

ANNUAL REPORT
2010
LAFARGE MALAYAN CEMENT BERHAD

cement
made for life



bringing materials to *life*™



RESPECT

CARE

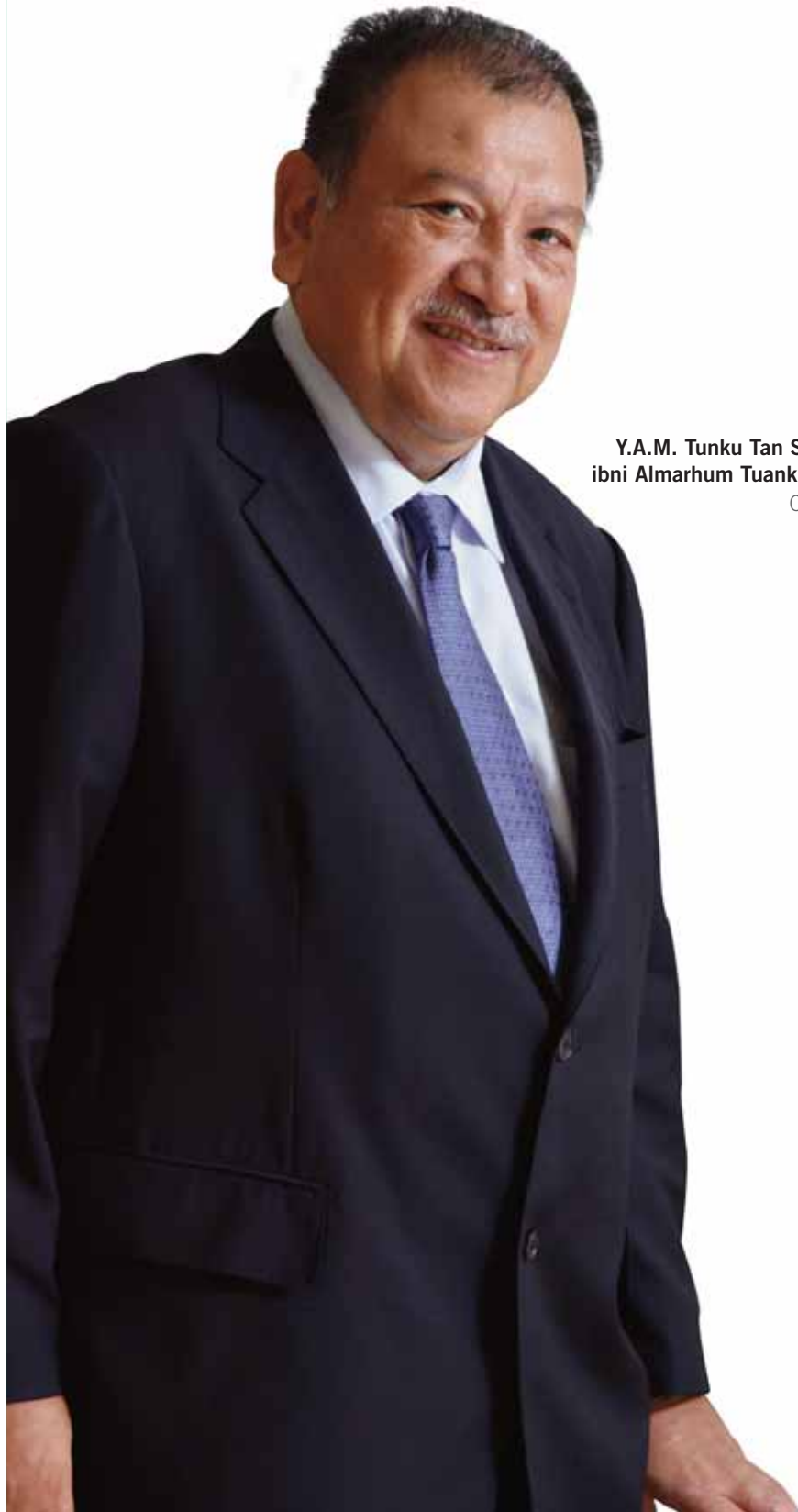
EXCELLENCE

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CEMENT MADE FOR LIFE

Sustainable construction is defined as development that meets the needs of society without compromising the needs of the future generations. From Lafarge's perspective, sustainable construction involves reducing the environmental impact of buildings and infrastructures all along their life cycle, while making them more durable.



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

"With the expected stronger construction activities in 2011, the Group is optimistic of a growth in domestic cement demand in 2011."

MARKET REVIEW

The world economy recovered in 2010 with growth forecast ranging from 3.8% to 5%. However, the recovery was uneven with the emerging and developing economies growing at faster rate than the advanced economies. Malaysia too had a strong recovery in 2010 with 7.2% growth in GDP, having suffered a 1.7% contraction in 2009. In anticipation of stronger construction activities, we were optimistic of a stronger growth in domestic cement demand in 2010. Unfortunately, domestic cement demand in Peninsular Malaysia was flat, despite the lower base in 2009 which contracted by 7% compared to 2008. Cement demand in the international markets were adversely affected by investment cutbacks in the United States, Europe and the Middle East and the commissioning of new capacities initiated before the financial crisis which resulted in the softening of export prices in 2010.



FINANCIAL PERFORMANCE

Against the above economic backdrop, revenue contracted by 6% from RM2.483 billion in 2009 to RM2.325 billion in 2010. The lower revenue is mainly a result of lower export prices which were aggravated by the weaker US dollar, lower export volume and lower sales in Singapore. The lower export volume was partly attributed to the weaker performance of our plant in Langkawi which resulted in lower production volume in 2010. The much lower export margin and higher fuel costs in the second half of 2010 resulted in a decline in operating margin from 18.6% in 2009 to 15.6% in 2010 and pre-tax profit declining by 22% to RM345.4 million compared to RM441.9 million in 2009. With lower availability of reinvestment allowances, effective tax rate in 2010 was higher at 15.6% compared to only 8.1% in 2009. The lower pre-tax profit and higher tax charge resulted in earnings per share declining to 34.8 sen in 2010 from 48.5 sen in 2009.

Net cash flows from operating activities in 2010 remained strong at RM495.2 million, albeit lower than the record high of RM692.6 million in 2009. Despite already achieving a sharp reduction in working capital in 2009, the

continuing strong focus on working capital by the management resulted in a further reduction of RM37.2 million in working capital in 2010.

DIVIDENDS

In 2010, we started paying dividends quarterly and we have since paid three interim single-tier dividends amounting to a total of 24 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2010. It is my pleasure to inform the shareholders that the Board of Directors has declared a fourth interim single-tier dividend of 10 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2010 payable on 14 April 2011. Total dividend payout in respect of the financial year ended 31 December 2010 amounts to RM288.9 million. Although this is a 10.5% decrease compared to RM322.9 million paid in respect of the financial year ended 31 December 2009, the payout ratio for the financial year 2010 is higher at 99% compared to 80% of Group net profit for the financial year 2009. We do not propose any final dividend for the financial year ended 31 December 2010.

CHAIRMAN'S STATEMENT

SAFETY

Safety has been our number one priority for many years. Many actions were taken to improve the safety of our working condition and change the safety mindset of our people, contractors and transporters. Despite these, we regret to report that we had 2 fatalities in 2010 when an employee of our contractor died from an accident while working in one of our quarries and a driver of our transporter died in a road accident while transporting our cement. Following these incidents, management has stepped up focus on job preparation, hazard identification, risk assessments and control, area ownership, housekeeping and other initiatives to change the safety behaviour and mindset of our people, contractors and their employees, the transporters and their drivers in our journey towards achieving zero fatality and lost time incident.

PROSPECTS

While confidence on the sustainability of the global economic recovery is improving on the strong fundamentals of the emerging and

developing economies, there are still concerns on the US and European economies in 2011. Economic growth in Malaysia is however likely to be underpinned by domestic demand, strong commodity prices and the impending award of projects and contracts under the various economic transformation programmes initiated by the Government. With the expected stronger construction activities in 2011, the Group is optimistic of a growth in domestic cement demand in 2011, especially in the second half of the year. However, business conditions are expected to be very challenging with rising costs of fuel (Newcastle Coal Index having reached a high of US\$136 in January 2011) and materials in 2011. While the issues relating to weaker performance in Langkawi Plant have largely been addressed, the management will continue to focus on improving the quality of our products and services to our customers, improving plant performance which was not satisfactory in 2010, tighten cost control and focus on working capital management to mitigate the negative impacts of rising costs.





ACKNOWLEDGEMENT

Mr Chan Hua Eng has indicated his intention to step down as director of the Company and will not be seeking for re-appointment at the coming Annual General Meeting in May 2011. Mr Chan Hua Eng who is also the Audit Committee Chairman and the Senior Independent Director has been with the Board since July 1979 and has contributed significantly to the growth of this Company in his capacity as independent non-executive director for 32 years. Mr Jean-Jacques Gauthier who is due for retirement by rotation at the coming Annual General Meeting will also not be seeking for re-election. On behalf of the Board, I would like to thank both of them for their contributions to the Board and the Group during their tenures as directors of the Company.

I would also like to record 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 all the management and staff for their contributions to the Group during the year.



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



Bi Yong Chungunco
President & Chief Executive Officer

"Our customers are very important to us and I would like to reiterate our strong desire to be their number one supplier and long-term business partner."

Dear Shareholders

We expected cement demand in Peninsular Malaysia to grow on the strength of housing demand and construction in 2010 but we saw only very marginal growth. This lack of growth has partly contributed to a more volatile domestic market with very keen competition for sales volume especially in the beginning and towards the end of the year. What made 2010 a very challenging year was also the lower prices in the export markets and the cost pressure arising from the escalating coal and oil prices.

I have said in my statement last year that it would be difficult for us to match in 2010 the financial results we achieved in 2009 due to the negative impact of the international cement trade arising from the global financial crisis. We also suffered some setback in the performance of our plants in 2010 which affected the production output and resulted in higher costs of production, repairs and maintenance.

Against the above backdrop, our revenue and pre-tax profit declined to RM2.325 billion and RM345 million in 2010 respectively from RM2.483 billion and RM442 million in 2009.



HEALTH & SAFETY

As the Chairman has mentioned in his statement, we suffered 2 fatalities in 2010. Although Lost Time Injuries (LTI) and Medical Injuries (MI) declined from 4 and 16 in 2009 to 2 and 5 in 2010 respectively, it is very painful not to have been able to prevent the fatalities. From these incidents, we learned that we need to prepare our jobs well, to have better and more site and job specific risks assessment and to control such risks. One of the weaknesses we have identified is that we can be blind to the obvious and in some cases we just could not see the risks. Therefore, we will continue to improve our safety competency through effective training and we will improve our accountability on safety and housekeeping with the launch of “area ownership” in which every teammate will have accountability and ownership over specific areas in the plants.

In 2010, we have also put more emphasis on road safety and one of our initiatives was to use the GPS navigation system which has been installed since October 2009 to monitor driving habits and behaviours that could put the drivers and other road users at risk. In addition, we have started incorporating Journey Management into our GPS navigation

system aimed to help drivers to be better informed of road hazards along the route to customers’ sites. In essence, we want to make safety our way of life and I am confident that all these efforts will bring us closer to our target of 0 fatality, 0 LTI and MI of not more than 4.

In January 2011, a milestone was created by our Kanthan Plant with zero injury during its major scheduled plant maintenance which lasted more than 20 days and with more than 500 workers at site during the shutdown. With so many people working on site and so many activities going on for more than 20 days, zero injury (including minor cuts requiring first aid) may sound unrealistic but Kanthan Plant has shown that it is not impossible to achieve if measures are put in place and adhered to.

PEOPLE DEVELOPMENT

Nothing will happen in the Group without the dedication and efforts of our people. We will therefore continue to build a learning culture and to develop the skills of our people to meet the changing time.

I mentioned last year that our Kanthan Plant was implementing the Lafarge Plant Operating

Model (POM) and that successful implementation of POM will enable the plant to operate efficiently and in a sustainable manner. I am pleased to report that POM was successfully implemented in Kanthan and we are seeing the results of POM implementation coming through. We will now roll out the POM programme to our Rawang and Langkawi Plants in 2011 and we hope this will help us to raise the level of performance of these plants to a higher level.

We also recognise the importance of having a competent and skilful sales team to serve our customers and we have started a successful competency modelling for our sales team. Based on the results of the competency modelling, we have structured relevant workshops and coaching sessions to help our sales team to better face the keener challenges and improve the level of our customers’ service.

We launched the sixth batch of “Lafarge Young Engineers’ Programme” in 2010 with 19 fresh graduates embarking on a one and a half year Cement Professional Development Program, the foundation level in their development in becoming competent engineers in Lafarge Malayan Cement. The number of Young

CEO'S STATEMENT: BUSINESS OPERATIONS REVIEW



Engineers from the pool has grown to 49; of which 35% are women. To provide them with a wider range of experiences, we have sent a few young engineers on job assignments to other plants in Philippines and Canada as well as to our Technical Centre.

In addition, we continue to provide technical assistance and support to Lafarge operations in Philippines, Indonesia and Vietnam by sending our engineers to assist in short term assignments.

CUSTOMER SATISFACTION

I am very pleased to report that in May 2010, we became the first Malaysian cement company to have two of its cement products awarded the Green Label certification by the Singapore Environment Council. The two cement products are the innovative and eco-friendly Mascrete LH and Phoenix that fulfilled the pre-requisite to become eligible for the Green Label certification. Besides offering advanced solutions to meet our customers' demands, we are one step ahead, developing technological breakthroughs in reducing the CO₂ footprint in cement applications and this affirms Lafarge's leadership and commitment to sustainable construction through innovation.

Innovation is a key focus at Lafarge with more than 50% of our R&D budget dedicated to sustainable construction. In Malaysia, we have also invested considerable research to develop innovative products such as Mascrete LH and Phoenix. The Green Label Certification is recognition of our R&D initiatives as well as our leadership in producing "green" building materials.

As in previous years, we have conducted a customer satisfaction survey in 2010 and the results of this survey suggest that we have lost some grounds and there is a lot more that we need to do to keep our customers happy. We are continuing to make improvements to our processes and we are working relentlessly to improve our product offering and services to regain the lost grounds and to remain ahead of our competitors. Our customers are very important to us and I would like to reiterate our strong desire to be their number one supplier and long-term business partner.

One of the initiatives that we have taken in 2010 was to sign an agreement with BonusLink to offer BonusLink Points to our dealers. The premier loyalty programme "Lafarge-BonusLink Dealers' Rewards" is a first of its kind to be offered to the hardware store dealers where their Lafarge bagged

cement purchases can now be translated to BonusLink Points. We have many hardware store dealers who have been loyal to our Lafarge brand over the years and we have been looking for ways on how to provide extra benefits to them. We believe that this partnership will provide more value to our loyal dealers by giving them BonusLink Points on their cement purchases.

I mentioned last year that all the transporters' trucks have been equipped with GPS navigation system to provide our customers with real time information on the status of the delivery of their orders. I am proud to report that we have been awarded "Best Improvement in Customer Service" in Lafarge's 2010 Global Performance Award in the area of Customer Orientation & Innovation for this initiative.

We will continue in our quest to be "top of mind" of our customers, dealers and distributors.



