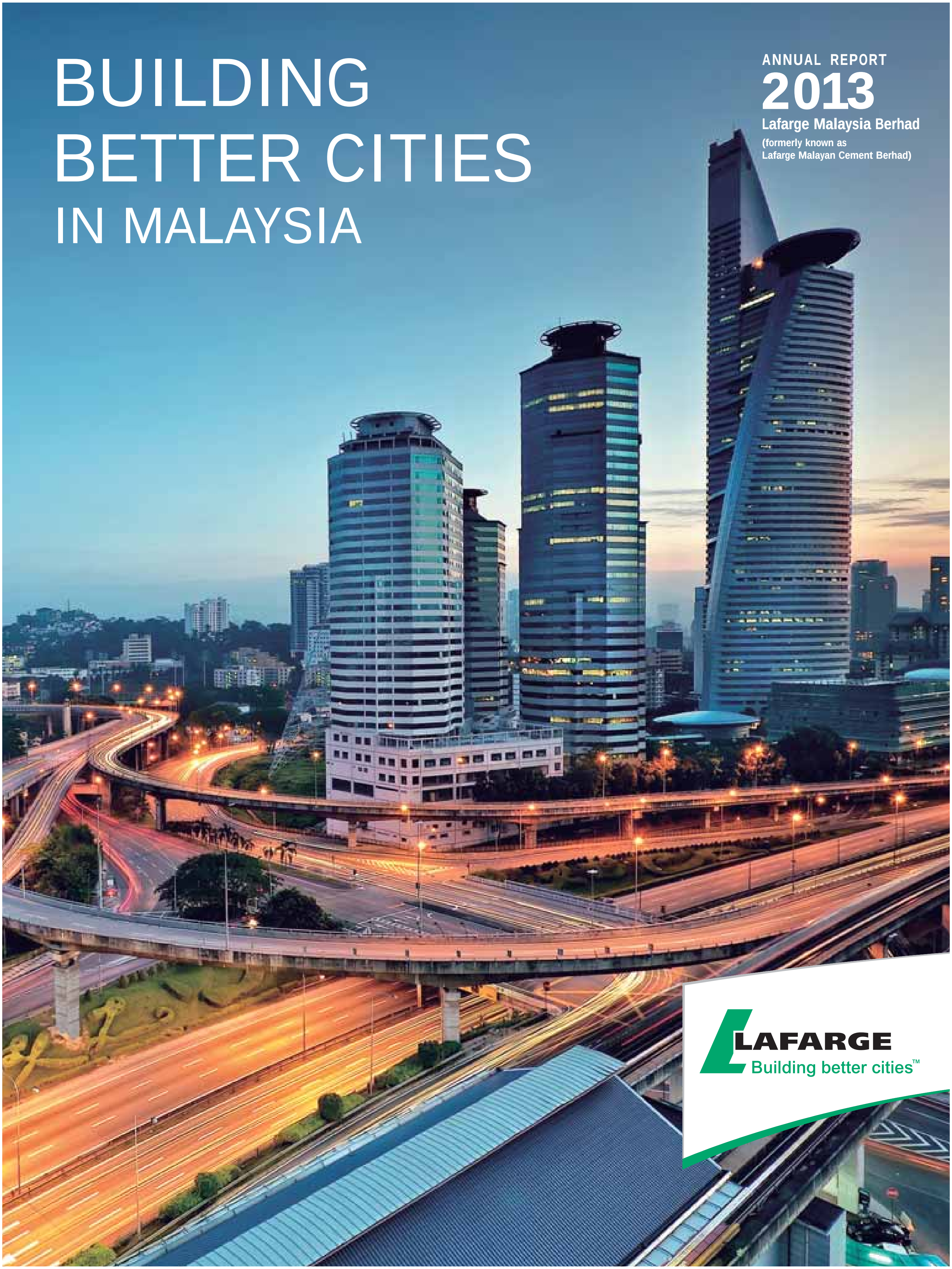
BUILDING BETTER CITIES IN MALAYSIA

ANNUAL REPORT

2013

Lafarge Malaysia Berhad

(formerly known as Lafarge Malayan Cement Berhad)



LAFARGE

Building better cities™

PROFILE

Lafarge Malaysia Berhad is a leader of the Malaysian construction industry, contributing towards building better cities. Our solutions provide cities and townships with more housing, making them more compact, more durable, more beautiful and better connected. Headquartered in the Klang Valley, Lafarge Malaysia has facilities that include three integrated cement plants in Langkawi, Kanthan and Rawang, a grinding station in Pasir Gudang, more than 30 ready-mixed concrete batching plants and 6 aggregates quarries throughout Peninsular Malaysia. These facilities are supported by a wide network of depots, terminals and distribution facilities, connected by road, rail and sea.

Contents

Milestones

OUR 60 YEAR JOURNEY HAS BEEN DEFINED BY THE PURSUIT OF EXCELLENCE

1950
Malayan Cement Berhad (now known as Lafarge Malaysia Berhad), a subsidiary of Blue Circle Industries PLC, United Kingdom, is incorporated in then Malaya, with the task of constructing Malaya's first cement plant.

1951
Construction of the Rawang plant, Malaya's first cement plant, commences.

1953
The Rawang plant commences operations, producing 110,000 tonnes of cement per annum, which is marketed under the brand name 'Tiger Cement'.

RAWANG PLANT
110,000
TONNES PER ANNUM

1958
To cater to increasing domestic demand for cement, the Rawang Works Extension is commissioned, increasing the plant's production to 240,000 tonnes per annum.

RAWANG PLANT
240,000
TONNES PER ANNUM

1961
Malayan Cement is listed on the then Malayan Stock Exchange, the precursor to the Kuala Lumpur Stock Exchange (KLSE) on **17 MARCH 1961**

1963
The Kanthan plant, located in Kinta Valley, Perak, is commissioned to meet increasing domestic demand for cement. The Sultan of Perak lays the foundation stone on 28 December, in a ceremony to mark the commencement of construction.

1964
KANTHAN PLANT
500,000
TONNES PER ANNUM

The Kanthan plant is inaugurated by the first Prime Minister of Malaysia, Tunku Abdul Rahman – the plant's annual production capacity is 500,000 tonnes per annum, a quantity sufficient to meet the cement needs of Malaya at the time.

1967
Malayan Cement Berhad's cement business merges with Pan Malaysia Cement Works to form Associated Pan Malaysia Cement Sdn Bhd (APMC).

1984
The Langkawi Plant is commissioned and begins operations.

1989
Lafarge Malayan Cement launches Mascrete, the company's first differentiated bulk product.

1993
The Rawang and Kanthan kilns are upgraded, bringing their respective production capacities to 1.5 million and 1.0 million tonnes per annum.

RAWANG & KANTHAN KILNS
1.5 Million &
1.0 Million
TONNES PER ANNUM

1995
The Rawang and Kanthan plants are awarded the ISO 9002 certification (now known as ISO 9001:2000).

1997
The Pasir Gudang Plant with a rated capacity of **800,000 TONNES PER ANNUM** is commissioned. Malayan Cement Berhad also launches its Schools Project, a Corporate Social Responsibility initiative to provide bursaries and excellence awards to high achievers and low income families from schools in the vicinity of the company's plants in Rawang, Kanthan, Langkawi and Pasir Gudang. Since its inception, 3,500 students have benefitted from the programme, with Lafarge contributing more than RM2 million to this programme.

1998
The Rawang and Kanthan plants are awarded the ISO 14001 certification. Lafarge becomes the first cement company in Malaysia to achieve ISO 14001 certification.

2000

The Rawang and Kanthan plants become the first cement plants to receive OHSAS 18001 certification, affirming the company's commitment to occupational health and safety management.

2001

The company becomes part of Lafarge Group following acquisition of Blue Circle PLC in the United Kingdom. In the same year, the company celebrates the launch of its innovative fly ash bag cement, Phoenix.

2003

Malayan Cement Berhad officially changes its name to Lafarge Malayan Cement Berhad as part of its integration into the global Lafarge group. In the same year, the company launches the Young Engineers Programme, the first cement professional development programme in Malaysia designed to develop fresh graduates from local universities into skilled engineers.

2006

Lafarge Malayan Cement revenue hits RM2 billion for the first time in the company's history. The company also launches Mascrete LH, a new differentiated bulk product.

2007

The Kanthan plant records a historic new high in production of

3.0 Million

TONNES PER ANNUM

2008

Lafarge Malayan Cement is honoured by the Starbiz-ICR Malaysia Corporate Responsibility Awards as one of the top five public listed companies in Malaysia for Workplace and Marketplace Awards.

2010

Lafarge Malayan Cement's Mascrete LH and Phoenix, which are manufactured using pulverised fuel ash, receive the coveted Singapore Green Label certification from the Singapore Environmental Council. Lafarge Malayan Cement is the first Malaysian cement company to receive the certification. Lafarge Malayan Cement is further honoured with the "Technology Innovation Award for Sustainable Production of Cement" by Frost & Sullivan at the Green Excellence Awards for its firm commitment to sustainable development.

2011

Mascrete LH and Phoenix receive Green Building Product certification from the Singapore Green Building Council. This makes Mascrete LH and Phoenix the first Malaysian cement products to secure both Green Building Product and Green Label certification. Mascrete LH and Phoenix are also awarded the Eco-Label from SIRIM in the same year.

2012

Greenbuild Asia 2012 selects Hydromedia, Lafarge's revolutionary new concrete product as the winner of the Best New Product (Building Material Concrete) Award.

2013

Reflecting a greater level of integration with the global Lafarge group, the company changes its name from Lafarge Malayan Cement Berhad to

Lafarge Malaysia Berhad

and officially launches its new corporate tagline:

Building Better Cities.

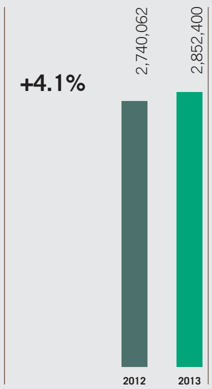
2013

Lafarge Malaysia celebrates 60 years of operations in Malaysia.

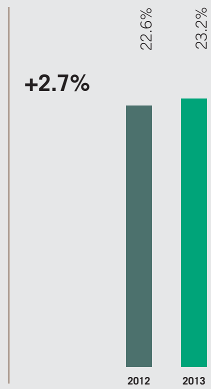
Financial Highlights

Statement of Comprehensive Income

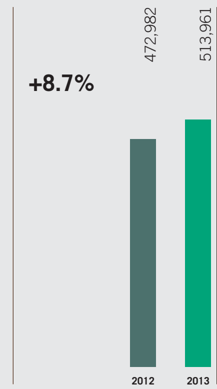
Revenue in RM'000



EBITDA margin %

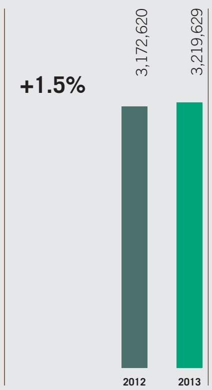


PBIT in RM'000

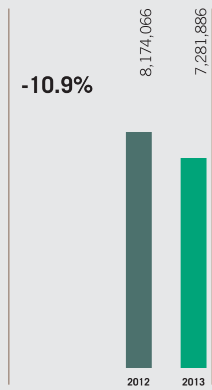


Statement of Financial Positions

Total equity in RM'000

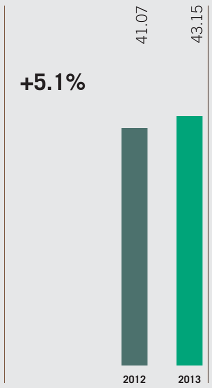


Market capitalisation in RM'000

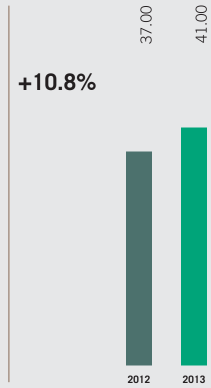


Dividend and Earnings Per Share

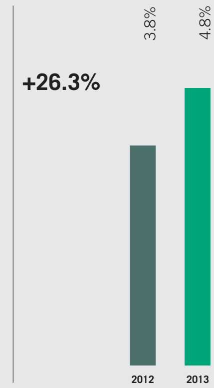
Earnings per share (sen)



Net dividend per share (sen)

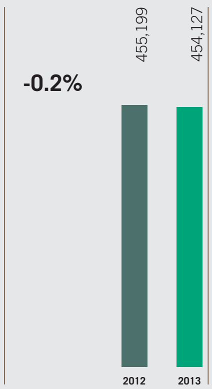


Dividend yield %

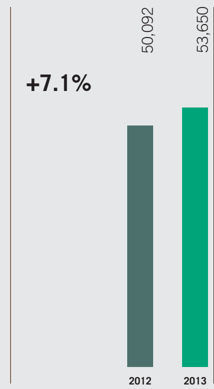


Statement of Cash Flow

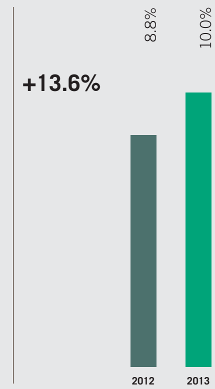
Net cash from operating activities in RM'000



Capital expenditures in RM'000

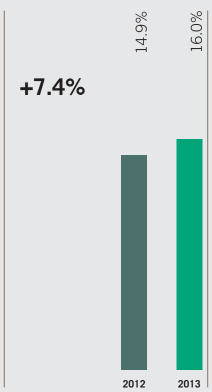


Operating working capital % of revenue

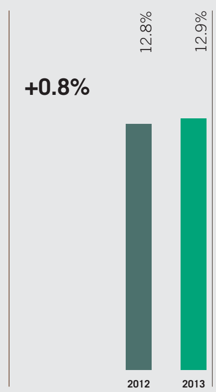


Financial Ratios

PBIT/Total equity



PAT/Revenue



Total Equity - includes non-controlling interest

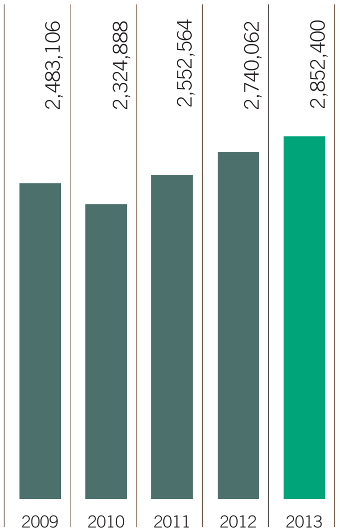
EBITDA - Earnings before interest, tax, depreciation and amortisation (excludes share of results of associates)

PBIT - Profit before interest and tax (excludes share of results of associates)

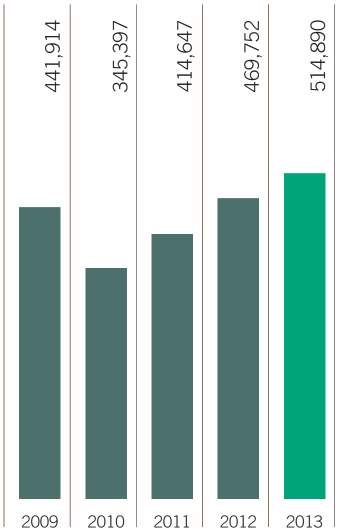
Five-Year Financial Statistics

	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Operating Results					
Revenue	2,483,106	2,324,888	2,552,564	2,740,062	**2,852,400**
Profit from operations	460,854	362,419	417,002	472,982	**513,961**
Profit before tax	441,914	345,397	414,647	469,752	**514,890**
Profit for the year	406,215	291,098	317,647	349,490	**367,118**
Key Balance Sheet Data					
Share capital	849,695	849,695	849,695	849,695	**849,695**
Total equity	3,214,644	3,101,767	3,125,074	3,172,620	**3,219,629**
Net borrowings/(cash)	(54,245)	(156,932)	(244,355)	(352,295)	**(450,362)**
Net tangible assets	2,005,904	1,891,699	1,915,303	1,963,298	**2,011,171**
Share Information and Financial Ratios					
Net gearing ratio (times)	–	–	–	–	**–**
Net tangible assets per share (RM)	2.36	2.23	2.25	2.31	**2.37**
Net earnings per share (EPS) (sen)	48.51	34.76	37.41	41.07	**43.15**
Net dividend per share (sen)	38.00	34.00	34.00	37.00	**41.00**
Share price (RM) - Year High	6.63	8.10	7.99	10.18	**11.20**
Share price (RM) - Year Low	3.10	6.06	6.19	6.66	**8.25**

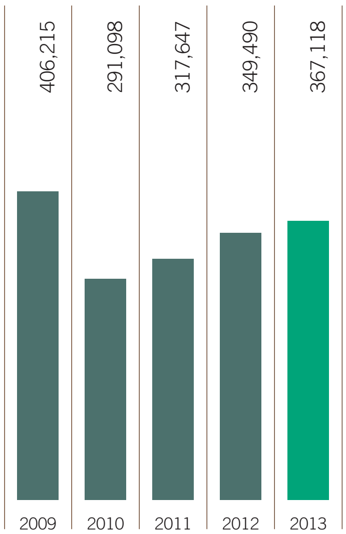
Revenue
(RM'000)



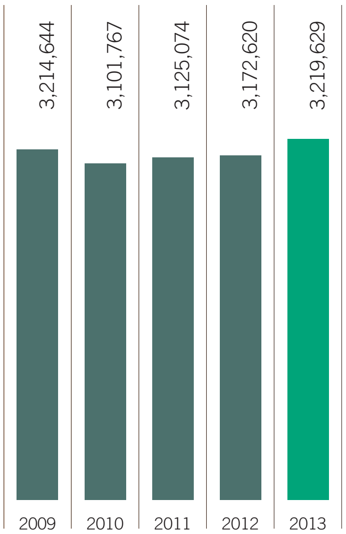
Profit Before Tax
(RM'000)



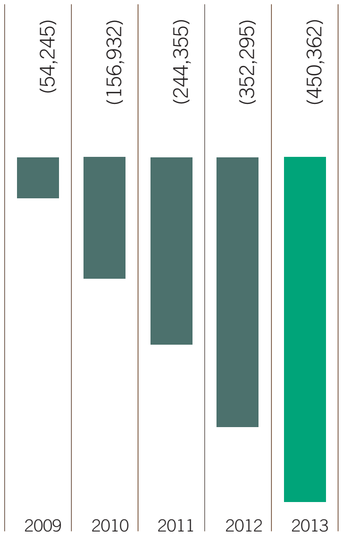
Profit for the Year
(RM'000)



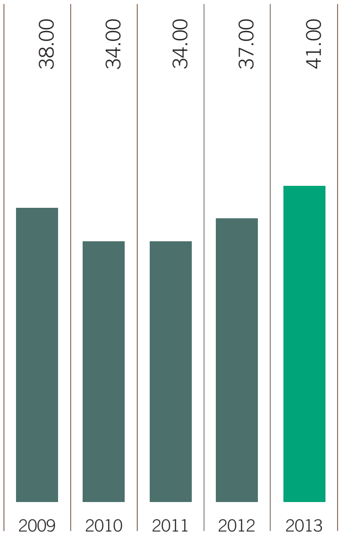
Total Equity
(RM'000)



Net Borrowings/(Cash)
(RM'000)



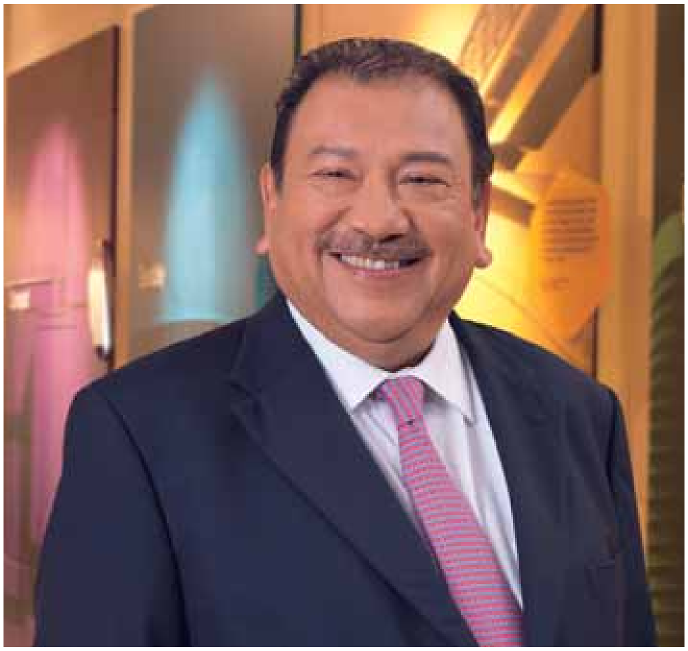
Net Dividend Per Share
(sen)



Chairman's Statement

"Lafarge has been in business in Malaysia for over 60 years."

Six decades of supporting the growth of Malaysia's construction, building and infrastructure industry and the country's progress.



Dear Shareholders,
I am pleased to give you an overview of the significant achievements over the past financial year.

DELIVERING A STRONG PERFORMANCE

The Malaysian construction industry grew by 11% in 2013, driven by infrastructure projects and the residential segment. I am delighted to report that Lafarge Malaysia was able to capitalise on these growth drivers to deliver another good year. Revenue for the year ended 31 December 2013 grew by 4.1% to RM2.85 billion, compared to RM2.74 billion in 2012. Net profit improved by 5.0% to RM367.12 million from RM349.49 million in 2012.

The Company's strong performance has enabled us to do well by you, our Shareholders. Throughout 2013, we have continued to pay dividends every quarter and have since paid three interim single-tier dividends totalling 24 sen per ordinary share of RM1 each. I am pleased to announce that the Board of Directors has declared a fourth interim single tier dividend of 17 sen per ordinary share of RM1 each, which was paid on 16 April 2014. This brings the total dividend payout to RM348.38 million, representing a payout ratio of 95%.

Lafarge Malaysia supplied its building solutions to construct the light rail transit and mass rapid transit.

2

REINFORCING OUR POSITION

Lafarge has been in business in Malaysia for over 60 years. Six decades of supporting the growth of Malaysia's construction, building and infrastructure industry, and by extension, the country's progress. So indeed, it is a milestone worth celebrating, and it was apt that we indeed celebrated in style at our Rawang Plant, Malaysia's first cement production facility and the place where our history in the country began.

As the largest cement producer in Malaysia today, and with an ever-strengthening foothold in the aggregates and concrete businesses, we are in a strong position to become as much a significant part of the nation's future as we have been instrumental in its past.

STRENGTHENING OUR BASE

Health & Safety (H&S) remains our top priority. More than just a core value that we integrate into all levels of our business, H&S is our commitment to uphold a basic human right in regard to all individuals involved in our operations, all along the supply chain; the right to go home without injury.

In 2013, our internal track record for safety has continued to be a source of pride; this year, we achieved 24.1 million hours of no lost time incidents at our cement plants, a remarkable feat that is a testament to the power of shared vision and values.

Over and above that, we also reached the 100 million km mark without fatality and lost time injury, an achievement that strengthens our position as an organisation that truly cares.

GIVING BACK

Our contribution to helping build Malaysia continues in our corporate responsibility work, namely education.

Education truly is the key that unlocks the door to success, and recognising this, we will in 2014 enter our 17th year conducting an educational programme to provide assistance to students all over the nation.

As such, we will continue to award education bursaries to school children, extending the assistance which has benefited more than 3,500 students in the last 16 years.

Health & Safety is a top priority at Lafarge Malaysia.

CHANGES IN THE BOARD

Mr Louis Chavane resigned as Non-Executive Director on 19 November 2013 following his retirement from the Lafarge Group after 26 years of service. We now have Mr Jean-Claude Block to ably fill this vacancy. Mr Block, who was appointed on the same day, is also a member of the Audit Committee.

On behalf of the Board of Directors, I would like to thank Mr Chavane for his contribution to the company and to wish him a happy well-deserved retirement.

At the same time, please join me in welcoming Mr Block to the Board.

LOOKING AHEAD

We expect continued growth in the local construction industry spurred on by our government's economic transformation initiatives, and by the significant impetus generated by the nation's need for housing, as announced in the recent budget.

As such, we fully expect that the initiatives we began in 2013 will gain traction in the months ahead, putting us in a good position to deliver in 2014 despite increasing pressure on costs.

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

Our Rawang Plant, Malaysia's first cement plant.

> "Our revenue recorded an increase of 4.1% and pre-tax profit rose 9.6%."

The improved performance was contributed by higher sales volumes in cement, concrete and aggregates.

