
RM600,001 to RM650,000	1	-
RM1,850,001 to RM1,900,000	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 either attended or enrolled to attend 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 of the business and operations of the Group and the Company.

During the year, the various training programmes attended by Directors included in-house training on Competition Act 2010 and Competition Compliance Programme of the Lafarge Group, strategic planning and best practices in business development for 2012 and internal control and IT. External programmes attended by Directors include talks and seminars on corporate governance, financial reporting standards, IFRS 9 and financial instruments update and human rights and sustainability audit.

B. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDER

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, a newly appointed Executive Director and Executive Vice President & Chief Financial Officer (telephone: 603-7723 8200). The direct involvement of an executive director in investor relations reflects the commitment of the Board in providing high standards of transparency to its shareholders.

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 Review 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 statement, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been complied with.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgment and estimates. The Directors also have a general responsibility for taking such steps as is reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Board is further assisted by the Audit Committee to oversee the quality and processes of the financial reporting.

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 31 and 32 of this Annual Report provides an overview of the state of internal controls within the Group. 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. The work undertaken by the Audit Committee 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 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.

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 33 and 34 of this Annual Report.

Additional Compliance Statement

(a) Share Buyback

The Company did not undertake any share buyback during the financial year 2011. 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 2011 is RM172,000. 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 2011 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 22 February 2012.

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

- **Internal Audit**

  An 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. 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 22 February 2012.

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 four 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
Saw Ewe Seng	Independent Non-Executive Director	4/4
Chan Hua Eng *(resigned on 25 May 2011)*	Independent Non-Executive Director	1/2
Tan Sri A. Razak bin Ramli *(appointed on 25 May 2011)*	Senior Independent Non-Executive Director	1/2
Isidoro Miranda *(resigned on 25 May 2011)*	Non-Executive Director	0/2
Martin Kriegner *(appointed on 25 May 2011)*	Non-Executive Director	1/2

B. TERMS OF REFERENCE

Structure of the Audit Committee

The Audit Committee shall be appointed by the Board and shall comprise at least three 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 three 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 any employee. All employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent legal and professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this to be necessary.

Functions

i. To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;

ii. To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

iii. To review the quarterly and year-end financial statements of the Company, focusing particularly on:

- any change in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements;

iv. To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);

v. To review the external auditors' evaluation of the system of internal control, management letter and management's response;

vi. To do the following in relation to the internal audit function:

* Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
* Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
* Review any appraisal or assessment of the performance of members of the internal audit function;
* Approve any appointment or termination of senior staff members of the internal audit function; and
* Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

vii. To consider any related-party transactions and conflict of interest situation that may arise within the company or group;

viii. To consider the major findings of internal investigations and management's response; and

ix. To consider other topics as defined by the Board.

Meetings and Minutes

The Committee shall meet at least four times a year and the quorum for any meeting shall be two 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 two 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 quarterly unaudited financial results announcements prior to recommending them for approval by the Board.

External Audit

- Reviewed with external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB.

- Reviewed with external auditors the results of the audit and the audit report and in particular, reviewed accounting issues and significant audit adjustments arising from the external audit.

- Reviewed with external auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal accounting control.

- 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 the related parties 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 the sufficiency of the procedures for ensuring that the recurrent related party transactions are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.

- Reviewed the Report of the Audit Committee and recommended to the Board for inclusion in the 2011 Annual Report.

- Reviewed the Statement of Internal Control and recommended to the Board for inclusion in the 2011 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.

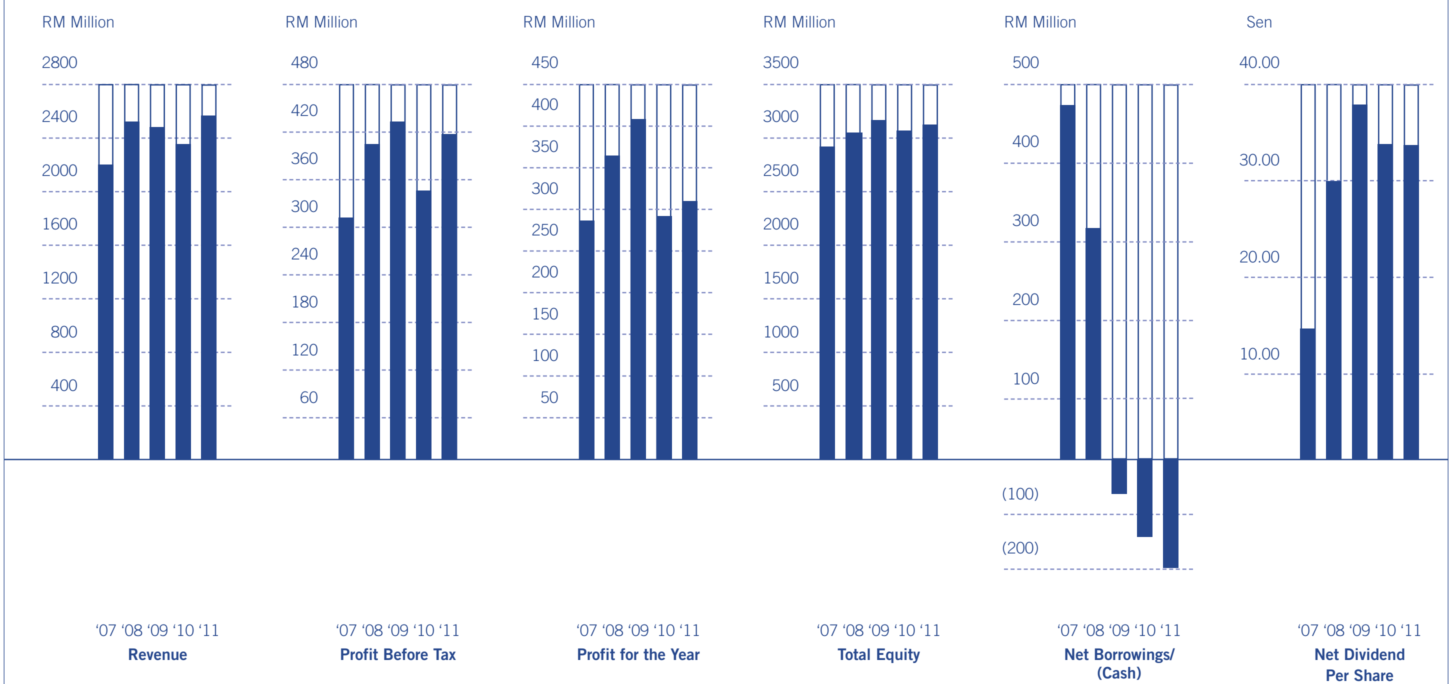
Risk assessment is carried out to examine the Group's business activities and the inherent risks. Audits are prioritised taking into consideration the assessment of the key risk areas.

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 31 and 32 of this Annual Report.

Five-Year Financial Statistics

	2007 (RM'000)	2008 (RM'000)	2009 (RM'000)	2010 (RM'000)	2011 (RM'000)
OPERATING RESULTS					
Revenue	2,173,532	2,530,771	2,483,106	2,324,888	**2,552,564**
Profit from operations	315,308	415,384	460,854	362,419	**417,002**
Profit before tax	318,134	397,772	441,914	345,397	**414,647**
Profit for the year	284,691	368,218	406,215	291,098	**317,647**
KEY DATA					
Share capital	849,695	849,695	849,695	849,695	**849,695**
Total equity	2,935,393	3,059,026	3,214,644	3,101,767	**3,125,074**
Net borrowings/(cash)	472,964	320,047	(54,245)	(156,932)	**(244,355)**
Net tangible assets	1,744,918	1,849,990	2,005,904	1,891,699	**1,915,303**
SHARE INFORMATION & FINANCIAL RATIOS					
Net gearing ratio (times)	0.16	0.10	-	-	**-**
Net tangible assets per share (RM)	2.05	2.18	2.36	2.23	**2.25**
Net earnings per share (EPS) (sen)	21.05	43.27	48.51	34.76	**37.41**
Net dividend per share (sen)	14.80	30.00	38.00	34.00	**34.00**
Share price (RM) - Year High	5.95	6.25	6.63	8.10	**7.99**
Share price (RM) - Year Low	1.22	2.28	3.10	6.06	**6.19**



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 2011.

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	414,647	387,787
Income tax (expense)/credit	(97,000)	77
Profit for the year	317,647	387,864
Profit/(Loss) attributable to:		
Owners of the Company	317,845	387,864
Non-controlling interests	(198)	-
	317,647	387,864

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

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

- a third interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM67.976 million declared on 29 November 2010 in respect of the financial year ended 31 December 2010 and dealt with in the previous Directors' Report was paid on 19 January 2011;

- 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 23 February 2011 in respect of the financial year ended 31 December 2010 and dealt with in the previous Directors' Report was paid on 14 April 2011;

DIVIDENDS (continued)

- 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 2011 amounting to RM67.976 million was declared on 24 May 2011 and paid on 13 July 2011;

- 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 2011 amounting to RM67.976 million was declared on 24 August 2011 and paid on 12 October 2011; 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 2011 amounting to RM67.976 million was declared on 22 November 2011 and paid on 13 January 2012.

The Directors on 22 February 2012 declared a fourth interim dividend of 10.0 sen single tier dividend per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2011 amounting to RM84.970 million, payable on 12 April 2012.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2011.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

DIRECTORS

The names of the Directors in office since the date of the last report are as follows:

Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar
Isidoro Miranda
Bradley Mulroney
Chen Theng Aik (appointed on 1 February 2012)
Saw Ewe Seng
Tan Sri A. Razak bin Ramli
Md Yusof bin Hussin
Michel Rose
Martin Kriegner
Bi Yong Chungunco (resigned on 1 February 2012)
Yeoh Khoon Cheng (resigned on 1 August 2011)
Chan Hua Eng (retired on 25 May 2011)
Jean-Jacques Gauthier (resigned on 25 May 2011)

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.

DIRECTORS' BENEFITS (continued)

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

DIRECTORS' INTERESTS

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

	No. of ordinary shares of RM1.00 each			
	Balance as of 1.1.2011	**Bought**	**Sold**	**Balance as of 31.12.2011**
Shares in the Company held by:				
Direct interest:				
Saw Ewe Seng	**16,500**	**-**	**-**	**16,500**
Indirect interest:				
Saw Ewe Seng	**33,000**	**-**	**(3,000)**	**30,000**

	No. of ordinary shares of € 4.00 each			
	Balance as of 1.1.2011	**Bought**	**Sold**	**Balance as of 31.12.2011**
Shares in the ultimate holding company, Lafarge S.A. held by:				
Direct interest:				
Isidoro Miranda	**28,923**	**400**	**-**	**29,323**
Martin Kriegner	**968**	**200**	**-**	**1,168**
Bi Yong Chungunco	**810**	**15**	**-**	**825**
Michel Rose	**16,000**	**-**	**-**	**16,000**
Bradley Mulroney	**274**	**2,100**	**-**	**2,374**

	No. of ordinary shares of PHP 1.00 each			
	Balance as of 1.1.2011	**Bought**	**Sold**	**Balance as of 31.12.2011**
Shares in other related company, Republic Cement Corporation, the Philippines, held by:				
Direct interest:				
Bi Yong Chungunco	**6,676**	**-**	**-**	**6,676**

DIRECTORS' INTERESTS (continued)

	No. of options over ordinary shares of € 4.00 each			
	Balance as of 1.1.2011	Granted	Exercised/ Expired	Balance as of 31.12.2011
Options over the ordinary shares of the ultimate holding company, Lafarge S.A. held by:				
Isidoro Miranda	153,126	-	(4,796)	148,330
Martin Kriegner	65,208	1,210	(5,000)	61,418
Bi Yong Chungunco	16,231	3,900	(525)	19,606
Michel Rose	100,762	-	-	100,762
Bradley Mulroney	38,302	6,300	-	44,602

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.