COST REDUCTION AND CASH GENERATION

In 2010, the weaker plant performance especially in our Langkawi Plant has set us back in our efforts to lower our cost of production. However, despite the resulting higher production cost due to some one-off repair costs and a loss in production output which led to higher fuel and power consumption, we managed to reduce the adverse cost impact with lower fixed production cost brought about by tighter management of plant maintenance jobs, higher productivity and lower plant general and administrative expenses.

Our efforts were recognised by the Lafarge Group in the 2010 Global Performance Award for Cost Reduction & Cash Management in Fixed Costs.

In 2009, we have seen a significant reduction of working capital compared to 2008. With already a lower base in 2009, it would have been very challenging to continue to lower working capital but we continue to focus on this and still manage to lower further working capital at the end of 2010 by RM42 million compared to end 2009.

Although cash generated from operating activities declined significantly in 2010, we still end the year in net cash position despite having paid out RM331 million of dividends in 2010.



MOVING FORWARD

As stated by the Chairman in his statement, the outlook of the Malaysia economy and the construction activities in 2011 is favourable which should translate to stronger domestic cement demand. However, cement demand in the international market is unlikely to improve much and we do not expect much improvement in our export earnings in 2011. Coal and other fuel prices have already moved up significantly in the beginning of the year. Due to the rising costs of fuel and other materials, we will review our selling price. In addition, we will also intensify our efforts to improve our plant performance and other cost control measures.

In the light of the challenges ahead, our priorities in 2011 will remain Safety, Customer Satisfaction, People Development, Cost Reduction and Cash Generation.

ACKNOWLEDGEMENT AND APPRECIATION

2010 has been a difficult year and I would like to thank our management and teammates for their hard work and perseverance in responding to the various challenges we faced in 2010. To our customers, I would like to extend my sincere gratitude for their continuing support and trust. To our shareholders, thank you for your continuing support and we will continue our efforts to make Lafarge Malayan Cement a company that you are proud to own.

Bi Yong Chungunco
President & Chief Executive Officer



COMPANY SECRETARIES

Seet Hooi Ping – L.S. No. 9415

Teoh Yow Kee – L.S. No. 5960

REGISTERED OFFICE

Lafarge Malayan Cement Berhad

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47400 Petaling Jaya

Selangor Darul Ehsan

Tel: 603-7723 8200

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AUDITORS

Deloitte & Touche

Level 19, Uptown 1

Damansara Uptown

No. 1, Jalan SS21/58

47400 Petaling Jaya

Selangor Darul Ehsan

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House

Block D13, Pusat Dagangan Dana 1

Jalan PJU 1A/46, 47301 Petaling Jaya

Selangor Darul Ehsan

Tel: 603-7841 8000

Fax: 603-7841 8151

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

Main Market

WEBSITE

www.lafarge.com.my

BOARD OF DIRECTORS

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

DKYR, PSM, SPNS, AMN, PJK

Independent Non-Executive Director (Chairman)

Isidoro Miranda

Non-Executive Director (Vice Chairman)

Bi Yong Chungunco

Executive Director (President & Chief Executive Officer)

Yeoh Khoon Cheng

Executive Director (Senior Vice President & Chief Financial Officer)

Bradley Mulrone

Executive Director (Aggregates & Concrete)

Chan Hua Eng

R. OBE, Senior Independent Director

Saw Ewe Seng

Independent Non-Executive Director

Tan Sri A. Razak bin Ramli

Independent Non-Executive Director

Md Yusof bin Hussin

Independent Non-Executive Director

Michel Rose

Non-Executive Director

Jean-Jacques Gauthier

Non-Executive Director

Martin Kriegner

Non-Executive Director



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

DKYR, PSM, SPNS, AMN, PJK
Independent Non-Executive Director
(Chairman)
Age 63, Malaysian

An Independent Non-Executive Director since July 1979 and appointed as Chairman in May 2003. Graduated with a Bachelor of Law (Honours) degree from Nottingham University, UK in 1970 and called to the Bar at Gray's Inn in 1971. Tunku Imran has held senior management positions with various companies including Perbadanan Nasional Berhad and

Haw Par (Malaysia) Sdn Bhd from 1971 to 1976. He was the Chief Executive Officer of the Antah Group of Companies from 1976 until he stepped down at the end of February 2001. He currently sits as Chairman of Aluminium Company of Malaysia Berhad.

Isidoro Miranda

Non-Executive Director
(Vice Chairman)
Age 52, Spaniard



Appointed as Non-Executive Director of the Company on 17 August 2007. He graduated with a degree in Mechanical Engineering and a PhD in Applied Mechanics from Navarre University, Spain in 1982 and 1985 respectively. He was a Senior Scholar from Stanford University in 1986 and obtained his MBA from Insead in 1989. Following his earlier career in engineering and consultancy, he joined Lafarge S.A. in 1995 as Vice President, Group Strategies Studies. He was

appointed Chief Executive Officer of Lafarge Asland, Spain from 1998 to 2001. He was later appointed as Executive Vice President Cement Division, Lafarge S.A. and was also a member of the Executive Committee from 2001 to 2003. From 2003, he was appointed as Group Executive Vice President & President, Gypsum Division where he served until his appointment as Group Executive Vice President and Co-President Cement Division in September 2007.

BOARD OF DIRECTORS' PROFILE



Chan Hua Eng

R. OBE
Senior Independent Director
Age 82, Malaysian

An Independent Non-Executive Director since July 1979. Graduated with a Bachelor of Law (Honours) degree from Bristol University in 1952. Called to the English Bar in 1953 and the Malayan Bar in 1955. He started his career in legal practice in 1954 in Shearn Delamore & Co. and Drew & Napier where he remained until his retirement in January 1987 as the Senior Partner. He was formerly a Chairman of the Malayan Bar, a part time Judicial

Commissioner and Chairman of the Sabah Inquiry Commission. He currently sits on the Board of Directors of Pacific & Orient Berhad, Lingui Developments Berhad and Gleanealy Plantations (Malaya) Berhad. He is the Chairman of the Audit Committee and is a member of the Remuneration and Nomination Committee of the Company.

Saw Ewe Seng

Independent Non-Executive Director
Age 72, 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.



Tan Sri A. Razak bin Ramli

Independent Non-Executive Director
Age 62, Malaysian



Appointed as an Independent Non-Executive Director on 9 November 2004. 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, Transmile Group Berhad, Ann Joo Resources Berhad and Favelle Favco Berhad. He was appointed Chairman of the Cement & Concrete Association of Malaysia on 22 June 2005. On 22 February 2006, he was appointed the Chairman of the Remuneration & Nomination Committee of the Company.

Md Yusof bin Hussin

Independent Non-Executive Director
Age 61, Malaysian

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

He commenced his career as an Accountant of Robur Tea Co. Ltd., Australia in 1974 and subsequently joined Coopers & Lybrand, Malaysia as an Audit Supervisor in 1975. He joined Utama Wardley Merchant Bank as Senior Manager of the Banking Division in 1978 and later joined Harper Gilfillan Group in 1982 as Director of Corporate and Finance

Development. In 1987, he joined Permodalan Nasional Berhad as General Manager of Corporate Services Division until 1992. He then became the Managing Director of Island & Peninsular Berhad from 1993 to 1999.

Currently, he is a Non-Executive Chairman of TPPT Sdn Bhd (an associated company of Bank Negara Malaysia) and Chairman of Debts Restructuring Committee for small and medium scale enterprises. He also holds directorship in Glenealy Plantations (Malaya) Berhad, TH Plantations Berhad, Credit Guarantee Corporation Malaysia Berhad, Iskandar Investment Berhad and Permodalan Negeri Selangor Berhad. He is a member of the Audit Committee of the Company.



BOARD OF DIRECTORS' PROFILE



Michel Rose

Non-Executive Director
Age 68, French

Appointed as Non-Executive Director on 18 February 2002. Graduated from Ecole des Mines, France and obtained a Master's degree in Business Administration from IMI, Geneva. Joined the Lafarge Group in 1970 and became Executive Vice President for Human Resource and Corporate Communications in 1984. He was appointed as Senior Executive Vice President in the Lafarge Group in 1989, and also held the position of President & Chief

Executive Officer, Lafarge Corporation in North America from 1992 to 1996. He chaired the Executive Committee of the Lafarge Cement Division from September 2000 to September 2007 and then served as Chief Operating Officer of Lafarge S.A. until June 2008. Michel Rose has now retired from Lafarge S.A.

Jean-Jacques Gauthier

Non-Executive Director
Age 51, French

Appointed as Non-Executive Director on 1 January 2005. Prior to that, he was an alternate director to Michel Rose since 18 February 2002. He joined Lafarge S.A. as Chief Financial Officer and Executive Vice President on 1 March 2001 with responsibility for the Finance function, Legal affairs and Purchasing. He is a member of the Lafarge Group Executive Committee. He holds a Masters in Business Law and a degree in Economic Science and Accounting and began his career with the Arthur Young auditing firm,

moving on to join the Matra Group (now EADS) in 1986, where he held several posts in financial management in France and the United States. In 1991, he was appointed Executive Vice President and Chief Financial Officer of Matra Marconi Space and retained the same position in Astrium, the company resulting from the merger in 2000 of Matra Marconi Space with the space operations of the Daimler Benz Group.





Martin Kriegner

Non-Executive Director
Age 49, Austrian

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

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

Bi Yong Chungunco

Executive Director
(President & Chief Executive Officer)
Age 48, Filipino

Appointed as President & Chief Executive Officer on 5 May 2008 and as a Director of the Company on 16 May 2008. She obtained her Bachelor of Science in Legal Management from Ateneo De Manila University and her Bachelor of Laws degree from Ateneo College of Law. Upon graduating, she was with financial institutions and in legal practice in major law firms for about 13 years before joining Jardine Davies Inc, Philippines where she was a Director and held various senior executive positions before assuming the position of Senior Vice President - Legal and Treasurer in September 2000. During this period, she also held the position as Director, Philippine Bank of Communications,

Philippines. She joined the Lafarge Group in September 2002 as Senior Vice President - Legal, Corporate Governance and External Relations in Lafarge Cement Services Philippines Inc. and was also a member of the Executive Committee. From September 2004 to January 2006, she held the post of Senior Legal Counsel based in Lafarge S.A., Paris. In February 2006, she was appointed Deputy General Counsel, a position which she held until her appointment as President & Chief Executive Officer of Lafarge Malayan Cement Berhad.





Yeoh Khoon Cheng

Executive Director
(Senior Vice President & Chief Financial Officer)
Age 52, Malaysian

Qualified as an accountant in 1983 after four years of articleship with a professional firm of accountants, and is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He joined Lafarge Malayan Cement in 1987 as Finance Manager, and has

held various positions involving business development, mergers and acquisitions and corporate finance activities and acting as Company Secretary from 1990 to 1998 before taking up his current position since January 1999.

Bradley Mulrone

Executive Director
(Aggregates & Concrete)
Age 48, British

Appointed as Executive Director of the Company on 30 July 2009. He graduated with Honours from the University of London, United Kingdom in 1985. He started his career with Redland PLC, UK in 1985. He has held various managerial positions within Redland PLC and was one of the General Managers 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.



Other Information on Directors

None of the Directors has any family relationship with any other director/substantial shareholder of the Company, nor any personal interest in any business arrangement involving the Company. Save and except for traffic offences, if any, none of the Directors has been executed for any offences within the past 10 years.

EXECUTIVE COMMITTEE



- 1. BI YONG CHUNGUNCO**
President & Chief Executive Officer
- 2. YEOH KHOON CHENG**
Senior Vice President &
Chief Financial Officer
- 3. KIM JUNG RAK**
Senior Vice President, Industrial

- 4. ALAN NG**
Vice President, Purchasing
- 5. GHAZALI YACOB**
Vice President, Human Resources
- 6. WONG CHOONG MENG**
Senior Vice President, CMC

- 7. MAH POON KEAT**
Senior Vice President, Sales
- 8. VICTOR JANOLINO**
Vice President, Marketing
- 9. PAUL YAP POH ONN**
Vice President, Supply Chain

Corporate Responsibility has always been an integral part of Lafarge Malayan Cement's sustainable development initiatives. We want to play an essential role in addressing the economic and social development wherever we operate. We continue to endeavour to be the preferred employer for our employees and the preferred partner for our communities in which we live and conduct business.



We strive to make a lasting impact on our communities to bring long-term benefits to the surrounding areas of our operations. This is achieved through various actions, programmes and partnerships with our employees, communities, shareholders and other stakeholders.

EDUCATION

The importance of education is well evident in Malaysia as it plays a major role in personal and social development. Lafarge Malayan Cement believes that a good education is one of the keys to success. One of Lafarge Malayan Cement's major community projects is investing in the education of our future generation by promoting academic excellence in schools by way of its School Project. The School Project, launched in 1997, is not only to foster closer bond with the communities located in the vicinity of our plants in Rawang, Kanthan, Pasir Gudang and Langkawi, but also to contribute positively to the well being of the communities. Since the launch of the project, it has benefited more than 2,200 students nationwide.



STRENGTHENING RELATIONSHIPS WITH COMMUNITIES

In 2010, various projects and activities were organised together with the communities to build rapport, foster greater ties and enhance their quality of life. Some of the projects and activities held were:



To Care and Share

During the year, our plant in Langkawi donated tents, tables and chairs to Nur Hidayah Surau which is located near our Langkawi Plant to provide some comfort to worshippers who attend events and activities at the Surau.

In Rawang, our teammates at Rawang Plant visited PDK or Rehabilitation Centre in Rawang Communities (Service for Special Children) located in Kampung Kenanga, Rawang. PDK is a Government registered half-day care centre for children with special needs. Following the visit to PDK, teachers, parents and employees of Lafarge Malayan Cement organised a "Gotong Royong" to clean up the playground in PDK to make it a safer and more conducive place for the children to play.



Strengthening Ties

In supporting and appreciating the communities where we conduct our business, we took the opportunity to celebrate the festive period with the local communities, local authorities and stakeholders. Some of the activities held during the year were breaking of fast or "Buka Puasa", celebrating Hari Raya Puasa and Deepavali. At each plant, our teammates invited the communities to celebrate the occasions with them and their families.

In addition, during this period, orphans, special children and old folks were also not forgotten as our teammates brought them cheer and celebrated with them with festive goodies and cash donation.



Donate Blood Give Life

Lafarge Malayan Cement supports the National Blood Bank's call to donate blood in order to maintain a consistent blood supply especially during the festive period. We worked together with the National Blood Bank and the local hospitals to ensure that the blood donation campaign was a success. Some of our teammates were regular blood donors and they lend their support at these campaigns held during the year at all our plants and Head Office.



Rebuilding Lives

We are committed to better the lives of the community and those in need. In April 2010, when a fire destroyed Sekolah Kebangsaan Perigi Aceh in Johor, Lafarge Malayan Cement donated some monies to the school with 80 students to ease their welfare and that their studies were not disrupted while a new school was being rebuilt for them.

In May 2010, Langkawi Plant presented new roof tiles to three needy families from Kampung Teluk Yu. These tiles were to replace their old roof tiles which were in bad condition.

Thirteen families from Kampung Sungai Rinting, Johor lost their homes and belongings in a fire in June 2010. Lafarge Malayan Cement donated 200 bags of cement to these families to enable them to rebuild their houses.