Dear Shareholders,
2013 has been a good year for Lafarge Malaysia, during which we achieved many key milestones that have provided us with a solid foundation to build on in the coming years. In 2012, we made a strategic decision to reorganise our business from a product line-based organisation to a market segment focused structure and in 2013 we started to reap the benefits of these changes.

The new organisational structure is more efficient and effective, enabling us to be more market-focused. It is our firm belief that our understanding and long-standing relationships with our customers have continued to allow us to create breakthrough, valued-added products that differentiate us from our competitors, giving us an edge that will continue to strengthen our position.

FINANCIAL REVIEW

In 2013, the Malaysian construction industry grew by 11%, driven by an influx of infrastructure projects and the expanding residential segment. I am pleased to report that our revenue recorded an increase of 4.1% from RM2.74 billion in 2012 to RM2.85 billion during the financial year under review, and pre-tax profit rose 9.6% from RM469.75 million in 2012 to RM514.89 million in 2013.

Our Langkawi Plant.

The improved performance was contributed to by higher sales volumes in cement, concrete and aggregates in line with growth in domestic demand, better revenue contribution from the concrete segment and good cost management.

POSITIONING FOR THE FUTURE

We made the decision to change our name from Lafarge Malayan Cement Berhad to Lafarge Malaysia Berhad. We feel the new name better reflects our business as a provider of solutions to the construction industry. This change of name coincided with Lafarge Malaysia's 60th Anniversary celebrations.

We marked this momentous occasion with the launch of our new corporate brand positioning, "Building Better Cities", which has also been adopted and implemented within the Lafarge Group worldwide. This new positioning showcases Lafarge's integral role in both providing a foundation for the continued growth of cities around the world, and in leading the way in driving sustainable development.

More specifically, in Malaysia, as the nation moves towards fulfilling its vision of becoming a high income nation by the year 2020, and the need for quality housing grows, Lafarge will further strengthen its commitment to the Malaysian construction industry by providing innovative solutions that are world-class in quality yet locally focused in their delivery.

SECURING PEACE OF MIND

Our Chairman, Y.A.M. Tunku Tan Sri Imran reported in his statement that our internal track record for safety has continued to be a source of pride and I cannot agree more with him that it is a testament to the power of shared vision and values. Nothing is more important to us than Health & Safety (H&S). It is our ambition to be the safest company not only in our sector, but across all industries.

In 2013, we continued to maintain a fatality-free workplace in all our operations. In addition, we achieved 100 million km without fatality and lost time injury – a distance equivalent to going round the earth 2,500 times. Although we have done well in 2013, we will continue to work hard towards achieving our ultimate objective of "zero incident".

From left: En Md Yusof b Hussin, Independent Non-Executive Director, Lafarge Malaysia Berhad, Mr Bradley Mulroney, President & CEO, Lafarge Malaysia Berhad, Datuk Ir Hj Hamim Samuri, Deputy Minister of International Trade and Industry of Malaysia and Mr Saw Ewe Seng, Independent Non-Executive Director, Lafarge Malaysia Berhad launching "Building Better Cities".

In conjunction with Lafarge Malaysia's 60th Anniversary celebration, Datuk Ir Hj Hamim Samuri signing the commemorative plaque.

BUILDING BRIDGES FOR TOMORROW

Building and enhancing relationships have always been the way we do business, and with our new corporate brand positioning, "Building Better Cities", this has become more important than ever before.

We initiated several key initiatives in 2013. The first of these was the inaugural PAM-Lafarge Architecture Student Competition. Partnering with the Malaysian Institute of Architects (PAM), we organised a competition to nurture the talents of aspiring Malaysian architects to derive innovative solutions for the development of affordable, sustainable housing in Malaysia. Through this competition, we hope to educate architecture students that affordable housing can be achieved through using the right construction methods, materials and solutions without compromising on quality.

It attracted good responses from Malaysian architecture students from both local and overseas institutions. A total of 69 entries were received of which the top three winners were selected.

2013 also saw us sign a Memorandum of Understanding (MoU) with the Construction Industry Development Board Malaysia (CIDB) to promote the correct usage of cement and concrete solutions, a move aimed at elevating construction standards.

Through this MoU, we will work closely with CIDB to provide skills training and certification so that we may develop a pool of highly-skilled, well-trained construction personnel that will, ultimately, raise the quality of the Malaysian construction industry.

EXPANDING OUR BUSINESS

Our 60th anniversary was the perfect time for us to announce our plans to further expand our business in Malaysia, cementing our commitment to the continued development and growth of the country.

The signing of CIDB-Lafarge MoU was witnessed by Datuk Rosnah Abdul Rashid Shirlin, Deputy Minister of Works, Malaysia (third from right), and Datuk Dr Abu Bakar bin Mohamad Diah, Deputy Minister of Science, Technology and Innovation, Malaysia (second from right).

Dato' Abdul Rahman Dahlan, Minister of Urban Wellbeing, Housing and Local Government was the guest of honour at the PAM-Lafarge Architecture Student Competition Awards Night.

To keep up with the growing demand for cement, we are expanding the capacity of our Rawang Plant in Selangor and Kanthan Plant in Perak to increase our annual output by 1.2 million tonnes. This increased cement capacity will help service Peninsular Malaysia, and at the same time, allow our existing Langkawi Plant to explore further export opportunities across Southeast Asia.

We opened a state-of-the-art environmentally friendly ready-mixed concrete batching plant in Chan Sow Lin on 10 March 2014 which was officiated by the Mayor of Kuala Lumpur, Datuk Seri Hj Ahmad Phesal b Hj Talib. Spanning 1.6 acres in land area, this enclosed plant, with environmentally friendly facilities, is the first ready-mixed concrete batching plant in Malaysia with the ability to fully reclaim returned concrete by separating the sand, aggregates and water, and recycling them back into the batching process. In addition, the production process is enclosed, thus reducing noise and dust emissions.

A new quarry in Nilai, Negeri Sembilan was opened in 2013 to boost aggregates output and to serve our customers efficiently. This additional production capacity will provide significant support to our existing ready-mixed batching plants and quarries across Malaysia.

In 2013, we also launched three new innovative solutions: Mascrete Eco, an advanced eco-friendly cement; Hydromedia, the fast-draining concrete pavement solution and Harimau, a high-early strength cement that offers superior productivity and greater efficiency for pre-casting requirements.

NURTURING INNOVATION

To maintain our position as a leader in the industry, we need to continually innovate to find new solutions to the challenges facing the construction industry.

In 2013, we put into motion plans to open our Construction Development Laboratory (CDL), located in Petaling Jaya, by the first half of 2014. This laboratory leverages on Lafarge's global research and development efforts through the development of local solutions to address the needs of the Malaysian market.

Datuk Seri Hj Ahmad Phesal b Hj Talib, the Mayor of Kuala Lumpur, officiated the opening of our ready-mixed concrete batching plant in Chan Sow Lin.

A FORWARD LOOK

In 2014, we expect continued growth in the construction industry fuelled by the government's economic transformation initiatives and by the nation's housing needs. We expect that the initiatives that we started in 2012 and 2013 will gain further momentum to help us in delivering our results.

We will continue to evolve the business to be more market focused to enable us to provide solutions towards building better cities. Additionally, as consumers begin to embrace the importance of environmentally sensitive products, services and concepts, we will be able to bring our commitment to sustainability and sustainable construction fully into play.

AN EXPRESSION OF GRATITUDE

Last but not least, I would like to thank all my colleagues in Lafarge Malaysia for their contributions in helping us reach our 60th milestone, and in taking the company to such great heights. Your hard work, determination and passion are indispensable to the company's progress.

To our customers, I offer my deepest gratitude for your continuing support and trust. I wish nothing more than for us to move forward together towards a brighter and more prosperous future.

I would also like to thank the community at large for their understanding and cooperation, as we strive to improve the overall quality of life for everyone through our role in the construction industry.

And last though certainly not least, to our respected shareholders: rest assured that we will give our utmost so that we may constantly enhance and improve the performance of your company. Thank you for your loyal support.

Bradley Mulroney
President & Chief Executive Officer

The Petronas Twin Towers, Kuala Lumpur, was built by Lafarge Malaysia's building solutions.

GENERAL DESCRIPTION OF THE GROUP'S BUSINESS

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

In the Cement product line, the Group currently operates a strategic nationwide network of facilities, which includes three integrated cement plants located in Langkawi, Kanthan and Rawang and a grinding plant in Pasir Gudang. The Group also operates in the Bulk Import Terminal in Singapore.

In the Concrete product line, there are more than 30 ready-mixed batching plants throughout Peninsular Malaysia whereas in its Aggregates product line, it operates six quarries. The Group also has an equity share in Alliance Concrete (S) Pte Ltd, a ready-mixed company in Singapore.

FINANCIAL PERFORMANCE FOR FINANCIAL YEAR ENDED 31 DECEMBER 2013 ("YEAR 2013") COMPARED WITH FINANCIAL YEAR ENDED 31 DECEMBER 2012 ("YEAR 2012")

The Group's revenue for Year 2013 grew by 4.1% to RM2.85 billion, compared to RM2.74 billion in 2012. The higher revenue was mainly attributed to the higher domestic sales volume in cement, concrete and aggregates in line with growth in domestic market demand.

Revenue from the Cement segment was higher by RM36.63 million mainly contributed by better volume in both domestic and export sales. The Aggregates and Concrete segments registered a revenue growth of 16.4% compared to Year 2012. The increase was mainly contributed by supply of concrete products to special projects and strong market demand for aggregates products.

One of Lafarge Malaysia's ready-mixed concrete batching plants.

In line with the higher revenue in all business segments and strong performance in the ready-mixed business and continued operational excellence, profit before tax for Year 2013 increased by 9.6% to RM514.89 million over the last financial year. The Group's profit before tax was further improved by the lower finance cost incurred of RM2.10 million compared to RM6.07 million in Year 2012 mainly due to the full redemption of the RM105 million Floating Rate Notes ("FRN") in 3rd quarter 2012.

The Group incurred a higher income tax expense of RM147.77 million for Year 2013 compared to RM120.26 million for Year 2012. This was due mainly to higher profit before tax and the reversal of the tax refund receivable from Inland Revenue Authority of Singapore ("IRAS") totalling RM19.07 million in relation to a tax case of the subsidiary in Singapore (LMCB Holding Pte. Ltd.).

As a result of the above, profit attributed to the equity holders of the Group was RM367.12 million, an increase of RM17.63 million compared to RM349.49 million for Year 2012.

As at 31 December 2013, the Group cash and cash equivalents stood at RM450.85 million, registering an increase of 27.4% from RM354.00 million at end of 2012. The increase was mainly due to the net cash inflow generated from the operating activities totalling RM454.13 million which was higher than the cash outflow used in investing and financing activities.

OUTLOOK

With increasing demand by the construction industry in Malaysia for sustainable solutions, and with the building industry developing and working towards more sustainable and green practices, Lafarge Malaysia will focus on further commercial differentiation through delivering more innovative and sustainable products and solutions as well as strive for continued industrial excellence. In March 2014, Lafarge Malaysia officially launched its state-of-the-art environmentally friendly ready-mixed concrete batching plant in Chan Sow Lin at a ceremony officiated by the Mayor of Kuala Lumpur, Datuk Seri Hj Ahmad Phesal b Hj Talib. We also opened a new aggregates quarry in Nilai, Negeri Sembilan in 2013. During the year, we also launched three innovative products; Mascrete Eco, an advanced eco-friendly cement, Hydromedia, the fast draining concrete pavement solution and Harimau, a high early strength cement that offers superior productivity for pre-casting requirements.

Moving forward, in 2014, we expect continued growth in the construction sector, driven mainly by the continued progress of government-led investments and key infrastructure projects as well as on-going residential and commercial developments. We will continue to be more market focused to enable us to provide solutions towards "Building Better Cities".

Our ready-mixed concrete batching plant in Chan Sow Lin is Malaysia's first enclosed batching facility.

Commercial Differentiation

THE CORRIDORS OF GROWTH

Over the past few years, the main drivers of activity and expansion in the construction industry have been the country's many growth corridors. This is set to continue in the near-to medium-term, and Lafarge is in a unique position to capitalise on the myriad of available opportunities.

The Greater KL Initiative within the Klang Valley continues to spearhead growth in Selangor and the Federal Territories of Kuala Lumpur and Putrajaya, contributing 40%* of the total value of construction work in the country. Down south, Iskandar Malaysia continues to be the catalyst for Johor, contributing 14%* of the total value of construction work done in 2013.

Among the contributors to these infrastructure sub-sectors are the KLIA2 project, the Tanjung Bin power plant project in Johor and Manjung power plant project in Perak: undertakings in which we at Lafarge Malaysia played an exclusive part as the preferred partner to supply building solutions to these technically demanding projects.

However, whilst involvement in these mega-projects has supported our business growth, the larger part of our positive performance in 2013 was driven by our contributions towards addressing the nation's growing housing needs.

*(*Source: The Department of Statistics, Malaysia, 10 February 2014.)*

PAVING THE WAY TO TRUE MARKET DIFFERENTIATION

In Malaysia, we are already seen as a pioneer and leader in our core businesses, namely the manufacturing and sale of cement, ready-mixed concrete and aggregates. A restructuring exercise in 2012 integrated these three main business units into a singular entity under the Lafarge Malaysia umbrella. With this centralisation, we are able to fully capitalise on our resources and extensive network to focus single-mindedly on meeting the needs of the market and our customers effectively.

We have a diversified stable of solutions to fulfil our customers' wide-ranging requirements, including brands such as Mascrete Eco, Mascrete LH, Phoenix, Artevia, Walcrete and Agilia. However, the rapidly evolving needs of the industry, and our ambition to build better cities have driven us to continually expand and improve on our range of solutions and offerings.

In 2013, we launched three innovative new solutions. These are the fast draining concrete pavement solution, Hydromedia; the advanced eco-friendly cement, Mascrete Eco; and the high-early strength cement that provides superior productivity and greater efficiency for pre-casting requirements, the aptly-named Harimau.

As a testament to our commitment to quality, Hydromedia was awarded the Best New Eco-Product Award at the Eco-B exhibition in 2013.

Our three innovative products, namely Mascrete Eco, Hydromedia and Harimau.

To step up our efforts in developing innovative solutions, we are in the process of setting up a Construction Development Laboratory (CDL), which we expect will be completed within the first half of 2014. Once completed, our CDL will enable us to tailor innovative solutions, developed in our world-class research centre in Lyon, to suit local needs, allowing us to better meet the demands of the Malaysian market. It will also serve as a centre where we can develop and test ideas on construction systems, structures and products.

Whilst having the right offerings and solutions are important, it is also essential that we possess the appropriate facilities to create, manufacture and market them. To this end, we have built a wide network of strategically located assets around Malaysia that are connected by road, rail and sea.

In order to meet the growing demand for our products and solutions, we have set up, or are in the process of setting up, new and expanded facilities.

For instance, in our aggregates business, we have established a new quarry in Nilai, Negeri Sembilan to meet increasing demand. Also, our new, fully-automated ready-mixed concrete batching plant was launched in March 2014. Located in Chan Sow Lin, Kuala Lumpur, our ready-mixed concrete batching plant is the first of its kind in Malaysia, featuring an enclosed batching facility that drastically reduces noise and dust. This facility is capable of producing high quality concrete and will also be able to manufacture highly technical concrete required in the more sophisticatedly engineered buildings and structures of today, which is likely to comprise up to 30% of Kuala Lumpur's demand for concrete.

With innovation, research and development and manufacturing concerns addressed to the best of our abilities, the final piece of the equation is to ensure our offerings reach the right people, at the right time. For this purpose, we have established a comprehensive supply chain network that is geared towards ensuring timely delivery of our products and solutions to customers. Whilst efficiency is key, safety is also a critical concern, and in 2013 we launched an exclusive and technologically-advanced system to curb pilferage. All our trucks are now equipped with a GPS system to track the delivery of our products while allowing us to monitor the whereabouts of our vehicles at all times.

Innovative solutions are being developed to meet our customers' expectations.

People Development

At Lafarge Malaysia, we help our people develop their careers by developing their passions. Additionally, we offer our employees the opportunity to play a leading role in setting new standards of quality, innovation and sustainability as we move towards our ambition of "Building Better Cities".

This is why People Development is one of the core tenets of our company, representing our continued dedication towards equipping, guiding and providing opportunities for employees to grow within the organisation.

DEVELOPING LEADERS

We have established numerous programmes to nurture and cultivate leadership qualities, among which include the Leadership Development Programme for Supervisors (LDPS) and 'iLead' for our middle managers and executives.

The LDPS is designed to equip frontline supervisors with the right tools to manage their teams while preparing them to progress to the next level in their careers. 'iLead' is a series of purpose-built training programmes targeted at enhancing leadership competencies in middle managers and young executives.

BUILDING COMPETENCIES

As the Company evolves to meet the needs of the industry, it is essential that our people continuously enhance their competencies to keep up with the times. We have established an ongoing competency development programme to achieve this aim for sales executives and plant operators who handle ready-mixed concrete functions as well as quarry managers.

Through this programme, participants are given specific learning and development interventions throughout the year, with each participant undergoing a post-assessment on current competency at the beginning of the year, to assess the individual's improvement.

MANAGING COMPLIANCE

Compliance is also a key component of our business, and we are dedicated towards ensuring the highest level of adherence to international and local standards. One of the activities in this area is the Code of Business Conduct Training, which was rolled out in the final quarter of 2013 to train our employees.

In addition, our employees in the Finance Department attended a programme on the Malaysian Financial Reporting Standards to keep abreast of the latest changes in financial reporting.

ATTRACTING TALENT

To ensure that we have a talent pipeline, we place much emphasis on attracting talent. In 2013, we participated in several career fairs to scout for available talents and gain an insight into the standard of potential employees in the market.

We took part in our first-ever Graduan United Kingdom Executive Council, a collaboration with the United Kingdom and Eire Council (UKEC) for Malaysian students, Talent Corporation Malaysia and the Ministry of Education, Malaysia. This was an effective way to reach out to Malaysian students in the United Kingdom and Eire. It also gave us an opportunity and headway to recruit some of the best graduates from the United Kingdom.

Lafarge Malaysia's employees undergoing a training session.

We were one of the 70 corporations which participated in Graduan Aspire, a career programme jointly organised by Talent Corporation Malaysia and the Ministry of Higher Education, Malaysia. The fair was held on 6 and 7 July 2013 at the Kuala Lumpur Convention Centre.

Besides the career fairs, we also continued with the Lafarge Young Engineers Programme (LYEP), which is in its 10th year. The LYEP was developed with the objective of creating a steady pipeline of competent engineers to support Lafarge Malaysia's plant operations. Over the years, the LYEP has developed more than 50 engineers who are still working with Lafarge Malaysia today.

CHAMPIONING DIVERSITY

As a multinational company, Lafarge Malaysia strongly believes in encouraging and embracing diversity in the workplace.

We reach out to the physically challenged, and have on our staff ten personnel who are deaf and mute. These special individuals, fondly known as "Angels" internally, have been serving in the Supply Chain Department since 2010. When the occasion calls for it, the assistance from the Malaysian Federation of the Deaf is sought to enhance the communication between the "Angels" and management.

Lafarge is also on the forefront of gender equality; one of the Group's Sustainability Ambitions for 2020 is to have at least 35% of senior management positions being filled by women. For the year ended 31 December 2013, Lafarge Malaysia exceeded the target at 35.9%.

BOOSTING MORALE

At Lafarge Malaysia, we take the adage of "a happy employee is a productive employee" seriously, as employee morale plays a crucial part in ensuring the company's continued success.

On 27 March 2013, for the first time in our 60-year history in Malaysia, we organised a "Bring Your Kids to Work Day" which was held at the Head Office. Our employees were encouraged to bring their children to the workplace. This event served as an introduction for the children to the working environment at Lafarge Malaysia, where they spent a day experiencing what their parents go through on a typical workday. It was also a great platform for the children to discover the link between what they learned in school and how they would be able to apply it in the future.

Our employees are our greatest asset.

Health & Safety

GUIDING PRINCIPLES AND VISION

Health & Safety of our employees, partners and suppliers is our top priority. This is why Occupational Health & Safety (H&S) is one of our core values, and a major component of our sustainable management programme. Our approach to H&S is built on a simple belief; that all injuries in and around the workplace are preventable, and that it is the right of all personnel involved in any Lafarge operations to safely return home every day.

Based on the Lafarge Worldwide Group Health & Safety Management System (HSMS) comprising 10 elements, our H&S strategy is implemented across three areas, namely the workplace environment, systems and processes, as well as competence and behaviour of individuals. To achieve this, we are committed to enrol business leaders and functional managers to act as role models in the pursuit of H&S goals. More importantly, achieving a 'No Injury' environment is dependent on the building of a strong H&S culture that stems from the individual, with team spirit, recognition and collective responsibility driving its growth.

KEY LAGGING PERFORMANCE INDICATORS

Static Operations

The level of occupational H&S protection pertaining to static operations is assessed using key lagging performance indicators. This year, we continued to maintain a fatality-free workplace, putting in place safeguards and processes to ensure that no employee, contractor or third party should lose their lives while working with us.

With the decline of Lost Time Injury incidents, we have shifted our focus towards Total Injury Frequency Rate for employees and contractors (TIFR e&c); we successfully achieved a ratio of 0.58 in 2013, comfortably below the benchmark of world-class organisations, which is set at 1.0. In line with this, the total worked hours for employees and contractors also increased by 5.1%, meaning that for every 1 million hours of work, the total incident rate was 0.58, an improvement of 40% over 2012. This reflects an improvement in recorded medical incident cases which compensated for an increase in lost time injuries (from 1 to 2 incidents for the year).

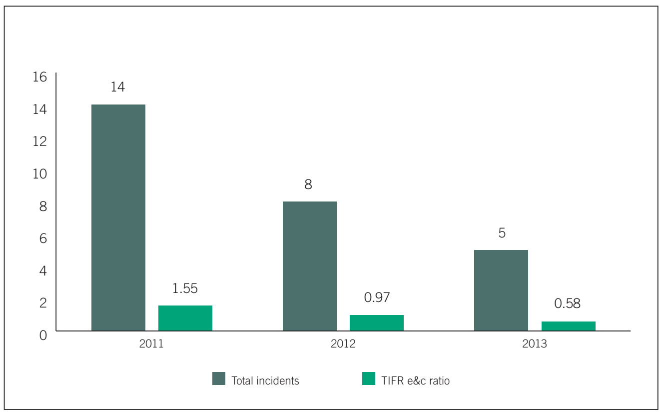
Health & Safety systems and processes are in place to achieve a "no injury" environment at our workplace.

A contractor employee following safe work procedures to return home unharmed.

By focusing on TIFR, management is encouraging focus on minor as well as more significant injuries when it comes to root cause analysis and learnings, thus anticipating potentially more significant incidents and taking action before they occur.

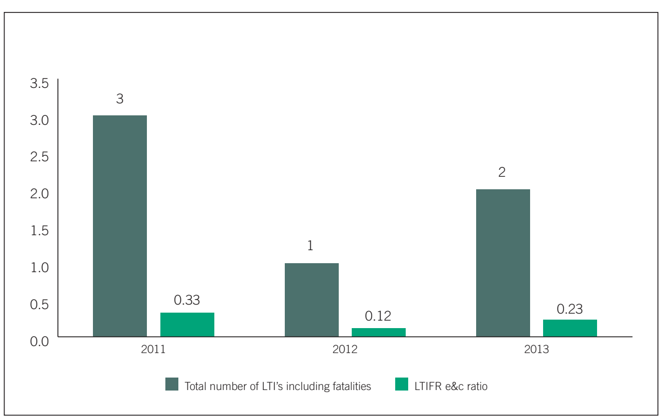
In addition, the lost time injury frequency rate (LTIFR e&c) achievement of 0.23 was tracked in line with the Lafarge Worldwide Group objective set at 0.45 for the full year.