PERFORMANCE SHARES PLAN (continued)

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 1.1.2011	**Granted**	**Sold**	**Balance as of 31.12.2011**
Shares in the ultimate holding company, Lafarge S.A. in respect of Performance Shares Plan held by:				
Bradley Mulroney	**-**	**670**	**-**	**670**
Bi Yong Chungunco	**-**	**420**	**-**	**420**

EMPLOYEE SHARE PURCHASE PLAN

During the current financial year and in 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.

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.

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
22 February 2012

Statement by Directors

The Directors of **LAFARGE MALAYAN CEMENT BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

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
22 February 2012

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 22nd day of February 2012.

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 2011 and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 47 to 120.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia and for such internal control as the Directors determine are 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 the 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.

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 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows for the financial year then ended.

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 the subsidiaries of which we have not acted as auditors, as mentioned in Note 16 to the Financial Statements, being accounts that have been included in the financial statements of the Group;

(c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for these purposes; and

(d) the auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any adverse comment made under Sub-section (3) of Section 174 of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 42 to the Financial Statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

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

22 February 2012

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue	5	**2,552,564**	2,324,888	**399,137**	389,154
Cost of sales	5	**(1,833,052)**	(1,677,583)	**-**	-
Gross profit		**719,512**	647,305	**399,137**	389,154
Selling and distribution expenses	5	**(261,873)**	(235,931)	**-**	-
Administration expenses	5	**(64,173)**	(56,952)	**(4,401)**	(4,071)
Other expenses	5	**(11,121)**	(18,415)	**(1)**	(5,887)
Other income		**19,305**	12,180	**1,149**	4,564
Investment income	6	**8,905**	8,554	**-**	-
Interest income	6	**6,427**	5,902	**-**	-
Other gains and losses	7	**20**	(224)	**-**	-
Profit from operations		**417,002**	362,419	**395,884**	383,760
Finance costs	8	**(10,229)**	(10,817)	**(8,097)**	(8,758)
Share of results of associate	17	**7,874**	(6,205)	**-**	-
Profit before tax		**414,647**	345,397	**387,787**	375,002
Income tax (expense)/credit	9	**(97,000)**	(54,299)	**77**	(7,779)
Profit for the year	10	**317,647**	291,098	**387,864**	367,223
Other comprehensive (loss)/income					
Net value gains on available-for-sale financial assets		**36**	-	**-**	-
Exchange differences on translating foreign operations		**(1,437)**	(3,045)	**-**	-
Net value gains/(losses) on cash flow hedges		**188**	(708)	**307**	800
Defined benefits retirement plan actuarial (losses)/gains		**(4,118)**	(865)	**(104)**	3
Others		**(111)**	111	**-**	-
Other comprehensive (loss)/income for the year, net of tax		**(5,442)**	(4,507)	**203**	803
Total comprehensive income for the year		**312,205**	286,591	**388,067**	368,026
Profit/(Loss) attributable to:					
Owners of the Company		**317,845**	295,340	**387,864**	367,223
Non-controlling interests		**(198)**	(4,242)	**-**	-
		317,647	291,098	**387,864**	367,223
Total comprehensive income/(loss) attributable to:					
Owners of the Company		**312,392**	290,833	**388,067**	368,026
Non-controlling interests		**(187)**	(4,242)	**-**	-
		312,205	286,591	**388,067**	368,026
Earnings per ordinary share (sen)					
Basic and diluted	11	**37.41**	34.76		

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

Statements of Financial Position

AS OF 31 DECEMBER 2011

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**1,673,062**	1,763,888	**-**	163
Investment property	13	**3,568**	3,777	**-**	-
Prepaid lease payments on leasehold land	14	**118,827**	124,649	**-**	-
Intangible assets	15	**1,209,771**	1,210,068	**-**	-
Investment in subsidiaries	16	**-**	-	**2,264,449**	2,264,449
Investment in associate	17	**16,488**	9,601	**-**	-
Deferred tax assets	18	**2,444**	1,205	**-**	102
Other financial assets	19	**1,936**	2,111	**1,255**	1,255
Amount owing by a subsidiary	20	**-**	-	**9,433**	10,447
Total non-current assets		**3,026,096**	3,115,299	**2,275,137**	2,276,416
Current assets					
Inventories	21	**271,524**	261,133	**-**	-
Trade receivables	22	**320,705**	275,814	**-**	-
Other receivables and prepaid expenses	23	**35,784**	36,234	**929**	912
Amounts owing by holding and other related companies	24	**23,268**	23,517	**-**	-
Amounts owing by subsidiaries	20	**-**	-	**227,837**	239,238
Other financial assets	19	**49**	26	**-**	-
Current tax assets		**21,345**	20,884	**77**	2
Dividend receivable		**-**	-	**68,000**	68,000
Term deposits	25	**93,248**	128,909	**3,018**	-
Fixed income trust fund	36	**27,885**	30,083	**-**	-
Cash and bank balances	36	**231,171**	213,715	**6,866**	4,707
		1,024,979	990,315	**306,727**	312,859
Assets classified as held for sale	26	**-**	18,748	**-**	-
Total current assets		**1,024,979**	1,009,063	**306,727**	312,859
Total assets		**4,051,075**	**4,124,362**	**2,581,864**	**2,589,275**

Statements of Financial Position

AS OF 31 DECEMBER 2011 (continued)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	27	**849,695**	849,695	**849,695**	849,695
Reserves	28	**1,174,475**	1,175,810	**1,100,830**	1,100,523
Retained earnings	29	**1,084,159**	1,059,508	**286,112**	187,250
Equity attributable to owners of the Company		**3,108,329**	3,085,013	**2,236,637**	2,137,468
Non-controlling interests	30	**16,745**	16,754	**-**	-
Total equity		**3,125,074**	3,101,767	**2,236,637**	2,137,468
Non-current liabilities					
Borrowings	31	**1,707**	107,949	**-**	105,000
Retirement benefits	32	**51,280**	40,920	**873**	670
Deferred tax liabilities	18	**260,342**	283,076	**-**	-
Total non-current liabilities		**313,329**	431,945	**873**	105,670
Current liabilities					
Trade payables	33	**318,901**	293,075	**-**	-
Other payables and accrued expenses	34	**82,525**	96,670	**2,769**	3,693
Amounts owing to holding and other related companies	24	**12,997**	12,422	**-**	-
Amounts owing to subsidiaries	20	**-**	-	**168,609**	169,059
Borrowings	31	**106,242**	107,826	**105,000**	105,000
Other financial liabilities	35	**612**	998	**-**	409
Current tax liabilities		**23,419**	11,683	**-**	-
Dividend payable		**67,976**	67,976	**67,976**	67,976
Total current liabilities		**612,672**	590,650	**344,354**	346,137
Total liabilities		**926,001**	1,022,595	**345,227**	451,807
Total equity and liabilities		**4,051,075**	**4,124,362**	**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 2011

	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-controling interests RM'000	Total equity RM'000
As of 1 January 2010	849,695	1,067,199	33,968	33,798	44,209	-	278	1,164,390	3,193,537	20,996	3,214,533
Total comprehensive income/(loss) for the year	-	-	111	-	(3,045)	-	(708)	294,475	290,833	(4,242)	286,591
Dividends (Note 29)	-	-	-	-	-	-	-	(399,357)	(399,357)	-	(399,357)
As of 31 December 2010	849,695	1,067,199	34,079	33,798	41,164	-	(430)	1,059,508	3,085,013	16,754	3,101,767
As of 1 January 2011	**849,695**	**1,067,199**	**34,079**	**33,798**	**41,164**	**-**	**(430)**	**1,059,508**	**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**
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**	**33,968**	**33,798**	**39,716**	**36**	**(242)**	**1,084,159**	**3,108,329**	**16,745**	**3,125,074**

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

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

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
	← Non-distributable			→	Distributable	
As of 1 January 2010	849,695	1,067,191	33,639	(1,107)	219,381	2,168,799
Total comprehensive income for the year	-	-	-	800	367,226	368,026
Dividends (Note 29)	-	-	-	-	(399,357)	(399,357)
As of 31 December 2010/1 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	**849,695**	**1,067,191**	**33,639**	**-**	**286,112**	**2,236,637**

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

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	**414,647**	345,397	**387,787**	375,002
Adjustments for:				
Depreciation of property, plant and equipment	**151,271**	148,287	**61**	81
Allowance for inventory obsolescence	**13,260**	3,314	**-**	-
Finance costs	**10,229**	10,817	**8,097**	8,758
Amortisation of prepaid lease payments on leasehold land	**6,299**	7,228	**-**	-
Impairment loss recognised on trade receivables	**3,520**	2,885	**-**	-
Provision for retirement benefits	**6,649**	6,430	**99**	91
Property, plant and equipment written off	**2,915**	2,028	**-**	-
Amortisation of intangible assets	**297**	297	**-**	-
Depreciation of investment property	**43**	45	**-**	-
Share in results of associate	**(7,874)**	6,205	**-**	-
Interest income	**(6,427)**	(5,902)	**(1,407)**	(1,385)
(Gain)/Loss on disposal of:				
- property, plant and equipment	**(3,264)**	(946)	**(76)**	(143)
- assets classified as held for sale	**(376)**	-	**-**	-
- available-for-sale investments	**(38)**	6	**-**	-
- investment property	**(27)**	-	**-**	-
Reversal of impairment loss on trade receivables	**(2,563)**	(3,140)	**-**	-
Unrealised (gain)/loss on foreign exchange	**(1,540)**	1,179	**(1,073)**	5,884
Dividend income	**(812)**	(129)	**(397,730)**	(387,769)
Net unrealised (gain)/loss arising on:				
- financial liabilities classified as held for trading	**(82)**	305	**-**	-
- hedge ineffectiveness on cash flow hedges	**(15)**	(7)	**-**	-
- financial assets designated as at fair value through profit or loss	**(1)**	18	**-**	-
Loss on liquidation of a subsidiary	**-**	375	**-**	3
Impairment loss recognised on available-for-sale investments	**-**	6	**-**	-
Operating Profit/(Loss) Before Working Capital Changes	**586,111**	524,698	**(4,242)**	522
(Increase)/Decrease in:				
Inventories	**(23,528)**	9,814	**-**	-
Receivables	**(45,032)**	22,680	**(17)**	(369)
Amounts owing by holding and other related companies	**3,177**	(23,517)	**-**	-
Amounts owing by subsidiaries	**-**	-	**(35,230)**	(25,540)
Increase/(Decrease) in:				
Payables	**17,055**	14,426	**243**	209
Amounts owing to holding and other related companies	**(2,722)**	9,592	**-**	-
Amounts owing to subsidiaries	**-**	-	**(449)**	(108)

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2011 (continued)