Create Awareness - Health & Safety

Health & Safety is the number one priority at Lafarge Malayan Cement. Every year, the month of June is dedicated as Safety Month. In 2010, one of the events organised during this period was an Open Day in the plants. The local communities and stakeholders were invited to participate in the activities organised by the plants, such as colouring contest for the children, complimentary medical check-up, sharing on a balanced and healthy diet, briefing on environment and talks on safety. As a caring and responsible company, we aim to educate our communities and stakeholders on the importance of health and safety.



Create Awareness - Environment

All of us want a cleaner and safer environment to live in and to preserve it for our next generation. To play a part towards a greener tomorrow, Lafarge Malayan Cement participated and supported in activities that create environmental awareness.

In May 2010, Langkawi Plant participated in the nationwide Green Day School Program held at Sekolah Menengah Ayer Hangat, Langkawi. To mark the occasion, trees were planted around the school premises.

Lafarge Malayan Cement, for the second consecutive year, contributed cash donation to support Sekolah Kebangsaan Pasir Gudang 2 in their environmental programme. The outdoor camping programme which was held in June 2010 was to teach our young generation to value the environment.

AWARDS AND RECOGNITION

Green Label Certification

In 2010, Lafarge Malayan Cement was the first cement company in Malaysia to have two cement products awarded the Green Label certification by the Singapore Environment Council. The two cement products are Mascrete LH and Phoenix which are manufactured using pulverized fuel ash (fly ash), a by-product of coal fired power stations.

Frost & Sullivan Green Excellence Awards

Lafarge Malayan Cement was honoured with "Technology Innovation Award for Sustainable Production of Cement" by Frost & Sullivan Green Excellence Awards on 9 June 2010, for demonstrating its firm commitment to a continuous focus on reducing the dependency on finite resources and resolving to reduce the impact of climate change and overall ecological footprint.



Finance Asia

Lafarge Malayan Cement was placed 11th for Best Corporate Governance Company in Malaysia by Finance Asia, a Hong Kong-based publication reporting on Asia's financial and capital markets on 5 May 2010.



Courtesy of The Star, Malaysia

StarBiz ICR Malaysia Corporate Responsibility Awards 2010

At the 3rd StarBiz ICR Malaysia Corporate Responsibility Awards 2010 held on 29 March 2011, Lafarge Malayan Cement was honoured with a plaque for being selected as one of the finalists in the segment above RM1 billion market capitalisation. This Award recognises and honours companies that demonstrated its understanding of Corporate Responsibility practices in four categories: Marketplace, Workplace, Environment and Community and integrates responsible practices throughout its business operations.

From a safety perspective, Lafarge Malayan Cement has one very clear goal and that is to achieve zero accident and rank among the safest companies in Malaysia.

Our objective is to have our contractors and transporters applying the same standards as our employees, leading to a low level of occupational incidents.



Health & Safety is a core value at Lafarge Malayan Cement. We believe we can be a business without fatalities, serious injuries or occupational incidents. Our key safety focus areas are:

- eliminating workplace fatalities, serious injuries and occupational incidents
- eliminating the root causes of incidents
- identifying and implementing effective risk controls
- ongoing measurement of control effectiveness

Regrettably and despite all of our efforts, there were two fatalities in 2010. We recognised that we will not be truly successful until we eliminate fatalities from our operations and this remains our immediate key objective.

In 2010, to continue with our safety journey, various campaigns and initiatives were carried out in our pursuit to achieve our safety objective.

HEALTH AND SAFETY HOUR FOR HEAD OFFICE

Since the beginning of the year, “Health and Safety Hour for Head Office” was launched with the objective of promoting a learning culture on safety through knowledge sharing led by Lafarge Malayan Cement Executive Committee. The following Health & Safety topics were shared:

- a) Road Safety
- b) Home Safety
- c) Personnel Protective Protection
- d) Office Safety
- e) Manual Handling Safety
- f) Tyre Safety
- g) Safety Behaviour
- h) Kitchen Safety
- i) Fire Safety
- j) Job Planning, HIRARC and Pre Job Meeting (JHP) Process
- k) Defensive Road Safety





VISIBLE FELT LEADERSHIP (VFL)

At Lafarge, we believe that safety leadership starts from the top. VFL programme was first introduced to the management employees to ensure that they become an active part of building a safety culture. In 2010, the programme was extended to 85 line managers to reemphasise that line management is also accountable for the safety culture and performance at our operations. Significant improvements have been seen in the way line managers approached their teams and contractors at site to discuss safety practices and behaviour particularly during major maintenance shutdown to reduce unsafe acts and increase the number of safe working practices.



MASTERY OF SAFETY STANDARDS AND ADVISORIES

Across the organisation, we manage safety through the Group's Safety Standards and Advisories. Our line managers are accountable for the implementation of these Standards and Advisories. They are responsible for ensuring that supporting systems and procedures are in place. Throughout 2010, our Executive Committee and line managers initiated awareness training to every employee to improve our competency on safety Standards and Advisories.

ONLINE SAFETY REPORTING SYSTEM DATABASE

During the year, we continued to highlight to our employees on the importance of Safety Observation and Near Miss reporting as the key leading indicators for the prevention of injuries and fatalities. Lafarge Malayan Cement introduced the Safety Reporting System (SRS) to enable effective and efficient sharing of learning, and at the same time, to follow up on the corrective actions. Analysis of accident was circulated on weekly basis to all employees throughout the organisation.

“HOUSE” PROGRAMME

Lafarge Malayan Cement launched the “HOUSE” programme with the theme “With family spirit, we transform our Workplace to be as clean and as safe as our House”. Since the launch, there were major improvements in the cleanliness at our sites.

CONTRACTORS’ SAFETY DIALOGUE

A Safety Dialogue with 36 major contractors was held in April 2010. The agenda of the dialogue was Contractor Safety Management Standard and Building a Safety Culture through Strong Safety Leadership. We proudly note that 14 contractors shared their safety initiatives during the dialogue.



CONTRACTORS AND TRANSPORTERS SAFETY MANAGEMENT AUDITS

In our continuing efforts to improve the safety management of our contractors and transporters, follow up audits were conducted to validate the implementation of the agreed action plans. The purpose is to gauge the safety commitment of the contractors and transporters towards Lafarge Malayan Cement's safety requirements through an annual audit. We have seen significant improvements on the way contractors and transporters are managing their safety.

SAFETY MONTH

In conjunction with Safety Month in June, Lafarge Malayan Cement carried out several activities involving our employees and stakeholders at all sites. "Working Together Towards Safety Excellence" was the theme of the Safety Month with the aim to create strong teamwork among our employees, contractors, transporters and customers. Health check, blood donation, health and safety talks, housekeeping and several interactive activities related to Lafarge's Safety Standards and Advisories were held at all sites.



INDUSTRIAL SAFETY CONFERENCE

In conjunction with Safety Month, an Industrial Safety Conference was held at SIRIM in June. About 230 participants comprising of Lafarge employees and contractors attended the event. Everyone participated in the interactive sessions such as safety hunt and workshops. The plants and contractors were also recognised for their safety achievement during the conference.



SEAT BELT BLITZ

Compliance on wearing seat belt has improved since the implementation of reflective strips on the seat belts in 2009. Throughout the year, seat belt check blitzes were conducted by the Supply Chain team and the Plant team. We received positive feedback from our customers and local government agencies on seat belt compliance by truck drivers.



CUSTOMERS' SITE ASSESSMENT

Around 38 customers' sites have been assessed by Supply Chain team together with Sales team and customers' representatives. The main objective was to minimise risk to all drivers while entering or delivering cement to customers' site. We saw major changes particularly on access route to customers' site as a result of this assessment.

LAFARGE TRANSPORTERS' SAFETY DAY

Lafarge Transporters' Safety Day was held in June at Perangasang Templers Club with around 500 participants from Lafarge employees, transporters, drivers and their spouses. The purpose of this event was to enhance greater road safety awareness among transporters and drivers and to educate particularly transporters and drivers about the best road safety practices. Our transporters and the Road Safety Department of Malaysia (JKJR) set up exhibition booths on safety for the participants.

Several awards were presented to drivers and transporters to encourage them to continue to improve on safety and for those requiring improvement, they were encouraged to accelerate on their efforts.

SAFETY VISION AND JHP

During Lafarge Safety Day, a new Safety Vision: "Safety Our Way of Life" ("Keselamatan Amalan Hidup Kita") and Job Planning, HIRARC (Hazard Identification, Risk Assessment, Risk Control) and Pre-Job Meeting (JHP) programmes were launched. We believe every employee cares about safety. However, we need to change the way we behave. Safety must be part of everything we do. It's a way of life. We learned from all the accidents in Lafarge Malayan Cement that we should prepare our jobs well; we learned that we needed to discuss risks and control them; we learned how powerful these conversations could do. We learned that with proper JHP, supervision and attention, we could achieve ZERO injury.



SUPPLIERS' SAFETY DIALOGUE

A half-day Safety Dialogue with 28 Suppliers was held in November 2010. The aim of the dialogue was to improve communication with key suppliers on safety initiatives and to follow up any safety issue or concern. Shell Malaysia, one of the companies with good safety standards, was invited to share its safety practices with the participants.

TRANSPORTERS' SAFETY DIALOGUE

A Safety Dialogue with 34 transporters was held in December 2010. The aim of the dialogue was to share all the key safety issues, performance and exchange views with the transporters. A best in class transporter in safety was invited to share its safety practices with the participants.



ROAD SAFETY CAMPAIGN

In the last quarter of the year, major focus was given on Job Planning, HIRARC and JHP site implementation and Road Safety campaign. Several line managers and company drivers participated in the Defensive Driving Training to increase their safety awareness on road safety.

Corporate Governance Statement

INTRODUCTION

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

The Board is pleased to report on the extent to which the principles and best practices of the Code were applied throughout the financial year ended 31 December 2010.

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 12 members comprising 3 Executive Directors and 9 Non-Executive Directors, 5 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 Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”) which require at least 2 Directors or one-third of the membership of the Board to be independent, whichever is the higher.

The Directors, with their diverse skills, knowledge and business experience, including 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 11 to 16 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 Ms Bi Yong Chungunco, 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 Mr Chan Hua Eng as the Senior Independent Director since 27 May 2003. In this capacity, he continues to provide an avenue for shareholders and the Non-Executive Directors to express any concerns that they may have concerning 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 2010, 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	3/4
Isidoro Miranda	4/4
Bi Yong Chungunco	4/4
Yeoh Khoon Cheng	3/4
Chan Hua Eng	4/4
Saw Ewe Seng	4/4
Tan Sri A. Razak bin Ramli	3/4
Michel Rose	3/4
Jean-Jacques Gauthier	2/4
Martin Kriegner	4/4
Md Yusof bin Hussin	4/4
Bradley Mulroney	3/4

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

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

Board Committees

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

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

1. The Audit Committee

The Audit Committee comprised 3 Independent Non-Executive Directors and 1 Non-Executive Director with Mr Chan Hua Eng as the Chairman. One of the Audit Committee members, Encik Md Yusof bin Hussin, is a member of the Malaysian Institute of Accountants.

The members of the Audit Committee and their attendance, the terms of reference and activities of the Audit Committee during the financial year ended 31 December 2010 prepared pursuant to paragraph 15.15 of the Listing Requirements are set out in the Audit Committee report on pages 35 to 37 of this Annual Report.

2. The Remuneration and Nomination Committee

The Remuneration and Nomination Committee for the year ended 31 December 2010 consisted of 3 Independent Non-Executive Directors and 1 Non-Executive Director with Tan Sri A. Razak bin Ramli as the Chairman.

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

Name	Attendance
Tan Sri A. Razak bin Ramli (Chairman)	1/1
Mr Saw Ewe Seng	1/1
Mr Chan Hua Eng	1/1
Mr Isidoro Miranda	1/1

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 nominations 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 of Executive Directors/senior management. The remuneration of Non-Executive Directors shall be a matter for the Board.
- (g) To consult annually with the President & Chief Executive Officer regarding his/her succession plans relative to Executive Directors.

Appointment Process

The Board through the Remuneration and Nomination Committee continuously reviews its size and composition with particular consideration on its impact on the effective functioning of the Board. Based on the appraisal of the Committee, the Board believes that the current composition of the Board provides the required mix of skills and core competencies required for the Board to discharge its duties effectively.

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

Re-election

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

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

Directors' Remuneration

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

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

	Fees RM	Salaries RM	Other Emoluments* RM	Benefits-In-Kind RM	Total RM
Executive Directors	-	1,666,905	614,354	477,854	2,759,113
Non-Executive Directors	320,000	-	-	-	320,000

* 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:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM50,001 to RM100,000	-	5
RM850,001 to RM900,000	1	-
RM1,850,001 to RM1,900,000	1	-

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

Directors' Training

As at the date of this Statement, all Directors have attended the Mandatory Accreditation Programme of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Directors are encouraged to identify and participate in relevant training programmes for continuing professional development and to further enhance their skills and knowledge. During the year, the various training programmes attended by Directors included in-house training on Competition Act 2010 and Competition Compliance Programme of the Lafarge Group and strategic planning and best practices in business development. External programmes attended by Directors include talks and seminars on corporate governance, investor relations, corporate social responsibility, financial reporting standards, the goods & services tax and on oversight by Audit Committee.

The Company's policy to appoint to the Board individuals of sufficient calibre and experience to carry out the necessary duties of a Director. Each of the Directors are given a copy of the Directors' Manual that contained information including but not limited to the structure of the Group, management and the operations as well as the roles, responsibilities and rights of Directors and prohibition on insider trading. In addition, they are provided with induction programmes specifically tailored to the need of the individual appointees including briefing on the various operations of the Group, meetings with members of senior management and visits to key operating sites.

B. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDER

In line with good corporate governance, the Group adopts an open and transparent policy in respect of its relationship with its shareholders and investors. The Company communicates with its shareholders and investors through the annual report, Annual General Meeting ("AGM"), Company's website (www.lafarge.com.my) and analyst meetings. In addition, the timely public announcements made by the Company through Bursa Securities and the quarterly financial results released by the Company provide shareholders and investors with an overview of the Group's performance and operations. The Company, where appropriate, also provides clarifications 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 Yeoh Khoon Cheng, Executive Director and Chief Financial Officer (telephone: 603-7723 8200). The direct involvement of an executive director in investor relations reflects the commitment of the Board in providing high standard of transparency to its shareholders.

C. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to the preparation of financial statements that present a balanced and meaningful assessment of the Group's financial performance and prospects. This assessment is provided in the Chairman's Statement, Chief Executive Officer's Review and the annual financial statements in this annual report as well as the quarterly announcement of results to the shareholders. The Audit Committee, established since 1994 to oversee the Group's financial reporting process and the quality of its financial reporting, assists the Board to discharge its duties. The Audit Committee reviews the quarterly and annual financial statements and makes recommendations to the Board focusing on accounting policies, compliance with accounting standards, stock exchange and legal requirements and the results of the external audit.

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

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

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgement and estimates.

The Directors also have a general responsibility for taking such steps as is reasonably open 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 shareholders' investments and safeguarding assets and not to provide absolute assurance that business risks will be fully mitigated. The Statement on Internal Control furnished on pages 33 to 34 of the Annual Report provides an overview of the state of internal controls within the Group. The Company's internal audit function is performed in house by a team of internal auditors led by the Head of the Internal Audit Department, Mr Lawrence Ho. The work undertaken by the Audit Committee and the internal audit team assist the Board to discharge its duty pertaining to internal control.