TIFR e&c statistics for 2011, 2012 and 2013



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

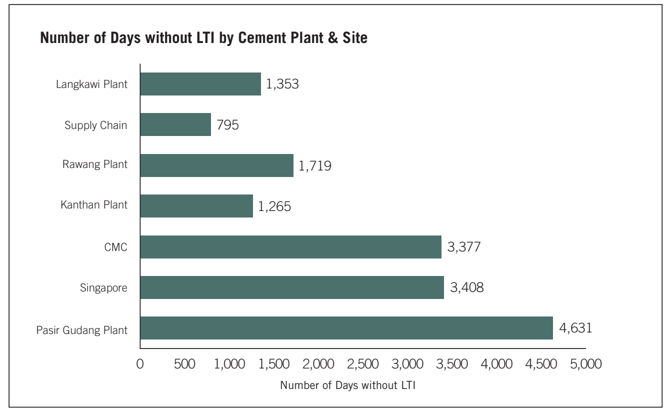
LTIFR e&c statistics for 2011, 2012 and 2013



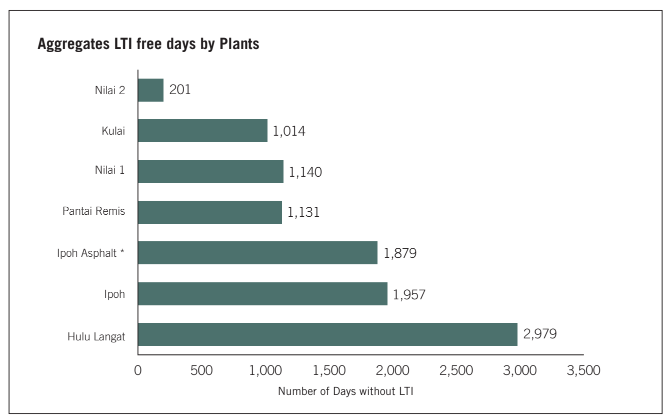
Definition of LTIFR e&c:
Total number of fatalities and lost time injuries x 1,000,000 divided by total number of worked hours.

The organisation also tracks lost time injury free days across all its operations as indicated below with recognition of milestone achievements shared at “employees town hall” information exchange meetings.

LTI free days for Cement Industrial Operations

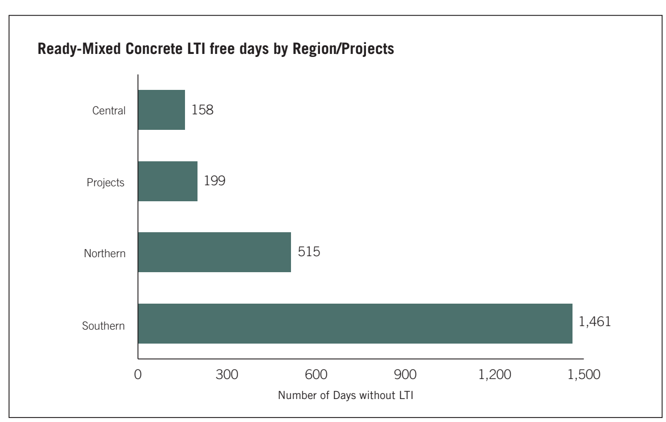


LTI free days for Aggregates Quarries



* Ipoh Asphalt is not a quarry. It is a plant facility.

LTI free days for Ready-Mixed Concrete batching plants



Transportation

Transportation is a key activity driving the Lafarge business. Therefore, it is only right that it be given the proper focus, even after accounting for the transportation of our products being outsourced to contractors. This is an extension of our commitment to ensure the safety of all individuals working for and with Lafarge. Hence, beginning 2013, the road transport safety performance for contractor driven vehicles will be tracked using a *Transport Road Accident Frequency* rate (TRAF) and a *Fatality Accident Frequency* rate (FAFR).

These ratio calculations accounted for the same incidents as TIFR (fatalities, lost time injuries (LTI) and medical injuries (MI) with the addition of first aid (FA) cases) with their definitions as follows:

Definition of TRAF:
Number of incidents (fatalities, LTI, MI, FA) per one million km driven.

Definition of FAFR:
Number of incidents (fatalities, LTI, MI, FA) per one hundred million km driven.

In 2013, we continued to achieve a no fatality record in transportation, where we recorded a TRAF of just 0.04 reflecting two medical incidents suffered by drivers in each of the aggregates and ready-mixed concrete businesses. This is a commendable achievement indeed, as our contractors travelled over 51.1 million km across all product lines this year, with cement transportation specifically over 100 million km since the last reported incident.

USE OF LEADING SAFETY PERFORMANCE INDICATORS

Our sophisticated H&S system is filtered down to several key lead indicators that are tracked, with trends in the data acted upon accordingly. This complements the conventional approach of monitoring lagging indicators which measure and track outcomes of numbers of people hurt and frequency rates. The following are typical key lead indicators:

i. Visible felt leadership (VFL) are engagements by business leaders and managers with feedback recorded in an electronic safety reporting system with gap closure follow up. During 2013, an average of 180 managers conducted in excess of 9,000 engagements in the field of operations.

Teamwork is important: Risk based annual improvement planning process.

ii. Motor vehicle accident (MVA) tracking of non-injury (transport/mobile plant near misses) as well as injury related incidents.

Product Line / Plant / Activities	Number of MVA's net of third party fault in year 2013
Supply Chain	8
Cement	25
Aggregates	10
Ready-Mixed Concrete	60
CMC	4
Total	107

Table: No. of MVA's on a like-for-like basis net of third party fault in year 2013.

iii. Number of audits conducted and actions closed.

2013 Audits
In-Country – Ready-Mixed Concrete
In-Country – Aggregates
Asia Cross-Country – Rawang
Asia Cross-Country – Central Supply Chain

Table: Audits in the operation.

iv. Percentage of agreed annual continuous H&S improvement plan actions completed. The target for these is a minimum of 90% closure on validated actions.

Additionally, we also track the number of hours spent on H&S training, serious events which are subject to root cause and risk management operating analysis using specific "tools" (e.g. Apollo diagrams, Lafarge Risk Management Operating Model Matrix - RMOM), and near misses (including those in serious events), which are also essential lead indicators.

CONTINUOUS IMPROVEMENT IN SAFETY PERFORMANCE

H&S is not a one-off project, but instead a work-in-progress that requires continuous improvement and enhancement. As part of our dedication to upgrading our H&S standards, we engage in various activities including annual risk based improvement planning, in-Country (IC) and independently led cross-Country (CC) audits managing the findings and action plans arising, adopting a policy of no repeats, pursuing quality in visible felt leadership (VFL) engagements and addressing the gaps in processes and standards.

Annual risk based improvement planning and task based risk assessment

In keeping with the Lafarge Global Risk Management Standard, each year, product line management teams develop their bottom up H&S improvement plans using a hazard identification, risk analysis and risk rating process to prioritise their improvement tasks. These are dynamic plans such that emerging risks can be accommodated according to a risk rating and all are validated by the Country CEO.

In addition to the annual improvement planning process, more and more focus is being given to "field level risk assessment" related to job tasks whereby the steps in the job, the condition of tools and equipment and the competence of people involved are part of pre-job planning and hazard-risk-control assessment.

Audits

Both second party in-Country and independently led Asia cross-Country "entity audits" verify compliance with our voluntary commitment to the 10 elements of the Lafarge Worldwide Group Health & Safety Management System (HSMS) as well as local legal requirements. Good practices identified from the audits are also shared across other Lafarge Malaysia operations. In 2013, audits were undertaken in Rawang cement plant and quarry, central Supply Chain operations, Ready-Mixed Concrete and Aggregates northern operations.

Health & Safety (continued)

In addition to quality and environmental management standards, the organisation's cement related businesses follow the International norms associated with safety such as the OHSAS 18001 standard and compliance and these are also independently audited on a regular basis.

No repeats policy

As a rule, both minor (first aid and medical incidents) and more significant incidents are investigated for root cause and key learnings, including significant near misses which are occasionally classified as serious events. This is a pre-emptive approach to identify or warn of hazard exposure gaps, which can then be overcome to ensure no related events occur. A Lafarge Worldwide Group developed risk management operating model (RMOM) is also increasingly being applied to highlight gaps in H&S process application, leadership deficiency and empowerment of people as a complementary exercise to Root Cause Analysis.

Visible felt leadership (VFL)

This is the key behavioural based safety process adopted within the company. It encourages management personnel to be more visible, observing work practice, engaging with workers and front line supervisors to either praise good practices or correct unsafe ones. This is a crucial process in cultivating consistently high level of safety performance, as we believe a majority of accidents are caused by behaviour and human error.

Product Line / Plant / Activities	Number of people trained in VFL
Aggregates	29
Ready-Mixed Concrete	53
Kanthan	28
Langkawi	23
Pasir Gudang	8
Rawang	17
Singapore	5
Head Office	52
Supply Chain	12
Total	227

Table: No. of people trained in VFL

Managers and supervisors focus groups

In the pursuit of continued improvement in behavioural based safety, during Q4 of 2013, the company commissioned a series of company-wide, independently led (third party) facilitated focus groups to identify the gaps in management-supervisor effectiveness when implementing H&S principles at the front line of operations where most H&S hazards exist. Around 23 senior managers were interviewed and 156 Lafarge employees (20% of site operational personnel) at different levels in the organisation geographically spread were involved in the focus groups. Some 77 contractor employees made up the full complement. The findings and recommendations arising will help management to develop action plans and keep the organisation moving forward on H&S performance.

Observing work practice during VFL observation.

Conducting a transporter audit.

Training in H&S

Education is a life-long process, and the same goes for the upgrading of H&S knowledge. In 2013, over 1,300 employees attended H&S trainings covering important subjects such as working at height, confined space, hot-work, mobile equipment, lifting & rigging, defensive driving, visible felt leadership and risk assessment. The equivalent H&S training hours exceeded 50,000 in 2013.

HEALTH AND WELL-BEING

While Occupational Safety is vital to the continued success of the company, Occupational Health Management is viewed with equal importance. Our goal is to ensure that no individual should be harmed by occupational disease while working for and with Lafarge Malaysia. Our health strategy, which revolves around enhancing the health of personnel, comprises two principal disciplines:

Occupational hygiene; which refers to the process of anticipating, recognising, evaluating and controlling health hazards in the working environment.

Occupational medicine; which is concerned with “fitness for work”, medical surveillance of employees and medical emergency management.

With regard to industrial hygiene (IH), in 2013, Lafarge Malaysia commissioned more independent qualitative and quantitative monitoring of dust, noise and ergonomic exposures across its business operations which is in line with Lafarge Group guidance. The results (Occupational Exposure Levels or OEL’s) are to be reviewed during 2014 with a view to recommending actions for improvement according to recognised hierarchy of controls (HOC) in risk management.

In excess of 120 employees across all company activities participated in dust and noise monitoring as measures towards establishing important baselines for workplace environment improvement. Additionally, representative ergonomic studies were conducted across all product lines and the two major administrative offices again, with the objective of making improvements.

Where occupational medicine is concerned, we have begun developing a Health Assessment Standard Operating Procedure (HASOP) which is designed to instruct risk based health assessments for employees and contractors on new hires, persons transferring jobs, persons returning to work after seven consecutive days of absence (illness or injury) and existing employees. The target is to complete the HASOP by the end of 2014.

The well-being of personnel is increasingly being promoted through H&S talks, H&S month events and exercises, communication and awareness programmes.

Medical surveillance as part of health management.

Practical Working at Height training session.

LOGISTICS AND SUPPLY CHAIN

Our trucks travel approximately 50 million km annually or over 140,000 km a day to deliver our products to customers; this is equivalent to travelling around the globe three times! Bearing this in mind, we take the responsibility of ensuring the safety of our drivers, loaded vehicles and the community very seriously, and have put various systems and processes in place.

One highly visible engagement activity conducted in 2013 was the organising of the first, and biggest ever, annual Drivers' Safety Day. The Ministry of Transport was on hand to promote transportation safety, playing a significant part in raising awareness on the subject. The event, which took place on 23 June 2013 at the Malaysia Agro Exposition Park Serdang, was officiated by the Deputy Minister of Transport Malaysia, Datuk Ab. Aziz Kaprawi.

Lafarge Malaysia has been organising the Drivers' Safety Day annually since 2005, and for 2013, the theme "Health & Safety Beyond Work" associated with the Lafarge Group H&S month was incorporated into the event.

In addition, a combination of 35 truck manufacturers as well as a range of parts suppliers, distributors, transporters and government agencies participated in the booth exhibitions that showcased their products and services. Some 20 heavy commercial vehicles were exhibited with more than 1,200 participants attending the event.

In order to maintain and improve drivers' driving skill and safety behaviour on the road and at customers' sites, we implemented a continuous training programme, requiring all transporters to include it as part of their H&S management plan. In 2013, a total of 420 drivers attended training on Defensive Driving and Customer Service. The same drivers participated in the "in cab assessment" which was a practical exercise to evaluate their safe driving skill on the road.

WORKING WITH PARTNERS

Lafarge Malaysia isn't just a pioneer in the industry; it is also strives to be a thought leader when it comes to sustainable H&S standards. We contribute to various industry conferences and seminars regarding the subject, and even invite government agencies to participate in our events to glean insight on keeping personnel healthy and safe. We also continuously lobby for improved standards through industry associations and bodies.

This year, our annual transportation "mock drill" exercise was participated by several government agencies and non-governmental organisations which took place on 12 September 2013.

The "mock" accident involved a Lafarge cement tanker, car and motorcyclist resulting in a mock fatality and injuries, spillage of pulverised fuel ash (PFA) and contaminated water supply.

The Deputy Minister of Transport Malaysia, Datuk Ab. Aziz Kaprawi, officiating the Drivers' Safety Day.

A "mock drill" exercise being carried out with the participation of government agencies and non-governmental agencies.

Altogether, 12 government agencies took part in the event, namely the Fire and Rescue Department, the Royal Malaysian Police, Road Transport Department, Land Public Transport Commission, Malaysian Institute of Road Safety Research, Road Safety Department, Department of Occupational Safety and Health, Tengku Ampuan Rahimah Hospital, Department of Environment, Shah Alam City Council, Public Works Department and the Malaysian Civil Defence Department.

In addition, coinciding with Lafarge Malaysia's pending achievement of 100 million km without a reportable road incident, a memorandum of understanding to form a partnership with the Malaysian Institute of Road Safety Research (MIROS) has been established. The main objective of this partnership is to work together to share knowledge on road safety prevention and improve road safety connected with Lafarge Malaysia and other organisations that may affect the public directly or indirectly.

As part of this objective, Lafarge Malaysia and MIROS will share up-to-date and proven-by-research methodologies and technologies that can be leveraged to improve road safety. Data, experience and expertise will also be shared in managing H&S in road transport.

We have also established a good rapport with the Department of Occupational Safety & Health (DOSH) state offices at each location. Support from the National Institute of Occupational Safety & Health (NIOSH) is also sought to conduct training programmes and specifically for road safety, the Road Safety Department (JKJR) is engaged to conduct talks at operational sites during the H&S month. Local health departments and hospitals are invited to conduct awareness briefings on health related matters such as lifestyle, disease prevention, diet and blood donation.

On 15 November 2013, the Malaysian Quarry Association together with Volvo Malaysia organised a short H&S seminar which was attended by key players from within the quarrying industry. Lafarge Malaysia's senior management was invited to share Lafarge H&S experience in the quarrying industry.

CONTRACTOR SAFETY MANAGEMENT

At Lafarge, we don't just focus on our full-time employees, but on our contractors as well. Contractors are an integral part of the business, responsible for a wide range of jobs across various product lines. Contract Safety Management is therefore given equal emphasis as that of Lafarge employees, with a specific Contractor Safety Management Standard serving as a guideline to operational management for ensuring the safety and health of contractor employees. The process begins at the contractor selection and approval stage whereby they have to qualify to be on the Lafarge Malaysia approved list followed by contractual agreements which incorporate important health and safety requirements. Thereafter, and together with Lafarge payroll employees, once engaged in work, contractors are subject to the rigours of the Lafarge H&S standards, processes and engagement activities to ensure their health and safety alongside Lafarge's employees when performing job tasks.

A specific initiative concerns contractor management prior to major cement plant shutdown work whereby Lafarge expectations are communicated to them to obtain Contractor Principal's buy-in towards the H&S initiatives taken during the shut-down tasks.

Dialogues with contractors during the year covered topics such as mobile equipment and lifting/rigging. In addition, discussions were led on roles and responsibilities in H&S management, H&S leadership and risk management. These events are led by Lafarge Malaysia's senior management and attended by Contractor Principals and their representatives.

HEALTH & SAFETY MONTH

Lafarge Malaysia was on hand to participate in the Lafarge Worldwide Group H&S Month initiative, which sought to mobilise employees behind the theme of "Health & Safety Beyond Work". This initiative encouraged employees and everyone impacted by our business to make the link between how they approach health and safety at work, with how they approach it during their leisure time or at home.

Regional committees were organised incorporating all three product lines with each committee chaired by a manager from one of the three individual product lines in the spirit of "One Lafarge". A total of 55 events were run across the Country involving Lafarge employees, contractor employees, communities, government agencies and departments as well as suppliers.

Part of the activities for the month also included a global competition where encouraging stories from employees were selected and designed into attractive posters. Stories were categorised into four areas, namely health, safety, surroundings and people. A Malaysian entry did the country proud by reaching a top 10 position in the competition, a reflection of just how far we've come in H&S.

Environmental Footprint

Environmental awareness and sustainable development practices have always been a part of our organisational make-up. It is our aim to make a positive contribution to society by being a responsible corporate citizen. We focus on developing and producing sustainable products and solutions to achieve a balance between environmental protection, social progress and economic growth.

The growing sophistication of consumers and the ever-increasing demand for ecologically-sensitive developments continue to drive our efforts to create innovative solutions that are eco-friendly and sustainable.

These have been designed and engineered to help reduce our emissions levels, reduce our environmental footprint, mitigate climate change and, generally, improve the quality of life for the communities while respecting and preserving our planet for future generations.

ENERGISING EFFICIENCY

At Lafarge Malaysia, every initiative that reduces power consumption at our operating facilities is a step in the right direction. As such, each of our facilities comes with individual features and programmes to help achieve this. Some of these initiatives are:

- Optimising clinker and cement production output through process mastery and burning efficiency.
- Optimising the use of heat and power.
- Maximising operations during off-peak hours.
- Increasing the use of alternative fuels such as biomass and municipal wastes.
- Reducing energy wastage by switching off non-essential equipment such as lights and air conditioning when they are not in use.
- Maximising the use of alternative raw materials without compromising on the quality of the products.

GOING WITH THE FLOW

Water is a precious resource that should not be taken for granted.

The unpredictable weather pattern means that water is fast becoming scarce. Most of our facilities are equipped with the ability to recycle process water in order to extend its usage cycle while preserving this crucial natural resource.

SHRINKING OUR FOOTPRINT

In our efforts to reduce the environmental footprint, for us, it includes looking out for more efficient and sustainable manufacturing methods and creating more environmentally-friendly products.

In December 2013, our Group launched a new Environment Policy to further affirm our commitment towards sustainable development and our approach to meeting new challenges in environmental protection and the growing expectations of our stakeholders.

The majestic Seri Wawasan Bridge, Putrajaya, was built by our building solutions.

Environmental Footprint (continued)

Another effort to protect the environment and prioritise the reduction of emissions is our investment in a new ready-mixed concrete batching plant in Chan Sow Lin, Kuala Lumpur which was opened on 10 March 2014. This state-of-the-art environmentally friendly plant is the first ready-mixed concrete batching plant in Malaysia which is enclosed thus minimising noise and dust emissions. In addition, it has the ability to reclaim returned concrete.

REDUCING CO_2 EMISSIONS

We have been progressively working on reducing our carbon footprint over the years by using alternative fuels such as biomass and other wastes as alternative fuels, thus reducing the use of natural resources.

Compared to 2012, in 2013, the use of Petcoke which is a by-product of petroleum refineries has increased by some 20%.

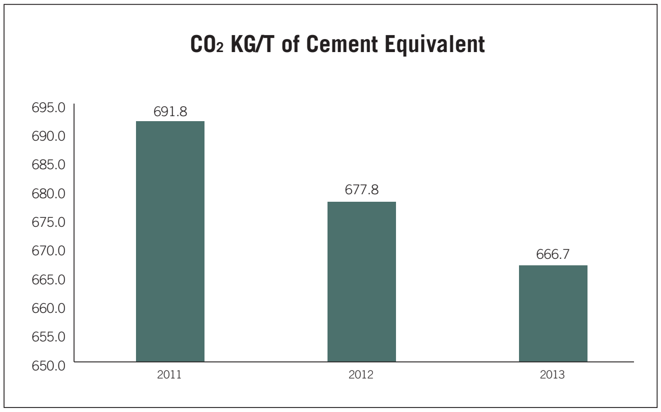
As a result, the use of traditional fuel like coal which is a non-renewable resource, has decreased by 9.5%.

In 2013, Lafarge also increased the usage of alternative raw materials by 66.9% and cementitious material in its cement manufacturing process by 9.3%.

The end result of all these continued efforts was the further reduction of carbon dioxide generated per tonne of cement in 2013.

In 2013, the average carbon footprint of our cement plants was reduced to 666.7kg CO_2 per metric tonne of cement from 677.8kg CO_2 per metric tonne of cement recorded in 2012.

3



The state-of-the-art environmentally friendly ready-mixed concrete batching plant in Chan Sow Lin.

Community Outreach

Lafarge Malaysia has played and is playing an integral part in practically all the communities in Malaysia, providing the essential building solutions, without which there would be no homes, buildings, offices, schools, hospitals or infrastructures. However, for those communities that are directly impacted by our activities, we want to form a visible, mutually-beneficial bond that is positive, empowering and sustainable.

Corporate Responsibility has always been an integral part of our sustainability development and it is a crucial element in good corporate citizenship and an important part of the way Lafarge Malaysia conducts its business. In 2013, Lafarge Malaysia embarked on a number of initiatives to improve the lives of the communities and to conserve the environment.

SUSTAINABILITY WITHIN ARMS' REACH

Together with The Andaman Resort, University Kebangsaan Malaysia (UKM) and the local community, Lafarge Malaysia created an Artificial Reef Module System (ARMS) for deployment around Datai Bay, Langkawi on 8 June 2013 on which World Oceans Day was celebrated.

The purpose of ARMS project was to deploy artificial reef modules to assist the regeneration of the 8,000-year-old fringing coral reefs around the island, which have been on a decline in recent years, especially in light of the 2004 Indian Ocean earthquake and tsunami occurrences in the region.

Created by a Consultant Marine Biologist at The Andaman Resort, in partnership with a Reef Ecologist and Junior Lecturer at UKM, the innovative design was tailor-made to suit the unique nature of the existing coral reef fish species in Datai Bay.

Using Lafarge Malaysia materials in their construction, the reef modules created a platform for sustaining the underwater eco-system while preserving the biodiversity of the island's marine species, ultimately helping to boost the sustainability of the local fishery and eco-tourism industries.

A TRUE LEARNING EXPERIENCE

Lafarge Malaysia was one of the co-sponsors of the Iskandar Learning Festival (ILF) 2013, a community-led event aimed at providing access to world-class learning and development content to spark the change in attitude in the pursuit of human capital excellence.

Through various talks, seminars, workshops and a vibrant forum held from 7 to 13 October 2013 at the Berjaya Waterfront Hotel and the Iskandar Malaysia Information Centre in Johor, the ILF 2013 also promoted the importance of continuous learning and global understanding through cross-cultural and inter-generational exchanges. Lafarge Malaysia was on hand to share our experience, expertise and best practices in the areas of Health, Safety and Environment, all top priorities within the organisation.

The deployment of the Artificial Reef Module System (ARMS) around Datai Bay, Langkawi.

On a separate note, but still in line with our focus on education, we continued to expand our Schools Project. Launched in 1997, the initiative now spans over 32 schools around Selangor, Perak, Kedah and Johor, with more than 3,500 students having benefitted from it over the past 16 years.

The Schools Project is primarily concerned with giving out bursaries to students who are in need of financial aid and monetary rewards to deserving students who demonstrate excellent academic achievements in major exams held in Malaysia.

In 2013, more than 190 students received Lafarge Malaysia's Bursary Awards and 90 students were awarded Lafarge Malaysia's Excellence Awards.

DRILLING HOME HEALTH & SAFETY

Health and Safety (H&S) is a top priority at Lafarge Malaysia. Our emphasis on H&S extends throughout our supply chain to also pedestrians and the general public. It is with this in mind that we have, since 2012, organised emergency response drills based on various scenarios, held at different locations around the country to share our best practices and learnings with our stakeholders.

On 12 September 2013, we worked alongside 12 government agencies, namely the Fire and Rescue Department, the Royal Malaysia Police, Road Transport Department, Land Public Transport Commission, Malaysian Institute of Road Safety Research, Road Safety Department, Department of Occupational Safety and Health, Tengku Ampuan Rahimah Hospital, Department of Environment, Shah Alam City Council, Public Works Department and the Malaysian Civil Defence Department, to conduct a real-time emergency response drill on Jalan Monfort in Shah Alam. We stimulated an accident involving four vehicles which resulted in the spillage of pulverised fuel ash and victims suffering from "major injuries".