	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Cash Generated From/(Used In) Operations		**535,061**	557,693	**(39,695)**	(25,286)
Retirement benefits paid		**(1,741)**	(4,376)	**-**	-
Income tax (paid)/refund		**(108,249)**	(57,320)	**2**	1,096
Net Cash From/(Used In) Operating Activities		**425,071**	495,997	**(39,693)**	(24,190)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(67,382)**	(51,982)	**-**	-
Proceeds from disposal of property, plant and equipment		**4,153**	2,855	**178**	143
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		**249**	90	**-**	-
Payments for prepaid lease		**(477)**	(2,455)	**-**	-
Purchase of quarry rights		**-**	(2,000)	**-**	-
Interest received		**6,427**	5,902	**1,407**	1,385
Dividends received		**2,028**	129	**397,730**	319,769
Tax paid at source on dividends received		**-**	-	**-**	(7,794)
Loan drawdown by a subsidiary		**-**	-	**(1,000)**	-
Loan repaid by subsidiaries		**-**	-	**49,718**	42,565
Net Cash (Used In)/From Investing Activities		**(35,346)**	(47,461)	**448,033**	356,068
CASH FLOWS USED IN FINANCING ACTIVITIES					
Repayment of borrowings		**(107,826)**	(143,501)	**(105,000)**	-
Interest paid		**(11,396)**	(12,371)	**(9,265)**	(10,311)
Dividends paid		**(288,898)**	(331,381)	**(288,898)**	(331,381)
Net Cash Used In Financing Activities		**(408,120)**	(487,253)	**(403,163)**	(341,692)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(18,395)**	(38,717)	**5,177**	(9,814)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(2,008)**	(2,097)	**-**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**372,707**	413,521	**4,707**	14,521
CASH AND CASH EQUIVALENTS AT END OF YEAR	36	**352,304**	372,707	**9,884**	4,707

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2011

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 22 February 2012.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

2.1 Adoption of New and Revised Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the new and revised Standards and Issues Committee Interpretations ("IC Int.") issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2011 as follows:

FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3)
FRS 2	Share-based Payment (Amendments relating to group cash-settled share-based payment transactions)
FRS 3	Business Combinations (revised)
FRS 5	Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell controlling interest in a subsidiary)
FRS 7	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments)
FRS 127	Consolidated and Separate Financial Statements (revised)
FRS 132	Financial Instruments: Presentation (Amendments relating to classification of rights issue)
FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3)
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to additional consequential amendments arising from revised FRS 3 and revised FRS 127)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.1 Adoption of New and Revised Financial Reporting Standards (continued)

Improvements to FRSs 2010

IC Int. 4	Determining whether an Arrangement contains a Lease
IC Int. 9	Reassessment of Embedded Derivatives (Amendments relating to additional consequential amendments arising from revised FRS 3)

The adoption of these new and revised Standards and IC Interpretations have not affected the amounts reported on the financial statements of the Group and of the Company except for those Standards and IC Interpretations as set out below. Details of other new and revised Standards and IC Interpretations applied in the financial statements of the Group and of the Company that have had no material effect on these financial statements are as set out in section 2.2.

In addition, on 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework") in conjunction with its planned convergence of FRSs with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board on 1 January 2012.

The MFRS Framework is a fully IFRS-compliant framework, equivalent to IFRSs which is mandatory for adoption by all Entities Other than Private Entities for annual periods beginning on or after 1 January 2012, with the exception for Transitioning Entities. Transitioning Entities, being entities which are subject to the application of MFRS 141 Agriculture and/or IC Interpretation 15 Agreements for the Construction of Real Estate are given an option to defer adoption of the MFRS Framework for an additional one year. Transitioning Entities also includes those entities that consolidates, equity accounts or proportionately consolidates an entity that has chosen to continue to apply the FRS Framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group and the Company which are not Transitioning Entities will be required to apply MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (MFRS 1) in their financial statements for the financial year ending 31 December 2012, being the first set of financial statements prepared in accordance with the new MFRS Framework. Further, an explicit and unreserved statement of compliance with IFRSs will be made in these financial statements.

The Group and the Company are currently assessing the impact of adoption of MFRS 1, including identification of the differences in existing accounting policies as compared to the new MFRSs and the use of optional exemptions as provided for in MFRS 1. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new MFRS Framework on the Group's and the Company's first set of financial statements prepared in accordance with the MFRS Framework cannot be determined and estimated reliably until the process is complete.

2.1.1 Standards and IC Interpretations Affecting Presentation and Disclosure only

Amendments to FRS 7 Financial Instruments: Disclosures (Improving disclosures about financial instruments)

The amendments to FRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

2.1.2 Standards and IC Interpretations Affecting Financial Performance and/or Financial Position

FRS 127 (revised in 2010) Consolidated and Separate Financial Statements

The application of FRS 127 (revised in 2010) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.1 Adoption of New and Revised Financial Reporting Standards (continued)

2.1.2 Standards and IC Interpretations Affecting Financial Performance and/or Financial Position (continued)

FRS 127 (revised in 2010) Consolidated and Separate Financial Statements (continued)

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under FRS 127 (revised in 2010), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

The adoption of the revised Standard has affected the accounting for the Group's additional acquisition of its interest in Morelastic Green Resources Pte. Ltd. in the current year. The change in policy has resulted in a transfer within equity amounting to RM178,000.

2.2 Standards and IC Interpretations Adopted with No Effect on Financial Statements

The following new and revised Standards and IC Interpretations have also been adopted in the financial statements of the Group and of the Company. The application of these new Standards and Interpretations has not had any material impact on the amounts reported in the financial statements of the Group and of the Company for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to FRS 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions	The amendments clarify the scope of FRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
Revised FRS 3 Business Combinations	Under the revised FRS 3, all acquisition-related costs are recognised as an expense in the profit or loss in the period in which they are incurred. All considerations transferred, including contingent considerations, are measured at fair value as at the acquisition date. Any equity interests held prior to the date control is obtained is remeasured at fair value, with the resulting gains or losses recognised in the profit or loss. There is now an option on a case to case basis to measure non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the net identifiable assets of the assets acquired. Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interests in the acquiree and the fair value at acquisition date of any previously held equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) at acquisition date.
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to FRSs issued in 2010)	The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Group is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

2.2 Standards and IC Interpretations Adopted with No Effect on Financial Statements (continued)

Amendments to FRS 132 Classification of Rights Issues	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to FRS 132, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.
Amendments to FRS 138 Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3)	The amendments clarify that an intangible asset acquired in a business combination might be separable, but only together with a related contract, identifiable asset or liability. The acquirer may recognise a group of complementary intangible assets as a single asset provided the individual assets have similar useful lives. The application of the amendments has had no effect on the amounts reported in the current year because the Group does not carry out any business combination activity.
Amendments to FRS 139 Financial Instruments Measurement (Amendments relating to additional consequential amendments arising revised FRS 3 and revised FRS 127)	The scope exemption applicable to the acquirer for contingent consideration contracts is now removed. The amendments did not have any financial impact on the Group as there was no business combination upon application of FRS 3 (revised 2010).
IC Int. 4 Determining whether an Arrangement contains a Lease	The Interpretation clarifies that when the fulfillment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, then the arrangement should be accounted for as a lease under FRS 117, even though it does not take the legal form of a lease.
IC Int. 9 Reassessment of Embedded Derivatives (Amendments relating to additional consequential amendments arising from revised FRS 3)	This amendment provides clarification that IC Interpretation 9 does not apply to embedded derivatives acquired via business combinations, and did not have any financial impact on the Group as there were no such embedded derivatives acquired during the financial year.
Improvements to FRSs issued in 2010	Except for the amendments to FRS 3, the application of Improvements to FRSs issued in 2010 has not had any material effect on amounts reported in the financial statements of the Group and the Company.

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 non-current assets and 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 FRS 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 FRS 112 Income Taxes and FRS 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 FRS 2 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Business Combinations (continued)

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.

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.

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.

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 <u>The Group as Lessor</u>

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Leasing (continued)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.13 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 6 January 2012.

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 FRS 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.

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..

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Employee Benefits (continued)

3.13.3 Share-Based Payments (continued)

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

During the current financial year, 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.

3.14.2 Deferred Tax

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Taxation (continued)

3.14.2 Deferred Tax (continued)

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

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

3.14.3 Current and Deferred Tax for the Period

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

3.15 Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation 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 are stated at their last revalued amounts less accumulated depreciation.

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%.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Investment Property (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Inventories (continued)

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.

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 timeframe 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 <u>Effective Interest Method</u>

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 <u>Financial Assets at FVTPL</u>

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (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 FRS 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial Instruments (continued)

3.21.4 AFS Financial Assets (continued)

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

3.21.5 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.21.6 Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable bonds classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial Instruments (continued)

3.21.6 Impairment of Financial Assets (continued)

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.21.7 Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.22 Financial Liabilities and Equity Instruments Issued by the Group and the Company

3.22.1 Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.22.2 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

3.22.3 Financial Liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

3.22.4 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.

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 FRS 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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Derivative Financial Instruments (continued)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2011 was approximately 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	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Sale of clinker, cement, ready-mixed concrete, aggregates and other building materials	**2,547,606**	2,322,706	**-**	-
Freight and chartering of vessels and jetty services	**4,958**	2,182	**-**	-
Gross dividend from unquoted investments in subsidiaries in Malaysia	**-**	-	**397,730**	387,769
Interest income:				
Loans to subsidiaries	**-**	-	**1,070**	949
Term deposits	**-**	-	**290**	387
Others	**-**	-	**47**	49
	2,552,564	2,324,888	**399,137**	389,154

5. REVENUE AND OPERATING COSTS (continued)

5.2 Operating Costs Applicable to Revenue

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Raw and packing materials and other consumables used and changes in inventories of finished goods	**1,626,391**	1,455,750	**-**	-
Depreciation and amortisation	**157,910**	155,857	**61**	81
Staff costs	**146,824**	138,523	**410**	429
Directors' remuneration	**5,112**	5,387	**2,899**	3,125
Others	**233,982**	233,364	**1,032**	6,323
	2,170,219	1,988,881	**4,402**	9,958

5.3 Staff Costs

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Wages, salaries and bonuses	**107,589**	98,451	**336**	380
Defined contribution retirement plans	**11,051**	9,980	**48**	25
Termination benefits	**542**	5,838	**-**	-
Defined benefit retirement plan	**6,445**	6,282	**26**	24
Other employee benefits	**21,197**	17,972	**-**	-
	146,824	138,523	**410**	429

5.4 Directors' Remuneration

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Directors of the Company				
Executive Directors:				
Salaries and other emoluments	**2,023**	2,172	**2,023**	2,172
Estimated money value of benefits	**436**	478	**436**	478
Defined contribution retirement plan	**64**	88	**64**	88
Defined benefit retirement plan	**73**	67	**73**	67
	2,596	2,805	**2,596**	2,805
Non-executive Directors:				
Fees	**303**	320	**303**	320
	2,899	3,125	**2,899**	3,125

5. REVENUE AND OPERATING COSTS (continued)

5.4 Directors' Remuneration (continued)

	Group		Company	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Directors of the Subsidiaries				
Executive Directors:				
Salaries and other emoluments	**1,758**	1,823	**-**	-
Estimated money value of benefits	**219**	246	**-**	-
Defined contribution retirement plan	**100**	112	**-**	-
Defined benefit retirement plan	**131**	81	**-**	-
	2,208	2,262	**-**	-
Non-executive Directors:				
Fees	**5**	-	**-**	-
	2,213	2,262	**-**	-
Total	**5,112**	5,387	**2,899**	3,125