Code of Business Conduct

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

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

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

Relationship with the Auditors

Key feature 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 35 to 37 of the Annual Report.

Additional Compliance Statement

(a) Share Buyback

The Company did not undertake any share buyback during the financial year 2010. 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 2010 is RM69,839. The non-audit fees paid is in respect of tax service fees.

(c) Material Contracts Involving Substantial Shareholders

Save 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 2010 by the Company and/or its subsidiaries which involved Directors' and/or substantial shareholders' interest.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 23 February 2011.

Statement on Internal Control

Board Responsibility

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

As there are limitations that are inherent in any systems of internal control and risk management, such systems are designed to manage rather than eliminate the risk that may impede the achievement of the Group’s business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or losses, fraud or breaches or laws or regulations.

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

Risk Management

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

Internal Control Structure

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

- **Main Control Procedures**

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

- **Reporting**

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

- **Audit Committee**

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

- **Internal Audit**

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

- **Monitoring**

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

- **Control Environment**

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

The system of internal control was satisfactory and has not resulted in material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

Signed on behalf of the Board of Directors in accordance with resolution dated 23 February 2011.

CHAN HUA ENG

Chairman of Audit Committee

BI YONG CHUNGUNCO

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
Chan Hua Eng	Chairman, Independent Non-Executive Director	4/4
Saw Ewe Seng	Independent Non-Executive Director	4/4
Md Yusof bin Hussin (Member of the Malaysian Institute of Accountants)	Independent Non-Executive Director	4/4
Isidoro Miranda	Non-Executive Director	2/4

B. TERMS OF REFERENCE

Structure of the Audit Committee

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

Authority

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

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

Functions

- i. To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
- ii. To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- iii. To review the quarterly and year-end financial statements of the Company, focusing particularly on:
 - any change in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements;

- iv. To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
- v. To review the external auditors' evaluation of the system of internal control, management letter and management's response;
- vi. To do the following in relation to the internal audit function:
 - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - Review any appraisal or assessment of the performance of members of the internal audit function;
 - Approve any appointment or termination of senior staff members of the internal audit function; and
 - Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- vii. To consider any related-party transactions and conflict of interest situation that may arise within the company or group;
- viii. To consider the major findings of internal investigations and management's response; and
- ix. To consider other topics as defined by the Board.

Meetings and Minutes

The Committee shall meet at least 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 Board members 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 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 event and compliance with applicable accounting standards approved by MASB and other legal requirements.
- Reviewed quarterly unaudited financial results announcements prior to recommending them for approval by the Board.

External Audit

- Reviewed with external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB.
- Reviewed with external auditors the results of the audit and the audit report and in particular, reviewed accounting issues and significant audit adjustments arising from the external audit.

- Reviewed with external auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal accounting control.
- Evaluated the performance of the external auditors and made recommendations to the Board on their re-appointment and remuneration.

Internal Audit

- Reviewed the annual audit plan to ensure adequate scope and coverage on the activities of the Group taking into consideration the assessment of the key internal control risks areas.
- Reviewed the resource requirements of the Internal Audit Department for the year and assessed the performance of the Internal Audit Department.
- Reviewed the internal audit reports, audit recommendations made and management response to these recommendations and actions taken to improve 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 existence of mitigating controls and action plans identified to mitigate the business risks identified.
- Reviewed the terms of the related parties transactions entered into by the Group.
- Reviewed the procedures and processes for monitoring, tracking and identifying recurrent related party transactions in a timely and orderly manner to ensure its adequacy and the sufficiency of the procedures for ensuring that the recurrent related party transactions are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.
- Reviewed the Report of the Audit Committee and recommended to the Board for inclusion in the 2010 Annual Report.
- Reviewed the Statement of Internal Control and recommended to the Board for inclusion in the 2010 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 cover the review of the adequacy of risk management, operation controls, compliance with established procedures, guidelines, statutory requirements and management efficiency, amongst others.

Further details of the activities of the Internal Audit Department are set out in the Statement on Internal Control under pages 33 and 34.

Five-Year Financial Statistics

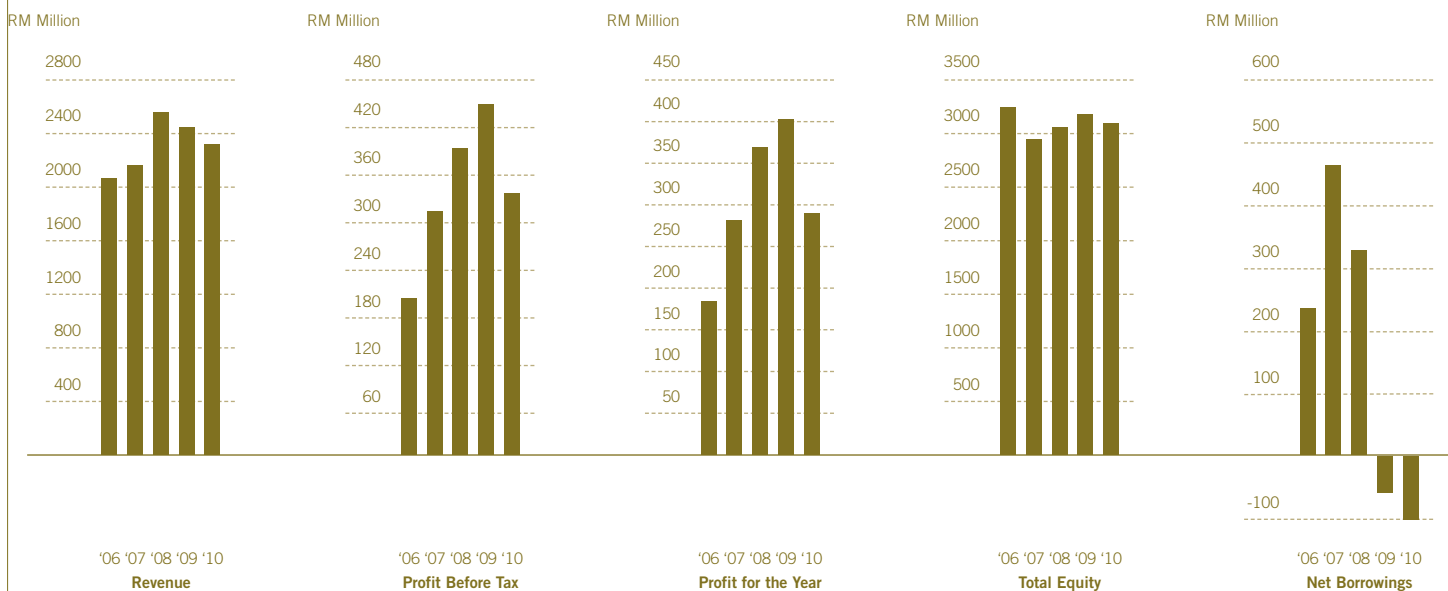
	2006 (RM'000)	2007 (RM'000)	2008 (RM'000)	2009 (RM'000)	2010 (RM'000)
OPERATING RESULTS					
Revenue	2,077,893	2,173,532	2,530,771	2,483,106	2,324,888
Profit from operations	238,054	315,308	415,384	460,854	362,419
Profit before tax	211,968	318,134	397,772	441,914	345,397
Profit for the year	173,333	284,691	368,218	406,215	291,098

KEY DATA

Share capital	1,416,159	849,695	849,695	849,695	849,695
Total equity	3,302,498	2,935,393	3,059,026	3,214,644	3,101,767
Net borrowings/(cash)	238,567	472,964	320,047	(54,245)	(156,932)
Net tangible assets	2,111,784	1,744,918	1,849,990	2,005,904	1,891,699

SHARE INFORMATION & FINANCIAL RATIOS

Net gearing ratio (times)	0.07	0.16	0.10	-	-
Net tangible assets per share (RM) ⁽¹⁾	1.49	2.05	2.18	2.36	2.23
Net earnings per share (EPS) (sen) ⁽¹⁾	12.32	21.05	43.27	48.51	34.76
Net dividend per share (sen) ⁽¹⁾	6.00	14.80	30.00	38.00	34.00
Share price (RM) - Year High	2.82	5.95	6.25	6.63	8.10
Share price (RM) - Year Low	1.22	1.22	2.28	3.10	6.06



Notes:

(1) Comparative figures for financial year 2006 have been restated to take into account the effect of share consolidation in 2007.



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Directors' Report

The Directors of **LAFARGE MALAYAN CEMENT BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

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

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	Group RM'000	Company RM'000
Profit before tax	345,397	375,002
Income tax expense	(54,299)	(7,779)
Profit for the year	291,098	367,223
Profit/(Loss) attributable to:		
Owners of the Company	295,340	367,223
Minority interests	(4,242)	-
	291,098	367,223

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 second interim dividend of 23.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM195.430 million declared on 25 February 2010 in respect of the financial year ended 31 December 2009 and dealt with in the previous Directors' Report was paid on 14 April 2010;
- 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 2010 amounting to RM67.976 million was declared on 26 May 2010 and paid on 8 July 2010;
- 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 2010 amounting to RM67.975 million was declared on 25 August 2010 and paid on 13 October 2010; and

DIVIDENDS (continued)

- 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 2010 amounting to RM67.976 million was declared on 29 November 2010 and paid on 19 January 2011.

The Directors declared on 23 February 2011 a fourth interim dividend of 10.0 sen single tier dividend per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2010 amounting to RM84.970 million payable on 14 April 2011.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2010.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS

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

Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar
Isidoro Miranda
Martin Kriegner
Bi Yong Chungunco
Yeoh Khoon Cheng
Chan Hua Eng
Saw Ewe Seng
Tan Sri A. Razak bin Ramli
Michel Rose
Jean-Jacques Gauthier
Md Yusof bin Hussin
Bradley Mulroney

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 of 1.1.2010	Bought	Sold	Balance as of 31.12.2010
Shares in the Company held by:				
<u>Direct interest:</u>				
Saw Ewe Seng	16,500	-	-	16,500
<u>Indirect interest:</u>				
Chan Hua Eng	261,630	-	-	261,630
Saw Ewe Seng	33,000	-	-	33,000

	No. of ordinary shares of €4.00 each			
	Balance as of 1.1.2010	Bought	Sold	Balance as of 31.12.2010
Shares in the ultimate holding company, Lafarge S.A. held by:				
<u>Direct interest:</u>				
Isidoro Miranda	28,923	-	-	28,923
Martin Kriegner	968	-	-	968
Bi Yong Chungunco	810	-	-	810
Yeoh Khoo Cheng	967	-	(127)	840
Michel Rose	25,390	-	(9,390)	16,000
Jean-Jacques Gauthier	421	-	-	421
Bradley Mulroney	259	15	-	274

	No. of ordinary shares of PHP 1.00 each			
	Balance as of 1.1.2010	Bought	Sold	Balance as of 31.12.2010
Shares in other related company, Republic Cement Corporation, the Philippines, held by:				
<u>Direct interest:</u>				
Bi Yong Chungunco	6,676	-	-	6,676

DIRECTORS' INTERESTS (continued)

	No. of options over ordinary shares of €4.00 each			Balance as of 31.12.2010
	Balance as of 1.1.2010	Granted	Exercised	
Options over the ordinary shares of the ultimate holding company, Lafarge S.A. held by:				
Isidoro Miranda	131,880	25,000	(3,754)	153,126
Martin Kriegner	57,811	7,397	-	65,208
Bi Yong Chungunco	12,731	3,500	-	16,231
Yeoh Khoo Cheng	2,555	-	-	2,555
Michel Rose	100,762	-	-	100,762
Jean-Jacques Gauthier	178,315	25,000	-	203,315
Bradley Mulrone	28,302	10,000	-	38,302

PERFORMANCE SHARES PLAN

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

The salient features of the PSP are as follows:

- (a) The shares to be issued by Lafarge S.A. will be derived from either existing or to be issued ordinary shares with a nominal value of four (4) Euros each;
- (b) The subsidiaries included in the PSP are those entities in which Lafarge S.A. holds directly or indirectly at least 10% of the share capital or of the voting rights;
- (c) The vesting period of the performance shares is four (4) years from the date of grant during which ownership of the shares is not transferred. The shares cannot be sold and no dividend is paid on these shares during this period;
- (d) Following the vesting period, the Board of Directors of Lafarge S.A. may set a holding period during which the shares may not be transferred;
- (e) The shares granted are conditional upon the specific performance condition designated by the Board of Directors of Lafarge S.A. from time to time that must be met within a specific time period for the grant to vest. This condition could apply to a portion of the grant, the whole of the grant, or not at all. This is only when the performance shares in part or in total will vest; and
- (f) Upon termination of employment as a result of resignation, dismissal or redundancy during the vesting period, the beneficiary will lose any right to the performance shares which have not been definitively allotted, unless the Board of Directors of Lafarge S.A. decides otherwise.

PERFORMANCE SHARES PLAN (continued)

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

	No. of ordinary shares of €4.00 each			Balance as of 31.12.2010
	Balance as of 1.1.2010	Granted	Sold	
Shares in the ultimate holding company, Lafarge S.A. in respect of Performance Shares Plan held by:				
Yeoh Khoo Cheng	420	125	-	545

EMPLOYEE SHARE PURCHASE PLAN

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

The salient features of the ESPP are as follows:

- 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;
- 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;
- The subscription price of the shares is fixed in Euros prior to the opening of the subscription period on 12 October 2009, 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”);
- 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
- The shares purchased are locked in for a period of five (5) years from the date of grant during which ownership of the shares is not to be transferred, except in case of early release events, as determined by Lafarge S.A..

OTHER STATUTORY INFORMATION

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

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

OTHER STATUTORY INFORMATION (continued)

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

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

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

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

HOLDING COMPANIES

The Company is a subsidiary of Lafarge Cement UK PLC, a company incorporated in the United Kingdom, and the Directors regard Lafarge S.A., a public-listed company incorporated in France, as the ultimate holding company.

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,

BI YONG CHUNGUNCO

YEOH KHOON CHENG

Petaling Jaya, Selangor Darul Ehsan
23 February 2011

Statement by Directors

FOR THE YEAR ENDED 31 DECEMBER 2010

The Directors of **LAFARGE MALAYAN CEMENT BERHAD** state that, in their opinion, the financial statements set out on pages 49 to 122 are drawn up in accordance with the provisions of the Companies Act, 1965 and the Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 43 on pages 122 and 123, 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,

BI YONG CHUNGUNCO

YEOH KHOON CHENG

Petaling Jaya, Selangor Darul Ehsan
23 February 2011

Declaration by the Director

PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **YEOH KHOON CHENG**, being the Director primarily responsible for the financial management of **LAFARGE MALAYAN CEMENT BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 49 to 123 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.

YEOH KHOON CHENG

Subscribed and solemnly declared by the abovenamed **YEOH KHOON CHENG** at Petaling Jaya, Selangor Darul Ehsan on this 23rd day of February 2011.

Before me,

KOH TWEE YONG @ KOH TWEE SIEW
B357
COMMISSIONER FOR OATHS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the financial statements of **LAFARGE MALAYAN CEMENT BERHAD**, which comprise the statements of financial position of the Group and of the Company as of 31 December 2010 and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 49 to 122.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion to you, 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.

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

- (a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;
- (b) we have considered the accounts and auditors' reports of the subsidiaries of which we have not acted as auditors, as mentioned in Note 16 to the Financial Statements, being accounts that have been included in the financial statements of the Group;
- (c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations as required by us for these purposes; and
- (d) the auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any adverse comment made under Sub-section (3) of Section 174 of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 43 on pages 122 and 123 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.