This mock drill was designed to gauge the effectiveness of all communication channels during a crisis as well as the state of preparedness and responsiveness of responders and their capabilities in using real equipment and specific skills, including the involvement of members of the community should a real situation arise.

Bursaries were presented to students under the Schools Project.

COMPASSION FOR THE COMMUNITY

At Lafarge Malaysia, we want to make a real difference and bring positive, sustainable change to the communities where we operate our business. Some of the community programmes held across Malaysia in 2013 include:

Festive Celebrations

To support and appreciate our stakeholders, the employees of Lafarge Malaysia took the opportunity to celebrate some of the major festivals observed in Malaysia with local communities and authorities. Activities organised by our employees at the plants included "Berbuka Puasa" or breaking of fast, as well as celebrating Hari Raya, Chinese New Year and Deepavali.

These festive get-togethers provided our employees with an avenue to get to know the authorities and local communities better while also enabling them to strengthen ties. Here are some examples of festive celebrations carried out at the various locations:

- Together with the Village Security and Development Committee (JKKP) of Kanthan Baru, the employees of Kanthan Plant visited the residents of Kanthan Baru in conjunction with the celebration of Chinese New Year. The visit brought joy and hope to more than 40 residents who were in need of financial aid. Besides presenting ang pows, goodie bags were also given to them.

- During the Bulan Puasa and Hari Raya period, our employees at Langkawi Plant packed and distributed more than 50 goodie bags consisting of food items for the single mothers, in collaboration with the office of Dato' Hj Mohd Rawi b Hj Abd Hamid, the ADUN of Ayer Hangat, Langkawi. An additional 100 goodie bags were also distributed to the families living in Teluk Yu and Kampung Teluk Ewa, Langkawi. To celebrate Hari Raya, an "Open House Day" was held on 17 August 2013 at the housing area around the Langkawi Plant, attended by our employees and their families, Dato' Hj Mohd Rawi, our stakeholders living in nearby areas, our contractors and members of the local authorities.

- Our operations at Tanjung Bin held a "Berbuka Puasa" on 30 July 2013 with the village heads, the local authorities from the Fire Department, the Police Department and teachers together with our employees from Pasir Gudang Plant and the Head Office. At the same time, our employees at our Rawang Plant organised a "Berbuka Puasa" to bring some festive cheer to the children of Rumah Bakti Cahaya Hati, Rumah Amal Baitul Fitrah, Pusat Pemulihan Dalam Komuniti Kampung Kenanga Rawang and Pusat Pemulihan Dalam Komuniti Batu Arang as well as the local community.

- In conjunction with Deepavali, our employees at Kanthan Plant invited the community from Taman Dovenby and Kampung Ramasamy to a tea party held at the Plant. To add some merriment to the lives of these families, we gave out cash and goodie bags to more than 15 families.

The communities from all walks of life were invited to Lafarge Malaysia's festive celebrations at all locations.

"Gotong Royong"

Langkawi Plant initiated the idea of a "gotong-royong" session with the Department of Irrigation and Drainage in Langkawi to clean up the river at Teluk Yu in April 2013. This measure was to prevent floods from occurring at the nearby Teluk Yu village. Armed with brooms and bags, our employees and the representatives from the Irrigation and Drainage Department rolled up their sleeves and pants to clean up the river of debris and rubbish.

Education Aid

Our employees from Kanthan Plant purchased books and presented them to the Primary Six students of SRJK (T) Ladang Dovenby as a means to assist them in their preparation for their examinations. Words of encouragement for them to excel in their studies were also offered.

Fostering Greater Ties with the Community

Lafarge Malaysia built a football field for the community of Kg Ewa, Langkawi to carry out sports and recreational activities. The football field was built with the intended use of having friendly football matches and sports activities with the community. On 30 March 2013, the football field was launched by Dato' Hj Mohd Rawi b Hj Abd Hamid, the ADUN of Ayer Hangat, and in conjunction with the launch, a telematch with the community was organised to mark the occasion.

The official handover of football field by Lafarge Malaysia to the community of Kg Ewa, Langkawi.

Corporate Information

BOARD OF DIRECTORS

Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar
DKYR, PSM, SPNS, AMN, PJK
Independent Non-Executive Director
(Chairman)

Michel Rose
Non-Executive Director
(Vice Chairman)

Bradley Mulroney
Executive Director
(President & Chief Executive Officer)

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

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

Saw Ewe Seng
Independent Non-Executive Director

Md Yusof bin Hussin
Independent Non-Executive Director

Christian Herrault
Non-Executive Director

Jean-Claude Block
Non-Executive Director

COMPANY SECRETARIES

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

REGISTERED OFFICE

Lafarge Malaysia Berhad
(Formerly known as Lafarge Malayan Cement Berhad)
Level 12, Bangunan TH Uptown 3
No. 3, Jalan SS21/39
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7723 8200
Fax : 603-7722 4100

AUDITORS

Deloitte & Touche
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 603-7610 8888
Fax : 603-7726 8986

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46,
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7841 8000
Fax : 603-7841 8008

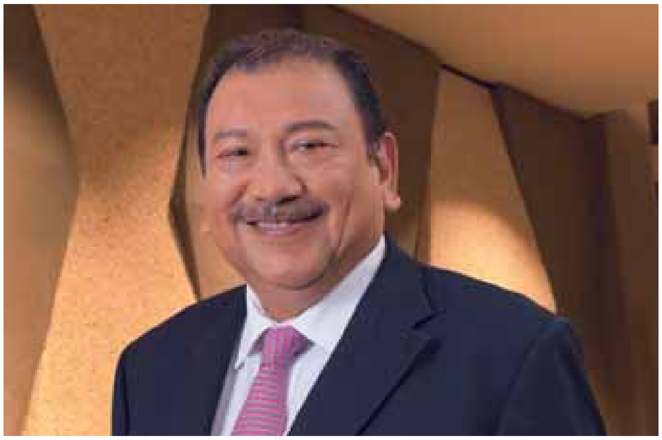
STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market

WEBSITE

www.lafarge.com.my

Board of Directors' Profile



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

DKYR, PSM, SPNS, AMN, PJK
Independent Non-Executive Director (Chairman)
(Age 66, Malaysian)

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

Michel Rose

Non-Executive Director
(Vice Chairman)
(Age 71, French)

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

Bradley Mulroney

Executive Director
(President & Chief Executive Officer)
(Age 51, British)

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

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

Chen Theng Aik

Executive Director
(Executive Vice President, Finance & Chief Financial Officer)
(Age 48, Malaysian)

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

On 1 September 2011, he joined the Company as Senior Vice President, Finance & Chief Financial Officer. On 1 April 2012, he assumed the position as Executive Vice President, Finance & Chief Financial Officer.

Tan Sri A. Razak bin Ramli

Senior Independent Non-Executive Director
(Age 65, Malaysian)

An Independent Non-Executive Director since November 2004 and appointed as Senior Independent Director on 25 May 2011. Graduated with a B.A. Hons in Public Admin. from University of Tasmania in 1971 and Diplome Gestion Publique Institut International D'Administration Publique, Paris in 1980. He started his career in the Policy Research Division of the Malaysian Prime Minister's Department and subsequently held the position of Principal Assistant Director in both the Public Services Department and the Technical Cooperation Division of the Economic Planning Unit. From 1985 to October 2004, he held various positions in the Ministry of International Trade & Industry (MITI); his last position was as the Secretary-General of MITI.

He also sits on the Board of Directors of Shangri-La Hotels Malaysia Berhad, Ann Joo Resources Berhad, Favelle Favco Berhad and Hong Leong Bank Berhad.

On 22 February 2006, he was appointed the Chairman of the Remuneration and Nomination Committee of the Company. He is also a member of the Audit Committee of the Company.

Saw Ewe Seng

Independent Non-Executive Director
(Age 75, 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 64, Malaysian)

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

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

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

Christian Herrault

Non-Executive Director
(Age 63, French)

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

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

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

In 1998, he was appointed to the Executive Committee as Executive Vice-President, Human Resources and Organisation and subsequently on 1 September 2007, he became President of the Gypsum Business. Still a member of the Executive Committee, he is Operations Executive Vice-President since 1 January 2012.

He is also the Chairman of the Board of Directors of the Ecole des Mines de Nantes, France. He is a member of the Remuneration and Nomination Committee of the Company.

Jean-Claude Block

Non-Executive Director
(Age 50, French)

Appointed as a Non-Executive Director of the Company on 19 November 2013. A graduate of ESCN, a French Business School, he started his career with Lafarge in 1990 in France as Junior Financial Controller with Lafarge Aluminates. Subsequently, he joined Lafarge Concrete in Paris as Financial Controller.

In 1997, he moved to the UK as Vice President, Performance Strategy and Marketing for Aggregates after working on the integration of Redland's operations.

In 2000, he was promoted to the position of Financial Controller for Concrete & Aggregates for Lafarge North America based in Herndon, USA. Subsequently, he moved to Eastern Canada as General Manager for Aggregates Operations.

In 2005, he was appointed as Chief Executive Officer of various Concrete Business Units in France and became Chief Executive Officer for France Concrete in 2012.

In September 2013, he was appointed to his current position as Senior Vice President, Finance for Cement, Aggregates & Concrete activities, attached to one of the Lafarge Group's Executive Vice President. He is a member of the Audit Committee of the Company.

Executive Committee

Bradley Mulroney
President & Chief Executive Officer

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

Paul Yap Poh Onn
Vice President, Supply Chain & Strategic Sourcing

Rick Pucci
Vice President, Concrete

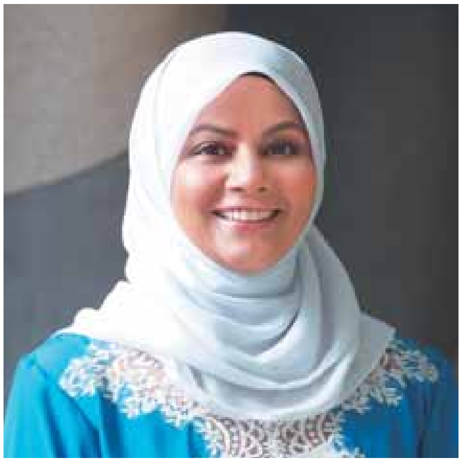
Choong Ju Tang
Vice President, Industrial Sales

Executive Committee (continued)

4

Jim Ruxton
Senior Vice President, Industrial Operations

Vigneswaran Velautham
Vice President, Aggregates



Aida Mohamed
Vice President, Human Resources

Yeap Khoon Cheun
Vice President, Retail Sales

Ian Pughsley
Vice President, Health & Safety

Shirley Low
Vice President, Marketing

Corporate Governance Statement

INTRODUCTION

The Board of Directors continues to be fully committed to maintaining a high standard of corporate governance within the Group through its support and application of the principles and best practices in corporate governance as set out in the Malaysian Code on Corporate Governance 2012 (“Code”).

The Board is pleased to report on the extent to which the principles and best practices of the Code were applied throughout the financial year ended 31 December 2013.

A. BOARD OF DIRECTORS

Role and Responsibilities

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

Board Composition and Balance

Presently, the Board consists of 9 members comprising 2 Executive Directors and 7 Non-Executive Directors, 4 of whom are Independent Directors. The Board considers the size of the Board to be appropriate and that the composition fairly reflects the investment of minority shareholders. The Chairman of the Board is one of the Independent Non-Executive Directors. The number of Independent Non-Executive Directors on the Board complies with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”) which requires at least 2 Directors or one-third of the membership of the Board to be independent, whichever is the higher.

The Directors, with their diverse skills, knowledge and business experience, including both local and international and operational experience, understanding of the economics of the sector in which the Company operates, and an understanding of the health, safety, environmental and community challenges that the Company faces ensure that the long term interest of the shareholders and other stakeholders in the Company are safeguarded. A brief profile of each Director is presented on pages 039 to 043 of this Annual Report.

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

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

Senior Independent Director

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

Meetings of the Board
The Board ordinarily meets at least 4 times a year at quarterly intervals with additional meetings convened when urgent important decisions need to be taken between the scheduled meetings. During the year ended 31 December 2013, the Board met on 4 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
Michel Rose	4/4
Tan Sri A. Razak bin Ramli	4/4
Saw Ewe Seng	4/4
Md Yusof bin Hussin	4/4
Bradley Mulroney	4/4
Chen Theng Aik	4/4
Christian Herrault	4/4
Louis Chavane (resigned on 19 November 2013)	2/4
Jean-Claude Block (appointed on 19 November 2013)	0/0

Prior to the meetings of the Board and Committees of the Board, a pre-set agenda together with relevant Board papers and reports are circulated to the Directors. These papers are issued in sufficient time to enable the Directors to obtain further clarification or explanation, where necessary, in order to be properly briefed before the meeting. The papers include, among others, minutes of the previous meetings of the Board and/or Board Committees (as the case may be), reports on group financial position, review of performance and industry trend, quarterly results announcements, review of the internal controls and risks and other relevant information.

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

Board Committees
The Board of Directors delegate certain responsibilities to the Board Committees, namely an Audit Committee and a Remuneration and Nomination Committee in order to enhance business efficacy and operational efficiency.

All committees have written terms of reference and the Board receives reports of their proceedings and deliberations.

1. The Audit Committee

The Audit Committee comprises of 3 independent non-executive directors and 1 non-executive director. En Md Yusof bin Hussin is the Chairman. En Md Yusof bin Hussin is a member of the Malaysian Institute of Accountants. During the year, Mr Jean-Claude Block was appointed on 19 November 2013 as a member of this Committee in place of Mr Louis Chavane who resigned as a member on the same date.

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 2013 prepared pursuant to paragraph 15.15 of the Listing Requirements are set out in the Audit Committee report on pages 054 to 056 of this Annual Report.

2. The Remuneration and Nomination Committee

The Remuneration and Nomination Committee for the year ended 31 December 2013 comprised 2 independent non-executive directors and 1 non-executive director. Tan Sri A. Razak bin Ramli is the Chairman of this Committee.

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

Name	Attendance
Tan Sri A. Razak bin Ramli (Chairman)	2/2
Saw Ewe Seng	2/2
Christian Herrault	2/2

The Committee is responsible for recommending to the Board, candidates for directorship on the Board, assessing the effectiveness of the Board, its Committees and the contribution of each individual Director.

In addition, the Committee is also responsible for recommending to the Board the remuneration package of the Executive Directors. The determination of the remuneration package of the Directors is a matter for the Board as a whole and individuals are required to abstain from discussing or deliberating on their own remuneration.

The terms of reference of the Remuneration and Nomination Committee are as follows:

(a) To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board. In making such recommendation, the Committee will:

   i. Consult with the President & Chief Executive Officer on the nomination of non-Executive Directors for final approval by the Board. The appointment of non-Executive Directors shall be for a term limited to the time when the Director concerned is obliged under the Company's Articles to stand for re-election by rotation when the Committee (in the absence of the Director concerned) will consider his re-appointment.

   ii. Consider the President & Chief Executive Officer's nomination of senior managers as Executive Directors of the Board.

(b) To recommend to the Board, non-Executive Directors (majority of whom must be independent) to fill the vacant seats of the Committee.

(c) To review and identify the required mix of skills and experience and other qualities, including core competencies that non-Executive Directors should bring to the Board.

(d) To assess the effectiveness of the Board (as a whole), the various committees of the Board and assess the contribution of each individual Director in relation to that Director's ability to contribute to the effective decision making of the Board.

(e) To recommend to the Board the terms of service of all Executive Directors of the Company. For the avoidance of doubt, such terms of service shall include base salary, performance related elements and benefits in kind.

(f) To recommend to the Board the compensation and remuneration package of Executive Directors/senior management. The remuneration of non-Executive Directors shall be a matter for the Board to consider.

(g) To consult annually with the President & Chief Executive Officer regarding his succession plans in relation to Executive Directors.

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

The appointment of new members to the Board is carried out through a formal selection and evaluation process that has been reviewed and approved by the Board. New appointees will be considered and evaluated by the Remuneration and Nomination Committee. The Committee will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, that all necessary information are obtained, as well as all legal and regulatory obligations are met.

Re-election
In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by the shareholders at the Annual General Meeting following their appointment. The Articles of Association of the Company also provides that all Directors (including the President & Chief Executive Officer) shall retire from office at least once every 3 years. Retiring Directors may offer themselves for re-election by shareholders at the Annual General Meeting every 3 years. This provides an opportunity for the shareholders to renew their mandates. The election of each Director is voted on separately.

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

Directors' Remuneration
The Non-Executive Directors' remuneration structure was recently reviewed by benchmarking the remuneration of the Non-Executive Directors against those of other public listed companies of similar size and/or industry. The proposal to increase the Independent Directors' remuneration for the financial year ending 31 December 2014 is set out in Ordinary Resolution 7.

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

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

	Fees RM	Salaries RM	Other Emoluments* RM	Benefits-In-Kind RM	Total RM
Executive Directors	–	2,732,180	1,046,070	736,392	4,514,642
Non-Executive Directors	275,000	–	–	–	275,000

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

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

	Number of Directors	
Range of remuneration	Executive	Non-Executive
RM50,001 to RM100,000	–	4
RM950,001 to RM1,000,000	1	–
RM3,500,001 to RM4,000,000	1	–

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

Directors' Training

As at the date of this Statement, all Directors have attended the Mandatory Accreditation Programme of Bursa Malaysia Securities Berhad ("Bursa Securities") within the stipulated period. Every Director of the Company undergoes continuous training to equip himself to effectively discharge his duties as a Director and for that purpose he ensures that he attends such training programmes as prescribed by Bursa Securities from time to time. The Company also provides briefings for members of the Board, to ensure that they have a comprehensive understanding on corporate governance and corporate compliance, as well as on the business and operations of the Group and the Company.

During the year, external training programmes attended by the Directors include talks and seminars entitled the Corporate Governance Management and Best Practices course on Governance in Action, the Chief Financial Officer Dialogue on Reshaping the Mission of Finance, the Nominating Committee Programme and the Audit Committee Seminar 2013.

B. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

In line with good corporate governance, the Group adopts an open and transparent policy in respect of its relationship with its shareholders and investors. The Company communicates with its shareholders and investors through the Annual Report, Annual General Meeting ("AGM"), Company's website (www.lafarge.com.my) and analyst meetings. In addition, the timely public announcements made by the Company through Bursa Securities and the quarterly financial results released by the Company provide shareholders and investors with an overview of the Group's performance and operations. The Company, where appropriate, also provides clarification and response to queries submitted by shareholders and investors in relation to any of the official reports or announcements. Notices of the Company's AGM and the Annual Report are sent to shareholders at least twenty-one days prior to the meeting with explanatory notes provided for each special issue. At the AGM, the President & Chief Executive Officer would do a visual presentation and provide an executive summary of the performance of the Group highlighting key financial information and challenges.

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

The primary person responsible for investor relations is Mr Chen Theng Aik, an Executive Director and Executive Vice President, Finance and Chief Financial Officer (telephone: 603-77238200). The direct involvement of an executive director in investor relations reflects the commitment of the Board in providing a high standard 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 Statement and the annual financial statements in this Annual Report as well as the quarterly announcement of results to the shareholders. The Audit Committee, established since 1994 to oversee the Group's financial reporting process and the quality of its financial reporting, assists the Board to discharge its duties. The Audit Committee reviews the quarterly and annual financial statements and makes recommendations to the Board focusing on accounting policies, compliance with accounting standards, stock exchange and legal requirements and the results of the external audit.

Directors' Responsibility Statement in respect of the Preparation of the Audited Financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their profit or loss and cashflows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been complied with.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent 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 052 to 053 of this Annual Report provides an overview of the state of internal controls within the Group. The Company has a Head of Internal Control, Ms Wong Swee Peng, who monitors and ensures that the Group's Internal Control Standards are effectively implemented and key controls are regularly tested. The Company's internal audit function is performed in-house by a team of internal auditors led by the Head of Internal Audit, Mr Lawrence Ho. Internal Audit is responsible for performing an independent assessment of the quality of internal control at all levels in the organisation. The total cost incurred by the Internal Audit department in relation to the conduct of the internal audit functions of the Group for the financial year ended 31 December 2013 was RM1.1 million. The work undertaken by the Audit Committee, Head of Internal Control and the internal audit team assist the Board to discharge its internal control duty.

Code of Business Conduct

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

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

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 054 to 056 of this Annual Report.

Additional Compliance Statement

(a) Share Buyback
The Company did not undertake any share buyback during the financial year ended 31 December 2013. 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 2013 is RM113,000.00. The non-audit fees paid is in respect of review of interim financial information, agreed upon procedures, review of statement of internal control and tax service fees.

(c) Material Contracts Involving Substantial Shareholders
Save and except for the recurrent related party transactions entered into pursuant to the shareholders' mandate, there were no material contracts either still subsisting at or entered into since the end of the previous financial year 2013 by the Company and/or its subsidiaries which involved Directors' and/or substantial shareholders' interest.

This Corporate Governance Statement is made in accordance with the resolution of the Board of Directors dated 25 February 2014.

Statement on Internal Control

Board Responsibility

The Board of Directors of Lafarge Malaysia Berhad ("LMB" 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**
  The annual risk based internal audit plan is reviewed and approved by the Audit Committee before the beginning of the year. The objectives of the said audit plan is to ensure, through regular internal audit reviews, that the Group's policies and procedures are being complied with in order to provide assurance on the adequacy and effectiveness of the Group's system of internal controls. Follow up reviews on previous audit reports are carried out to ensure that appropriate actions are taken to address internal control weaknesses highlighted.
- **Internal Control**
  Compliance review and tests are carried out in ensuring operating effectiveness of key controls in accordance with Lafarge Group internal control requirements.
- **Monitoring**
  The monitoring of control procedures is achieved through management review by the responsible Executive Director reporting to the Board. These are supplemented by comprehensive reviews undertaken by the internal audit function on the controls in operation in each individual business. Regular reports are produced for senior management to assess the impact of control issues and recommend appropriate actions.
- **Control Environment**
  The Group has in place effective Internal Control systems at each level of responsibility supported by commitment of management and a culture of internal control. It is also supported by a Code of Business Conduct which has to be strictly applied by the Group's employees.

  The Code of Business Conduct defines rules of conduct and is structured as follows: compliance with laws and regulations, prevention of conflicts of interest, respect for people and the environment, safeguarding of the Group's assets, financial disclosure, importance of internal control implementation of behavioural rules and appropriate sanctions. Group annual certification was carried out to support the Lafarge Group internal control practices.

The Board has received assurance from the President & Chief Executive Officer and the Chief Financial Officer on the company's risk management and internal control system are operating adequately and effectively in all material aspect. 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 25 February 2014.

MD YUSOF BIN HUSSIN
Chairman of Audit Committee

BRADLEY MULRONEY
President & Chief Executive Officer

Report of the Audit Committee

A. MEMBERS AND MEETINGS

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

Name	Membership Status	Attendance
Md Yusof bin Hussin (Member of the Malaysian Institute of Accountants)	Chairman, Independent Non-Executive Director	4/4
Tan Sri A. Razak bin Ramli	Senior Independent Non-Executive Director	4/4
Saw Ewe Seng	Independent Non-Executive Director	4/4
Louis Chavane (resigned on 19 November 2013)	Non-Executive Director	2/4
Jean-Claude Block (appointed on 19 November 2013)	Non-Executive Director	0/0

B. TERMS OF REFERENCE

Structure of the Audit Committee

The Audit Committee is a committee appointed by the Board and shall comprise at least 3 directors. All members should be non-executive directors with the majority of the members to be independent non-executive directors. All members should be financially literate and at least one should be a member of an accounting association or body. The Chairman of the Committee shall be an independent non-executive director and be elected from amongst the members of the Committee. All members of the Committee, including the Chairman, will hold office until otherwise determined by the Board. In the event of any vacancy in the Audit Committee resulting in non-compliance with the Listing Requirements, the Board of Directors shall within 3 months of that event appoint such new member(s) as may be required to comply with the Listing Requirements.

Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from the management and any employee. The management and employees are directed to co-operate with any request made by the Committee.

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

Functions

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

ii. To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure coordination 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 4 times a year and the quorum for any meeting shall be 2 members, who must be independent directors. The President & Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit will be invited to attend all meetings of the Committee. There shall be at least 2 meetings a year with external auditors without the executive directors and external auditors will also be invited to attend additional meetings when appropriate. The external auditors may request a meeting if they consider it necessary. Other Board members may attend meetings upon the invitation of the Committee.