6. INVESTMENT AND INTEREST INCOME

	Group	
	2011	2010
	RM'000	RM'000
Investment income from:		
- operating lease under Lorry-Owner-Driver scheme	**5,326**	5,200
- other rental income	**2,652**	3,143
- rental of investment property	**115**	82
Dividends from available-for-sale investments	**812**	129
	8,905	8,554
Interest income from:		
- Loans and receivables (including cash and bank balances)	**6,380**	5,855
- Held-to-maturity investment	**47**	47
	6,427	5,902

6. INVESTMENT AND INTEREST INCOME (continued)

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

	Group	
	2011	2010
	RM'000	RM'000
Loans and receivables (including cash and bank balances)	**6,380**	5,855
Held-to-maturity investment	**47**	47
Total interest income for financial assets not designated at FVTPL	**6,427**	5,902
Income earned on available-for-sale investments	**812**	129
Income earned on non-financial assets	**8,093**	8,425
Total investment and interest income	**15,332**	14,456

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

7. OTHER GAINS AND LOSSES

	Group	
	2011	2010
	RM'000	RM'000
Impairment loss on available-for-sale investments	**-**	(6)
Gain/(Loss) on disposal of available-for-sale investments	**38**	(6)
Net (loss)/gain arising on financial assets designated as at FVTPL		
- realised	**(116)**	104
- unrealised	**1**	(18)
Net gain/(loss) arising on financial liabilities classified as held for trading		
- unrealised	**82**	(305)
Hedge ineffectiveness on cash flow hedges		
- unrealised	**15**	7
	20	(224)

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	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Finance costs on:				
- floating rate notes	**7,879**	8,504	**7,879**	8,504
- short-term loans	**-**	901	**-**	-
- commercial papers	**-**	338	**-**	-
- bankers' acceptances	**639**	-	**-**	-
- others	**1,711**	1,074	**218**	254
	10,229	10,817	**8,097**	8,758

9. INCOME TAX EXPENSE

9.1 Income Tax Recognised in Profit or Loss

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia				
Estimated current tax payable:				
- Current year	**118,414**	61,167	**-**	7,794
- (Over)/Underprovision in prior years	**(2,396)**	1,240	**(77)**	(15)
Deferred tax:				
- Current year	**(13,928)**	(8,130)	**-**	-
- (Over)/Underprovision in prior years	**(6,391)**	557	**-**	-
	95,699	54,834	**(77)**	7,779
Foreign				
Estimated current tax payable:				
- Current year	**3,995**	934	**-**	-
- Overprovision in prior years	**(134)**	(381)	**-**	-
Deferred tax:				
- Current year	**(2,547)**	(908)	**-**	-
- Overprovision in prior years	**(13)**	(180)	**-**	-
Total tax expense/(credit)	**97,000**	54,299	**(77)**	7,779

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

Malaysian income tax is calculated at the statutory tax rate of 25% (2010: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. INCOME TAX EXPENSE (continued)

9.1 Income Tax Recognised in Profit or Loss (continued)

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

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Profit before tax	**414,647**	345,397	**387,787**	375,002
Tax expense calculated using the Malaysian statutory income tax rate of 25% (2010: 25%)	**103,662**	86,349	**96,947**	93,751
Tax effects of:				
- different tax rates of subsidiaries operating in other jurisdictions	**3,198**	3,960	**-**	-
- expenses that are not deductible in determining taxable profit	**3,462**	6,388	**2,626**	3,285
- revenue not subject to tax	**(4,104)**	(205)	**(140)**	(168)
- revenue that is exempt from tax	**(369)**	-	**(99,433)**	(89,149)
- movement of deferred tax assets not recognised	**411**	-	**-**	-
- utilisation of reinvestment allowances	**-**	(44,002)	**-**	-
- others	**(326)**	573	**-**	75
(Over)/Underprovision of tax payable in prior years	**(2,530)**	859	**(77)**	(15)
(Over)/Underprovision of deferred tax in prior years	**(6,404)**	377	**-**	-
Income tax expense/(income) recognised in profit or loss	**97,000**	54,299	**(77)**	7,779

9.2 Income Tax Recognised in Other Comprehensive Income

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Deferred tax				
Arising on income and expenses recognised in other comprehensive income:				
- Defined benefits retirement plan actuarial loss	**(1,334)**	(316)	**-**	-
- Revaluations of financial instruments treated as cash flow hedges	**(80)**	225	**-**	268
- Others	**111**	(111)	**-**	-
	(1,303)	(202)	**-**	268
Reclassification from equity to profit or loss:				
- Relating to cash flow hedges	**143**	(463)	**102**	-
Total income tax recognised in other comprehensive income	**(1,160)**	(665)	**102**	268

9. INCOME TAX EXPENSE (continued)

9.2 Income Tax Recognised in Other Comprehensive Income (continued)

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. Based on the legal opinion of LMCBH's solicitors, LMCBH has filed an appeal to the High Court against ITBRS' decision. Both LMBCH and the Comptroller of Income Tax of Singapore have filed their respective submissions and the hearing of LMCBH's appeal to the High Court of Singapore against the decision of the ITBRS has been fixed on 26 and 27 March 2012.

As of 31 December 2011, the Company has a total tax exempt income amounting to approximately 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 2011, certain subsidiaries have the following tax exempt income arising from various sources:

	Group	
	2011	**2010**
	RM'000	**RM'000**
Reinvestment allowances claimed and utilised under Schedule 7A of the Malaysia Income Tax Act, 1967	**913,304**	910,585
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
	987,528	984,809

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 2011, certain subsidiaries have unutilised reinvestment allowances claimed of approximately RM5,825,000 (2010: RM5,825,000) the deferred tax effects of which are not recognised in the financial statements of the Group. The reinvestment allowances, subject to agreement by the tax authorities, are available for offset against future chargeable income of these subsidiaries.

10. PROFIT FOR THE YEAR

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

		Group		Company	
		2011	2010	2011	2010
		RM'000	RM'000	RM'000	RM'000
10.1	**Impairment Losses on Financial Assets**				
	Impairment loss recognised on available-for-sale investments	**-**	6	**-**	-
	Impairment loss recognised on trade receivables (Note 22)	**3,520**	2,885	**-**	-
		3,520	2,891	**-**	-
	Reversal of impairment loss recognised on trade receivables (Note 22)	**(2,563)**	(3,140)	**-**	-
10.2	**Depreciation and Amortisation Expense**				
	Depreciation of property, plant and equipment	**151,271**	148,287	**61**	81
	Depreciation of investment property	**43**	45	**-**	-
	Amortisation of prepaid lease payments on leasehold land	**6,299**	7,228	**-**	-
	Amortisation of intangible assets	**297**	297	**-**	-
	Total depreciation and amortisation expense	**157,910**	155,857	**61**	81
10.3	**Inventories**				
	Inventory written down	**13,260**	3,314	**-**	-
10.4	**Other Charges/(Credit)**				
	Rental of premises and equipment	**18,878**	22,148	**-**	-
	Provision for retirement benefits	**6,649**	6,430	**99**	91
	(Gain)/Loss on foreign exchange:				
	- realised	**(86)**	1,557	**1**	(4,421)
	- unrealised	**(1,540)**	1,179	**(1,073)**	5,884
	Property, plant and equipment written off	**2,915**	2,028	**-**	-
	Fees paid/payable to external auditors:				
	Statutory audit:				
	- auditors of the Company	**540**	546	**53**	53
	- other member firm of the auditors of the Company	**183**	177	**-**	-
	Non-audit services:				
	- auditors of the Company	**87**	-	**14**	-
	- other member firm of the auditors of the Company	**85**	73	**-**	-
	Loss on liquidation of a subsidiary	**-**	375	**-**	3
	Gain on sales of Certified Emission Reductions ("CERs")	**(3,429)**	-	**-**	-
	(Gain)/Loss on disposal of:				
	- property, plant and equipment	**(3,264)**	(946)	**(76)**	(143)
	- investment property	**(27)**	-	**-**	-
	- available-for-sale investments	**(38)**	6	**-**	-
	- assets classified as held for sale	**(376)**	-	**-**	-

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	
	2011	**2010**
	RM'000	**RM'000**
Profit attributable to owners of the Company	**317,845**	295,340

	Group	
	2011	**2010**
	Units'000	**Units'000**
Number of ordinary shares in issue	**849,695**	849,695

	Group	
	2011	**2010**
Basic earnings per ordinary share (sen)	**37.41**	34.76

Diluted earnings per share

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

12. PROPERTY, PLANT AND EQUIPMENT

Group **Cost/Valuation**	**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**
As of 1 January 2010	37,480	44,014	222,355	109,760	3,013,864	44,489	3,471,962
Additions	-	3,677	19	800	14,182	37,517	56,195
Reclassifications	-	-	144	794	20,124	(21,062)	-
Disposals	-	-	(33)	(4,576)	(7,514)	-	(12,123)
Write-offs	-	-	(444)	(867)	(5,906)	(250)	(7,467)
Capitalisation of engineering spares from inventories*	-	-	-	-	34,887	-	34,887
Reclassified as held for sale	-	-	(12,995)	(1,477)	(17,365)	-	(31,837)
Effect of foreign currency exchange differences and other adjustments	-	-	(488)	(179)	(3,868)	-	(4,535)
As of 31 December 2010	37,480	47,691	208,558	104,255	3,048,404	60,694	3,507,082

* Engineering spares which are of capital in nature, have been capitalised to property, plant and equipment.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

Cost/Valuation	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
As of 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 1 January 2010	-	9,089	141,799	78,412	1,397,963	-	1,627,263
Charge for the year	-	2,457	8,005	12,073	125,752	-	148,287
Disposals	-	-	(33)	(3,870)	(6,311)	-	(10,214)
Write-offs	-	-	(444)	(853)	(4,142)	-	(5,439)
Reclassified as held for sale	-	-	(4,616)	(1,456)	(7,017)	-	(13,089)
Effect of foreign currency exchange differences and other adjustments	-	-	(244)	(175)	(3,235)	-	(3,654)
As of 31 December 2010	-	11,546	144,467	84,131	1,503,010	-	1,743,154
As of 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**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

Provision for Impairment Loss	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
As of 1 January 2010 and 31 December 2010	40	-	-	-	-	-	40
As of 1 January 2011 and 31 December 2011	**40**	**-**	**-**	**-**	**-**	**-**	**40**
Net Book Value							
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

Company

Cost	Furniture and Fittings RM'000	Motor Vehicles RM'000	Total RM'000
As of 1 January 2010	344	738	1,082
Disposals	-	(331)	(331)
As of 31 December 2010/1 January 2011	**344**	**407**	**751**
Disposals	**-**	**(407)**	**(407)**
Write-offs	**(344)**	**-**	**(344)**
As of 31 December 2011	**-**	**-**	**-**
Accumulated Depreciation			
As of 1 January 2010	344	494	838
Charge for the year	-	81	81
Disposals	-	(331)	(331)
As of 31 December 2010/1 January 2011	**344**	**244**	**588**
Charge for the year	**-**	**61**	**61**
Disposals	**-**	**(305)**	**(305)**
Write-offs	**(344)**	**-**	**(344)**
As of 31 December 2011	**-**	**-**	**-**
Net Book Value			
As of 31 December 2011	**-**	**-**	**-**
As of 31 December 2010	-	163	163

12. PROPERTY, PLANT AND EQUIPMENT (continued)

As of 31 December 2011, 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 RM376,005,000 and Nil (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 2011 is RM4,390,000 (2010: RM7,853,000).