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

NG YEE HONG
Partner - 2886/04/11 (J)
Chartered Accountant

23 February 2011

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue	5	2,324,888	2,483,106	389,154	178,330
Cost of sales	5	(1,677,583)	(1,730,576)	-	-
Gross profit		647,305	752,530	389,154	178,330
Selling and distribution expenses	5	(235,931)	(243,990)	-	-
Administration expenses	5	(56,952)	(57,286)	(4,071)	(3,755)
Other expenses	5	(18,415)	(16,437)	(5,887)	(3,889)
Other income		12,180	14,170	4,564	4,850
Investment income	6	8,554	8,404	-	-
Interest income	6	5,902	3,463	-	-
Other gains and losses	7	(224)	-	-	-
Profit from operations		362,419	460,854	383,760	175,536
Finance costs	8	(10,817)	(17,405)	(8,758)	(10,640)
Share of results of associate	17	(6,205)	(1,535)	-	-
Profit before tax		345,397	441,914	375,002	164,896
Income tax expense	9	(54,299)	(35,699)	(7,779)	(932)
Profit for the year	10	291,098	406,215	367,223	163,964
Other comprehensive (loss)/income					
Exchange differences on translating foreign operations		(3,045)	3,286	-	-
Net value (losses)/gains on cash flow hedges		(708)	-	800	-
Defined benefits retirement plan actuarial (losses)/gains		(865)	1,025	3	11
Others		111	-	-	-
Other comprehensive (loss)/income for the year, net of tax		(4,507)	4,311	803	11
Total comprehensive income for the year		286,591	410,526	368,026	163,975
Profit/(Loss) attributable to:					
Owners of the Company		295,340	412,228	367,223	163,964
Minority interests		(4,242)	(6,013)	-	-
		291,098	406,215	367,223	163,964
Total comprehensive income/(loss) attributable to:					
Owners of the Company		290,833	416,539	368,026	163,975
Minority interests		(4,242)	(6,013)	-	-
		286,591	410,526	368,026	163,975
Earnings per ordinary share (sen)					
Basic and diluted	11	34.76	48.51		

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

Statements of Financial Position

AS OF 31 DECEMBER 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	1,763,888	1,844,659	163	244
Investment property	13	3,777	3,822	-	-
Prepaid lease payments on leasehold land	14	124,649	129,422	-	-
Intangible assets	15	1,210,068	1,208,740	-	-
Investment in subsidiaries	16	-	-	2,264,449	2,263,602
Investment in associate	17	9,601	16,149	-	-
Deferred tax assets	18	1,205	320	102	-
Other financial assets	19	2,111	2,213	1,255	1,255
Amounts owing by a subsidiary	20	-	-	10,447	229,813
Total non-current assets		3,115,299	3,205,325	2,276,416	2,494,914
Current assets					
Inventories	21	261,133	309,242	-	-
Trade receivables	22	275,814	295,988	-	-
Other receivables and prepaid expenses	23	36,234	39,066	912	545
Amounts owing by holding and other related companies	24	23,517	-	-	-
Amounts owing by subsidiaries	20	-	-	239,238	45,163
Other financial assets	19	26	-	-	-
Current tax assets		20,884	23,427	2	1,083
Dividend receivable		-	-	68,000	-
Term deposits	25	128,909	176,525	-	-
Fixed income trust fund	36	30,083	-	-	-
Cash and bank balances		213,715	236,996	4,707	14,521
Total current assets		1,009,063	1,081,244	312,859	61,312
Asset classified as held for sale	26	990,315 18,748	1,081,244 -	312,859 -	61,312 -
Total assets		4,124,362	4,286,569	2,589,275	2,556,226

Statements of Financial Position

AS OF 31 DECEMBER 2010 (continued)

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	27	849,695	849,695	849,695	849,695
Reserves	28	1,175,810	1,179,174	1,100,523	1,100,830
Retained earnings	29	1,059,508	1,164,779	187,250	220,915
Equity attributable to owners of the Company		3,085,013	3,193,648	2,137,468	2,171,440
Minority interests	30	16,754	20,996	-	-
Total equity		3,101,767	3,214,644	2,137,468	2,171,440
Non-current liabilities					
Borrowings	31	107,949	215,775	105,000	210,000
Retirement benefits	32	40,920	37,685	670	582
Deferred tax liabilities	18	283,076	291,510	-	-
Total non-current liabilities		431,945	544,970	105,670	210,582
Current liabilities					
Trade payables	33	293,075	270,238	-	-
Other payables and accrued expenses	34	96,670	102,148	3,693	5,037
Amounts owing to holding and other related companies	24	12,422	2,830	-	-
Amounts owing to subsidiaries	20	-	-	169,059	169,167
Borrowings	31	107,826	143,501	105,000	-
Other financial liabilities	35	998	-	409	-
Current tax liabilities		11,683	8,238	-	-
Dividend payable		67,976	-	67,976	-
Total current liabilities		590,650	526,955	346,137	174,204
Total liabilities		1,022,595	1,071,925	451,807	384,786
Total equity and liabilities		4,124,362	4,286,569	2,589,275	2,556,226

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

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010

Group	Attributable to owners of the Company										Total equity RM'000
	Non-distributable					Distributable					
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Exchange equalisation reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000	
As of 1 January 2009	849,695	1,067,199	33,968	33,798	40,923	-	1,006,434	3,032,017	27,009	3,059,026	
Total comprehensive income/(loss) for the year	-	-	-	-	3,286	-	413,253	416,539	(6,013)	410,526	
Dividends (Note 29)	-	-	-	-	-	-	(254,908)	(254,908)	-	(254,908)	
As of 31 December 2009	849,695	1,067,199	33,968	33,798	44,209	-	1,164,779	3,193,648	20,996	3,214,644	
As of 1 January 2010	849,695	1,067,199	33,968	33,798	44,209	-	1,164,779	3,193,648	20,996	3,214,644	
As previously stated											
- Effect of adopting FRS 139 (Note 2.1.2)	-	-	-	-	-	278	(389)	(111)	-	(111)	
As restated	849,695	1,067,199	33,968	33,798	44,209	278	1,164,390	3,193,537	20,996	3,214,533	
Total comprehensive income/(loss) for the year	-	-	111	-	(3,045)	(708)	294,475	290,833	(4,242)	286,591	
Dividends (Note 29)	-	-	-	-	-	-	(399,357)	(399,357)	-	(399,357)	
As of 31 December 2010	849,695	1,067,199	34,079	33,798	41,164	(430)	1,059,508	3,085,013	16,754	3,101,767	

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

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

Company	Attributable to owners of the Company					
	Share capital RM'000	Share premium RM'000	Non-distributable Capital redemption reserve RM'000	Hedging reserve RM'000	Distributable Retained earnings RM'000	Total equity RM'000
As of 1 January 2009	849,695	1,067,191	33,639	-	311,848	2,262,373
Total comprehensive income for the year	-	-	-	-	163,975	163,975
Dividends (Note 29)	-	-	-	-	(254,908)	(254,908)
As of 31 December 2009	849,695	1,067,191	33,639	-	220,915	2,171,440
As of 1 January 2010						
As previously stated	849,695	1,067,191	33,639	-	220,915	2,171,440
- Effect of adopting FRS 139 (Note 2.1.2)	-	-	-	(1,107)	(1,534)	(2,641)
As restated	849,695	1,067,191	33,639	(1,107)	219,381	2,168,799
Total comprehensive income for the year	-	-	-	800	367,226	368,026
Dividends (Note 29)	-	-	-	-	(399,357)	(399,357)
As of 31 December 2010	849,695	1,067,191	33,639	(307)	187,250	2,137,468

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

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before tax	345,397	441,914	375,002	164,896
Adjustments for:				
Depreciation of property, plant and equipment	148,287	146,652	81	75
Finance costs	10,817	17,405	8,758	10,640
Amortisation of prepaid lease payments on leasehold land	7,228	6,574	-	-
Provision for retirement benefits	6,430	6,636	91	84
Share in results of associate	6,205	1,535	-	-
Allowance for inventory obsolescence	3,314	5,646	-	-
Impairment loss recognised on trade receivables	2,885	7,897	-	-
Property, plant and equipment written off	2,028	1,030	-	-
Unrealised loss/(gain) on foreign exchange	1,179	(1,274)	5,884	3,022
Net unrealised loss/(gain) arising on:				
- financial assets designated as at fair value through profit or loss	18	-	-	-
- financial liabilities classified as held for trading	305	-	-	-
- hedge ineffectiveness on cash flow hedges	(7)	-	-	-
Loss on liquidation of a subsidiary	375	-	3	-
Amortisation of intangible assets	297	296	-	-
Depreciation of investment property	45	45	-	-
Impairment loss recognised on available-for-sale investment	6	-	-	-
Waiver of amount owing by a subsidiary	-	-	-	867
Interest income	(5,902)	(3,463)	(1,385)	(2,670)
Reversal of impairment loss on trade receivables	(3,140)	(6,206)	-	-
(Gain)/Loss on disposal of:				
- property, plant and equipment	(946)	(4,614)	(143)	-
- available-for-sale investments	6	(17)	-	-
Dividend income	(129)	(148)	(387,769)	(175,660)
Write back of allowance for diminution in value of quoted investments	-	(64)	-	-
Operating Profit Before Working Capital Changes	524,698	619,844	522	1,254
Decrease/(Increase) in:				
Inventories	9,814	120,792	-	-
Receivables	22,680	40,648	(369)	511
Amounts owing by holding and other related companies	(23,517)	-	-	-
Amounts owing by subsidiaries	-	-	(25,540)	229,161
Increase/(Decrease) in:				
Payables	14,426	(57,226)	209	(2,482)
Amounts owing to holding and other related companies	9,592	(8,792)	-	-
Amounts owing to subsidiaries	-	-	(108)	69,183
Cash Generated From/(Used In) Operations	557,693	715,266	(25,286)	297,627
Retirement benefits paid	(4,376)	(4,646)	-	-
Income tax (paid)/refund	(57,320)	(18,019)	1,096	-
Net Cash From/(Used In) Operating Activities	495,997	692,601	(24,190)	297,627

Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		2,855	6,333	143	-
Additions to property, plant and equipment		(51,982)	(59,994)	-	-
Payments for prepaid lease		(2,455)	-	-	-
Purchase of quarry rights		(2,000)	-	-	-
Proceeds from disposal of quoted investments		90	48	-	-
Interest received		5,902	3,463	1,385	4,543
Dividends received		129	1,845	319,769	175,660
Tax paid at source on dividends received		-	(5)	(7,794)	(1,351)
Loan repaid by subsidiaries		-	-	42,565	43,281
Net Cash (Used In)/From Investing Activities		(47,461)	(48,310)	356,068	222,133
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Drawdown of borrowings		-	140,000	-	-
Repayment of borrowings		(143,501)	(240,000)	-	(240,000)
Interest paid		(12,371)	(19,199)	(10,311)	(10,640)
Dividends paid		(331,381)	(254,908)	(331,381)	(254,908)
Net Cash Used In Financing Activities		(487,253)	(374,107)	(341,692)	(505,548)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		(38,717)	270,184	(9,814)	14,212
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(2,097)	479	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		413,521	142,858	14,521	309
CASH AND CASH EQUIVALENTS AT END OF YEAR	36	372,707	413,521	4,707	14,521

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2010

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 Lafarge Cement UK PLC, a company incorporated in the United Kingdom and the Directors regard Lafarge S.A., a public-listed company incorporated in France, as the ultimate holding company.

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 23 February 2011.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

2.1 Adoption of New and Revised Financial Reporting Standards

In the current financial year, the Group and the Company have adopted all the new and revised Standards and Issues Committee Interpretations ("IC Int.") issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2010 as follows:

FRS 2	Share-based Payment (Amendments relating to vesting conditions and cancellations)
FRS 7	Financial Instruments: Disclosures
FRS 7	Financial Instruments: Disclosures (Amendments relating to reclassification of financial assets and reclassification of financial assets - Effective date and transition)
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (revised)
FRS 123	Borrowing Costs (revised)
FRS 127	Consolidated and Separate Financial Statements (Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate)
FRS 132	Financial Instruments: Presentation (Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation and transitional provision relating to compound instruments)
FRS 139	Financial Instruments: Recognition and Measurement
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to eligible hedged items, reclassification of financial assets, reclassification of financial assets - Effective date and transition and embedded derivatives)
Improvements to FRSs issued in 2009	
IC Int. 9	Reassessment of Embedded Derivatives
IC Int. 9	Reassessment of Embedded Derivatives (Amendments relating to embedded derivatives)

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

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

IC Int. 10	Interim Financial Reporting and Impairment
IC Int. 11	FRS 2 - Group and Treasury Share Transactions
IC Int. 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

The adoption of these new and revised Standards and IC Interpretations have not affected the amounts reported on the financial statements of the Group and of the Company except for those Standards and IC Interpretations as set out in section 2.1.1 and section 2.1.2. Details of other Standards and IC Interpretations adopted in the financial statements of the Group and of the Company that have had no effect on the amounts reported but may affect the accounting for future transactions or arrangements are as set out in section 2.2.

2.1.1 Standards Affecting Presentation and Disclosure

FRS 7 Financial Instruments: Disclosures

FRS 7 and the consequential amendment to FRS 101 Presentation of Financial Statements require disclosure of information about the significance of financial instruments for the Group's and the Company's financial position and performance, the nature and extent of risks arising from financial instruments, and the objectives, policies and process for managing capital.

Comparative disclosures have not been presented upon initial adoption of this Standard as the Group and the Company have availed themselves of the transitional provision in this Standard.

FRS 8 Operating Segments

FRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (FRS 114²⁰⁰⁴ Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of FRS 8, the identification of the Group's reportable segments has changed (see Note 40).

FRS 101 Presentation of Financial Statements (revised)

FRS 101 has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

2.1.2 Standards Affecting the Reported Results or Financial Position

FRS 139 Financial Instruments: Recognition and Measurement

The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions in FRS 139. On that date, financial assets were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial liabilities were either classified as financial liabilities at fair value through profit or loss or other financial liabilities (i.e. those financial liabilities which are not held for trading or designated as at fair value through profit or loss upon initial recognition). The accounting policies for financial assets and financial liabilities are as disclosed in Notes 3.21, 3.22 and 3.23 to the financial statements.

All financial assets and financial liabilities within the scope of FRS 139 are recognised and re-measured accordingly, with the related adjustments taken to opening retained earnings or hedging reserve as of 1 January 2010, as appropriate. The adoption of FRS 139 which have affected the amounts reported in these financial statements are as follows:

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

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

2.1.2 Standards Affecting the Reported Results or Financial Position (continued)

FRS 139 Financial Instruments: Recognition and Measurement (continued)

(a) Non-current equity investments

Previously, the Group's non-current equity investments, other than investments in subsidiaries, associates and joint ventures, were carried at cost less allowance for diminution in value, which is other than a temporary decline in the value of the investments.

Upon adoption of FRS 139, these investments were classified as available-for-sale financial assets and held-to-maturity investment, respectively.

(b) Derivative financial instruments

Previously, derivative financial instruments were recognised on settlement date and not upon inception of the contract.