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

C. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

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

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

Financial Results

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

External Audit

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

Internal Audit

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

Others

- Reviewed risk management process and updates from management on the existence of mitigating controls and action plans identified to mitigate the business risks identified.
- Reviewed the terms of all related party transactions entered into by the Group.
- Reviewed the procedures and processes for monitoring, tracking and identifying recurrent related party transactions in a timely and orderly manner to ensure its adequacy and sufficiency of the procedures for ensuring that the recurrent related party transactions are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.
- Reviewed the Report of the Audit Committee and recommended to the Board for inclusion in the 2013 Annual Report.
- Reviewed the Statement of Internal Control and recommended to the Board for inclusion in the 2013 Annual Report.

D. INTERNAL AUDIT FUNCTIONS AND SUMMARY OF ACTIVITIES

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

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

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

Further details of the activities of the Internal Audit Department are set out in the Statement on Internal Control under pages 052 and 053 of this Annual Report.

Financial Statements

Directors' Report

The Directors of **LAFARGE MALAYSIA BERHAD** (formerly known as 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 2013.

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.

CHANGE OF LEGAL ENTITY NAME

On 30 May 2013, the Company changed its name from Lafarge Malayan Cement Berhad to Lafarge Malaysia Berhad.

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	514,890	315,912
Income tax expense	(147,772)	(13)
Profit for the year	367,118	315,899
Profit attributable to:		
Owners of the Company	366,630	315,899
Non-controlling interests	488	–
	367,118	315,899

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 was declared on 22 November 2012 in respect of the financial year ended 31 December 2012 and dealt with in the previous Directors' Report was paid on 16 January 2013;

– a fourth interim dividend of 13.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM110.460 million declared on 20 February 2013 in respect of the financial year ended 31 December 2012 and dealt with in the previous Directors' Report was paid on 16 April 2013;

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 2013 amounting to RM67.976 million was declared on 22 May 2013 and paid on 17 July 2013;
- 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 2013 amounting to RM67.976 million was declared on 27 August 2013 and paid on 23 October 2013; 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 2013 amounting to RM67.976 million was declared on 19 November 2013 and paid on 22 January 2014.

The Directors on 25 February 2014 declared a fourth interim dividend of 17.0 sen single tier dividend per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2013 amounting to RM144.448 million, payable on 16 April 2014.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2013.

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
Michel Rose
Bradley Mulroney
Chen Theng Aik
Tan Sri A. Razak bin Ramli
Saw Ewe Seng
Md Yusof bin Hussin
Christian Herrault
Jean-Claude Block (appointed on 19 November 2013)
Louis Chavane (resigned on 19 November 2013)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

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

	No. of ordinary shares of RM1.00 each			
	Balance as at 1.1.2013	Bought	Sold	Balance as at 31.12.2013
Shares in the Company held by:				
Direct interest:				
Saw Ewe Seng	16,500	–	–	16,500

	No. of ordinary shares of € 4.00 each			
	Balance as at 1.1.2013/ Date of appointment	Bought	Sold	Balance as at 31.12.2013
Shares in the ultimate holding company, Lafarge S.A. held by:				
Direct interest:				
Michel Rose	16,086	–	(16,086)	–
Bradley Mulroney	2,404	–	(15)	2,389
Christian Herrault	2,527	–	–	2,527
Jean-Claude Block	50	–	–	50

	No. of options over ordinary shares of € 4.00 each			
	Balance as at 1.1.2013/ Date of appointment	Granted	Exercised/ Expired	Balance as at 31.12.2013
Options over the ordinary shares of the ultimate holding company, Lafarge S.A. held by:				
Michel Rose	100,658	–	–	100,658
Bradley Mulroney	42,693	–	(4,619)	38,074
Christian Herrault	165,703	–	(5,250)	160,453
Jean-Claude Block	14,093	–	(1,852)	12,241

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;

PERFORMANCE SHARES PLAN (continued)

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

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

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

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

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

	No. of ordinary shares of € 4.00 each			
	Balance as at 1.1.2013/ Date of appointment	**Granted**	**Sold**	**Balance as at 31.12.2013**
Shares in the ultimate holding company, Lafarge S.A. in respect of Performance Shares Plan held by:				
Bradley Mulroney	1,400	5,200	–	6,600
Chen Theng Aik	355	480	–	835
Christian Herrault	5,350	7,000	–	12,350
Jean-Claude Block	860	1,340	–	2,200

EMPLOYEE SHARE PURCHASE PLAN

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

The salient features of the ESPP are as follows:

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

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

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

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

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

OTHER STATUTORY INFORMATION

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book value in the ordinary course of business had been written down to their estimated realisable values.

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

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

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

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

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

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

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

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

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

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

HOLDING COMPANIES

The Company is a subsidiary of Associated International Cement Limited ("AIC"), a company incorporated in the United Kingdom. The Directors regard AIC and Lafarge S.A., a public-listed company incorporated in France 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
10 March 2014

Statement by Directors

The Directors of **LAFARGE MALAYSIA BERHAD** (formerly known as Lafarge Malayan Cement Berhad) state that, in their opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The supplementary information set out in Note 41 to the Financial Statements, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

BRADLEY MULRONEY **CHEN THENG AIK**

Petaling Jaya, Selangor Darul Ehsan
10 March 2014

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 MALAYSIA BERHAD** (formerly known as 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 10th day of March 2014.

Before me,

COMMISSIONER FOR OATHS

Independent Auditors' Report

TO THE MEMBERS OF LAFARGE MALAYSIA BERHAD
(Formerly known as Lafarge Malayan Cement Berhad) (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **LAFARGE MALAYSIA BERHAD** (formerly known as Lafarge Malayan Cement Berhad), which comprise the statements of financial position of the Group and of the Company as at 31 December 2013 and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 067 to 144.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that:

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) we have considered the accounts and auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the Financial Statements.

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

(d) the auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

(Forward)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 41 to the Financial Statements on page 145 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 - 2886/04/15 (J)
Chartered Accountant

10 March 2014

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Revenue	5	**2,852,400**	2,740,062	**315,846**	393,892
Cost of sales	5	**(1,929,832)**	(1,884,424)	**–**	–
Gross profit		**922,568**	855,638	**315,846**	393,892
Selling and distribution expenses	5	**(351,316)**	(317,080)	**–**	–
Administration expenses	5	**(68,912)**	(67,720)	**(5,326)**	(6,023)
Other expenses	5	**(16,381)**	(20,787)	**(36)**	(42)
Other income		**12,650**	8,218	**4,503**	1,863
Investment income	6	**7,686**	8,248	**–**	–
Interest income	6	**7,970**	6,330	**–**	–
Other gains and losses	7	**(304)**	135	**1,116**	–
Profit from operations		**513,961**	472,982	**316,103**	389,690
Finance costs	8	**(2,099)**	(6,072)	**(191)**	(3,840)
Share of results of associate	17	**3,028**	2,842	**–**	–
Profit before tax		**514,890**	469,752	**315,912**	385,850
Income tax expense	9	**(147,772)**	(120,262)	**(13)**	(8,106)
Profit for the year	10	**367,118**	349,490	**315,899**	377,744
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss:					
Defined benefits retirement plan actuarial losses		**(2,001)**	(2,466)	**(133)**	(40)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(3,464)**	(620)	**–**	–
Net fair value gain on cash flow hedges		**261**	256	**–**	–

(Forward)

6

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Other comprehensive loss for the year, net of tax		**(5,204)**	(2,830)	**(133)**	(40)
Total comprehensive income for the year		**361,914**	346,660	**315,766**	377,704
Profit attributable to:					
Owners of the Company		**366,630**	349,005	**315,899**	377,744
Non-controlling interests		**488**	485	**–**	–
		367,118	349,490	**315,899**	377,744
Total comprehensive income attributable to:					
Owners of the Company		**361,409**	346,169	**315,766**	377,704
Non-controlling interests		**505**	491	**–**	–
		361,914	346,660	**315,766**	377,704
Earnings per ordinary share (sen)					
Basic and diluted	11	**43.15**	41.07		

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

Statements of Financial Position

AS AT 31 DECEMBER 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**1,508,392**	1,589,405	**–**	–
Investment property	13	**3,314**	3,532	**–**	–
Prepaid lease payments on leasehold land	14	**105,759**	112,721	**–**	–
Intangible assets	15	**1,208,458**	1,209,322	**–**	–
Investment in subsidiaries	16	**–**	–	**2,084,505**	2,274,665
Investment in associate	17	**21,463**	19,797	**–**	–
Deferred tax assets	18	**2,963**	2,050	**–**	–
Other financial assets	19	**1,815**	1,815	**1,255**	1,255
Amount owing by a subsidiary	20	**–**	–	**–**	5,518
Total non-current assets		**2,852,164**	2,938,642	**2,085,760**	2,281,438
Current assets					
Inventories	21	**255,337**	282,161	**–**	–
Trade receivables	22	**419,304**	344,266	**–**	–
Other receivables and prepaid expenses	23	**38,483**	34,477	**493**	346
Amounts owing by holding and other related companies	24	**28,522**	21,028	**–**	–
Amounts owing by subsidiaries	20	**–**	–	**319,516**	231,384
Other financial assets	19	**717**	108	**–**	–
Current tax assets		**1,719**	22,822	**77**	77
Dividend receivable		**–**	–	**68,000**	68,292
Term deposits	25	**262,826**	105,807	**3**	2
Fixed income trust fund	35	**–**	28,729	**–**	–
Cash and bank balances	35	**188,024**	219,466	**4,828**	1,028
Total current assets		**1,194,932**	1,058,864	**392,917**	301,129
Total assets		**4,047,096**	3,997,506	**2,478,677**	2,582,567

(Forward)

Statements of Financial Position

AS AT 31 DECEMBER 2013 (CONTINUED)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	26	**849,695**	849,695	**849,695**	849,695
Reserves	27	**1,136,917**	1,140,137	**1,100,830**	1,100,830
Retained earnings	28	**1,228,818**	1,178,321	**376,296**	374,918
Equity attributable to owners of the Company		**3,215,430**	3,168,153	**2,326,821**	2,325,443
Non-controlling interests	29	**4,199**	4,467	**–**	–
Total equity		**3,219,629**	3,172,620	**2,326,821**	2,325,443
Non-current liabilities					
Borrowings	30	**11**	488	**–**	–
Retirement benefits	31	**68,869**	59,874	**1,139**	1,034
Deferred tax liabilities	18	**214,659**	237,637	**–**	–
Total non-current liabilities		**283,539**	297,999	**1,139**	1,034
Current liabilities					
Trade payables	32	**339,745**	319,131	**–**	–
Other payables and accrued expenses	33	**101,272**	100,040	**1,346**	2,248
Amounts owing to holding and other related companies	24	**17,278**	22,286	**–**	–
Amounts owing to subsidiaries	20	**–**	–	**81,395**	185,866
Borrowings	30	**477**	1,219	**–**	–
Other financial liabilities	34	**–**	1	**–**	–
Current tax liabilities		**17,180**	16,234	**–**	–
Dividend payable		**67,976**	67,976	**67,976**	67,976
Total current liabilities		**543,928**	526,887	**150,717**	256,090
Total liabilities		**827,467**	824,886	**151,856**	257,124
Total equity and liabilities		**4,047,096**	3,997,506	**2,478,677**	2,582,567

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

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

	Attributable to owners of the Company									
		Non-distributable					Distributable			
Group	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Exchange equalisation reserve RM'000	Investments revaluation reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2012	849,695	1,067,199	33,798	39,716	36	(242)	1,118,127	3,108,329	16,745	3,125,074
Profit for the year	–	–	–	–	–	–	349,005	349,005	485	349,490
Other comprehensive income/(loss) for the year, net of tax	–	–	–	(626)	–	256	(2,466)	(2,836)	6	(2,830)
Changes in ownership with no loss of control	–	–	–	–	–	–	2,553	2,553	(12,769)	(10,216)
Dividends (Note 28)	–	–	–	–	–	–	(288,898)	(288,898)	–	(288,898)
As at 31 December 2012/ 1 January 2013	**849,695**	**1,067,199**	**33,798**	**39,090**	**36**	**14**	**1,178,321**	**3,168,153**	**4,467**	**3,172,620**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**366,630**	**366,630**	**488**	**367,118**
Other comprehensive income/(loss) for the year, net of tax	**–**	**–**	**–**	**(3,481)**	**–**	**261**	**(2,001)**	**(5,221)**	**17**	**(5,204)**
Changes in ownership with no loss of control	**–**	**–**	**–**	**–**	**–**	**–**	**256**	**256**	**(773)**	**(517)**
Dividends (Note 28)	**–**	**–**	**–**	**–**	**–**	**–**	**(314,388)**	**(314,388)**	**–**	**(314,388)**
As at 31 December 2013	**849,695**	**1,067,199**	**33,798**	**35,609**	**36**	**275**	**1,228,818**	**3,215,430**	**4,199**	**3,219,629**

6

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

Company		Non-distributable		Distributable	
	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Retained earnings RM'000	Total equity RM'000
As at 1 January 2012	849,695	1,067,191	33,639	286,112	2,236,637
Total comprehensive income for the year	–	–	–	377,704	377,704
Dividends (Note 28)	–	–	–	(288,898)	(288,898)
As at 31 December 2012/1 January 2013	**849,695**	**1,067,191**	**33,639**	**374,918**	**2,325,443**
Total comprehensive income for the year	**–**	**–**	**–**	**315,766**	**315,766**
Dividends (Note 28)	**–**	**–**	**–**	**(314,388)**	**(314,388)**
As at 31 December 2013	**849,695**	**1,067,191**	**33,639**	**376,296**	**2,326,821**

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

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	**514,890**	469,752	**315,912**	385,850
Adjustments for:				
Depreciation of property, plant and equipment	**141,665**	138,423	**–**	–
Provision for retirement benefits	**8,131**	8,198	**131**	121
Allowance for inventory obsolescence	**7,521**	10,601	**–**	–
Amortisation of prepaid lease payments on leasehold land	**6,962**	6,106	**–**	–
Property, plant and equipment written off	**5,860**	666	**–**	–
Finance costs	**2,099**	6,072	**191**	3,840
Impairment loss recognised on:				
- trade receivables	**2,783**	1,721	**–**	–
- investment property	**187**	–	**–**	–
- goodwill	**385**	–	**–**	–
Amortisation of intangible assets	**479**	449	**–**	–
Depreciation of investment property	**31**	36	**–**	–
Interest income	**(7,970)**	(6,330)	**(1,220)**	(1,469)
Unrealised gain on foreign exchange	**(4,484)**	(1,708)	**(4,434)**	(1,803)
Share of results of associate	**(3,028)**	(2,842)	**–**	–
Reversal of impairment loss on trade receivables	**(1,129)**	(1,413)	**–**	–
Dividend income	**(815)**	(892)	**(314,626)**	(392,423)
Net gain on liquidation	**–**	–	**(1,116)**	–
Net unrealised loss/(gain) arising on:				
- hedge ineffectiveness on cash flow hedges	**12**	8	**–**	–
- financial assets designated as at fair value through profit or loss	**2**	4	**–**	–
- financial liabilities classified as held for trading	**(188)**	(322)	**–**	–
(Gain)/Loss on disposal of:				
- property, plant and equipment	**(73)**	(982)	**–**	–
- available-for-sale investments	**–**	37	**–**	–
Operating Profit/(Loss) Before Working Capital Changes	**673,320**	627,584	**(5,162)**	(5,884)
(Increase)/Decrease in:				
Inventories	**19,510**	(21,099)	**–**	–
Receivables	**(79,856)**	(22,008)	**(147)**	583
Amounts owing by holding and other related companies	**(2,054)**	5,761	**–**	–
Amounts owing by subsidiaries	**–**	–	**1,710**	(56,687)
Increase/(Decrease) in:				
Payables	**9,584**	14,421	**(902)**	(521)
Amounts owing to holding and other related companies	**(15,602)**	3,531	**–**	–
Amounts owing to subsidiaries	**–**	–	**7,565**	17,257

(Forward)

6

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Cash Generated From/(Used In) Operations		**604,902**	608,190	**3,064**	(45,252)
Retirement benefits paid		**(1,704)**	(2,880)	**–**	–
Income tax paid		**(149,071)**	(150,111)	**(13)**	–
Net Cash From/(Used In) Operating Activities		**454,127**	455,199	**3,051**	(45,252)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(53,650)**	(50,092)	**–**	–
Proceeds from disposal of property, plant and equipment		**3,401**	1,329	**–**	–
Proceeds from disposal of available-for-sale investments		**–**	84	**–**	–
Acquisition of additional interest in a subsidiary		**(517)**	(10,216)	**(517)**	(10,216)
Interest received		**7,970**	6,330	**1,220**	1,469
Dividends received		**815**	892	**314,626**	384,025
Loan repaid by subsidiaries		**–**	–	**–**	58,858
Net Cash (Used In)/From Investing Activities		**(41,981)**	(51,673)	**315,329**	434,136
CASH FLOWS USED IN FINANCING ACTIVITIES					
Repayment of borrowings		**(1,219)**	(106,242)	**–**	(105,000)
Interest paid		**(2,121)**	(7,267)	**(191)**	(3,840)
Dividends paid		**(314,388)**	(288,898)	**(314,388)**	(288,898)
Net Cash Used In Financing Activities		**(317,728)**	(402,407)	**(314,579)**	(397,738)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**94,418**	1,119	**3,801**	(8,854)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**2,430**	579	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**354,002**	352,304	**1,030**	9,884
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	**450,850**	354,002	**4,831**	1,030

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

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 16.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiaries during the financial year.

The Company is a subsidiary of Associated International Cement Limited ("AIC"), a company incorporated in the United Kingdom. The Directors regard AIC and Lafarge S.A., a public-listed company incorporated in France 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 10 March 2014.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

2.1 Adoption of New and Revised Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company have adopted revised Standards issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to the operations and effective for annual periods beginning on or after 1 January 2013 as follows:

MFRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures - Offsetting Financial Assets and Liabilities)
MFRS 10	Consolidated Financial Statements
MFRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance)
MFRS 12	Disclosures of Interests In Other Entities
MFRS 12	Disclosures of Interests In Other Entities (Amendments relating to Transition Guidance)
MFRS 13	Fair Value Measurement
MFRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

2.2 Standards and Amendments in issue but not yet effective

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

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)[1]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)[1]
MFRS 9	Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)[1]
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities[2]
Amendments to MFRS 119	Employee Benefits (Amendments relating to Defined Benefit Plans: Employee Contributions)[3]
Amendments to MFRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)[2]
Amendments to MFRS 136	Impairment of Assets (Amendments relating to Recoverable Amounts Disclosures for Non-Financial Assets)[2]
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting)[2]

Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2010 - 2012 Cycle[3]
Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2011 - 2013 Cycle[3]

1 The mandatory effective date of MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) which was for annual periods beginning on or after 1 January 2015 has been removed with the issuance of MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139. The effective date of MFRS 9 will be decided when IASB's IFRS 9 project is closer to completion. However, each version of the MFRS 9 is available for early adoption
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 July 2014

The Directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group and of the Company in the period of initial application, except as discussed below.

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

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

The amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) ("MFRS 9") relating to "Mandatory Effective Date of MFRS 9 and Transition Disclosures" which became immediately effective on the issuance date of 1 March 2012 amended the mandatory effective date of MFRS 9 to annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013, with earlier application still permitted as well as modified the relief from restating prior periods. However, this mandatory effective date has been removed with the issuance of MFRS 9 Financial Instruments: Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139 (see below). MFRS 7 which was also amended in tandem with the issuance of the aforementioned amendments introduces new disclosure requirements that are either permitted or required on the basis of the entity's date of adoption and whether the entity chooses to restate prior periods.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

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

Key requirements of MFRS 9:

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

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

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

MFRS 9 Financial Instruments: Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139

This Standard introduces a new general hedge accounting model. The new general hedge accounting model will allow reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. However, entities that apply MFRS 9 will have an accounting policy choice under the standard as to whether to apply the hedge accounting model in MFRS 139 or MFRS 9. This accounting policy choice will be revisited when macro hedging project is near to its finalisation.

The principal changes introduced as compared to the general hedge accounting model under MFRS 139 are as follows:

- the qualifying criteria for hedge accounting is now based on a more principles-based approach;
- increased eligibility of hedging instruments;
- increased eligibility of hedged items;
- accounting for the time value component of options and forward contracts with less volatility in profit or loss; and
- modification and discontinuation of hedging relationships.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

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

In addition to the new chapter on hedge accounting, two other important changes were made to MFRS 9:

- Reporting of changes in fair value of an entity's own debts
  MFRS 9 (IFRS 9 as issued by IASB in October 2010) requires an entity to present fair value changes due to own credit on liabilities designated as at fair value through profit or loss to be presented in other comprehensive income rather than in profit or loss. This requirement can only be applied when MFRS 9 is adopted.

  The amendment now allows entities to elect to early adopt the aforementioned requirement without applying the other requirements in MFRS 9 (i.e. an entity can continue to apply MFRS 139 and yet, be able to adopt this new presentation requirement).

- Removal of the mandatory effective date of MFRS 9
  The MASB have decided to remove the mandatory effective date (i.e. 1 January 2015) from MFRS 9. The new date shall be determined when the impairment phase is closer to completion.

The Directors are currently assessing the impact of adoption of MFRS 9 and have not made any accounting policy decision. Thus, the impact of adopting the new MFRS 9 on the Group's and the Company's financial statements cannot be determined now until the process is complete.

Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities
The amendments to MFRS 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The Directors anticipate that the application of these amendments to MFRS 132 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of amendments to MFRS 132 until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

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

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 36.12.

The principal accounting policies are set out below.

3. 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 when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Subsidiaries and Basis of Consolidation (continued)

3.2.1 Changes in Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

3.2.2 Subsidiaries

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

3.3 Business Combinations

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Investment in Associate

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

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

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

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

3.5 Goodwill

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

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 The Group as Lessor

The Group's Lorry-Owner-Driver ("LOD") scheme has been accounted for as property, plant and equipment that are leased to the drivers under operating leases based on the economic substance of the arrangement. Payments received under the lease are credited to the profit or loss.

3.9.2 The Group as Lessee

Assets held under finance leases are recognised as property, plant and equipment or receivables as appropriate at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

3.10 Prepaid Lease Payments on Leasehold Land

Lease of land with title not expected to pass to the lessee by the end of the lease term is treated as operating lease as land normally has an indefinite economic life. The up-front payments made on entering into a lease or acquiring a leasehold land that is accounted for as an operating lease are accounted for as prepaid lease payments that are amortised over the lease term on a straight line basis except for leasehold land classified as investment property.

The leasehold land was last revalued in 1993. Upon the adoption of FRS117, the leasehold land previously classified as property, plant and equipment was reclassified as prepaid lease payment at its revalued amount which was taken as the surrogate carrying amount of the prepaid lease payment less accumulated amortisation up to 1 January 2011, being the transition date in adopting the MFRS framework.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Foreign Currencies

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

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

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

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

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

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. 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 20 January 2014.

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

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

(c) Termination Benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Employee Benefits (continued)

3.13.3 Share-Based Payments

(a) Performance Share Plan (“PSP”)

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

(b) Employee Share Purchase Plan (“ESPP”)

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

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

This cost is measured at the grant date.

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

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

3.14 Taxation

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

3.14.1 Current Tax

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

3.14.2 Deferred Tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Taxation (continued)

3.14.2 Deferred Tax (continued)

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

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

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

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

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

3.14.3 Current and Deferred Tax for the Period

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

3.15 Property, Plant and Equipment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Property, Plant and Equipment (continued)

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 52 years
Buildings	2% to 9%
Office equipment, furniture and fittings and motor vehicles	10% to 20%
Plants, machinery and cement silos	2% to 6%

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

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

3.16 Investment Property

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

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

3.17 Quarry Rights

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Impairment of Non-financial Assets Excluding Goodwill (continued)

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

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

3.19 Inventories

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

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial Instruments

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

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

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

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

3.21.1 Effective Interest Method

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

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

3.21.2 Financial Assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial Instruments (continued)

3.21.2 Financial Assets at FVTPL (continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 36.

3.21.3 Held-To-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

3.21.4 AFS Financial Assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. All AFS assets are measured at fair value at the end of the reporting period. Fair value is determined in the manner described in Note 36. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

3.21.5 Loans and Receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial Instruments (continued)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial Instruments (continued)

3.21.7 Derecognition of Financial Assets

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

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

3.22.1 Classification as Debt or Equity

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

3.22.2 Equity Instruments

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

3.22.3 Financial Liabilities

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

3.22.4 Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 36.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 36.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.23.1 Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Derivative Financial Instruments (continued)

3.23.2 Hedge Accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 36 sets out details of the fair values of the derivative instruments used for hedging purposes.

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

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

3.24 Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of 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 2013 was approximately RM1,205,504,000 (2012: RM1,205,889,000). Further details are disclosed in Note 15.