13. INVESTMENT PROPERTY

	Group	
	2011 RM'000	2010 RM'000
At Cost		
At beginning of year	**4,762**	4,762
Disposals	**(212)**	-
At end of year	**4,550**	4,762
Accumulated Depreciation		
At beginning of year	**401**	356
Charge for the year	**43**	45
Disposals	**(46)**	-
At end of year	**398**	401
Provision for Impairment Loss		
At beginning and at end of year	**584**	584
Net Book Value	**3,568**	3,777
Included in the above are:		
Freehold land	**3,100**	3,100
Buildings	**468**	677
	3,568	3,777
Fair value of investment property	**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 RM115,000 (2010: RM82,000). Direct operating expenses arising on the investment property amounted to RM2,000 (2010: RM2,000).

14. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

	Group Leasehold Land Unexpired period less than 50 years RM'000	Group Leasehold Land Unexpired period more than 50 years RM'000	Total RM'000
Cost/Valuation			
As of 1 January 2010	140,732	51,772	192,504
Additions	2,455	-	2,455
As of 31 December 2010/1 January 2011	**143,187**	**51,772**	**194,959**
Additions	**477**	**-**	**477**
As of 31 December 2011	**143,664**	**51,772**	**195,436**
Accumulated Amortisation			
As of 1 January 2010	53,732	9,350	63,082
Charge for the year	5,727	1,501	7,228
As of 31 December 2010/1 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**
Net Book Value			
As of 31 December 2011	**78,144**	**40,683**	**118,827**
As of 31 December 2010	83,728	40,921	124,649

15. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Group 2011 RM'000	Group 2010 RM'000
Goodwill on consolidation	**1,205,889**	1,205,889
Quarry rights	**3,882**	4,179
	1,209,771	1,210,068

15. INTANGIBLE ASSETS (continued)

15.1 Goodwill on Consolidation

	Group 2011 RM'000	Group 2010 RM'000
At beginning of year	**1,205,889**	1,206,264
Derecognised on liquidation of a subsidiary	**-**	(375)
At end of year	**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 2011 RM'000	Group 2010 RM'000
Cement	**1,151,670**	1,151,670
Aggregates and concrete	**54,219**	54,219
	1,205,889	1,205,889

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 2011, no impairment risk has been identified for all CGUs according to the market approach.

15.1.2 Sensitivity analysis

With regard to the assessment of value-in-use and fair value less costs to sell, management believes that no reasonably possible change in any of the key assumptions would cause the recoverable amounts of the units to be materially below their carrying amounts.

15. INTANGIBLE ASSETS (continued)

15.2 Quarry Rights (with finite useful life)

	Group	
	2011	2010
	RM'000	RM'000
Cost		
At beginning of year	**5,500**	3,500
Additions through acquisition externally	**-**	2,000
At end of year	**5,500**	5,500
Accumulated Amortisation		
At beginning of year	**1,321**	1,024
Charge for the year	**297**	297
At end of year	**1,618**	1,321
Net	**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.

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2011	2010
	RM'000	RM'000
Unquoted shares:		
In Malaysia	**2,264,449**	2,264,449
Outside Malaysia	**- ***	- *
	2,264,449	2,264,449

* comprising cost of investment amounting to SGD2.00.

16. INVESTMENT IN SUBSIDIARIES (continued)

Details of the Company's subsidiaries are as follows:

Name of Subsidiary	Principal Activities	Group Effective Equity Interest 2011 %	2010 %
Incorporated in Malaysia			
Associated Pan Malaysia Cement Sdn. Bhd.	Manufacture and sale of clinker and cement	**100**	100
Lafarge Cement Sdn. Bhd.	Manufacture and sale of clinker and cement	**100**	100
Southern Cement Industries Sdn. Bhd. **	Inactive	**100**	100
Simen Utama Sdn. Bhd. **	Inactive	**100**	100
Kedah Cement Marketing Sdn. Bhd.	Inactive	**100**	100
CMCM Perniagaan Sdn. Bhd.	Trading of cement and other building materials	**100**	100
Jumewah Shipping Sdn. Bhd.	Shipping of bulk cement and chartering of vessels	**100**	100
Kedah Cement Jetty Sdn. Bhd.	Management and operation of a jetty	**100**	100
Lafarge Aggregates Sdn. Bhd.	Investment holding, trading and quarrying of aggregates and related products	**100**	100
Lafarge Aggregates (Pantai Remis) Sdn. Bhd.	Producer and supplier of aggregates and related products	**100**	100
Lafarge Aggregates (Ipoh) Sdn. Bhd.	Producer and supplier of aggregates, premix and related products	**100**	100
Lafarge Concrete (M) Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	**61.7**	61.7
Lafarge Concrete Industries Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	**61.7**	61.7
Lafarge Concrete (East Malaysia) Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	**61.7**	61.7
APMC Enterprises Sdn. Bhd. **	Inactive	**100**	100
M-Cement Sdn. Bhd.	Investment holding	**100**	100
Kedah Cement Holdings Berhad	Investment holding	**100**	100
Incorporated in Singapore			
LMCB Holding Pte. Ltd. *	Investment holding	**100**	100
Lafarge Cement Singapore Pte. Ltd. *	Bulk import and sale of cement and trading in other building materials	**100**	100
Supermix Concrete Pte. Ltd. *	Investment holding	**100**	100
Cement Marketing Company (Singapore) Pte. Ltd. *	Investment holding	**100**	100
PMCWS Enterprises Pte. Ltd. *	Investment holding	**100**	100
LCS Shipping Pte. Ltd. *	Shipping of bulk cement and chartering of vessels	**100**	100
Morelastic Green Resources Pte. Ltd. *#	Recycling of non-metal waste	**81.2**	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.

\# During the current financial year, the Group acquired additional 6.2% interest in Morelastic Green Resources Pte. Ltd. ("MGR"), thus increasing its continuing interest in MGR to 81.2%, by way of capitalisation of amount owing by MGR to LMCBH.

17. INVESTMENT IN ASSOCIATE

	Group 2011 RM'000	Group 2010 RM'000
Unquoted shares at cost, representing share of net assets acquired	**4,603**	4,603
Group's share of post acquisition results	**24,196**	16,322
Exchange differences	**1,014**	785
	29,813	21,710
Less: Dividends received	**(13,325)**	(12,109)
	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 2011 RM'000	Group 2010 RM'000
Total assets	**112,783**	89,836
Total liabilities	**(63,319)**	(61,033)
Net assets	**49,464**	28,803
Group's share of associate's net assets	**16,488**	9,601
Total revenue	**404,219**	289,073
Total profit/(loss) for the year	**23,623**	(18,617)
Share in results of associate	**7,874**	(6,205)

Particulars of the associate are as follows:

Name of Associate	Principal Activities	Group Effective Equity Interest 2011 %	Group Effective Equity Interest 2010 %
Incorporated in Singapore			
Alliance Concrete Singapore Pte. Ltd. *	Production and sale of ready-mixed concrete	**33.33**	33.33

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

18. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deferred Tax Assets				
At beginning of year	**1,205**	690	**102**	370
Recognised in profit or loss	**1,175**	768	**-**	-
Recognised in other comprehensive income	**318**	(193)	**-**	(268)
Reclassified from equity to profit or loss	**(102)**	-	**(102)**	-
Reclassifications	**(156)**	(62)	**-**	-
Exchange difference on foreign operations	**4**	2	**-**	-
At end of year	**2,444**	1,205	**-**	102
Deferred Tax Liabilities				
At beginning of year	**(283,076)**	(291,998)	**-**	-
Recognised in profit or loss	**21,704**	7,893	**-**	-
Recognised in other comprehensive income	**984**	395	**-**	-
Reclassified from equity to profit or loss	**(41)**	463	**-**	-
Reclassifications	**156**	62	**-**	-
Exchange difference on foreign operations	**(69)**	109	**-**	-
At end of year	**(260,342)**	(283,076)	**-**	-

Deferred tax asset of the Company as of 31 December 2010 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 2011, 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	
	2011 RM'000	2010 RM'000
Unused tax losses	**49,739**	48,415
Unused capital allowances	**8,328**	11,834
Deductible temporary differences	**21,671**	17,845
	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.

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 2010	(407)	-	1,097	-	-	690
Recognised in profit or loss	92	(6)	186	189	307	768
Recognised in other comprehensive income	-	-	(193)	-	-	(193)
Reclassifications	(712)	113	178	359	-	(62)
Exchange difference on foreign operations	-	-	-	2	-	2
As of 31 December 2010/1 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**
Reclassified from equity to profit or loss	**-**	**-**	**(102)**	**-**	**-**	**(102)**
Reclassifications	**-**	**-**	**(156)**	**-**	**-**	**(156)**
Exchange difference on foreign operations	**-**	**-**	**-**	**4**	**-**	**4**
As of 31 December 2011	**(1,280)**	**35**	**1,586**	**1,268**	**835**	**2,444**

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 2010	(318,593)	172	1,751	13,853	10,819	-	(291,998)
Recognised in profit or loss	16,423	(23)	709	997	(10,319)	106	7,893
Recognised in other comprehensive income	111	-	-	284	-	-	395
Reclassified from equity to profit or loss	-	-	-	463	-	-	463
Reclassifications	712	(113)	-	(178)	(359)	-	62
Exchange difference on foreign operations	109	-	-	-	-	-	109
As of 31 December 2010/ 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	**(281,905)**	**22**	**4,295**	**17,018**	**162**	**66**	**(260,342)**

19. OTHER FINANCIAL ASSETS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Available-for-sale investments carried at fair value:				
Non-current:				
In Malaysia:				
Quoted investments	**18**	11	**-**	-
Unquoted investments	**168**	168	**-**	-
Others	**495**	677	**-**	-
	681	856	**-**	-
Held-to-maturity investment carried at amortised cost				
Non-current:				
Debenture, unquoted in Malaysia	**1,255**	1,255	**1,255**	1,255
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Current:				
Foreign currency forward contracts	**49**	26	**-**	-
	1,985	2,137	**1,255**	1,255
Current	**49**	26	**-**	-
Non-current	**1,936**	2,111	**1,255**	1,255
	1,985	2,137	**1,255**	1,255

20. AMOUNTS OWING BY/(TO) SUBSIDIARIES

20.1 Amounts Owing by Subsidiaries

	Company	
	2011 RM'000	2010 RM'000
Loans carried at amortised cost:		
Non-current:		
Amount owing by a subsidiary		
Unsecured loan (a)	**9,433**	10,447
Current:		
Short-term loans to subsidiaries (a) & (b)	**149,952**	193,653
Outstanding balances receivable for other operating transactions (c)	**77,885**	45,585
	227,837	239,238
Current	**227,837**	239,238
Non-current	**9,433**	10,447
	237,270	249,685

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

20.1 Amounts Owing by Subsidiaries (continued)

(a) The loan to a subsidiary totalling 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 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% (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 4.3% (2010: 3.5% to 4.0%) per annum totalling 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.