Upon adoption of FRS 139, all derivative financial instruments held by the Group were recognised in the statement of financial position as financial assets or financial liabilities through profit or loss at the date the contracts were entered into. Consequently, on 1 January 2010, derivative financial instruments which are not designated as hedging instruments held by the Group were measured at fair value on that date and fair value adjustment amounting to RM77,000 was recognised in opening retained earnings. The remaining derivative financial instruments designated as hedge held by the Group and the Company as of 1 January 2010 were measured at fair value and fair value adjustments amounting to RM278,000 and RM1,107,000 were recognised in opening hedging reserve.

(c) Staff loans

In 2009, the Group and the Company granted interest-free loans to its employees and these loans were recorded at cost in the financial statements of the Group and the Company. Upon adoption of FRS 139, the interest-free staff loans are measured initially at their fair value that are lower than principal and consequently, on 1 January 2010, adjustments amounting to RM466,000 and RM2,000 were recognised in opening retained earnings of the Group and the Company, respectively. Subsequent to initial recognition, the loans are measured at amortised cost and interest income is recognised in profit or loss.

(d) Loan to subsidiaries

During the current and previous years, the Company granted interest-free loans to its subsidiaries. Previously, these loans were recorded at cost in the Company's financial statements. Upon adoption of FRS 139, the interest-free loans are recorded initially at a fair value that is lower than cost and consequently, on 1 January 2010, an adjustment amounting to RM1,532,000 was recognised in the opening retained earnings. Subsequent to initial recognition, the loans are measured at amortised cost and interest income is recognised in profit or loss.

As the change in accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2009 or prior periods.

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

The adoption of the following new and revised Standards and IC Interpretations has not had any significant impact on the amounts reported in the financial statements of the Group and of the Company but may affect the accounting for future transactions or arrangements.

Amendments to FRS 2 Share-based Payment - Vesting Conditions and Cancellations

The amendments clarify the definition of vesting conditions for the purposes of FRS 2, introduce the concept of "non-vesting" conditions, and clarify the accounting treatment for cancellations.

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

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

FRS 123 Borrowing Costs (revised)	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's and the Company's accounting policy to capitalise borrowing costs incurred on qualifying assets.
Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation	The revisions to FRS 132 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
Amendments to FRS 139 Financial Instruments: Recognition and Measurement - Eligible Hedged Items	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
IC Int. 9 Reassessment of Embedded Derivatives	This Interpretation clarifies that an entity should reassess whether an embedded derivative needs to be separated from the host contract after the initial hybrid contract is recognised only when there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.
IC Int. 10 Interim Financial Reporting and Impairment	This Interpretation requires that when an impairment loss is recognised in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment should not be reversed in subsequent interim financial statements nor in annual financial statements.
Embedded Derivatives (Amendments to IC Int. 9 and FRS 139)	The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the "fair value through profit or loss" category as permitted by the amendments to FRS 139 Financial Instruments: Recognition and Measurement.
Improvements to FRSs (2009)	The Improvements have led to a number of changes in the detail of the Group's and the Company's accounting policies - some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.

2.3 Standards and IC Interpretations in Issue But Not Yet Effective

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

FRS 1	First-time Adoption of Financial Reporting Standards (revised) ¹
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from Comparative FRS Disclosures for First-time Adopters) ²
FRS 1	First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemptions for first-time adopters) ²
FRS 2	Share-based Payment (Amendments relating to scope of FRS 2 and revised FRS 3) ¹
FRS 2	Share-based Payment (Amendments relating to group cash-settled share-based payment transactions) ²
FRS 3	Business Combinations (revised) ¹

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

2.3 Standards and IC Interpretations in Issue But Not Yet Effective (continued)

FRS 5	Non-current Assets held for sale and Discontinued Operations (Amendments relating to plan to sell controlling interest in a subsidiary) ¹
FRS 7	Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments) ²
FRS 124	Related Party Disclosures (revised) ³
FRS 127	Consolidated and Separate Financial Statements (revised) ¹
FRS 128	Investment in Associates (revised) ¹
FRS 132	Financial Instruments: Presentation (Amendments relating to classification of rights issue) ⁴
FRS 138	Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3) ¹
FRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to additional consequential amendments arising from revised FRS 3 and revised FRS 127) ¹
Improvements to FRSs 2010 ²	
IC Int. 4	Determining whether an Arrangement contains a Lease ²
IC Int. 9	Reassessment of Embedded Derivatives (Amendments relating to additional consequential amendments arising from revised FRS 3) ¹
IC Int. 12	Service Concession Arrangements ¹
IC Int. 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendments relating to prepayments of a minimum funding requirement) ⁷
IC Int. 15	Agreements for the Construction of Real Estate ⁵
IC Int. 16	Hedges of a Net Investment in a Foreign Operation ¹
IC Int. 17	Distributions of Non-cash Assets to Owners ¹
IC Int. 18	Transfers of Assets from Customers ⁶
IC Int. 19	Extinguishing Financial Liabilities with Equity Instruments ⁷

¹ Effective for annual periods beginning on or after 1 July 2010

² Effective for annual periods beginning on or after 1 January 2011

³ Effective for annual periods beginning on or after 1 January 2012

⁴ Effective for annual periods beginning on or after 1 March 2010

⁵ Original effective date of 1 July 2009 deferred to 1 January 2012 via amendment issued by MASB on 30 August 2010

⁶ Applied prospectively to transfers of assets from customers received on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 July 2011

The Directors anticipate that abovementioned Standards and IC Interpretations 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 IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period of initial application, except for the followings:

FRS 3 - Business Combinations (revised)

The revised FRS 3:

- allows a choice on a transaction-by-transaction basis for the measurement of minority interests either at fair value or at the minority interests share of the fair value of the identifiable net assets of the acquiree;
- changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in statement of comprehensive income;

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

2.3 Standards and IC Interpretations in Issue But Not Yet Effective (continued)

FRS 3 - Business Combinations (revised) (continued)

The revised FRS 3 (continued):

- requires the recognition of a settlement gain or loss where the business combination in effect settles a pre-existing relationship between the Group and the acquiree; and
- requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in statement of comprehensive income as incurred, whereas previously they were accounted for as part of the cost of the business combination.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

FRS 127 - Consolidated and Separate Financial Statements (revised)

The revised Standard will affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. Previously, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, where appropriate; for decreases in interests in existing subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in statement of comprehensive income.

Under FRS 127 (revised), increases or decreases in ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are dealt with in equity and attributed to the owners of the parents, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, FRS 127 (revised) requires that the Group derecognised all assets, liabilities and minority interests at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost, with the resulting gain or loss being recognised in statement of comprehensive income.

Upon adoption, this Standard will be applied prospectively and therefore, no restatements will be required in respect of transactions prior to the date of adoption.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

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

The principal accounting policies are set out below.

3.2 Subsidiaries and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Subsidiaries and Basis of Consolidation (continued)

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

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3.2.1 Subsidiaries

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

3.3 Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the business combination is measured as 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, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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 the carrying amount of the unit, 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 gain 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.

3.7 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Leasing

Leases of property, plant and equipment where a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under such leases are charged to the profit or loss as rental charges. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

3.9.1 The Group as Lessor

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

3.9.2 The Group as Lessee

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

3.10 Prepaid Lease Payments on Leasehold Land

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

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 a separate component of equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation accumulated in a separate component of equity, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Borrowing Costs (continued)

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 10 January 2011.

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

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

(c) Termination Benefits

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

3.13.3 Share-Based Payments

(a) Performance Share Plan ("PSP")

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Employee Benefits (continued)

3.13.3 Share-Based Payments (continued)

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

In 2009, 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 for the previous financial year was not material.

3.14 Taxation

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

3.14.1 Current Tax

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

3.14.2 Deferred Tax

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Taxation (continued)

3.14.2 Deferred Tax (continued)

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

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

3.14.3 Current and Deferred Tax for the Period

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

3.15 Property, Plant and Equipment

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

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

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

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

The principal annual rates are:

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

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

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

3.16 Investment Property

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Investment Property (continued)

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

3.17 Quarry Rights

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

3.18 Impairment of Tangible and Intangible Assets Excluding Goodwill

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

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

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

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

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

3.19 Inventories

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Inventories (continued)

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

3.20 Provisions

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

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

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

3.21 Financial Instruments

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

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

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

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

3.21.1 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 on 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial Instruments (continued)

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 FRS 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in Note 37.

3.21.3 Held-To-Maturity Investments

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

3.21.4 AFS Financial Assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. All AFS assets are measured at fair value at the end of the reporting period. Fair value is determined in the manner described in Note 37. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial Instruments (continued)

3.21.4 AFS Financial Assets (continued)

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

3.21.5 Loans and Receivables

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

3.21.6 Impairment of Financial Assets

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

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

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Financial Instruments (continued)

3.21.6 Impairment of Financial Assets (continued)

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

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

3.21.7 Derecognition of Financial Assets

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

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

3.22.1 Classification as Debt or Equity

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

3.22.2 Equity Instruments

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

3.22.3 Financial Liabilities

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

3.22.4 Financial Liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.22.4 Financial Liabilities at FVTPL (continued)

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in Note 37.

3.22.5 Other Financial Liabilities

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

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

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

3.22.6 Derecognition of Financial Liabilities

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

3.23 Derivative Financial Instruments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Derivative Financial Instruments (continued)

3.23.1 Embedded Derivatives

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

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

3.23.2 Hedge Accounting

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

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

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

3.23.3 Fair Value Hedge

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

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

3.23.4 Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Statements of Cash Flows

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Critical Judgements in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, the Directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amount recognised in the financial statements.

4.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities of the Group and of the Company within the next financial year is discussed below.

4.2.1 Impairment of Goodwill

The determination of recoverable amounts of the cash-generating units ("CGUs") assessed in the annual goodwill impairment test requires an estimate of their fair value net of disposal costs and their value-in-use. The assessment of the value-in-use requires assumptions to be made with respect of the operating cash flows of the CGUs as well as the discount rates.

Evaluation for impairment is significantly impacted by estimates of future prices for the products, the evolution of expenses, economic trends in the local and international constructions sectors, expectations of long-term development of growing markets and other factors. The result of such evaluation are also impacted by the discount rates and perpetual growth rate used. The Group has defined country specific discount rates for its CGUs based on the weighted-average cost of capital.

The carrying amount of the Group's goodwill as at 31 December 2010 was approximately RM1,205,889,000 (2009: RM1,206,264,000). Further details are disclosed in Note 15.

5. REVENUE AND OPERATING COSTS

5.1 Revenue

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Sale of clinker, cement, ready-mixed concrete, aggregates and other building materials	2,322,706	2,477,656	-	-
Freight and chartering of vessels and jetty services	2,182	5,450	-	-
Gross dividend from unquoted investments in subsidiaries in Malaysia	-	-	387,769	175,660
Interest income:				
Loans to subsidiaries	-	-	949	2,486
Term deposits	-	-	387	137
Others	-	-	49	47
	2,324,888	2,483,106	389,154	178,330

5. REVENUE AND OPERATING COSTS (continued)

5.2 Operating Costs Applicable to Revenue

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Raw and packing materials and other consumables used and changes in inventories of finished goods	1,455,750	1,503,344	-	-
Depreciation and amortisation	155,857	153,567	81	75
Staff costs	138,523	151,200	429	370
Directors' remuneration	5,387	5,104	3,125	2,782
Others	233,364	235,074	6,323	4,417
	1,988,881	2,048,289	9,958	7,644

5.3 Staff Costs

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Wages, salaries and bonuses	98,451	106,398	380	194
Defined contribution retirement plans	9,980	11,085	25	26
Termination benefits	5,838	7,259	-	-
Defined benefit retirement plan	6,282	6,508	24	28
Other employee benefits	17,972	19,950	-	122
	138,523	151,200	429	370

5.4 Directors' Remuneration

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors of the Company				
Executive Directors:				
Salaries and other emoluments	2,172	2,029	2,172	2,029
Estimated money value of benefits	478	377	478	377
Defined contribution retirement plan	88	86	88	86
Defined benefit retirement plan	67	56	67	56
	2,805	2,548	2,805	2,548
Non-executive Directors:				
Fees	320	234	320	234
	3,125	2,782	3,125	2,782

5. REVENUE AND OPERATING COSTS (continued)

5.4 Directors' Remuneration (continued)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors of the Subsidiaries				
Executive Directors:				
Salaries and other emoluments	1,823	1,891	-	-
Estimated money value of benefits	246	249	-	-
Defined contribution retirement plan	112	110	-	-
Defined benefit retirement plan	81	72	-	-
	2,262	2,322	-	-
Total	5,387	5,104	3,125	2,782

6. INVESTMENT AND INTEREST INCOME

	Group	
	2010 RM'000	2009 RM'000
Investment income from:		
- operating lease under Lorry-Owner Driver scheme	5,200	5,192
- other rental income	3,143	2,980
- rental of investment properties	82	84
Dividends from available-for-sale investments	129	148
	8,554	8,404
Interest income from:		
- Loans and receivables (including cash and bank balances)	5,855	3,416
- Held-to-maturity investment	47	47
	5,902	3,463

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

Loans and receivables (including cash and bank balances)	5,855	3,416
Held-to-maturity investment	47	47
Total interest income for financial assets not designated at FVTPL	5,902	3,463
Income earned on available-for-sale investments	129	148
Income earned on non-financial assets	8,425	8,256
Total investment and interest income	14,456	11,867

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

7. OTHER GAINS AND LOSSES

	Group	
	2010 RM'000	2009 RM'000
Impairment loss on available-for-sale investment	(6)	-
Loss on disposal of available-for-sale investment	(6)	-
Net gain/(loss) arising on financial assets designated as at FVTPL		
- realised	104	-
- unrealised	(18)	-
Net loss arising on financial liabilities classified as held for trading		
- unrealised	(305)	-
Hedge ineffectiveness on cash flow hedges		
- unrealised	7	-
	(224)	-

No other gains or losses have been recognised in respect of loans and receivables or held-to-maturity investment, other than as disclosed in Note 6 and impairment losses recognised/reversed in respect of trade receivables (Note 10 and Note 22).