5. REVENUE AND OPERATING COSTS

5.1 Revenue

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Sale of clinker, cement, ready-mixed concrete, aggregates and other building materials	**2,850,009**	2,738,266	**–**	–
Freight and chartering of vessels and jetty services	**1,364**	1,796	**–**	–
Shared services	**1,027**	–	**–**	–
Gross dividend from unquoted investments in subsidiaries in Malaysia	**–**	–	**314,626**	392,423
Interest income:				
Loans to subsidiaries	**–**	–	**908**	1,043
Term deposits	**–**	–	**218**	426
Others	**–**	–	**94**	–
	2,852,400	2,740,062	**315,846**	393,892

5. REVENUE AND OPERATING COSTS (continued)

5.2 Operating Costs Applicable to Revenue

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Raw and packing materials and other consumables used and changes in inventories of finished goods	**1,748,916**	1,713,626	**–**	–
Depreciation and amortisation	**149,137**	145,014	**–**	–
Staff costs	**170,499**	164,791	**357**	770
Directors' remuneration	**7,273**	6,421	**4,789**	4,399
Others	**290,616**	260,159	**216**	896
	2,366,441	2,290,011	**5,362**	6,065

5.3 Staff Costs

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Wages, salaries and bonuses	**128,196**	119,743	**211**	613
Defined contribution retirement plans	**13,611**	12,087	**15**	36
Termination benefits	**1,349**	8,770	**–**	–
Defined benefit retirement plan	**8,060**	8,155	**131**	121
Other employee benefits	**19,283**	16,036	**–**	–
	170,499	164,791	**357**	770

5.4 Directors' Remuneration

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Directors of the Company				
Executive Directors:				
Salaries and other emoluments	**3,676**	3,355	**3,676**	3,355
Estimated money value of benefits	**736**	675	**736**	675
Defined contribution retirement plan	**102**	94	**102**	94
Defined benefit retirement plan	**–**	–	**–**	–
	4,514	4,124	**4,514**	4,124
Non-executive Directors:				
Fees	**275**	275	**275**	275
	4,789	4,399	**4,789**	4,399

5. REVENUE AND OPERATING COSTS (continued)

5.4 Directors' Remuneration (continued)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors of the Subsidiaries				
Executive Directors:				
Salaries and other emoluments	**2,272**	1,644	**–**	–
Estimated money value of benefits	**164**	248	**–**	–
Defined contribution retirement plan	**33**	72	**–**	–
Defined benefit retirement plan	**–**	43	**–**	–
	2,469	2,007	**–**	–
Non-executive Directors:				
Fees	**15**	15	**–**	–
	2,484	2,022	**–**	–
Total	**7,273**	6,421	**4,789**	4,399

6. INVESTMENT AND INTEREST INCOME

	Group	
	2013 RM'000	2012 RM'000
Investment income from:		
- operating lease under Lorry-Owner-Driver scheme	**6,095**	6,387
- other rental income	**754**	955
- rental of investment property	**22**	14
Dividends from available-for-sale investments	**815**	892
	7,686	8,248
Interest income from:		
- Loans and receivables (including cash and bank balances)	**7,970**	6,330

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

	Group	
	2013 RM'000	2012 RM'000
Interest income for financial assets not designated at FVTPL:		
Loans and receivables (including cash and bank balances)	**7,970**	6,330
Income earned on available-for-sale investments	**815**	892
Income earned on non-financial assets	**6,871**	7,356
Total investment and interest income	**15,656**	14,578

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

7. OTHER GAINS AND LOSSES

	Group 2013 RM'000	Group 2012 RM'000
Net loss arising on financial assets designated as at FVTPL		
- realised	**(478)**	(175)
- unrealised	**(2)**	(4)
Net gain arising on financial liabilities classified as held for trading		
- unrealised	**188**	322
Hedge ineffectiveness on cash flow hedges		
- unrealised	**(12)**	(8)
	(304)	135

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).

During the financial year, the inactive subsidiaries that were under members' voluntary liquidation, namely APMC Enterprise Sdn. Bhd., Simen Utama Sdn. Bhd. and Southern Cement Industries Sdn. Bhd. have been liquidated.

The amount owing to these subsidiaries were waived and have been accounted for as deemed dividend distribution to the Company. The cost of investment in these subsidiaries were written off as a result of the liquidation and the net gain on liquidation of subsidiaries is as follows:

	Company 2013 RM'000	Company 2012 RM'000
Deemed dividend	**191,793**	–
Cost of investment written-off on liquidation of subsidiaries (Note 16)	**(190,677)**	–
	1,116	–

8. FINANCE COSTS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Finance costs on:				
- others	**2,099**	2,461	**191**	519
- floating rate notes	**–**	3,321	**–**	3,321
- bankers' acceptances	**–**	290	**–**	–
	2,099	6,072	**191**	3,840

9. INCOME TAX EXPENSE

9.1 Income Tax Recognised in Profit or Loss

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Malaysia				
Estimated current tax payable:				
- Current year	**150,683**	140,591	**13**	8,106
- Underprovision in prior years	**795**	312	**–**	–
Deferred tax:				
- Current year	**(23,825)**	(19,989)	**–**	–
- Under/(Over)provision in prior years	**699**	(1,066)	**–**	–
	128,352	119,848	**13**	8,106
Foreign				
Estimated current tax payable:				
- Current year	**930**	1,209	**–**	–
- Under/(Over)provision in prior years	**18,784**	(252)	**–**	–
Deferred tax:				
- Current year	**(294)**	(543)	**–**	–
	19,420	414	**–**	–
Total income tax expense	**147,772**	120,262	**13**	8,106

The tax charge of the Company for 2012 relates to taxation deducted at source on dividend income.

Malaysian income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Budget 2014 announced on 25 October 2013 reduced the corporate income tax rate from 25% to 24% with effect from year of assessment 2016. Accordingly, the applicable tax rates to be used for the measurement of any applicable deferred tax will be the expected rates.

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		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Profit before tax	**514,890**	469,752	**315,912**	385,850
Tax expense calculated using the Malaysian statutory income tax rate of 25% (2012: 25%)	**128,723**	117,438	**78,978**	96,463
Tax effects of:				
- different tax rates of subsidiaries operating in other jurisdictions	**1,534**	3,545	**–**	–
- effect on deferred tax balances due to the change in income tax rate from 25% to 24% (effective 1 January 2016)	**(5,042)**	–	**–**	–
- expenses that are not deductible in determining taxable profit	**1,667**	2,908	**166**	1,643
- income not subject to tax	**(505)**	–	**(475)**	–
- revenue not subject to tax	**–**	(1,446)	**–**	–
- revenue that is exempt from tax	**(363)**	(64)	**(78,656)**	(90,000)
- movement of deferred tax assets not recognised	**3,344**	–	**–**	–
- utilisation of reinvestment allowance	**–**	(952)	**–**	–
- utilisation of deferred tax assets not previously recognised	**(665)**	(386)	**–**	–
- others	**(1,199)**	225	**–**	–
Underprovision of tax payable in prior years	**19,579**	60	**–**	–
Under/(Over)provision of deferred tax in prior years	**699**	(1,066)	**–**	–
Income tax expense recognised in profit or loss	**147,772**	120,262	**13**	8,106

9. INCOME TAX EXPENSE (continued)

9.2 Income Tax Recognised in Other Comprehensive Income

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax				
Arising on income and expenses recognised in other comprehensive income:				
- Defined benefits retirement plan actuarial loss	**(567)**	(810)	**–**	–
- Revaluations of financial instruments treated as cash flow hedges	**68**	6	**–**	–
- Others	**16**	–	**–**	–
	(483)	(804)	**–**	–
Reclassification from equity to profit or loss:				
- Relating to cash flow hedges	**(5)**	80	**–**	–
Total income tax recognised in other comprehensive income	**(488)**	(724)	**–**	–

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 30. 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 had also recognised similar tax refunds receivable from the IRAS totalling SGD7,525,000 (RM17,275,000) relating to further dividends received in respect of the financial years 2006 and 2007. Total tax refunds recognised in the financial statements of the Group for the financial years 2003 to 2007 amounted to SGD17,118,000 (RM38,551,000).

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

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

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

9. INCOME TAX EXPENSE (continued)

9.2 Income Tax Recognised in Other Comprehensive Income (continued)

To preserve its rights, LMCBH had on the same date filed a notice of appeal to the Court of Appeal against those parts of the Judgement which dismissed and/or did not accept LMCBH's arguments which were advanced in the High Court of Singapore. LMCBH received on 22 January 2013 notice from the Supreme Court of Singapore that both appeals were fixed for hearing before the Court of Appeal for the week commencing 1 July 2013. In the meantime, both IRAS and LMCBH filed their respective appellant's case and respondent's case for both appeals. By way of a further update, the appeal was heard on 13 August 2013 and the judgment of the Court of Appeal was received on 26 February 2014.

It was decided that the appeal of IRAS was disallowed in respect of the Years of Assessment 2004 to 2006 and allowed in respect of Year of Assessment 2007. It was also decided that the appeal of LMCBH against certain aspects of the decision of the High Court which were unfavourable to LMCBH was disallowed.

In view of the decision made by the Court of Appeal, the total tax refunds receivable of SGD7,573,000 (RM19,074,000) for Years of Assessment 2007 and 2008 will not be refundable. The Group has reversed out these tax refunds receivable to profit or loss as underprovision of prior years' income tax expenses as disclosed in Note 9.1.

As at 31 December 2013, the Company has a total tax exempt income amounting to approximately RM293,165,000 (2012: RM293,165,000) arising mainly from exempt accounts namely Para 28, Sub (2) Schedule 6 of Malaysia Income Tax Act, 1967, Malaysia Income Tax (Exemption) (No. 48) Order 1987, Section 12 of Malaysia Income Tax (Amendment) Act, 1999 and exempt dividend income. Subject to approval by the tax authorities, these tax exempt income accounts are available to distribute tax exempt dividends out of the retained earnings of the Company.

As at 31 December 2013, certain subsidiaries have the following tax exempt income arising from various sources:

	Group	
	2013 RM'000	**2012 RM'000**
Reinvestment allowances claimed and utilised under Schedule 7A of the Malaysia Income Tax Act, 1967	**922,379**	922,379
Tax exempt income claimed under Section 54A of the Malaysia Income Tax Act, 1967	**54,872**	54,872
Chargeable income on which income tax has been waived in 1999 in accordance with the Malaysia Income Tax (Amendment) Act, 1999	**12,815**	19,352
	990,066	996,603

Movements in the tax exempt income mainly due to liquidation of Simen Utama Sdn. Bhd. and APMC Enterprises Sdn. Bhd..

These tax exempt income accounts, which are subject to approval by the tax authorities, are available to frank the payment of any tax exempt dividends to shareholders of the subsidiaries.

As at 31 December 2013, certain subsidiaries have unutilised reinvestment allowances claimed of approximately RM5,825,000 (2012: RM5,825,000) the deferred tax effects of which were not recognised in the financial statements of the Group. The reinvestment allowances, subject to agreement by the tax authorities, are available for offset against future chargeable income of these subsidiaries.

10. PROFIT FOR THE YEAR

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

		Group		Company	
		2013	**2012**	**2013**	**2012**
		RM'000	**RM'000**	**RM'000**	**RM'000**
10.1	**Impairment Losses on Financial Assets**				
	Impairment loss recognised on trade receivables (Note 22)	**2,783**	1,721	**–**	–
	Reversal of impairment loss recognised on trade receivables (Note 22)	**(1,129)**	(1,413)	**–**	–
10.2	**Depreciation and Amortisation Expense**				
	Depreciation of property, plant and equipment	**141,665**	138,423	**–**	–
	Depreciation of investment property	**31**	36	**–**	–
	Amortisation of prepaid lease payments on leasehold land	**6,962**	6,106	**–**	–
	Amortisation of intangible assets	**479**	449	**–**	–
	Total depreciation and amortisation expense	**149,137**	145,014	**–**	–
10.3	**Inventories**				
	Allowance for slow moving inventory	**7,521**	10,601	**–**	–
10.4	**Other Charges/(Credit)**				
	Rental of premises and equipment	**30,001**	26,788	**–**	–
	Provision for retirement benefits	**8,131**	8,198	**131**	121
	(Gain)/Loss on foreign exchange:				
	- realised	**765**	3,383	**16**	31
	- unrealised	**(4,484)**	(1,708)	**(4,434)**	(1,803)
	Property, plant and equipment written off	**5,860**	666	**–**	–
	Fees paid/payable to external auditors:				
	Statutory audit:				
	- auditors of the Company	**551**	540	**53**	53
	- other member firm of the auditors of the Company	**183**	185	**–**	–
	Non-audit services:				
	- auditors of the Company	**34**	86	**–**	–
	- other member firm of the auditors of the Company	**79**	74	**–**	–
	(Gain)/Loss on disposal of:				
	- property, plant and equipment	**(73)**	(982)	**–**	–
	- available-for-sale investments	**–**	37	**–**	–
	Impairment loss recognised on				
	- investment property	**187**	–	**–**	–
	- goodwill	**385**	–	**–**	–

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	
	2013	**2012**
	RM'000	**RM'000**
Profit attributable to owners of the Company	**366,630**	349,005

	Group	
	2013	**2012**
	Units'000	**Units'000**
Number of ordinary shares in issue	**849,695**	849,695

	Group	
	2013	**2012**
Basic earnings per ordinary share (sen)	**43.15**	41.07

Diluted earnings per share

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

12. PROPERTY, PLANT AND EQUIPMENT

Group

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

(Forward)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Freehold Land RM'000	Land Improvement RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plants, Machinery and Cement Silos RM'000	Capital Work-in-Progress RM'000	Total RM'000
Cost/Valuation							
As at 1 January 2013	37,480	48,779	210,131	90,450	3,176,019	36,295	3,599,154
Additions	320	–	57	270	15,848	53,252	69,747
Reclassifications	–	18,794	2,469	868	42,066	(64,197)	–
Disposals	–	–	–	(4,850)	(6,439)	–	(11,289)
Write-offs	–	–	(87)	(5,391)	(19,392)	(2,079)	(26,949)
Effect of foreign currency exchange differences and other adjustments	–	–	350	194	2,946	–	3,490
As at 31 December 2013	37,800	67,573	212,920	81,541	3,211,048	23,271	3,634,153
Accumulated Depreciation							
As at 1 January 2013	–	16,973	155,816	82,027	1,754,893	–	2,009,709
Charge for the year	–	3,611	3,405	3,760	130,889	–	141,665
Disposals	–	–	–	(3,709)	(4,252)	–	(7,961)
Write-offs	–	–	(73)	(5,379)	(15,637)	–	(21,089)
Effect of foreign currency exchange differences and other adjustments	–	–	342	201	2,854	–	3,397
As at 31 December 2013	–	20,584	159,490	76,900	1,868,747	–	2,125,721

(Forward)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Freehold Land RM'000	Land Improvement RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plants, Machinery and Cement Silos RM'000	Capital Work-in-Progress RM'000	Total RM'000
Provision for Impairment Loss							
As at 1 January 2012 and 31 December 2012	40	–	–	–	–	–	40
As at 1 January 2013 and 31 December 2013	**40**	**–**	**–**	**–**	**–**	**–**	**40**
Net Book Value							
As at 31 December 2013	**37,760**	**46,989**	**53,430**	**4,641**	**1,342,301**	**23,271**	**1,508,392**
As at 31 December 2012	37,440	31,806	54,315	8,423	1,421,126	36,295	1,589,405

Note
During the year, the Group acquired property, plant and equipment with an aggregate cost of RM69,747,000 (2012: RM55,633,000) of which RM16,097,000 (2012: RM5,541,000) remains unpaid and included in other payables. Cash payments of RM53,650,000 (2012: RM50,092,000) were made to purchase property, plant and equipment.

6

As at 31 December 2013, included in property, plant and equipment of the Group are fully depreciated property, plant and equipment at an aggregate cost of approximately RM673,254,000 (2012: RM448,169,000) which are still in use.

The carrying amount of property, plant and equipment under finance lease arrangement of the Group as at 31 December 2013 is RM522,500 (2012: RM1,728,000).

13. INVESTMENT PROPERTY

	Group 2013 RM'000	Group 2012 RM'000
At Cost		
At beginning and end of year	**4,550**	4,550
Accumulated Depreciation		
At beginning of year	**434**	398
Charge for the year	**31**	36
At end of year	**465**	434
Provision for Impairment Loss		
At beginning of year	**584**	584
Additional impairment during the year	**187**	–
At end of year	**771**	584
Net Book Value	**3,314**	3,532
Included in the above are:		
Freehold land	**3,100**	3,100
Buildings	**214**	432
	3,314	3,532

The property rental income earned by the Group from its investment property, all of which are leased out under operating leases, amounted to RM99,000 (2012: RM89,000). Direct operating expenses arising on the investment property amounted to RM1,000 (2012: RM2,000).

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

13. INVESTMENT PROPERTY (continued)

Details of the Group's investment property and information about the fair value hierachy as at 31 December 2013 are as follows:

2013	Group Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair value as at 31.12.2013 RM'000
- Freehold land	**–**	**–**	**5,300**	**5,300**
- Buildings	**–**	**–**	**362**	**362**
	–	**–**	**5,662**	**5,662**

2012	Group Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Fair value as at 31.12.2012 RM'000
- Freehold land	–	–	5,000	5,000
- Buildings	–	–	469	469
	–	–	5,469	5,469

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

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

	2013 RM'000	2012 RM'000
At beginning of year	**5,469**	5,469
Additions	**193**	–
At end of year	**5,662**	5,469

6

14. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

	Group Leasehold Land Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
Cost			
As at 1 January 2012/31 December 2012/31 December 2013	**143,664**	**51,772**	**195,436**
Accumulated Amortisation			
As at 1 January 2012	65,520	11,089	76,609
Charge for the year	5,239	867	6,106
As at 31 December 2012	70,759	11,956	82,715
Charge for the year	6,314	648	6,962
As at 31 December 2013	**77,073**	**12,604**	**89,677**
Net Book Value			
As at 31 December 2013	**66,591**	**39,168**	**105,759**
As at 31 December 2012	72,905	39,816	112,721

15. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Group 2013 RM'000	Group 2012 RM'000
Goodwill on consolidation	**1,205,504**	1,205,889
Quarry rights	**2,954**	3,433
	1,208,458	1,209,322

15.1 Goodwill on Consolidation

	Group 2013 RM'000	Group 2012 RM'000
At beginning of year	**1,205,889**	1,205,889
Derecognised on liquidation of a subsidiary	**(385)**	–
At end of year	**1,205,504**	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 2013 RM'000	Group 2012 RM'000
Cement	**1,151,285**	1,151,670
Aggregates and concrete	**54,219**	54,219
	1,205,504	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 at 31 December 2013, 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 2013 RM'000	Group 2012 RM'000
Cost		
At beginning and end of year	**5,500**	5,500
Accumulated Amortisation		
At beginning of year	**2,067**	1,618
Charge for the year	**479**	449
At end of year	**2,546**	2,067
Net	**2,954**	3,433

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 2013 RM'000	Company 2012 RM'000
Unquoted shares:		
In Malaysia	**2,084,505**	2,274,665
Outside Malaysia	**–***	–*
	2,084,505	2,274,665

* comprising cost of investment amounting to SGD2.00.

Movement in the cost of investment:

	Group 2013 RM'000	Group 2012 RM'000
At beginning of year	**2,274,665**	2,264,449
Cost of investment written off on liquidation of subsidiaries (Note 7)	**(190,677)**	–
Additional investment in Lafarge Concrete (Malaysia) Sdn. Bhd.	**517**	10,216
At end of year	**2,084,505**	2,274,665

16. INVESTMENT IN SUBSIDIARIES (continued)

Details of the Company's subsidiaries are as follows:

Name of Subsidiary	Principal Activities	Group Effective Equity Interest 2013 %	Group Effective Equity Interest 2012 %
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. Liquidated during the year.	**–**	100
Simen Utama Sdn. Bhd. **	Inactive. Liquidated during the year.	**–**	100
Lafarge Drymix Sdn. Bhd.	Manufacture and sale of cement and drymix products	**100**	100
CMCM Perniagaan Sdn. Bhd.	Trading of cement and other building materials	**100**	100
Jumewah Shipping Sdn. Bhd.	Shipping of bulk cement and chartering of vessels	**100**	100
Kedah Cement Jetty Sdn. Bhd.	Management and operation of a jetty	**100**	100
Lafarge Aggregates Sdn. Bhd.	Investment holding, trading and quarrying of aggregates and related products	**100**	100
Lafarge Aggregates (Pantai Remis) Sdn. Bhd.	Producer and supplier of aggregates and related products	**100**	100
Lafarge Aggregates (Ipoh) Sdn. Bhd.	Producer and supplier of aggregates, premix and related products	**100**	100
Lafarge Concrete (Malaysia) Sdn. Bhd.^	Manufacture and sale of ready-mixed concrete	**93.26**	91.74
Lafarge Concrete Industries Sdn. Bhd.^	Manufacture and sale of ready-mixed concrete	**93.26**	91.74
Lafarge Concrete (East Malaysia) Sdn. Bhd.^	Manufacture and sale of ready-mixed concrete	**93.26**	91.74
APMC Enterprises Sdn. Bhd. **	Inactive. Liquidated during the year.	**–**	100
M-Cement Sdn. Bhd.	Investment holding	**100**	100
Kedah Cement Holdings Berhad	Investment holding	**100**	100
Lafarge Shared Services Sdn. Bhd.	Accounting shared services, and management consulting services	**100**	100

(Forward)

16. INVESTMENT IN SUBSIDIARIES (continued)

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

Name of Subsidiary	Principal Activities	Group Effective Equity Interest 2013 %	Group Effective Equity Interest 2012 %
Incorporated in Singapore			
LMCB Holding Pte. Ltd. *	Investment holding	**100**	100
Lafarge Cement Singapore Pte. Ltd. *	Bulk import and sale of cement and trading of other building materials	**100**	100
Supermix Concrete Pte. Ltd. *	Investment holding	**100**	100
Lafarge Marketing Pte. Ltd. *	Investment holding	**100**	100
PMCWS Enterprises Pte. Ltd. *	Investment holding	**100**	100
LCS Shipping Pte. Ltd.*	Shipping of bulk cement and chartering of vessels	**100**	100
Morelastic Green Resources Pte. Ltd. *	Recycling of non-metal waste	**81.19**	81.19

6

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

** 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.). As at year end, these companies have been liquidated. Accordingly, no audited financial statements are available in current year.

^ During the current financial year, the Group acquired an additional 1.52% interest in Lafarge Concrete (Malaysia) Sdn. Bhd. ("LCM") thus increasing its continuing interest in LCM to 93.26% by way of acquisition of 106,000 ordinary shares of RM1.00 each for a cash consideration of RM517,000.

17. INVESTMENT IN ASSOCIATE

	Group 2013 RM'000	Group 2012 RM'000
Unquoted shares at cost, representing share of net assets acquired	**4,603**	4,603
Group's share of post acquisition results	**30,066**	27,038
Exchange differences	**119**	1,481
	34,788	33,122
Less: Dividends received	**(13,325)**	(13,325)
	21,463	19,797

17. INVESTMENT IN ASSOCIATE (continued)

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 2013 RM'000	Group 2012 RM'000
Total assets	**160,006**	162,853
Total liabilities	**(95,617)**	(103,463)
Net assets	**64,389**	59,390
Group's share of associate's net assets	**21,463**	19,797
Total revenue	**433,114**	429,340
Total profit for the year	**9,084**	8,530
Share in results of associate	**3,028**	2,842

Particulars of the associate are as follows:

Name of Associate	Principal Activities	Group Effective Equity Interest 2013 %	Group Effective Equity Interest 2012 %
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)

Deferred Tax Assets

	Group 2013 RM'000	Group 2012 RM'000
At beginning of year	**2,050**	2,444
Recognised in profit or loss	**714**	(499)
Recognised in other comprehensive income	**197**	168
Reclassifications	**–**	(66)
Exchange difference on foreign operations	**2**	3
At end of year	**2,963**	2,050

Deferred Tax Liabilities

	Group 2013 RM'000	Group 2012 RM'000
At beginning of year	**(237,637)**	(260,342)
Recognised in profit or loss	**22,706**	22,097
Recognised in other comprehensive income	**286**	636
Reclassified from equity to profit or loss	**5**	(80)
Reclassifications	**–**	66
Exchange difference on foreign operations	**(19)**	(14)
At end of year	**(214,659)**	(237,637)

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

As mentioned in Note 3.14, the tax effects of unused tax losses, unused capital allowances and deductible temporary differences which would give rise to deferred tax assets are generally recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses, unused capital allowances and deductible temporary differences can be utilised. As at 31 December 2013, 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	
	2013	**2012**
	RM'000	**RM'000**
Unused tax losses	**66,997**	58,374
Unused capital allowances	**16,841**	18,728
Deductible temporary differences	**7,854**	3,873
	91,692	80,975

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.