20.2 Amounts Owing to Subsidiaries

	Company	
	2011 RM'000	**2010 RM'000**
Other financial liabilities:		
Current:		
Amounts owing to subsidiaries		
Loans from subsidiaries (d)	**168,609**	169,059

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

21. INVENTORIES

	Group	
	2011 RM'000	**2010 RM'000**
At cost:		
Fuels, raw and packing materials	**86,950**	54,328
Finished and semi-finished goods	**65,416**	78,563
Engineering spares and consumables	**136,970**	138,557
	289,336	271,448
Allowance for inventory obsolescence	**(17,812)**	(10,315)
	271,524	261,133

In the prior year, engineering spares amounted to RM34.887 million were reclassified to property, plant and equipment (Note 12).

22. TRADE RECEIVABLES

	Group 2011 RM'000	Group 2010 RM'000
Trade receivables	**333,345**	288,456
Allowance for doubtful debts	**(12,640)**	(12,642)
	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 (2010: 30 to 60 days).

Included in trade receivables is amount totalling to 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 2011 RM'000	Group 2010 RM'000
Not past due	**240,421**	192,235
Past due 0-30 days	**56,460**	47,629
Past due 31-60 days	**13,420**	16,753
Past due 61-90 days	**5,414**	13,525
Past due more than 90 days	**4,990**	5,672
	320,705	275,814

Ageing of impaired trade receivables:

	2011	2010
Past due more than 90 days	**12,640**	12,642

Movement in the allowance for doubtful debts:

	2011	2010
At beginning of the year	**12,642**	16,871
Impairment losses recognised on receivables	**3,520**	2,885
Amounts written off during the year	**(959)**	(3,974)
Impairment losses reversed	**(2,563)**	(3,140)
At end of the year	**12,640**	12,642

22. TRADE RECEIVABLES (continued)

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	
	2011	**2010**
	RM'000	**RM'000**
Ringgit Malaysia	**299,169**	254,288
Singapore Dollar	**19,501**	14,425
United States Dollar	**2,035**	7,101
	320,705	275,814

23. OTHER RECEIVABLES AND PREPAID EXPENSES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables	**15,528**	18,757	**427**	424
Prepaid expenses	**14,825**	12,478	**26**	12
Refundable deposits	**5,431**	4,999	**476**	476
	35,784	36,234	**929**	912

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

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.

24. RELATED PARTY DISCLOSURES (continued)

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. (formerly known as Circle Traders Asia 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.
P&O Global Technologies Sdn. Bhd.	Subsidiary of Pacific & Orient Berhad, of which Mr Chan Hua Eng, a Director of the Company until 25 May 2011, is a substantial shareholder

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.

24.1 Related Party Transactions

	Group			
	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
Ultimate holding company of the Company:				
Provision of trademark licence and general assistance fee	**33,834**	**(8,762)**	31,355	(8,329)
Specific technical assistance fee	**669**	**-**	-	(130)
Associate of the Group:				
Sales of cement and ready-mixed concrete	**36,376**	**6,581**	32,070	6,397
Batching income	**1,068**	**85**	1,128	396
Management service fee	**219**	**-**	213	-
Subsidiaries of ultimate holding company of the Company:				
Sales of cement and clinker	**259,007**	**20,696**	288,720	20,417
Purchase of cement and clinker	**38,819**	**-**	44,213	(5,140)
Time charter hire/Sub-charter of vessels	**9,961**	**398**	1,553	1,625

24. RELATED PARTY DISCLOSURES (continued)

24.1 Related Party Transactions (continued)

	Group			
	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
Subsidiaries of ultimate holding company of the Company:				
Maintenance of hardware and software	**2,266**	**(220)**	2,083	(167)
Rental of office premises	**1,091**	**-**	1,139	93
Service fees for sourcing alternative fuel/alternative raw materials	**2,228**	**(203)**	-	-
Administrative and supporting service fee	**120**	**-**	-	-
Subsidiary of Pacific & Orient Berhad:				
Purchase of information technology hardware and services	**-**	**-**	7	-

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 licence 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	
	2011 RM'000	2010 RM'000
Current:		
Trade amount owing by holding and other related companies	**20,936**	23,517
Outstanding balances receivable for other operating transactions	**2,332**	-
	23,268	23,517

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

	Group	
	2011 RM'000	2010 RM'000
Ringgit Malaysia	**327**	4,091
United States Dollar	**22,904**	19,387
Singapore Dollar	**34**	22
Euro	**3**	17
	23,268	23,517

24. RELATED PARTY DISCLOSURES (continued)

24.3 Amounts Owing to Holding and Other Related Companies

	Group	
	2011 RM'000	2010 RM'000
Current:		
Trade amount owing to holding and other related companies	**10,377**	11,396
Outstanding balances payable for other operating transactions	**2,620**	1,026
	12,997	12,422

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

	Group	
	2011 RM'000	2010 RM'000
Ringgit Malaysia	**1,377**	681
United States Dollar	**321**	2,932
Euro	**11,299**	8,809
	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.

25. TERM DEPOSITS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Term deposits placed with licensed banks	**93,248**	128,909	**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% (2010: 2.7% to 3.0% and Nil) respectively per annum and have maturity ranging from 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.

26. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

	Group 2010 RM'000
Property, plant and equipment	18,748

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

	Group 2010 RM'000
Cost	31,837
Accumulated depreciation	(13,089)
	18,748

27. SHARE CAPITAL

	Group and Company	
	2011 RM'000	2010 RM'000
Authorised:		
3,000,000,000 ordinary shares of RM1.00 each	**3,000,000**	3,000,000
Issued and fully paid:		
849,695,000 ordinary shares of RM1.00 each	**849,695**	849,695

28. RESERVES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Non-distributable:				
Share premium	**1,067,199**	1,067,199	**1,067,191**	1,067,191
Capital reserve	**33,968**	34,079	**-**	-
Capital redemption reserve	**33,798**	33,798	**33,639**	33,639
Exchange equalisation reserve	**39,716**	41,164	**-**	-
Investments revaluation reserve	**36**	-	**-**	-
Hedging reserve	**(242)**	(430)	**-**	(307)
	1,174,475	1,175,810	**1,100,830**	1,100,523

28. RESERVES (continued)

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.

28.2 Capital Reserve

	Group	
	2011	**2010**
	RM'000	**RM'000**
At beginning of year	**34,079**	33,968
(Increase)/Decrease in deferred tax liability recognised on revaluation	**(111)**	111
At end of year	**33,968**	34,079

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	
	2011	**2010**
	RM'000	**RM'000**
At beginning of year	**41,164**	44,209
Exchange differences arising on translation the net assets of foreign operations	**(1,448)**	(3,045)
At end of year	**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.

28.5 Investments Revaluation Reserve

	Group	
	2011	**2010**
	RM'000	**RM'000**
At beginning of year	**-**	-
Net gain arising on revaluation of available-for-sale investments	**36**	-
At end of year	**36**	-

28. RESERVES (continued)

28.5 Investments Revaluation Reserve (continued)

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		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At beginning of year	**(430)**	278	**(307)**	(1,107)
Gain/(Loss) recognised on cash flow hedges:				
- Foreign currency forward contracts	**15**	(166)	**-**	-
- Commodity swap contracts	**(339)**	-	**-**	-
- Interest rate swap contract	**-**	1,068	**-**	1,068
Deferred tax related to gains/losses recognised in other comprehensive income	**80**	(225)	**-**	(268)
Reclassified to profit or loss:				
- Foreign currency forward contracts	**166**	(515)	**-**	-
- Commodity swap contracts	**-**	(1,333)	**-**	-
- Interest rate swap contract	**409**	-	**409**	-
Deferred tax related to amounts transferred to profit or loss	**(143)**	463	**(102)**	-
	(242)	(430)	**-**	(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	
	2011 RM'000	2010 RM'000
Cost of sales	**-**	(1,333)
Other expenses	**166**	(515)
Finance costs	**409**	-
Income tax expense	**(143)**	463
	432	(1,385)

29. RETAINED EARNINGS AND DIVIDENDS

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Distributable reserve:				
Retained earnings	**1,084,159**	1,059,508	**286,112**	187,250
At beginning of year	**1,059,508**	1,164,390	**187,250**	219,381
Profit attributable to owners of the Company	**317,845**	295,340	**387,864**	367,223
Dividends	**(288,898)**	(399,357)	**(288,898)**	(399,357)
Actuarial (loss)/gain on defined benefit retirement plan recognised directly in retained earnings	**(5,452)**	(1,181)	**(104)**	3
Income tax on income and expenses taken directly to retained earnings	**1,334**	316	**-**	-
Changes in ownership with no loss of control	**(178)**	-	**-**	-
At end of year	**1,084,159**	1,059,508	**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.

29.2 Dividends

	Group and Company	
	2011	2010
	RM'000	RM'000
Fourth interim single tier dividend of 10.0 sen per share (2010: Second interim single tier dividend of 23.0 sen per share)	**84,970**	195,430
First interim single tier dividend of 8.0 sen per share (2010: 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 (2010: Interim single tier dividend of 8.0 sen per share)	**67,976**	67,975
Third interim single tier dividend of 8.0 sen per share (2010: Interim single tier dividend of 8.0 sen per share)	**67,976**	67,976
	288,898	399,357

A third interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM67.976 million declared on 29 November 2010 in respect of the financial year ended 31 December 2010 and dealt with in the previous Directors' Report was paid on 19 January 2011.

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 23 February 2011 in respect of the financial year ended 31 December 2010 and dealt with in the previous Directors' Report was paid on 14 April 2011.

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 2011 amounting to RM67.976 million was declared on 24 May 2011 and paid on 13 July 2011.

29. RETAINED EARNINGS AND DIVIDENDS (continued)

29.2 Dividends (continued)

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 2011 amounting to RM67.976 million was declared on 24 August 2011 and paid on 12 October 2011.

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 2011 amounting to RM67.976 million was declared on 22 November 2011 and paid on 13 January 2012.

The Directors on 22 February 2012 declared a fourth interim dividend of 10.0 sen single tier dividend per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2011 amounting to RM84.970 million, payable on 12 April 2012.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2011.

30. NON-CONTROLLING INTERESTS

	Group	
	2011	**2010**
	RM'000	**RM'000**
At beginning of year	**16,754**	20,996
Share of loss for the year	**(187)**	(4,242)
Changes in ownership with no loss of control *	**178**	-
At end of year	**16,745**	16,754

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

31. BORROWINGS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current - at amortised cost				
Secured:				
Finance lease liabilities (a)	**1,242**	2,826	**-**	-
Unsecured:				
Floating rate notes (b)	**105,000**	105,000	**105,000**	105,000
Total current borrowings	**106,242**	107,826	**105,000**	105,000

31. BORROWINGS (continued)

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Non-current - at amortised cost				
Secured:				
Finance lease liabilities (a)	**1,707**	2,949	**-**	-
Unsecured:				
Floating rate notes (b)	**-**	105,000	**-**	105,000
Total non-current borrowings	**1,707**	107,949	**-**	105,000
Total borrowings	**107,949**	215,775	**105,000**	210,000
Current	**106,242**	107,826	**105,000**	105,000
Non-current:				
1 - 2 years	**1,696**	106,242	**-**	105,000
2 - 5 years	**11**	1,707	**-**	-
	107,949	215,775	**105,000**	210,000

All borrowings are denominated in Ringgit Malaysia.