8. FINANCE COSTS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Finance costs on:				
- floating rate notes	8,504	9,892	8,504	9,892
- short-term loans	901	4,847	-	-
- commercial papers	338	569	-	569
- bankers' acceptances	-	322	-	-
- others	1,074	1,775	254	179
	10,817	17,405	8,758	10,640

9. INCOME TAX EXPENSE

9.1 Income Tax Recognised in Profit or Loss

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia				
Estimated current tax payable:				
- Current year	61,167	13,852	7,794	1,351
- Under/(Over)provision in prior years	1,240	(1,101)	(15)	(419)
Deferred tax:				
- Current year	(8,130)	17,925	-	-
- Underprovision in prior years	557	4,747	-	-
	54,834	35,423	7,779	932

9. INCOME TAX EXPENSE (continued)

9.1 Income Tax Recognised in Profit or Loss (continued)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Foreign				
Estimated current tax payable:				
- Current year	934	1,515	-	-
- Overprovision in prior years	(381)	-	-	-
Deferred tax:				
- Current year	(908)	(1,239)	-	-
- Overprovision in prior years	(180)	-	-	-
Total tax expense	54,299	35,699	7,779	932

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

Malaysian income tax is calculated at the statutory tax rate of 25% (2009: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before tax	345,397	441,914	375,002	164,896
Tax expense calculated using the Malaysian statutory income tax rate of 25% (2009: 25%)	86,349	110,478	93,751	41,224
Tax effects of:				
- different tax rates of subsidiaries operating in other jurisdictions	3,960	(325)	-	-
- expenses that are not deductible in determining taxable profit	6,388	10,739	3,285	3,148
- revenue not subject to tax	(205)	(1,247)	(168)	(457)
- revenue that is exempt from tax	-	(199)	(89,149)	(42,564)
- utilisation of reinvestment allowances	(44,002)	(86,878)	-	-
- others	573	(128)	75	-
Adjustment to deferred taxation arising from reduction in corporate tax rate	-	(387)	-	-
Under/(Over)provision of tax payable in prior years	859	(1,101)	(15)	(419)
Underprovision of deferred tax in prior years	377	4,747	-	-
Income tax expense recognised in profit or loss	54,299	35,699	7,779	932

9. INCOME TAX EXPENSE (continued)

9.2 Income Tax Recognised in Other Comprehensive Income

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred tax				
Arising on income and expenses recognised in other comprehensive income:				
- Defined benefits retirement plan actuarial (loss)/gain	(316)	326	-	-
- Revaluations of financial instruments treated as cash flow hedges	225	-	268	-
- Others	(111)	-	-	-
	(202)	326	268	-
Reclassification from equity to profit or loss:				
- Relating to cash flow hedges	(463)	-	-	-
Total income tax recognised in other comprehensive income	(665)	326	268	-

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

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

Based on professional advice received, the Directors are of the opinion that LMCBH should not be liable to refund the sum nor pay any penalty and is therefore challenging the validity and basis of the assessment for which Notices of Refusals to Amend were issued by IRAS. 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. The outcome of the appeals is still pending as of the date of this report.

As of 31 December 2010, the Company has a total tax exempt income amounting to approximately RM293,165,000 (2009: 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.

9. INCOME TAX EXPENSE (continued)

As of 31 December 2010, certain subsidiaries have the following tax exempt income arising from various sources:

	Group	
	2010 RM'000	2009 RM'000
Reinvestment allowances claimed and utilised under Schedule 7A of the Malaysia Income Tax Act, 1967	910,585	734,575
Tax exempt income claimed under Section 54A of the Malaysia Income Tax Act, 1967	54,872	54,872
Chargeable income on which income tax has been waived in 1999 in accordance with the Malaysia Income Tax (Amendment) Act, 1999	19,352	19,352
	984,809	808,799

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

As of 31 December 2010, certain subsidiaries have unutilised reinvestment allowances claimed of approximately RM5,825,000 (2009: RM148,385,000) the deferred tax effects of which are not recognised in the financial statements of the Group. The reinvestment allowances, subject to agreement by the tax authorities, are available for offset against future chargeable income of these subsidiaries.

10. PROFIT FOR THE YEAR

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
10.1 Impairment Losses on Financial Assets				
Impairment loss recognised on available-for-sale investment	6	-	-	-
Impairment loss recognised on trade receivables (Note 22)	2,885	7,897	-	-
	2,891	7,897	-	-
Reversal of impairment loss recognised on trade receivables	(3,140)	(6,206)	-	-
Reversal of impairment loss recognised on available-for-sale investments	-	(64)	-	-
	(3,140)	(6,270)	-	-
10.2 Depreciation and Amortisation Expense				
Depreciation of property, plant and equipment	148,287	146,652	81	75
Depreciation of investment property	45	45	-	-
Amortisation of prepaid lease payments on leasehold land	7,228	6,574	-	-
Amortisation of intangible assets	297	296	-	-
Total depreciation and amortisation expense	155,857	153,567	81	75

10. PROFIT FOR THE YEAR (continued)

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
10.3 Inventories				
Inventory written down (Note 21)	3,314	5,646	-	-
10.4 Other Charges/(Credit)				
Rental of premises and equipment	22,148	21,522	-	-
Provision for retirement benefits	6,430	6,636	91	84
(Gain)/Loss on foreign exchange:				
- realised	1,557	1,750	(4,421)	(4,850)
- unrealised	993	(1,274)	5,884	3,022
Property, plant and equipment written off	2,028	1,030	-	-
Fees paid/payable to external auditors:				
Statutory audit:				
- auditors of the Company	546	514	53	48
- other member firm of the auditors of the Company	177	180	-	-
Non-audit services:				
- other member firm of the auditors of the Company	73	93	-	-
Loss on liquidation of a subsidiary	375	-	3	-
Waiver of amount owing by a subsidiary	-	-	-	867
(Gain)/Loss on disposal of:				
- property, plant and equipment	(946)	(4,614)	(143)	-
- available-for-sale investments	6	(17)	-	-

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	
	2010	2009
	RM'000	RM'000
Profit attributable to owners of the Company	295,340	412,228

	Group	
	2010	2009
	Units'000	Units'000
Number of ordinary shares in issue	849,695	849,695

	Group	
	2010	2009
Basic earnings per ordinary share (sen)	34.76	48.51

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 of 1 January 2009	38,639	39,460	221,096	112,269	2,916,428	108,324	3,436,216
Additions	-	-	11	624	5,836	38,323	44,794
Reclassifications	-	4,544	842	1,857	94,874	(102,117)	-
Disposals	(1,159)	-	-	(2,834)	(8,197)	-	(12,190)
Write-offs	-	-	-	(2,402)	(1,697)	(41)	(4,140)
Effect of foreign currency exchange differences and other adjustments	-	10	406	246	6,620	-	7,282
As of 31 December 2009	37,480	44,014	222,355	109,760	3,013,864	44,489	3,471,962
As of 1 January 2010	37,480	44,014	222,355	109,760	3,013,864	44,489	3,471,962
Additions	-	3,677	19	800	14,182	37,517	56,195
Reclassifications	-	-	144	794	20,124	(21,062)	-
Disposals	-	-	(33)	(4,576)	(7,514)	-	(12,123)
Write-offs	-	-	(444)	(867)	(5,906)	(250)	(7,467)
Capitalisation of engineering spares from inventories*	-	-	-	-	34,887	-	34,887
Reclassified as held for sale	-	-	(12,995)	(1,477)	(17,365)	-	(31,837)
Effect of foreign currency exchange differences and other adjustments	-	-	(488)	(179)	(3,868)	-	(4,535)
As of 31 December 2010	37,480	47,691	208,558	104,255	3,048,404	60,694	3,507,082

* During the year, engineering spares which are of capital in nature, have been capitalised to property, plant and equipment.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Land		Buildings	Office	Plants, Machinery and Cement Silos	Capital Work-in- Progress	Total
	Freehold Land RM'000	Improvement RM'000		Equipment, Furniture and Fittings and Motor Vehicles RM'000			
Accumulated Depreciation							
As of 1 January 2009	-	7,012	133,565	70,559	1,278,653	-	1,489,789
Charge for the year	-	2,068	8,038	12,530	124,016	-	146,652
Disposals	-	-	-	(2,562)	(7,910)	-	(10,472)
Write-offs	-	-	-	(2,297)	(813)	-	(3,110)
Effect of foreign currency exchange differences and other adjustments	-	9	196	182	4,017	-	4,404
As of 31 December 2009	-	9,089	141,799	78,412	1,397,963	-	1,627,263
As of 1 January 2010	-	9,089	141,799	78,412	1,397,963	-	1,627,263
Charge for the year	-	2,457	8,005	12,073	125,752	-	148,287
Disposals	-	-	(33)	(3,870)	(6,311)	-	(10,214)
Write-offs	-	-	(444)	(853)	(4,142)	-	(5,439)
Reclassified as held for sale	-	-	(4,616)	(1,456)	(7,017)	-	(13,089)
Effect of foreign currency exchange differences and other adjustments	-	-	(244)	(175)	(3,235)	-	(3,654)
As of 31 December 2010	-	11,546	144,467	84,131	1,503,010	-	1,743,154
Provision for Impairment Loss							
As of 1 January 2009 and 31 December 2009	40	-	-	-	-	-	40
As of 1 January 2010 and 31 December 2010	40	-	-	-	-	-	40
Net Book Value							
As of 31 December 2010	37,440	36,145	64,091	20,124	1,545,394	60,694	1,763,888
As of 31 December 2009	37,440	34,925	80,556	31,348	1,615,901	44,489	1,844,659

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture and Fittings RM'000	Motor Vehicles RM'000	Total RM'000
Cost			
As of 1 January 2009 and 31 December 2009	344	738	1,082
As of 1 January 2010	344	738	1,082
Disposals	-	(331)	(331)
As of 31 December 2010	344	407	751
Accumulated Depreciation			
As of 1 January 2009	344	419	763
Charge for the year	-	75	75
As of 31 December 2009	344	494	838
As of 1 January 2010	344	494	838
Charge for the year	-	81	81
Disposals	-	(331)	(331)
As of 31 December 2010	344	244	588
Net Book Value			
As of 31 December 2010	-	163	163
As of 31 December 2009	-	244	244

As of 31 December 2010, included in property, plant and equipment of the Group and of the Company are fully depreciated property, plant and equipment at an aggregate cost of approximately RM336,366,000 and RM344,000 (2009: RM336,605,000 and RM675,000) respectively which are still in use.

The carrying amount of property, plant and equipment under finance lease arrangement of the Group as of 31 December 2010 is RM7,853,000 (2009: RM11,668,000).

13. INVESTMENT PROPERTY

	Group	
	2010 RM'000	2009 RM'000
At Cost		
At beginning and at end of year	4,762	4,762
Accumulated Depreciation		
At beginning of year	356	311
Charge for the year	45	45
At end of year	401	356
Provision for Impairment Loss		
At beginning and at end of year	584	584
Net Book Value	3,777	3,822
Included in the above are:		
Freehold land	3,100	3,100
Buildings	677	722
	3,777	3,822
Fair value of investment property	5,773	5,799

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

The property rental income earned by the Group from its investment property, all of which are leased out under operating leases, amounted to RM82,000 (2009: RM84,000). Direct operating expenses arising on the investment property amounted to RM2,000 (2009: RM4,000).

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/Valuation			
As of 1 January 2009/31 December 2009/1 January 2010	140,732	51,772	192,504
Additions	2,455	-	2,455
As of 31 December 2010	143,187	51,772	194,959
Accumulated Amortisation			
As of 1 January 2009	48,029	8,479	56,508
Charge for the year	5,703	871	6,574
As of 31 December 2009/1 January 2010	53,732	9,350	63,082
Charge for the year	5,727	1,501	7,228
As of 31 December 2010	59,459	10,851	70,310
Net Book Value			
As of 31 December 2010	83,728	40,921	124,649
As of 31 December 2009	87,000	42,422	129,422

15. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Group	
	2010	2009
	RM'000	RM'000
Goodwill on consolidation	1,205,889	1,206,264
Quarry rights	4,179	2,476
	1,210,068	1,208,740

15.1 Goodwill on Consolidation

	Group	
	2010	2009
	RM'000	RM'000
At beginning of year	1,206,264	1,206,264
Derecognised on liquidation of a subsidiary	(375)	-
At end of year	1,205,889	1,206,264

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	
	2010	2009
	RM'000	RM'000
Cement	1,151,670	1,152,045
Aggregates & Concrete	54,219	54,219
	1,205,889	1,206,264

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

15.1.1 Key assumptions used

For market approach, the Group compares the carrying value of the CGUs with multiples of EBITDA. For CGUs presenting an impairment risk according to the market approach, the value in use approach will be carried out. As of 31 December 2010, 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	
	2010	2009
	RM'000	RM'000
Cost		
At beginning of year	3,500	3,500
Additions through acquisition externally	2,000	-
At end of year	5,500	3,500
Accumulated Amortisation		
At beginning of year	1,024	728
Charge for the year	297	296
At end of year	1,321	1,024
Net	4,179	2,476

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	
	2010	2009
	RM'000	RM'000
Unquoted shares:		
In Malaysia	2,264,449	2,263,602
Outside Malaysia	- *	- *
	2,264,449	2,263,602

* comprising cost of investment amounting to SGD2.00.

16. INVESTMENT IN SUBSIDIARIES (continued)

Details of the Company's subsidiaries are as follows:

Name of Subsidiary	Principal Activities	Group Effective Equity Interest	
		2010 %	2009 %
Incorporated in Malaysia			
Associated Pan Malaysia Cement Sdn. Bhd.	Manufacture and sale of clinker and cement	100	100
Lafarge Cement Sdn. Bhd.	Manufacture and sale of clinker and cement	100	100
Southern Cement Industries Sdn. Bhd.	Inactive	100	100
Simen Utama Sdn. Bhd.	Inactive	100	100
Kedah Cement Marketing Sdn. Bhd.	Inactive	100	100
CMCM Perniagaan Sdn. Bhd.	Trading of cement and other building materials	100	100
Jumewah Shipping Sdn. Bhd.	Shipping of bulk cement and chartering of vessels	100	100
Kedah Cement Jetty Sdn. Bhd.	Management and operation of a jetty	100	100
Lafarge Aggregates Sdn. Bhd.	Investment holding, trading and quarrying of aggregates and related products	100	100
Lafarge Aggregates (Pantai Remis) Sdn. Bhd.	Producer and supplier of aggregates and related products	100	100
Lafarge Aggregates (Ipoh) Sdn. Bhd.	Producer and supplier of aggregates, premix and related products	100	100
Lafarge Concrete (M) Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	61.7	61.7
Lafarge Concrete Industries Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	61.7	61.7
Lafarge Concrete (East Malaysia) Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	61.7	61.7
Supermix-SMJ JV Sdn. Bhd. **	Liquidated in 2010	-	43.2
APMC Enterprises Sdn. Bhd.	Investment holding and letting of premises	100	100
M-Cement Sdn. Bhd.	Investment holding	100	100
Kedah Cement Holdings Berhad	Investment holding	100	100
KL Cement Sdn. Bhd. **	Liquidated in 2010	-	100
Incorporated in Singapore			
LMCB Holding Pte. Ltd. *	Investment holding	100	100
Lafarge Cement Singapore Pte. Ltd. *	Bulk import and sale of cement and trading in other building materials	100	100
Supermix Concrete Pte. Ltd. *	Inactive	100	100
Cement Marketing Company (Singapore) Pte. Ltd. *	Investment holding	100	100
PMCWS Enterprises Pte. Ltd. *	Investment holding	100	100
LCS Shipping Pte. Ltd. *	Shipping of bulk cement and chartering of vessels	100	100
Morelastic Green Resources Pte. Ltd. *	Recycling of non-metal waste	75	75

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

** These companies were liquidated during the year.

17. INVESTMENT IN ASSOCIATE

	Group	
	2010	2009
	RM'000	RM'000
Unquoted shares at cost, representing share of net assets acquired	4,603	4,603
Group's share of post acquisition results	16,322	22,527
Exchange differences	785	1,128
	21,710	28,258
Less: Dividends received	(12,109)	(12,109)
	9,601	16,149

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	
	2010	2009
	RM'000	RM'000
Total assets	89,836	98,249
Total liabilities	(61,033)	(49,802)
Net assets	28,803	48,447
Group's share of associate's net assets	9,601	16,149
Total revenue	289,073	356,533
Total loss for the year	(18,617)	(4,605)
Share in results of associate	(6,205)	(1,535)

Particulars of the associate are as follows:

Name of Associate	Principal Activities	Group Effective Equity Interest	
		2010	2009
		%	%
Incorporated in Singapore			
Alliance Concrete Singapore Pte. Ltd. *	Production and sale of ready-mixed concrete	33.33	33.33

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

18. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred Tax Assets				
At beginning of year	320	5,392	-	-
Effect of adopting FRS 139 (Note 2.1.2)	370	-	370	-
As restated	690	5,392	370	-
Recognised in profit or loss	768	(4,554)	-	-
Recognised in other comprehensive income	(193)	(15)	(268)	-
Reclassifications	(62)	(503)	-	-
Exchange difference on foreign operations	2	-	-	-
At end of year	1,205	320	102	-
Deferred Tax Liabilities				
At beginning of year	(291,510)	(274,729)	-	-
Effect of adopting FRS 139 (Note 2.1.2)	(488)	-	-	-
As restated	(291,998)	(274,729)	-	-
Recognised in profit or loss	7,893	(16,879)	-	-
Recognised in other comprehensive income	395	(311)	-	-
Reclassified from equity to profit or loss	463	-	-	-
Reclassifications	62	503	-	-
Exchange difference on foreign operations	109	(94)	-	-
At end of year	(283,076)	(291,510)	-	-

Deferred tax asset of the Company as of 31 December 2010 represents tax effects of temporary differences arising from derivatives instruments in designated hedge accounting relationships.