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

Group	**Property, plant and equipment RM'000**	**Receivables RM'000**	**Payables and reserves RM'000**	**Unused tax losses RM'000**	**Unused capital allowances RM'000**	**Total RM'000**
Deferred Tax Assets						
As at 1 January 2012	(1,280)	35	1,586	1,268	835	2,444
Recognised in profit or loss	1,495	(35)	81	(1,205)	(835)	(499)
Recognised in other comprehensive income	–	–	168	–	–	168
Reclassifications	–	–	–	(66)	–	(66)
Exchange difference on foreign operations	–	–	–	3	–	3
As at 31 December 2012	**215**	**–**	**1,835**	**–**	**–**	**2,050**
Recognised in profit or loss	**49**	**–**	**640**	**–**	**25**	**714**
Recognised in other comprehensive income	**–**	**–**	**197**	**–**	**–**	**197**
Exchange difference on foreign operations	**–**	**–**	**–**	**–**	**2**	**2**
As at 31 December 2013	**264**	**–**	**2,672**	**–**	**27**	**2,963**

(Forward)

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

Group	Property, plant and equipment RM'000	Receivables RM'000	Inventories RM'000	Payables and reserves RM'000	Unused tax losses RM'000	Unused capital allowances RM'000	Total RM'000
Deferred Tax Liabilities							
As at 1 January 2012	(281,905)	22	4,295	17,018	162	66	(260,342)
Recognised in profit or loss	19,557	28	2,484	132	(38)	(66)	22,097
Recognised in other comprehensive income	–	–	–	636	–	–	636
Reclassified from equity to profit or loss	–	–	–	(80)	–	–	(80)
Reclassifications	–	–	–	–	66	–	66
Exchange difference on foreign operations	(14)	–	–	–	–	–	(14)
As at 31 December 2012	**(262,362)**	**50**	**6,779**	**17,706**	**190**	**–**	**(237,637)**
Recognised in profit or loss	**25,244**	**(28)**	**(2,395)**	**11**	**(126)**	**–**	**22,706**
Recognised in other comprehensive income	**–**	**–**	**–**	**286**	**–**	**–**	**286**
Reclassified from equity to profit or loss	**–**	**–**	**–**	**5**	**–**	**–**	**5**
Exchange difference on foreign operations	**(19)**	**–**	**–**	**–**	**–**	**–**	**(19)**
As at 31 December 2013	**(237,137)**	**22**	**4,384**	**18,008**	**64**	**–**	**(214,659)**

19. OTHER FINANCIAL ASSETS

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Available-for-sale investments carried at fair value:				
Non-current:				
In Malaysia:				
Quoted investments	**18**	18	**–**	–
Unquoted investments	**168**	168	**–**	–
Others	**374**	374	**–**	–
	560	560	**–**	–
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	**434**	13	**–**	–
Financial assets carried at fair value through profit or loss:				
Current:				
Derivatives that are not designated in hedge accounting relationship	**283**	95	**–**	–
	2,532	1,923	**1,255**	1,255
Current	**717**	108	**–**	–
Non-current	**1,815**	1,815	**1,255**	1,255
	2,532	1,923	**1,255**	1,255

6

20. AMOUNTS OWING BY/(TO) SUBSIDIARIES

20.1 Amounts Owing by Subsidiaries

	Company 2013 RM'000	Company 2012 RM'000
Loans carried at amortised cost:		
Non-current:		
Amount owing by a subsidiary		
Unsecured loan (a)	–	5,518
Current:		
Short-term loans to subsidiaries (a) & (b)	**47,455**	91,594
Outstanding balances receivable for other operating transactions (c)	**272,061**	139,790
	319,516	231,384
Current	**319,516**	231,384
Non-current	–	5,518
	319,516	236,902

(a) A loan to a subsidiary totalling RM14,300,000 (2012: RM13,518,000) was restructured during the year to an unsecured advances that is interest-free and repayable on demand. In 2012, the said loan was repayable between 2011 and 2015 with a current portion amounting to RM8,000,000 classified under short-term loan and had weighted average interest of 5% per annum.

(b) Other than as mentioned under (a) above, included in short-term loans to subsidiaries are unsecured interest-free loans which are repayable on demand. In 2012, short-term loans amounting to RM4,000,000 bore interest at rates ranging from 3.5% to 3.6% per annum.

(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 2013 RM'000	Company 2012 RM'000
Other financial liabilities:		
Current:		
Amounts owing to subsidiaries		
Loans from subsidiaries (d)	**(81,395)**	(185,866)

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

21. INVENTORIES

	Group 2013 RM'000	Group 2012 RM'000
At cost:		
Fuels, raw and packing materials	**65,456**	91,894
Finished and semi-finished goods	**78,346**	87,355
Engineering spares and consumables	**130,650**	130,218
	274,452	309,467
Allowance for inventory obsolescence	**(19,115)**	(27,306)
	255,337	282,161

The cost of inventories recognised as an expense of the Group includes RM7,521,000 (2012: RM10,601,000) in respect of the allowance for slow moving inventories.

The Group's inventories are expected to be recovered within the next twelve months other than engineering spares which are expected to be utilised as and when the components in the plants require replacements and may be utilised after the next twelve months.

22. TRADE RECEIVABLES

	Group 2013 RM'000	Group 2012 RM'000
Trade receivables	**425,244**	349,695
Allowance for doubtful debts	**(5,940)**	(5,429)
	419,304	344,266

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 (2012: 30 to 60 days).

Included in trade receivables is amount totalling to RM12,362,000 (2012: RM17,620,000) owing by an associate.

22. TRADE RECEIVABLES (continued)

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	
	2013	**2012**
	RM'000	**RM'000**
Not past due	**253,826**	205,779
Past due 0-30 days	**92,972**	80,880
Past due 31-60 days	**43,694**	36,801
Past due 61-90 days	**12,790**	10,112
Past due more than 90 days	**16,022**	10,694
	419,304	344,266

Ageing of impaired trade receivables:

	Group	
	2013	**2012**
	RM'000	**RM'000**
Past due more than 90 days	**5,940**	5,429

Movement in the allowance for doubtful debts:

	Group	
	2013	**2012**
	RM'000	**RM'000**
At beginning of year	**5,429**	12,640
Impairment losses recognised on receivables	**2,783**	1,721
Amounts written off during the year as uncollectible	**(1,143)**	(7,519)
Impairment losses reversed	**(1,129)**	(1,413)
At end of year	**5,940**	5,429

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.

22. TRADE RECEIVABLES (continued)

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Ringgit Malaysia	**366,617**	294,792
Singapore Dollar	**26,506**	27,245
United States Dollar	**26,181**	22,229
	419,304	344,266

23. OTHER RECEIVABLES AND PREPAID EXPENSES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables	**11,695**	14,197	**75**	34
Prepaid expenses	**20,039**	14,288	**3**	1
Refundable deposits	**6,749**	5,992	**415**	311
	38,483	34,477	**493**	346

Other receivables of the Group includes amount due from associate of RM630,000 (2012: RM895,000) and loans and advances given to the staff which are interest free and repayable on demand.

6

24. RELATED PARTY DISCLOSURES

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

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

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

24. RELATED PARTY DISCLOSURES (continued)

The amounts owing by/(to) holding and other related companies represent mainly trade transactions, provision of trademark licence and general assistance and payments on behalf. The amounts outstanding arising from expenses paid on behalf by the related companies are interest free with no fixed terms of repayment. The amount outstanding relating to the provision of trademark 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			
	2013		2012	
	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	**35,152**	**(9,649)**	35,620	(8,999)
Specific technical assistance	**920**	**(920)**	–	–
Associate of the Group:				
Sales of cement and ready-mixed concrete	**59,196**	**12,023**	66,269	17,354
Batching income	**1,501**	**280**	1,174	210
Management service fee	**227**	**58**	222	56
Subsidiaries of ultimate holding company of the Company:				
Sales of cement and clinker	**236,156**	**23,541**	234,846	19,276
Purchase of cement and clinker	**80,194**	**(5,290)**	104,435	(5,044)
Time charter hire/Sub-charter of vessels	**13,969**	**3**	2,500	152
Maintenance of hardware and software	**4,435**	**(271)**	2,982	(460)
Rental of office premises	**680**	**680**	1,051	150
Service fees for sourcing alternative fuel/alternative raw materials	**1,691**	**(41)**	1,770	(109)
Administrative and supporting service fee	**1,648**	**1,207**	120	–

The Directors are of the opinion that the related party transactions are entered into in the normal course of business and have been established under terms that are no less favourable than those that could be arranged with independent parties where comparable services or purchases are obtainable from unrelated parties. With regard to the agreement for the provision of trademark license and general assistance, Lafarge has the specialised expertise, technical competencies and/or facilities and infrastructure required for the provision of such services.

24. RELATED PARTY DISCLOSURES (continued)

24.2 Amounts Owing by Holding and Other Related Companies

	Group	
	2013	**2012**
	RM'000	**RM'000**
Current:		
Trade amount owing by holding and other related companies	**23,642**	19,222
Outstanding balances receivable for other operating transactions	**4,880**	1,806
	28,522	21,028

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Not past due	**21,350**	18,360
Past due 0 - 30 days	**2,272**	781
Past due 31 - 60 days	**14**	62
Past due 61 - 90 days	**–**	13
Past due more than 90 days	**6**	6
	23,642	19,222

Trade amount owing by holding and other related companies comprise amounts receivable for the trading and sales of goods. The average credit terms for trade amount owing by holding and other related companies range from 30 to 60 days (2012: 30 to 60 days).

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
United States Dollar	**26,290**	20,891
Ringgit Malaysia	**2,232**	137
	28,522	21,028

24. RELATED PARTY DISCLOSURES (continued)

24.3 Amounts Owing to Holding and Other Related Companies

	Group	
	2013	**2012**
	RM'000	**RM'000**
Current:		
Trade amount owing to holding and other related companies	**10,929**	15,912
Outstanding balances payable for other operating transactions	**6,349**	6,374
	17,278	22,286

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Euro	**11,081**	14,418
Ringgit Malaysia	**5,852**	7,584
United States Dollar	**343**	284
Singapore	**2**	–
	17,278	22,286

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	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Term deposits placed with licensed banks	**262,826**	105,807	**3**	2

The term deposits of the Group and of the Company earn effective interest rate ranging from 2.9% to 3.2% and 2.9% (2012: 2.9% to 3.1% and 2.9%) respectively per annum and have maturity ranging from 10 to 31 days and 15 days (2012: 2 to 61 days and 3 days) respectively.

26. SHARE CAPITAL

	Group and Company	
	2013	**2012**
	RM'000	**RM'000**
Authorised:		
3,000,000,000 ordinary shares of RM1.00 each	**3,000,000**	3,000,000
Issued and fully paid:		
849,695,476 ordinary shares of RM1.00 each	**849,695**	849,695

27. RESERVES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-distributable:				
Share premium	**1,067,199**	1,067,199	**1,067,191**	1,067,191
Capital redemption reserve	**33,798**	33,798	**33,639**	33,639
Exchange equalisation reserve	**35,609**	39,090	**–**	–
Investments revaluation reserve	**36**	36	**–**	–
Hedging reserve	**275**	14	**–**	–
	1,136,917	1,140,137	**1,100,830**	1,100,830

27.1 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.

27.2 Capital Redemption Reserve

Capital redemption reserve arose from the redemption of 159,200 preference shares by a subsidiary of the Company in 1999, redemption of 500 preference shares by the Company of which 250 preference shares were redeemed in 2006 and the remaining in 2007 and cancellation of treasury shares in 2006 and 2007.

6

27.3 Exchange Equalisation Reserve

	Group	
	2013	**2012**
	RM'000	**RM'000**
At beginning of year	**39,090**	39,716
Exchange differences arising on translating the net assets of foreign operations	**(3,481)**	(626)
At end of year	**35,609**	39,090

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Ringgit Malaysia) are recognised directly in other comprehensive income and accumulated in the exchange equalisation reserve.

27.4 Investments Revaluation Reserve

	Group	
	2013	**2012**
	RM'000	**RM'000**
At beginning and end of year	**36**	36

The investments revaluation reserve represents accumulated gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

27. RESERVES (continued)

27.5 Hedging Reserve

	Group 2013 RM'000	Group 2012 RM'000
At beginning of year	**14**	(242)
Gain recognised on cash flow hedges:		
- Foreign currency forward contracts	**342**	18
Deferred tax related to gains/losses recognised in other comprehensive income	**(68)**	(6)
Reclassified to profit or loss:		
- Foreign currency forward contracts	**(18)**	(15)
- Commodity swap contracts	**–**	339
Deferred tax related to amounts transferred to profit or loss	**5**	(80)
	275	14

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 profit or loss and other comprehensive income:

	Group 2013 RM'000	Group 2012 RM'000
Cost of sales	**–**	339
Other expenses	**(18)**	(15)
Income tax expense	**5**	(80)
	(13)	244

28. RETAINED EARNINGS AND DIVIDENDS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Distributable reserve:				
Retained earnings	**1,228,818**	1,178,321	**376,296**	374,918
At beginning of year	**1,178,321**	1,118,127	**374,918**	286,112
Profit attributable to owners of the Company	**366,630**	349,005	**315,899**	377,744
Dividends	**(314,388)**	(288,898)	**(314,388)**	(288,898)
Actuarial loss on defined benefit retirement plan recognised directly in retained earnings	**(2,568)**	(3,276)	**(133)**	(40)
Income tax on income and expenses taken directly to retained earnings	**567**	810	**–**	–
Changes in ownership with no loss of control	**256**	2,553	**–**	–
At end of year	**1,228,818**	1,178,321	**376,296**	374,918

28. RETAINED EARNINGS AND DIVIDENDS (continued)

28.1 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.

28.2 Dividends

	Group and Company 2013 RM'000	Group and Company 2012 RM'000
Fourth interim single tier dividend of 13.0 sen per share (2012: Fourth interim single tier dividend of 10.0 sen per share)	**110,460**	84,970
First interim single tier dividend of 8.0 sen per share (2012: First interim single tier dividend of 8.0 sen per share)	**67,976**	67,976
Second interim single tier dividend of 8.0 sen per share (2012: Second interim single tier dividend of 8.0 sen per share)	**67,976**	67,976
Third interim single tier dividend of 8.0 sen per share (2012: Third interim single tier dividend of 8.0 sen per share)	**67,976**	67,976
	314,388	288,898

A third interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM67.976 million was declared on 22 November 2012 in respect of the financial year ended 31 December 2012 and dealt with in the previous Directors' Report was paid on 16 January 2013.

6

A fourth interim dividend of 13.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM110.460 million declared on 20 February 2013 in respect of the financial year ended 31 December 2012 and dealt with in the previous Directors' Report was paid on 16 April 2013.

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 2013 amounting to RM67.976 million was declared on 22 May 2013 and paid on 17 July 2013.

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 2013 amounting to RM67.976 million was declared on 27 August 2013 and paid on 23 October 2013; 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 2013 amounting to RM67.976 million was declared on 19 November 2013 and paid on 22 January 2014.

The Directors on 25 February 2014 declared a fourth interim dividend of 17.0 sen single tier dividend per ordinary share of RM1.00 each, in respect of the financial year ended 31 December 2013 amounting to RM144.448 million, payable on 16 April 2014.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2013.

29. NON-CONTROLLING INTERESTS

	Group 2013 RM'000	Group 2012 RM'000
At beginning of year	**4,467**	16,745
Share of profit for the year	**505**	491
Changes in ownership with no loss of control	**(773)**#	(12,769)#
At end of year	**4,199**	4,467

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

30. BORROWINGS

	Group 2013 RM'000	Group 2012 RM'000
Current - at amortised cost		
Secured:		
Finance lease liabilities (a)	**477**	1,219
Non-current - at amortised cost		
Secured:		
Finance lease liabilities (a)	**11**	488
Total borrowings	**488**	1,707
Current	**477**	1,219
Non-current:		
1 - 2 years	**11**	488
	488	1,707

All borrowings are denominated in Ringgit Malaysia.

Finance lease liabilities are payable as follows:

	Group 2013 Minimum lease payments RM'000	Group 2013 Present value of minimum lease payments RM'000	Group 2012 Minimum lease payments RM'000	Group 2012 Present value of minimum lease payments RM'000
Not later than one year	**485**	**477**	1,276	1,219
Later than one year and not later than five years	**11**	**11**	496	488
	496	**488**	1,772	1,707
Less: Future finance charges	**(8)**	**–**	(65)	–
	488	**488**	1,707	1,707

(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.

30. BORROWINGS (continued)

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

The said Notes were subsequently bought and held by one of the Company's subsidiaries, M-Cement Sdn. Bhd. ("MCSB") under the Conditional Payment Obligation Agreement entered into by the Bank and MCSB. The Notes bear interest at a fixed rate of 8.84% per annum. The Notes issued by LMCBH and bought and held by MCSB were eliminated on consolidation.

In August 2013, the said Notes have matured and were converted into an unsecured, repayable on demand interest bearing intercompany loan between MCSB and LMCBH. The loan bears interest at 0.6% per annum.

31. RETIREMENT BENEFITS

The defined benefit plan typically exposes the Group and the Company to actuarial risks such as longevity risk and salary risk.

Type	**Risk**
Longevity risk	The present value of the defined benefits plan liability is calculated by reference to the best estimate of the mortality of plan participants during their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out on 20 January 2014 by the external actuarist. The present value of the defined benefit obligation, and the related current service cost and past service cost, where measured using projected unit credit method.

6

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

	2013 %	**2012 %**
Discount rate	**5.2**	5.4
Future salary increase	**7.0**	7.0

Significant actuarial assumption for the determination of the defined benefits obligation is the discount rate. The sensitivity analysis below has been determined based on reasonably possible change of the respective assumption occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate increased/(decreased) by 0.5%, the defined benefit obligation would decrease by RM4,033,259 (increased by RM4,390,055).

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

	Group		**Company**	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
At beginning of year	**59,874**	51,280	**1,034**	873
Charge for the year	**8,131**	8,198	**131**	121
Benefits paid	**(1,704)**	(2,880)	**–**	–
Actuarial loss recognised in other comprehensive income	**2,568**	3,276	**133**	40
Transfer to subsidiary	**–**	–	**(159)**	–
At end of year	**68,869**	59,874	**1,139**	1,034

31. RETIREMENT BENEFITS (continued)

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Present value of unfunded obligation	**68,869**	60,161	**1,139**	1,034
Unrecognised past service cost	**–**	(287)	**–**	–
Net liability	**68,869**	59,874	**1,139**	1,034

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**60,161**	51,665	**1,034**	873
Current service cost	**4,655**	5,002	**75**	68
Interest cost	**3,189**	3,098	**56**	53
Actuarial loss	**2,568**	3,276	**133**	40
Benefits paid	**(1,704)**	(2,880)	**–**	–
Transfer to subsidiary	**–**	–	**(159)**	–
At end of year	**68,869**	60,161	**1,139**	1,034

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current service cost	**4,942**	5,002	**75**	68
Interest cost	**3,189**	3,098	**56**	53
Past service cost	**–**	98	**–**	–
	8,131	8,198	**131**	121

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	**(5,684)**	(2,408)	**25**	65
Recognised during the year	**(2,568)**	(3,276)	**(133)**	(40)
At end of year	**(8,252)**	(5,684)	**(108)**	25

32. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The average credit period granted to the Group for trade purchases generally ranges from 30 to 90 days (2012: 30 to 60 days).

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

	2013 RM'000	2012 RM'000
Ringgit Malaysia	**299,850**	283,356
United States Dollar	**26,007**	26,841
Singapore Dollar	**9,777**	5,716
Euro	**4,111**	3,218
	339,745	319,131

33. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses consist of:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other payables	**48,953**	39,186	**159**	154
Accrued expenses	**52,319**	60,854	**1,187**	2,094
	101,272	100,040	**1,346**	2,248

Other payables of the Group consist of amount outstanding for purchases of assets (Note 12), retention monies, deposits received and general administrative expenses payable which are interest-free with no fixed terms of repayment. Included in accrued expenses of the Group and of the Company is an amount of RM97,000 and RMNil respectively (2012: RM97,000 and RMNil) representing interest expense accrued for borrowings.

34. OTHER FINANCIAL LIABILITIES

	Group	
	2013 RM'000	2012 RM'000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
<u>Current:</u>		
Foreign currency forward contracts	**–**	1

35. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Term deposits (Note 25)	**262,826**	105,807	**3**	2
Fixed income trust fund (a)	**–**	28,729	**–**	–
Cash and bank balances	**188,024**	219,466	**4,828**	1,028
	450,850	354,002	**4,831**	1,030

(a) In 2012, the portfolio of investment of the fixed income trust fund was only in Shariah based short term deposits which was readily convertible to cash with insignificant risk of changes in value. During the year, the Group received dividend of 1.19 sen (2012: 1.55 sen) per unit totalling to RM665,000 (2012: RM892,000).

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

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Ringgit Malaysia	**417,704**	335,914	**4,831**	1,030
Singapore Dollar	**28,716**	9,458	**–**	–
United States Dollar	**4,417**	8,430	**–**	–
Euro	**13**	200	**–**	–
	450,850	354,002	**4,831**	1,030

36. FINANCIAL INSTRUMENTS

36.1 Capital Risk Management

The Group manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to stakeholders.

The Group and the Company monitor and review their capital structure based on their business and operating requirements.

There were no changes in the Group's and the Company's approach to capital management during the year.

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Group is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

36.2 Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

36. FINANCIAL INSTRUMENTS (continued)

36.3 Categories of Financial Instruments

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Financial assets				
Derivative instruments:				
- In designated hedge accounting relationships (Note 19)	**434**	13	**–**	–
- Not in designated hedge accounting relationships (Note 19)	**283**	95	**–**	–
Loan and receivables:				
- Amounts owing by subsidiaries (Note 20)	**–**	–	**319,516**	236,902
- Trade receivables (Note 22)	**419,304**	344,266	**–**	–
- Other receivables and refundable deposits (Note 23)	**18,444**	20,189	**490**	345
- Amounts owing by holding and other related companies (Note 24)	**28,522**	21,028	**–**	–
- Term deposits (Note 25)	**262,826**	105,807	**3**	2
- Cash and bank balances (Note 35)	**188,024**	219,466	**4,828**	1,028
Available-for-sale financial assets:				
- Available-for-sale investments carried at fair value (Note 19)	**560**	560	**–**	–
- Fixed income trust fund (Note 35)	**–**	28,729	**–**	–
Held-to-maturity investment (Note 19)	**1,255**	1,255	**1,255**	1,255
Financial liabilities				
Derivative instruments in designated hedge accounting relationships (Note 34)	**–**	1	**–**	–
Amortised cost:				
- Borrowings (Note 30)	**488**	1,707	**–**	–
- Trade payables (Note 32)	**339,745**	319,131	**–**	–
- Other payables (Note 33)	**48,953**	39,186	**159**	154
- Amounts owing to holding and other related companies (Note 24)	**17,278**	22,286	**–**	–
- Amounts owing to subsidiaries (Note 20)	**–**	–	**81,395**	185,866

36.4 Financial Risk Management

The operations of the Group are subject to various financial risks which include market risk (including foreign currency risk, interest rate risk, commodity price risk and other price risk), credit risk and liquidity risk, in connection with its use or holding of financial instruments. The Group has adopted a financial risk management framework with the principal objective of effectively managing these risks and minimising any potential adverse effects on the financial performance of the Group.

36. FINANCIAL INSTRUMENTS (continued)

36.5 Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 36.6 below), interest rates (see 36.7 below) and commodity prices (see 36.8 below). The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency, interest rate and commodity price risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on foreign currency purchases;
- interest rate swap contract to mitigate the risk of rising interest rates; and
- commodity swap contracts to hedge the price fluctuation risk arising on purchases of coal.

36.6 Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as disclosed in Note 22 for trade receivables, Note 24 for amounts owing by/(to) holding and other related companies, Note 32 for trade payables and Note 35 for cash and cash equivalents.

36.6.1 Foreign currency sensitivity

The Group is mainly exposed to US Dollar and Euro.