Finance lease liabilities are payable as follows:

Group	**Minimum lease payments 2011 RM'000**	**Present value of minimum lease payments 2011 RM'000**	**Minimum lease payments 2010 RM'000**	**Present value of minimum lease payments 2010 RM'000**
Not later than one year	**1,367**	**1,242**	3,164	2,826
Later than one year and not later than five years	**1,772**	**1,707**	3,139	2,949
	3,139	**2,949**	6,303	5,775
Less: Future finance charges	**(190)**	**-**	(528)	-
	2,949	**2,949**	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.

31. BORROWINGS (continued)

(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. Since 2009, the Company had redeemed RM245 million of the FRN, including RM140 million subscribed by the said subsidiary of the ultimate holding company.

The interest rate on the FRN is revised semi-annually. As of end of the financial year, the effective interest rate for the said FRN is 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 during the year.

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 6 January 2012.

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

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
At beginning of year	**40,920**	37,685	**670**	582
Charge for the year	**6,649**	6,430	**99**	91
Benefits paid	**(1,741)**	(4,376)	**-**	-
Actuarial loss/(gain) recognised in other comprehensive income	**5,452**	1,181	**104**	(3)
At end of year	**51,280**	40,920	**873**	670

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

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Present value of unfunded obligation	**51,665**	41,402	**873**	670
Unrecognised past service cost	**(385)**	(482)	**-**	-
Net liability	**51,280**	40,920	**873**	670

32. RETIREMENT BENEFITS (continued)

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

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At beginning of year	**41,402**	38,266	**670**	582
Current service cost	**3,952**	3,879	**56**	53
Interest cost	**2,600**	2,452	**43**	38
Actuarial loss/(gain)	**5,452**	1,181	**104**	(3)
Benefits paid	**(1,741)**	(4,376)	**-**	-
At end of year	**51,665**	41,402	**873**	670

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

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Current service cost	**3,952**	3,879	**56**	53
Interest cost	**2,600**	2,452	**43**	38
Past service cost	**97**	99	**-**	-
	6,649	6,430	**99**	91

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

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
At beginning of year	**3,044**	4,225	**169**	166
Recognised during the year	**(5,452)**	(1,181)	**(104)**	3
At end of year	**(2,408)**	3,044	**65**	169

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

	2011 %	2010 %
Discount rate	**6.1**	6.4
Future salary increase	**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 (2010: 30 to 60 days).

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

	Group	
	2011 RM'000	2010 RM'000
Ringgit Malaysia	**281,446**	260,889
United States Dollar	**29,934**	24,528
Singapore Dollar	**4,893**	5,235
Euro	**2,628**	2,423
	318,901	293,075

34. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses consist of:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Other payables	**34,733**	45,240	**120**	102
Accrued expenses	**47,792**	51,430	**2,649**	3,591
	82,525	96,670	**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 RM1,216,000 and RM1,196,000 respectively (2010: RM2,383,000 and RM2,364,000) representing interest expense accrued for borrowings.

35. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Current:				
Foreign currency forward contracts	**45**	279	**-**	-
Commodity swap contracts	**339**	-	**-**	-
Interest rate swap contract	**-**	409	**-**	409
	384	688	**-**	409

35. OTHER FINANCIAL LIABILITIES (continued)

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
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	**-**	-
	612	998	**-**	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 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Term deposits (Note 25)	**93,248**	128,909	**3,018**	-
Fixed income trust fund (a)	**27,885**	30,083	**-**	-
Cash and bank balances	**231,171**	213,715	**6,866**	4,707
	352,304	372,707	**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 52.0 sen (2010: 57.0 sen) per unit totalling to RM794,000 (2010: RM111,000).

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

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Ringgit Malaysia	**315,314**	340,019	**9,884**	4,707
Singapore Dollar	**23,803**	20,976	**-**	-
United States Dollar	**13,173**	11,253	**-**	-
Euro	**14**	459	**-**	-
	352,304	372,707	**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. FINANCIAL INSTRUMENTS (continued)

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.

37.3 Categories of Financial Instruments

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Financial assets				
Derivative instruments in designated hedge accounting relationships (Note 19)	**49**	26	**-**	-
Loan and receivables:				
- Amounts owing by subsidiaries (Note 20)	**-**	-	**237,270**	249,685
- Trade receivables (Note 22)	**320,705**	275,814	**-**	-
- Other receivables and refundable deposits (Note 23)	**20,959**	23,756	**903**	900
- Amounts owing by holding and other related companies (Note 24)	**23,268**	23,517	**-**	-
- Term deposits (Note 25)	**93,428**	128,909	**3,018**	-
- Cash and bank balances (Note 36)	**231,171**	213,715	**6,866**	4,707
Available-for-sale financial assets:				
- Available-for-sale investments carried at fair value (Note 19)	**681**	856	**-**	-
- Fixed income trust fund (Note 36)	**27,885**	30,083	**-**	-
Held-to-maturity investment (Note 19)	**1,255**	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)	**384**	688	**-**	409
Amortised cost:				
- Borrowings (Note 31)	**107,949**	215,775	**105,000**	210,000
- Trade payables (Note 33)	**318,901**	293,075	**-**	-
- Other payables (Note 34)	**34,733**	45,240	**120**	102
- Amounts owing to holding and other related companies (Note 24)	**12,997**	12,422	**-**	-
- Amounts owing to subsidiaries (Note 20)	**-**	-	**168,609**	169,059

37. FINANCIAL INSTRUMENTS (continued)

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.

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	SGD Impact	Euro Impact
2011	**RM'000**	**RM'000**	**RM'000**
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.

37. FINANCIAL INSTRUMENTS (continued)

37.6 Foreign Currency Risk Management (continued)

37.6.1 Foreign currency sensitivity (continued)

(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.

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			
2011	**Average exchange rate**	**Foreign currency FC'000**	**Contract value RM'000**	**Fair value RM'000**
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**	**851**	**(28)**
				16
Fair value hedges				
Buy US Dollar				
Less than 3 months	**3.11**	**100**	**312**	**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**	**7,234**	**(228)**

37. FINANCIAL INSTRUMENTS (continued)

37.6 Foreign Currency Risk Management (continued)

37.6.2 Forward foreign exchange contracts (continued)

	Group			
2010	**Average exchange rate**	**Foreign currency FC'000**	**Contract value RM'000**	**Fair value RM'000**
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	2,831	(59)
Buy Euro				
Less than 3 months	4.30	200	861	(41)
3 to 6 months	4.12	1,000	4,123	(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	867	(47)
				(72)
FVTPL				
Buy Euro				
Less than 3 months	4.29	500	2,144	(97)
3 to 6 months	4.30	800	3,438	(133)
More than 6 months	4.28	600	2,568	(80)
				(310)

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. FINANCIAL INSTRUMENTS (continued)

37.7 Interest Rate Risk Management (continued)

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 2011 would decrease/increase by 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 during the year.

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	Notional principal amount	Fair value
	2010	2010	2010
Outstanding receive floating pay fixed contract	%	RM'000	RM'000
Cash flow hedge			
Less than 1 year	4.8%	80,000	(409)

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.

37. FINANCIAL INSTRUMENTS (continued)

37.8 Commodity Price Risk Management (continued)

37.8.1 Commodity price sensitivity (continued)

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

- net profit for the year ended 31 December 2011 would have been unaffected as all commodity swap contracts are designated as cash flow hedges; and
- hedging reserve would increase/decrease by RM354,000 (2010: Nil) 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			
Coal swap contracts	**Contract value 2011 RM'000**	**Fair value 2011 RM'000**	**Contract value 2010 RM'000**	**Fair value 2010 RM'000**
Cash flow hedges				
Less than 1 year	**7,259**	**(339)**	-	-

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 2011 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 (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. FINANCIAL INSTRUMENTS (continued)

37.11 Liquidity Risk

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

Financial liabilities

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

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

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).

37. FINANCIAL INSTRUMENTS (continued)

37.12 Fair Values (continued)

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

2011	Group Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
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 the period.

Reconciliation of Level 3 fair value measurements of financial assets.

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

38. COMMITMENTS

38.1 Capital Commitments

	Group 2011 RM'000	Group 2010 RM'000
In respect of capital expenditure:		
Approved, contracted but not provided for	**6,958**	17,466
Approved but not contracted for	**11,173**	15,949
	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 2011 RM'000	Group 2010 RM'000
Not later than 1 year	**22,974**	14,335
Later than 1 year and not later than 5 years	**37,176**	23,522
Later than 5 years	**43,914**	51,069
	104,064	88,926

39. CONTINGENT LIABILITIES

	Company 2011 RM'000	Company 2010 RM'000
Unsecured		
Corporate guarantee given to a third party in respect of provision for services to subsidiaries	**21,100**	21,100
Corporate guarantee for lease commitment granted by financial institutions to subsidiaries	**644**	-

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. SEGMENTAL INFORMATION (continued)

40.1 Segment Revenue and Results

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**
2010				
REVENUE				
External sales	2,031,561	293,327	-	2,324,888
Inter-segment sales	179,084	593	(179,677)	-
Total revenue	2,210,645	293,920	(179,677)	2,324,888
RESULTS				
Segment results	366,419	(9,902)	-	356,517
Interest income				5,902
Profit from operations				362,419
Finance costs				(10,817)
Share in results of associate				(6,205)
Income tax expense				(54,299)
Profit for the year				291,098

40. SEGMENTAL INFORMATION (continued)

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.

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
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**
2010				
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. SEGMENTAL INFORMATION (continued)

40.3 Other Segment Information

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
OTHER INFORMATION				
2011				
Capital expenditure	**50,044**	**14,415**	**-**	**64,459**
Depreciation and amortisation	**143,483**	**14,427**	**-**	**157,910**
2010				
Capital expenditure	43,768	16,882	-	60,650
Depreciation and amortisation	142,344	13,513	-	155,857

40.4 Geographical Information

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

	Revenue		Segment Assets		Capital Expenditure	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Malaysia	**2,453,515**	2,247,469	**3,549,322**	3,586,097	**62,885**	60,587
Singapore	**99,049**	77,419	**107,236**	131,757	**1,574**	63
	2,552,564	2,324,888	**3,656,558**	3,717,854	**64,459**	60,650
Investment in associate			**16,488**	9,601		
Unallocated corporate assets			**378,029**	396,907		
			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.

41. EVENTS AFTER THE REPORTING PERIOD

(i) 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.

41. EVENTS AFTER THE REPORTING PERIOD (continued)

(ii) The Company entered into a Share Purchase Agreement with Amcorp Properties Berhad on 28 October 2011 to purchase up to 2,086,800 ordinary shares of RM1.00 each in Lafarge Concrete (M) Sdn. Bhd. ("LCM") representing 30% of issued and paid-up capital of LCM at the purchase price of RM10,216,200. The Company already holds 61.74% equity in LCM. Following the sale, the Company's equity in LCM will increase to 91.74%. The sale was made conditional upon the parties obtaining the approval of the Ministry of Trade and Industry Malaysia for the transfer and on the removal of equity conditions imposed on LCM. The approval for the sale and removal of equity conditions was received from the Ministry of Trade and Industry Malaysia on 31 January 2012. The parties completed the sale on 24 February 2012.

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 2011 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Total retained earnings of the Company and its subsidiaries				
Realised	**1,434,147**	1,450,133	**284,328**	184,211
Unrealised	**(146,740)**	(184,598)	**1,784**	3,039
	1,287,407	1,265,535	**286,112**	187,250
Total share of retained earnings from associate				
Realised	**24,196**	16,322	**-**	-
	1,311,603	1,281,857	**286,112**	187,250
Less: Consolidation adjustments	**(227,444)**	(222,349)	**-**	-
Total retained earnings as per statements of financial position	**1,084,159**	1,059,508	**286,112**	187,250

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

Analysis of Shareholdings

AS AT 26 MARCH 2012

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 26 March 2012

Size of Shareholdings	No. of Shareholders & Percentage		No. of Shares & Percentage	
	Shareholders	%	Shares	%
Less than 100	310	3.86	8,238	0.00
100 - 1,000	3,475	43.23	1,827,070	0.21
1,001 - 10,000	3,130	38.93	10,422,414	1.23
10,001 - 100,000	840	10.45	24,134,898	2.84
100,001 to less than 5% of issued ordinary shares	282	3.51	319,189,218	37.57
5% of issued ordinary shares and above	2	0.02	494,113,638	58.15
TOTAL	**8,039**	**100.00**	**849,695,476**	**100.00**

Directors shareholdings

Based on the Register of Directors' Shareholdings as at 26 March 2012

		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	-	-	-	-
Isidoro Miranda	Spaniard	-	-	-	-
Bradley Mulroney	British	-	-	-	-
Chen Theng Aik	Malaysian	-	-	-	-
Saw Ewe Seng	Malaysian	16,500	@	30,000	@
Tan Sri A. Razak bin Ramli	Malaysian	-	-	-	-
Michel Rose	French	-	-	-	-
Martin Kriegner	Austrian	-	-	-	-
Md Yusof bin Hussin	Malaysian	-	-	-	-

Note : @ : Less than 0.03%

Thirty Largest Securities Accounts Holder

(According to Register of Depositors as at 26 March 2012)

No.	NAMES	Shareholdings No.	%
1	Associated International Cement Limited	433,344,693	51.00
2	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	60,768,945	7.15
3	Amanah Raya Trustees Berhad Skim Amanah Saham Bumiputera	20,250,300	2.38
4	Kumpulan Wang Persaraan (Diperbadankan)	19,317,600	2.27
5	Valuecap Sdn Bhd	17,945,300	2.11
6	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Resident U.S.A-2)	14,493,200	1.71
7	HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Lux for Aberdeen Global	12,185,600	1.43
8	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLTOD67)	11,265,551	1.33
9	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (BNYM as E&A)	10,895,145	1.28
10	HSBC Nominees (Asing) Sdn Bhd BNY LUX for Invesco Funds	10,286,200	1.21
11	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustee Berhad for Public Ittikal Fund (N14011970240)	7,831,330	0.92
12	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	7,501,820	0.88
13	HSBC Nominees (Asing) Sdn Bhd BBH (LUX) SCA for The Genesis Emerging Markets Investment Company	6,757,573	0.80
14	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund 1LNO for The Genesis Group Trust Employee Benefit Plans	6,633,147	0.78
15	Amanah Raya Trustees Berhad Public Islamic Dividend Fund	5,867,200	0.69
16	Loke Wan Yat Realty Sdn Bhd	5,163,148	0.61

Thirty Largest Securities Accounts Holder

(According to Register of Depositors as at 26 March 2012)

No.	NAMES	Shareholdings No.	%
17	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)	4,389,040	0.52
18	Amanah Raya Trustees Berhad Public Islamic Sector Select Fund	4,046,100	0.48
19	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.)	3,898,235	0.46
20	Malaysia Nominees (Tempatan) Sdn Bhd Lee Foundation, States of Malaya (00-00197-000)	3,763,620	0.44
21	Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	3,760,360	0.44
22	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon Acct)	3,561,848	0.42
23	Amanah Raya Trustees Berhad Public Islamic Select Enterprises Fund	3,324,300	0.39
24	Amanah Raya Trustees Bhd Public Islamic Equity Fund	3,213,200	0.38
25	HSBC Nominees (Asing) Sdn Bhd KBC Bank NV Brussels for KBC Equity Fund	2,939,300	0.35
26	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for Eastspring Investments Berhad	2,880,400	0.34
27	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	2,850,000	0.34
28	Amanah Raya Trustees Berhad Public Islamic Select Treasures Fund	2,806,100	0.33
29	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Wisdomtree Emerging Markets Equity Income Fund	2,741,127	0.32
30	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for RBC Dexia Investor Services Trust (Clients Account)	2,672,119	0.31
	TOTAL	**697,352,501**	**82.07**

SUBSTANTIAL SHAREHOLDERS

(According to the Company's Register of Substantial Shareholders as at 26 March 2012

		Direct		Indirect	
Name	Place of Incorporation/ 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 %
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 SA ("FLSA")	France	-	-	(5) 433,344,693	51.00
SOFIMO *	France	-	-	(6) 433,344,693	51.00
Lafarge SA ("Lafarge")	France	-	-	(7) 433,344,693	51.00
Employees Provident Fund Board ("EPF")	Malaysia	62,268,945	7.33	(8) 3,720,900	0.44

* *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% direct 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, Franklin Templeton Asset and Hwang DBS Investment

Top 10 List of Properties

AS OF 31 DECEMBER 2011

	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	27	34,629
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	36	30,001
3	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	-	20,962
4	Lot 19079, Kg Keramat Pulai 31300 Kg Kepayang Simpang Pulai Perak Darul Ridzuan	39.99 acres	Leasehold expiring on 03/03/2035	Quarry land	01/07/2008	-	20,593
5	No. 2, Jalan Kilang Petaling Jaya 46050 Selangor Darul Ehsan	6 acres	Leasehold expiring in 2068	Office complex	Dec 1998	26	17,118
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	21	12,061
7	Lot No. 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	14	8,713
8	Lot No. 1956 Rawang, Selangor Darul Ehsan	49 acres	Leasehold expiring in 2056	Cement factory complex and ancillary buildings	Dec 1998	12-36	8,942
9	Plot A, H.S. (D) 5/1983 Telok Ewa, Langkawi Kedah Darul Aman	86.5 acres (Total built-up area: approximately 137,810 sq ft)	Leasehold expiring on 01/06/2043	Employees' housing Area B, 146 units single storey terrace houses; 46 units single storey semi-detached houses and 60 units single storey dormitories	15/06/1999	27	8,254
10	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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 62nd Annual General Meeting of LAFARGE MALAYAN CEMENT BERHAD will be held at Zamrud Room, Ground Floor, the Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on 30 May 2012 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 2011.	
2.	To re-elect Md Yusof bin Hussin 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 Chen Theng Aik who retires as a Director of the Company under Article 91 of the Articles of Association of the Company.	**Resolution 2**
4.	To elect Christian Herrault as a Director of the Company under Article 88 of the Articles of Association of the Company.	**Resolution 3**
5.	To elect Louis Chavane as a Director of the Company under Article 88 of the Articles of Association of the Company.	**Resolution 4**
6.	To re-appoint Deloitte & Touche as Auditors for the ensuing year at a remuneration to be determined by the Directors.	**Resolution 5**

As Special Business

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

	Ordinary Resolution	
7.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("Recurrent RPTs").	**Resolution 6**
	Ordinary Resolution	
8.	Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback").	**Resolution 7**

(For the full text of the Ordinary Resolutions on Items 7 and 8 (Resolutions 6 and 7), please refer to the Circular to Shareholders for the Proposed Recurrent RPT Mandate and the Share Buyback Statement, both dated 4 May 2012, which are enclosed with the Annual Report of the Company for the financial year ended 31 December 2011).

Others

9.	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

Seet Hooi Ping	(L.S. No. 9415)
Katina Nurani Abd Rahim	(L.S. No. 9652)

Company Secretaries

Petaling Jaya
Selangor Darul Ehsan
4 May 2012

Explanatory Notes on Special Business

For Ordinary Resolutions 6 and 7, please refer to the Circular to Shareholders for the Proposed Recurrent RPT Mandate and the Share Buyback Statement both dated 4 May 2012 despatched together with the Company's Annual Report for the financial year ended 31 December 2011.

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.

Statement Accompanying the Notice of Annual General Meeting ("AGM")

(PURSUANT TO PARAGRAPH 8.27(2) OF THE BURSA SECURITIES LISTING REQUIREMENTS)

Details of the Directors who are standing for re-election at this AGM can be found under Directors' Profile on pages 9 to 13 of this Annual Report.

The candidates recommended by the Board to be elected as Directors at the 62nd AGM pursuant to Article 88 of the Articles of Association of the Company are:

	Name	Position	Age	Nationality
(i)	Christian Herrault	Director	61	French
(ii)	Louis Chavene	Director	59	French

(i) Profile of Christian Herrault

Christian is a graduate of the Ēcole Polytechnique (1972) and the Ēcole nationale supērieure des mines de Paris. He joined the Lafarge Group in 1985, taking over the responsibility for strategy and development at the Bioactivities Unit. Between 1987 and 1992, he acted as Chief Operating Officer for the Seeds Unit, initially in the United States, then in France, and managed the Glumates business from 1992 to 1994. In 1995, he was appointed Chief Executive Officer of the Aluminates & Admixtures Unit (no longer part of the Lafarge Group).

In 1998, he was appointed Executive Vice-President Organisation and Human Resources and joined the Executive Committee. He has been Executive Vice-President Gypsum since September 1, 2007, and is still a member of the Executive Committee. He is the Chairman of the Board of Directors of the *Ēcole des mines de Nantes*.

He does not have any direct or deemed interests in the shares of LMCB or its subsidiaries and does not hold any directorships in any public companies. There are no family relationships with any other director or substantial shareholder of the Company or any personal interest in any business arrangement involving the Company. Save and except for traffic offences, if any, he has not been convicted for any offences within the past 10 years.

(ii) Profile of Louis Chavene

Louis 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.

Louis 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.

Louis 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 does not have any direct or deemed interests in the shares of LMCB or its subsidiaries and does not hold any directorships in any public companies. There are no family relationships with any other director or substantial shareholder of the Company or any personal interest in any business arrangement involving the Company. Save and except for traffic offences, if any, he has not been convicted for any offences within the past 10 years.

Malaysia

LAFARGE MALAYAN CEMENT BERHAD (1877-T)

(Incorporated in Malaysia)

Form of Proxy

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 62nd Annual General Meeting of the Company to be held on 30 May 2012 at 10.00 a.m. at Zamrud Room, 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 Md Yusof bin Hussin under Article 85		
2.	Re-election of Chen Theng Aik under Article 91		
3.	Election of Christian Herrault under Article 88		
4.	Election of Louis Chavane under Article 88		
5.	Re-appointment of Auditors		
	SPECIAL BUSINESS		
6.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("Recurrent RPTs")		
7.	Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback")		

Please indicate with an "X" in the appropriate space above how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.

Number of Shares	

Signed this _________ day of ____________________ 2012.

SEAL

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 officer or attorney authorised.*

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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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Lafarge Malayan Cement Berhad (1877-T)
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Selangor Darul Ehsan, Malaysia
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