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	
2013	**USD Impact RM'000**	**Euro Impact RM'000**
Profit or loss	**(3,748) (i)**	**600 (iii)**
Hedging reserve	**(1,300) (ii)**	**(409) (ii)**

	Group	
2012	**USD Impact RM'000**	**Euro Impact RM'000**
Profit or loss	(2,534) (i)	1,232 (iii)
Hedging reserve	(372) (ii)	(42) (ii)

(i) This is mainly attributable to the exposure outstanding on USD receivables and cash and cash equivalents net off with USD payables and fair value hedges of the Group at the end of the reporting period.

(ii) This is a result of the changes in fair value of derivative instruments designated as cash flow hedges.

(iii) This is mainly attributable to the exposure outstanding on Euro payables and fair value hedges of the Group at the end of the reporting period.

The above sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the year.

36. FINANCIAL INSTRUMENTS (continued)

36.6 Foreign Currency Risk Management (continued)

36.6.2 Forward foreign exchange contracts

In the course of its operations, the Group's policy is to hedge all material "operational" foreign currency exposures arising from its transactions using derivative instruments as soon as a firm or highly probable commercial and/or financial commitment is entered into or known. This derivative instrument 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			
2013 **Outstanding contracts**	**Average exchange rate**	**Foreign currency FC'000**	**Contract value RM'000**	**Fair value RM'000**
Cash flow hedges				
Buy US Dollar				
Less than 3 months	3.25	2,500	8,128	90
3 to 6 months	3.27	4,400	14,376	57
More than 6 months	3.27	3,000	9,811	31
Buy Euro				
Less than 3 months	4.34	590	2,562	121
3 to 6 months	4.36	250	1,090	54
				353
Fair value hedges				
Buy US Dollar				
Less than 3 months	3.25	2,120	6,895	55
Buy Euro				
Less than 3 months	4.33	130	563	26
				81
FVTPL				
Buy Euro				
Less than 3 months	4.39	1,800	7,902	283

36. FINANCIAL INSTRUMENTS (continued)

36.6 Foreign Currency Risk Management (continued)

36.6.2 Forward foreign exchange contracts (continued)

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

36.7 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.

There is no outstanding borrowings and interest rate swap contract as at year end, accordingly, the Group is not exposed to interest rate risk.

36.8 Commodity Price Risk Management

The Group is subject to commodity risk with respect to price fluctuations in coal markets and attempts to limit its exposure to fluctuations in commodity prices by increasing its use of alternative fuels and renewable energies. From time to time, and if a market exists, the Group hedges its commodity exposures through derivative instruments at the latest when a firm commitment is entered into or known, or where future cash flows are highly probable.

There is no outstanding commodity contract and commodity derivative instruments as at year end, accordingly, the Group is not exposed to commodity price risk.

36. FINANCIAL INSTRUMENTS (continued)

36.9 Other Price Risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade in these investments.

36.9.1 Equity price sensitivity

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

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

- net profit for the year ended 31 December 2013 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 (2012: increase/decrease by RM2,000) as a result of the changes in fair value of available-for-sale shares.

36.10 Credit Risk Management

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to the Group. Credit risk with respect to trade and other receivables is managed through the application of credit approvals, credit limits and monitoring procedures. Credit is extended to the customers based upon careful evaluation of the customers' financial condition and credit history. Surplus funds are placed with licensed financial institutions to minimise the risk that the counterparties will fail in performing their obligation.

The maximum credit exposure of the Group, without taking into account the fair value of any collateral, is represented by carrying amounts of the trade and other receivables as shown on the statement of financial position. The Group has no significant concentration of credit risk with its exposure spread over a large number of customers.

36.11 Liquidity Risk

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

Financial liabilities

The Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods are disclosed in Note 30.

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

36.12 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.

36. FINANCIAL INSTRUMENTS (continued)

36.12 Fair Values (continued)

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Group are as follows:

- **Cash and cash equivalents, trade and other receivables, intercompany indebtedness, trade and other payables and short-term borrowings:** The carrying amounts are considered to approximate the fair values as they are either within the normal credit terms or they have short-term maturity period.
- **Other financial assets:** Marketable securities quoted in an active market are carried at market value. Securities that are not quoted in an active market, for which there is no observable market data and fair value cannot be reliably measured, are carried at acquisition cost.
- **Long-term borrowings:** The fair values of long-term borrowings are determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate which takes into consideration the Group's incremental borrowing rate at year end for similar types of debt arrangements.
- **Derivative instruments:** The fair values of foreign exchange, interest rate and commodity derivatives were calculated using market prices that the Group would pay or receive to settle the related agreements.

36.12.1 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Group			
2013	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets at FVTPL				
Derivative financial assets	–	717	–	717
Available-for-sale financial assets				
Quoted investments	18	–	–	18
Unquoted investments	–	–	168	168
Others	–	–	374	374
	18	717	542	1,277

36. FINANCIAL INSTRUMENTS (continued)

36.12 Fair Values (continued)

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

2012	Group Level 1 RM'000	 Level 2 RM'000	 Level 3 RM'000	 Total RM'000
Financial assets at FVTPL				
Derivative financial assets	–	108	–	108
Available-for-sale financial assets				
Quoted investments	18	–	–	18
Unquoted investments	–	–	168	168
Others	–	–	374	374
	18	108	542	668
Financial liabilities at FVTPL				
Other derivative financial liabilities	–	(1)	–	(1)

There were no transfers between Levels 1 and 2 in 2013 and 2012.

Reconciliation of Level 3 fair value measurements of financial assets.

	Group Available-for-sale Unquoted investments 2013 RM'000	 Others 2013 RM'000	 Unquoted investments 2012 RM'000	 Others 2012 RM'000
At beginning of year	**168**	**374**	168	495
Disposals	**–**	**–**	–	(121)
	168	**374**	168	374

The table above only includes financial assets.

All gains and losses included in other comprehensive income relate to other investments held at the end of the reporting period and are reported as changes of "investments revaluation reserve" (see Note 27.4).

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

6

36. FINANCIAL INSTRUMENTS (continued)

36.12 Fair Values (continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input used.)

Financial assets/ (Financial liabilities)	2013 RM'000	2012 RM'000	Fair value hierarchy	Valuation techinique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available for sales						
Quoted investments	**18**	18	Level 1	Quoted bid price in active market	N/A	N/A
Unquoted investments	**168**	168	Level 3	Cost of investment	N/A	N/A
Others	**374**	374	Level 3	Cost of investment	N/A	N/A
	560	560				
Held to maturity						
Unquoted debenture	**1,255**	1,255	Level 3	Cost of investment	N/A	N/A
Derivatives that are designated and effective as hedging instruments carried at fair value						
Foreign currency forward contract	**434**	13	Level 2	Observable foreign currency forward contract rates at the end of reporting period	N/A	N/A
Financial assets carried at fair value through profit or loss						
Derivatives that are not designated in hedge accounting relationship	**283**	95	Level 2	Observable foreign currency forward contract rates at the end of reporting period	N/A	N/A
Financial liabilities at FVTPL						
Other derivative financial liabilities	**–**	(1)	Level 2	Observable foreign currency forward contract rates at the end of reporting period	N/A	N/A

37. COMMITMENTS

37.1 Capital Commitments

	Group 2013 RM'000	Group 2012 RM'000
In respect of capital expenditure:		
Approved, contracted but not provided for	**30,767**	12,724
Approved but not contracted for	**49,532**	12,886
	80,299	25,610

37.2 Lease Commitments

The Group has lease commitments in respect of rented premises for plants, port operations and administration offices as well as equipment, all of which are classified as operating leases. The tenure of the minimum lease payments is as follows:

	Group 2013 RM'000	Group 2012 RM'000
Not later than 1 year	**54,662**	28,772
Later than 1 year and not later than 5 years	**48,519**	42,684
Later than 5 years	**36,839**	40,209
	140,020	111,665

6

38. CONTINGENT LIABILITIES

	Company 2013 RM'000	Company 2012 RM'000
Unsecured		
Corporate guarantee given to a third party in respect of provision for services to subsidiaries	**21,100**	21,100

39. 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.

39. SEGMENTAL INFORMATION (continued)

39.1 Segment Revenue and Results

Group 2013	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
REVENUE				
External sales	**2,314,354**	**538,046**	**–**	**2,852,400**
Inter-segment sales	**267,885**	**1,338**	**(269,223)**	**–**
Total revenue	**2,582,239**	**539,384**	**(269,223)**	**2,852,400**
RESULTS				
Segment results	**491,891**	**14,100**	**–**	**505,991**
Interest income				**7,970**
Profit from operations				**513,961**
Finance costs				**(2,099)**
Share in results of associate				**3,028**
Income tax expense				**(147,772)**
Profit for the year				**367,118**

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

39. SEGMENTAL INFORMATION (continued)

39.2 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 2013	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
SEGMENT ASSETS				
Segment assets	**3,585,610**	**265,188**	**(282,501)**	**3,568,297**
Investment in associate				**21,463**
Unallocated corporate assets				**457,336**
Consolidated total assets				**4,047,096**
SEGMENT LIABILITIES				
Segment liabilities	**674,373**	**203,649**	**(282,881)**	**595,141**
Interest bearing instruments				**488**
Unallocated corporate liabilities				**231,838**
Consolidated total liabilities				**827,467**

Group 2012	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
SEGMENT ASSETS				
Segment assets	3,637,861	252,001	(292,842)	3,597,020
Investment in associate				19,797
Unallocated corporate assets				380,689
Consolidated total assets				3,997,506
SEGMENT LIABILITIES				
Segment liabilities	714,520	148,078	(293,311)	569,287
Interest bearing instruments				1,707
Unallocated corporate liabilities				253,892
Consolidated total liabilities				824,886

39. SEGMENTAL INFORMATION (continued)

39.3 Other Segment Information

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
OTHER INFORMATION				
2013				
Capital expenditure	**50,546**	**19,201**	**–**	**69,747**
Depreciation and amortisation	**136,834**	**12,303**	**–**	**149,137**
2012				
Capital expenditure	40,628	15,005	–	55,633
Depreciation and amortisation	130,895	14,119	–	145,014

39.4 Geographical Information

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

	Revenue		Segment Assets		Capital Expenditure	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysia	**2,725,829**	2,616,823	**3,459,447**	3,482,004	**69,633**	55,479
Singapore	**126,571**	123,239	**108,850**	115,016	**114**	154
	2,852,400	2,740,062	**3,568,297**	3,597,020	**69,747**	55,633
Investment in associate			**21,463**	19,797		
Unallocated corporate assets			**457,336**	380,689		
			4,047,096	3,997,506		

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

40. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures in the financial statements of the Group has been reclassified to conform to the presentation in the current financial year. These relate to the following:

	Group		
	As previously reported RM'000	Reclassifications RM'000	As reclassified RM'000
Statements of profit or loss and other comprehensive income for the year ended 31 December 2012			
Cost of sales	(1,905,137)	20,713	(1,884,424)
Selling and distribution expenses	(289,366)	(27,714)	(317,080)
Administration expenses	(74,721)	7,001	(67,720)

41. DISCLOSURE ON REALISED AND UNREALISED PROFITS - SUPPLEMENTARY INFORMATION

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

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2013 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Total retained earnings of the Company and its subsidiaries				
Realised	**1,465,061**	1,491,002	**368,277**	371,331
Unrealised	**(144,649)**	(71,826)	**8,019**	3,587
	1,320,412	1,419,176	**376,296**	374,918
Total share of retained earnings from associate				
Realised	**30,067**	27,038	**–**	–
	1,350,479	1,446,214	**376,296**	374,918
Less: Consolidation adjustments	**(121,661)**	(267,893)	**–**	–
Total retained earnings as per statements of financial position	**1,228,818**	1,178,321	**376,296**	374,918

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

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

Analysis of Shareholdings

AS AT 26 MARCH 2014

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 2014

Size of Shareholdings	No. of Shareholders & Percentage		No. of Shares & Percentage	
	Shareholders	%	Shares	%
Less than 100	299	4.00	7,431	0.00
100 - 1,000	3,233	43.27	1,756,560	0.21
1,001 - 10,000	2,816	37.69	9,557,876	1.12
10,001 - 100,000	844	11.30	24,880,276	2.93
100,001 to less than 5% of issued ordinary shares	278	3.72	305,993,595	36.01
5% of issued ordinary shares and above	2	0.03	507,499,738	59.73
TOTAL	**7,472**	**100.00**	**849,695,476**	**100.00**

DIRECTORS' SHAREHOLDINGS

Based on the Register of Directors' Shareholdings as at 26 March 2014

Name	Nationality	Direct: No. of Ordinary Shares of RM1.00 each	Direct: Percentage of Share Capital %	Indirect: No. of Ordinary Shares of RM1.00 each	Indirect: Percentage of Share Capital %
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar	Malaysian	–	–	–	–
Michel Rose	French	–	–	–	–
Bradley Mulroney	British	–	–	–	–
Chen Theng Aik	Malaysian	–	–	–	–
Saw Ewe Seng	Malaysian	16,500	@	–	–
Tan Sri A. Razak bin Ramli	Malaysian	–	–	–	–
Md Yusof bin Hussin	Malaysian	–	–	–	–
Christian Herrault	French	–	–	–	–
Jean-Claude Block	French	–	–	–	–

Note: @ : Less than 0.002%

THIRTY LARGEST SECURITIES ACCOUNTS HOLDER

(According to Register of Depositors as at 26 March 2014)

No.	Names	Shareholdings No.	%
1.	Associated International Cement Limited	433,344,693	51.00
2.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	74,155,045	8.73
3.	Amanah Raya Trustees Berhad Skim Amanah Saham Bumiputera	41,569,700	4.89
4.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (BNYM as E&A)	12,484,145	1.47
5.	HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC For Saudi Arabian Monetary Agency	11,736,300	1.38
6.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLTOD67)	10,528,351	1.24
7.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	7,834,420	0.92
8.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustee Berhad for Public Ittikal Fund (N14011970240)	7,800,000	0.92
9.	Amanah Raya Trustees Berhad Public Islamic Dividend Fund	6,508,800	0.77
10.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A)	6,395,673	0.75
11.	HSBC Nominees (Asing) Sdn Bhd BBH (LUX) SCA For The Genesis Emerging Markets Investment Company	6,291,773	0.74
12.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Resident USA-2)	6,065,700	0.71
13.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	5,925,060	0.70
14.	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund 1LNO for The Genesis Group Trust Employee Benefit Plans	5,819,047	0.68
15.	Loke Wan Yat Realty Sdn Bhd	5,163,148	0.61
16.	HSBC Nominees (Asing) Sdn Bhd BNY LUX for Invesco Funds	5,115,000	0.60
17.	AmanahRaya Trustees Berhad AS 1Malaysia	5,018,900	0.59
18.	HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Lux for Aberdeen Global	4,915,800	0.58
19.	Kumpulan Wang Persaraan (Diperbadankan)	4,210,200	0.50
20.	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) SCA For Fidelity Funds Asian Special Situations	4,180,000	0.49
21.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Wisdomtree Emerging Markets Smallcap Dividend Fund	4,052,000	0.48
22.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.A.E)	4,038,635	0.48
23.	AmanahRaya Trustees Berhad Public Islamic Select Enterprises Fund	3,840,600	0.45

THIRTY LARGEST SECURITIES ACCOUNTS HOLDER (continued)

(According to Register of Depositors as at 26 March 2014)

No.	Names	Shareholdings No.	%
24.	HSBC Nominees (Asing) Sdn Bhd Exempt AN For the Bank of New York Mellon (Mellon Acct)	3,786,355	0.45
25.	Malaysia Nominees (Tempatan) Sendirian Berhad Lee Foundation, States of Malaya (00-00197-000)	3,763,620	0.44
26.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	3,097,840	0.36
27.	CitiGroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	3,050,000	0.36
28.	CitiGroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	3,050,000	0.36
29.	AmanahRaya Trustees Berhad Public Islamic Equity Fund	2,947,200	0.35
30.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Netherlands)	2,946,193	0.35
	TOTAL	**699,634,198**	**82.35**

SUBSTANTIAL SHAREHOLDERS

(According to the Company's Register of Substantial Shareholders as at 26 March 2014)

Name	Place of Incorporation/ Nationality	Direct: No. of Ordinary Shares of RM1.00 each	Direct: Percentage of Share Capital %	Indirect: No. of Ordinary Shares of RM1.00 each	Indirect: Percentage of Share Capital %
Associated International Cement Limited ("AIC")	United Kingdom	433,344,693	51.00	-	-
Blue Circle International Holdings BV ("BCIH")	Netherlands	-	-	(1) 433,344,693	51.00
Lafarge International Holdings Limited ("LIHL")	United Kingdom	-	-	(2) 433,344,693	51.00
Lafarge Finance Ltd ("LFL")	Jersey	-	-	(3) 433,344,693	51.00
Lafarge Building Materials Limited ("LBML")	United Kingdom	-	-	(4) 433,344,693	51.00
Financiere Lafarge SA ("FLSA")	France	-	-	(5) 433,344,693	51.00
SOFIMO *	France	-	-	(6) 433,344,693	51.00
Lafarge S.A. ("Lafarge")	France	-	-	(7) 433,344,693	51.00
Employees Provident Fund Board ("EPF")	Malaysia	75,655,045	8.90	(8) 4,177,200	0.49

* *Societe Financiere Immobiliere et Mobiliere*

Notes:
(1) BCIH : Deemed interest by virtue of its 100% shareholding in AIC.
(2) LIHL : Deemed interest by virtue of its 100% shareholding in BCIH.
(3) LFL : Deemed interest by virtue of its shareholding in LIHL.
(4) LBML : Deemed interest by virtue of its shareholding in LIHL and LFL.
(5) FLSA : Deemed interest by virtue of its 100% shareholding in LBML.
(6) SOFIMO : Deemed interest by virtue of its 100% shareholding in FLSA.
(7) Lafarge : Deemed interest by virtue of its 100% shareholding in SOFIMO.
(8) EPF : Held through Aberdeen Asset Management and AmInvestment Management.

Top 10 List of Properties

AS AT 31 DECEMBER 2013

	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	29	32,129
2	Lot No. 46497 & 15 Kanthan, Perak Darul Ridzuan	393 acres (Total gross floor area of buildings: approximately 39,672 sq ft)	Leasehold expiring in 2020	Limestone quarry and ancillary buildings	Dec 1998	23	28,290
3	Lot No. 4222 Rawang, Selangor Darul Ehsan	348 acres (Total gross floor area of buildings: approximately 28,403 sq ft)	Leasehold expiring in 2025	Limestone quarry and ancillary buildings	Dec 1998	38	25,045
4	Lot 19079, Kg Keramat Pulai, 31300 Kg Kepayang, Simpang Pulai, Perak Darul Ridzuan	39.99 hectares	Leasehold expiring on 03/03/2035	Quarry land	01/07/2008	–	19,209
5	No. 2, Jalan Kilang, 46050 Petaling Jaya Selangor Darul Ehsan	6 acres	Leasehold expiring in 2068	Office complex	Dec 1998	28	16,405
6	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	–	16,013
7	Lot No. 1956 Rawang, Selangor Darul Ehsan	49 acres	Leasehold expiring in 2056	Cement factory complex and ancillary buildings	Dec 1998	14-38	10,625
8	Lot 2, Jalan Kontena, Kawasan Pelabuhan Johor, 81700 Pasir Gudang, Johor Darul Takzim	8.7 acres	Sub-lease expiring on 30/12/2022	Cement grinding plant and ancillary buildings	Dec 1998	16	7,139
9	Lot Nos. 3546 to 3548, 3551, 3554, 3555 & 3557 to 3560 Rawang, Selangor Darul Ehsan	105.83 acres	Freehold	Agricultural land	Dec 1998	–	6,932
10	Lot No. 1957 Rawang, Selangor Darul Ehsan	57 acres (Total gross floor area of buildings: approximately 46,893 sq ft)	Leasehold expiring in 2056	Employees' quarters comprising 6 bungalows and 24 units single storey houses	Dec 1998	38	6,427

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 64th Annual General Meeting of LAFARGE MALAYSIA BERHAD (formerly known as LAFARGE MALAYAN CEMENT BERHAD) will be held at Saujana Ballroom, Ground Floor, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on 23 May 2014 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 2013.

2. To re-elect Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar 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 Tan Sri A. Razak bin Ramli who retires as a Director of the Company under Article 85 of the Articles of Association of the Company. **Resolution 2**

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

5. To re-appoint Michel Rose who retires in accordance with Section 129 of the Companies Act, 1965 as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting. **Resolution 4**

6. To re-appoint Saw Ewe Seng who retires in accordance with Section 129 of the Companies Act, 1965 as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting. **Resolution 5**

7. To re-appoint Deloitte & Touche as Auditors for the ensuing year at a remuneration to be determined by the Directors. **Resolution 6**

8. To approve the increase and/or new provision of Independent Directors' remuneration, with effect from financial year 2014, as follows: **Resolution 7**

Non-Executive Chairman	from RM100,000 to RM120,000 p.a.
Non-Executive Director (other than the Chairman)	from RM45,000 to RM52,500 p.a.
Chairman of Audit Committee	from RM10,000 to RM17,500 p.a.
Member of Audit Committee	from RM10,000 to RM12,000 p.a.
Chairman of Remuneration and Nomination Committee	from RM10,000 to RM12,000 p.a.
Member of Remuneration and Nomination Committee	RM5,000 p.a. (new provision)

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

9. **Ordinary Resolution**
Proposed Renewal of Shareholders' Mandate as well as Proposed New Mandate for Recurrent Related Party Transactions ("Recurrent RPTs"). **Resolution 8**

10. **Ordinary Resolution**
Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback"). **Resolution 9**

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

By Order of the Board

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

Petaling Jaya
Selangor Darul Ehsan
24 April 2014

Explanatory Note on Ordinary Resolution 7

The proposed increase and new provision of the Independent Directors' remuneration is to align their remuneration with other public listed companies of similar size and/or industry. The Ordinary Resolution proposed above is in accordance with Article 77 of the Company's Articles of Association. If passed, the Independent Directors' remuneration for the financial year ending 31 December 2014 shall increase from RM275,000.00 to RM336,000.00 per annum.

Explanatory Notes on Special Business

For Ordinary Resolutions 8 and 9, please refer to the Circular to Shareholders for the Proposed Recurrent RPT Mandate and the Share Buyback Statement, dated 24 April 2014 despatched together with the Company's Annual Report for the financial year ended 31 December 2013.

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a member of the Company. A proxy appointed to attend and vote at the meeting of the Company shall have the same rights as the member to speak at the meeting.

2. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

3. The instrument appointing a proxy must, to be valid, be deposited at the Registered Office of the Company, Level 12, Bangunan TH Uptown 3, No. 3 Jalan SS21/39, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the meeting.

4. If the form of proxy is executed by a corporation, it must be either under its seal or under the hand of any authorised officer or attorney.

5. In respect of deposited securities, only members whose names appear in the Record of Depositors on 16 May 2014 shall be entitled to attend, speak and vote at the meeting.

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Form of Proxy

LAFARGE MALAYSIA BERHAD (1877-T)
(Formerly known as Lafarge Malayan Cement Berhad)
(Incorporated in Malaysia)

I/We ____
(Full name in block letters)

of ____
(Address)

being a member/members of **LAFARGE MALAYSIA BERHAD (FORMERLY KNOWN AS 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 64th Annual General Meeting of the Company to be held on 23 May 2014 at 10.00 a.m. at Saujana Ballroom, Ground Floor, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan and at any adjournment thereof, and to vote as indicated below:-

NO.	RESOLUTION	FOR	AGAINST
ORDINARY BUSINESS			
1.	Re-election of Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar under Article 85		
2.	Re-election of Tan Sri A. Razak bin Ramli under Article 85		
3.	Re-election of Jean-Claude Block under Article 91		
4.	Re-appointment of Michel Rose under Section 129 of the Companies Act, 1965		
5.	Re-appointment of Saw Ewe Seng under Section 129 of the Companies Act, 1965		
6.	Re-appointment of Auditors		
7.	Proposed increase in the Independent Directors' remuneration		
SPECIAL BUSINESS			
8.	Proposed Renewal of Shareholders' Mandate as well as Proposed New Mandate for Recurrent Related Party Transactions ("Recurrent RPTs")		
9.	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	

SEAL

Signed this ________ day of ____________________ 2014.

Signature: ____________________________

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a member of the Company. A proxy appointed to attend and vote at the meeting of the Company shall have the same rights as the member to speak at the meeting.
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Fold this flap for sealing

Affix
Stamp

LAFARGE MALAYSIA BERHAD (1877-T)
(formerly known as Lafarge Malayan Cement Berhad)
(Incorporated in Malaysia)

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

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2nd fold here

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(formerly known as Lafarge Malayan Cement Berhad)
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Fax 603-7722 4100
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LAFARGE