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

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

Group	Property, plant and equipment RM'000	Receivables RM'000	Inventories RM'000	Payables and reserves RM'000	Unutilised tax losses RM'000	Unabsorbed capital allowances RM'000	Total RM'000
Deferred Tax Assets							
As of 1 January 2009	(3,177)	121	-	2,285	4,533	1,630	5,392
Recognised in profit or loss	2,242	2	-	(1,299)	(3,869)	(1,630)	(4,554)
Recognised in other comprehensive income	-	-	-	(15)	-	-	(15)
Reclassifications	528	(123)	-	(244)	(664)	-	(503)
As of 31 December 2009/ 1 January 2010	(407)	-	-	727	-	-	320
Effect of adopting FRS 139 (Note 2.1.2)	-	-	-	370	-	-	370
As restated	(407)	-	-	1,097	-	-	690
Recognised in profit or loss	92	(6)	-	186	189	307	768
Recognised in other comprehensive income	-	-	-	(193)	-	-	(193)
Reclassifications	(712)	113	-	178	359	-	(62)
Exchange difference on foreign operations	-	-	-	-	2	-	2
As of 31 December 2010	(1,027)	107	-	1,268	550	307	1,205

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

Group	Property, plant and equipment RM'000	Receivables RM'000	Inventories RM'000	Payables and reserves RM'000	Unutilised tax losses RM'000	Unabsorbed capital allowances RM'000	Total RM'000
Deferred Tax Liabilities							
As of 1 January 2009	(332,173)	30	4,925	14,606	37,611	272	(274,729)
Recognised in profit or loss	14,204	19	(3,174)	(200)	(27,456)	(272)	(16,879)
Recognised in other							
comprehensive income	-	-	-	(311)	-	-	(311)
Reclassifications	(528)	123	-	244	664	-	503
Exchange difference on foreign operations	(96)	-	-	2	-	-	(94)
As of 31 December 2009/ 1 January 2010	(318,593)	172	1,751	14,341	10,819	-	(291,510)
Effect of adopting FRS 139 (Note 2.1.2)	-	-	-	(488)	-	-	(488)
As restated	(318,593)	172	1,751	13,853	10,819	-	(291,998)
Recognised in profit or loss	16,423	(23)	709	997	(10,319)	106	7,893
Recognised in other							
comprehensive income	111	-	-	284	-	-	395
Reclassified from equity to profit or loss	-	-	-	463	-	-	463
Reclassifications	712	(113)	-	(178)	(359)	-	62
Exchange difference on foreign operations	109	-	-	-	-	-	109
As of 31 December 2010	(301,238)	36	2,460	15,419	141	106	(283,076)

19. OTHER FINANCIAL ASSETS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Available-for-sale investments carried at fair value:				
<u>Non-current:</u>				
In Malaysia:				
Unquoted investments	168	168	-	-
Quoted investments	11	410	-	-
Others	677	677	-	-
	856	1,255	-	-
Less:				
Allowance for diminution in value of:				
- quoted investments	-	(297)	-	-
	856	958	-	-
Held-to-maturity investment carried at amortised cost				
<u>Non-current:</u>				
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:				
<u>Current:</u>				
Foreign currency forward contracts	26	-	-	-
	2,137	2,213	1,255	1,255
Current	26	-	-	-
Non-current	2,111	2,213	1,255	1,255
	2,137	2,213	1,255	1,255

20. AMOUNTS OWING BY/(TO) SUBSIDIARIES

20.1 Amounts Owing by Subsidiaries

	Company	
	2010	2009
	RM'000	RM'000
Loans carried at amortised cost:		
<u>Non-current:</u>		
Amount owing by a subsidiary		
Unsecured loan (a)	10,447	229,813
<hr/>		
<u>Current:</u>		
Short-term loans to subsidiaries (a) & (b)	193,653	10,000
Outstanding balances receivable for other operating transactions (c)	45,585	35,163
	239,238	45,163
<hr/>		
Current	239,238	45,163
Non-current	10,447	229,813
	249,685	274,976

- (a) In the current year, long-term loan to a subsidiary is unsecured and repayable between 2013 and 2015. The weighted average interest rate on this loan is 5.0% per annum.

In the prior year, the carrying amount of long-term loan to a subsidiary which was unsecured, interest free and expected to be repaid by 2013 or earlier, was not reduced to its estimated fair value of RM212,475,000. At the end of the financial year, the carrying amount of the outstanding balance stood at RM180,653,000 and has now been classified as short-term loan since it is expected to be recalled within the next 12 months period.

- (b) Included in short-term loans to subsidiaries are unsecured interest bearing loans which bear interest at rates ranging from 3.5% to 4.0% (2009: 3.1% to 4.7%) per annum totalling RM13,000,000 (2009: RM10,000,000).
- (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	
	2010	2009
	RM'000	RM'000
Other financial liabilities:		
<u>Current:</u>		
Amounts owing to subsidiaries		
Loans from subsidiaries (d)	169,059	169,167

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

21. INVENTORIES

	Group	
	2010	2009
	RM'000	RM'000
At cost:		
Fuels, raw and packing materials	54,328	40,363
Finished and semi-finished goods	78,563	85,348
Engineering spares and consumables	138,557	190,532
	271,448	316,243
Allowance for inventory obsolescence	(10,315)	(7,001)
	261,133	309,242

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

22. TRADE RECEIVABLES

	Group	
	2010	2009
	RM'000	RM'000
Trade receivables	288,456	312,859
Allowance for doubtful debts	(12,642)	(16,871)
	275,814	295,988

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 (2009: 30 to 60 days).

Included in trade receivables are amounts totalling to RM6,397,000 (2009: RM42,170,000) owing by associate and related companies.

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.

22. TRADE RECEIVABLES (continued)

Group
2010
RM'000

Ageing of trade receivables not impaired:

Not past due	192,235
Past due 0-30 days	47,629
Past due 31-60 days	16,753
Past due 61-90 days	13,525
Past due more than 90 days	5,672
	275,814

Ageing of impaired trade receivables:

Past due more than 90 days	12,642
----------------------------	--------

Group
2010 2009
RM'000 RM'000

Movement in the allowance for doubtful debts:

At beginning of the year	16,871	25,389
Impairment losses recognised on receivables	2,885	7,897
Amounts written off during the year	(3,974)	(10,209)
Impairment losses reversed	(3,140)	(6,206)
At end of the year	12,642	16,871

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

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

Group
2010 2009
RM'000 RM'000

Ringgit Malaysia	254,288	238,713
United States Dollar	7,101	39,207
Singapore Dollar	14,425	18,068
	275,814	295,988

23. OTHER RECEIVABLES AND PREPAID EXPENSES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other receivables	18,757	22,215	424	64
Prepaid expenses	12,478	12,698	12	6
Refundable deposits	4,999	4,153	476	475
	36,234	39,066	912	545

Other receivables of the Group includes amount due from associate of RM396,000 (2009: RM337,000) and loans and advances given to the staff.

24. RELATED PARTY DISCLOSURES

The Company is a subsidiary of Lafarge Cement UK PLC, a company incorporated in United Kingdom and the Directors regard Lafarge S.A., a public-listed company incorporated in France, as the ultimate holding company.

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

Name of related parties	Relationship
Lafarge S.A.	Ultimate holding company of the Company
Lafarge Cement UK PLC	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.
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 (formerly known as PT Semen Andalas Indonesia)	Subsidiary of Lafarge S.A.
P&O Global Technologies Sdn. Bhd.	Subsidiary of Pacific & Orient Berhad, of which Mr Chan Hua Eng, a Director of the Company is a substantial shareholder

The amounts owing by/(to) holding and other related companies represent mainly trade transactions, provision of trademark licence and general assistance and payment on behalf. The amounts outstanding arising from expenses paid on behalf by the related companies are interest free with no fixed terms of repayment. The amount outstanding relating to the provision of trademark licence and general assistance is interest free and payable on a quarterly basis. The amounts outstanding relating to trade and other transactions were made under normal terms and conditions similar to those normally granted to independent parties.

24. RELATED PARTY DISCLOSURES (continued)

24.1 Related Party Transactions

	Group			
	2010		2009	
	Transactions during the year	Outstanding balance at end of year	Transactions during the year	Outstanding balance at end of year
	RM'000	RM'000	RM'000	RM'000
Ultimate holding company of the Company:				
Provision of trademark licence and general assistance fee	31,355	(8,329)	35,157	(9,203)
Specific technical assistance fee	-	(130)	943	(136)
Associate of the Group:				
Sales of cement and ready-mixed concrete	32,070	6,397	37,941	5,603
Subsidiaries of ultimate holding company of the Company:				
Sales of cement and clinker	288,720	20,417	436,833	36,870
Purchase of cement and clinker	44,213	(5,140)	8,888	-
Purchase of gypsum	-	-	581	-
Time charter hire/Subcharter of vessels	1,553	1,625	2,741	331
Maintenance of hardware and software	2,083	(167)	2,326	(166)
Rental of office premises	1,139	93	1,100	33
Subsidiary of Pacific & Orient Berhad:				
Purchase of information technology hardware and services	7	-	30	-
Associates of ultimate holding company of the Company:				
Sales of cement	-	-	23,370	-
Purchase of building materials for trading	-	-	11,421	-

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

24. RELATED PARTY DISCLOSURES (continued)

24.1 Related Party Transactions (continued)

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

	Group	
	2010	2009
	RM'000	RM'000
Ringgit Malaysia	4,091	-
United States Dollar	19,387	-
Singapore Dollar	22	-
Euro	17	-
	23,517	-
Ringgit Malaysia	(681)	5,356
United States Dollar	(2,932)	1,862
Singapore Dollar	-	(22)
Euro	(8,809)	(10,026)
	(12,422)	(2,830)

24.2 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	
	2010	2009
	RM'000	RM'000
Term deposits placed with licensed banks	128,909	176,525

The term deposits of the Group earn effective interest rate ranging from 2.7% to 3.0% (2009: 0.1% to 2.2%) per annum and have maturity ranging from 1 to 60 days (2009: 1 to 45 days).

26. ASSET CLASSIFIED AS HELD FOR SALE

The asset classified as held for sale relates to a dry-mix plant in Singapore owned by a subsidiary of the Company, currently being leased to a third party. On 28 December 2010, the subsidiary entered into a conditional sale and purchase agreement with the lessee to dispose of the dry-mix plant. The agreement is currently pending fulfillment of the conditions precedent stipulated therein. The lease rental earned by the Group for the financial year ended 31 December 2010 amounted to RM2,031,000 while the direct operating expenses arising on the dry-mix plant amounted to RM1,637,000.

	Group 2010 RM'000
Property, plant and equipment	18,748
<hr/>	
Property, plant and equipment held for sale comprise the following:	
Cost	31,837
Accumulated depreciation	(13,089)
	<hr/> 18,748 <hr/>

27. SHARE CAPITAL

	Group and Company	
	2010	2009
	RM'000	RM'000
Authorised:		
3,000,000,000 ordinary shares of RM1.00 each	3,000,000	3,000,000
	<hr/>	
Issued and fully paid:		
849,695,000 ordinary shares of RM1.00 each	849,695	849,695
	<hr/>	

28. RESERVES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-distributable:				
Share premium	1,067,199	1,067,199	1,067,191	1,067,191
Capital reserve	34,079	33,968	-	-
Capital redemption reserve	33,798	33,798	33,639	33,639
Exchange equalisation reserve	41,164	44,209	-	-
Hedging reserve	(430)	-	(307)	-
	1,175,810	1,179,174	1,100,523	1,100,830

28.1 Share Premium

Share premium arose from the issuance of ordinary shares by the Company pursuant to the 6-for-1 Rights Issue exercise completed in 1999 and pursuant to the Proposed Special Issue to Bumiputera investors in 2003 and issuance of ordinary shares by a subsidiary of the Company pursuant to Employees' Share Option Scheme of that subsidiary in 2000.

28.2 Capital Reserve

	Group	
	2010 RM'000	2009 RM'000
At beginning of year	33,968	33,968
Decrease in deferred tax liability recognised on revaluation	111	-
At end of year	34,079	33,968

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

28.3 Capital Redemption Reserve

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

28.4 Exchange Equalisation Reserve

	Group	
	2010 RM'000	2009 RM'000
At beginning of year	44,209	40,923
Exchange differences arising on translation the net assets of foreign operations	(3,045)	3,286
At end of year	41,164	44,209

28. RESERVES (continued)

28.4 Exchange Equalisation Reserve (continued)

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

28.5 Hedging Reserve

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At beginning of year	-	-	-	-
Effect of adopting FRS 139 (Note 2.1.2)	278	-	(1,107)	-
As restated	278	-	(1,107)	-
(Loss)/Gain recognised on cash flow hedges:				
- Foreign currency forward contracts	(166)	-	-	-
- Interest rate swap	1,068	-	1,068	-
Deferred tax related to gains/losses recognised in other comprehensive income	(225)	-	(268)	-
Reclassified to profit or loss:				
- Foreign currency forward contracts	(515)	-	-	-
- Coal hedging	(1,333)	-	-	-
Deferred tax related to amounts transferred to profit or loss	463	-	-	-
	(430)	-	(307)	-

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

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

	Group	
	2010 RM'000	2009 RM'000
Cost of sales	(1,333)	-
Other expenses	(515)	-
Income tax expense	463	-
	(1,385)	-

29. RETAINED EARNINGS AND DIVIDENDS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Distributable reserve:				
Retained earnings	1,059,508	1,164,779	187,250	220,915
At beginning of year	1,164,779	1,006,434	220,915	311,848
Effect of adopting FRS 139 (see Note 2.1.2)	(389)	-	(1,534)	-
As restated	1,164,390	1,006,434	219,381	311,848
Profit attributable to owners of the Company	295,340	412,228	367,223	163,964
Dividends	(399,357)	(254,908)	(399,357)	(254,908)
Actuarial (loss)/gain on defined benefit retirement plan recognised directly in retained earnings	(1,181)	1,351	3	11
Income tax on income and expenses taken directly to retained earnings	316	(326)	-	-
At end of year	1,059,508	1,164,779	187,250	220,915

29.1 Retained Earnings

In accordance with the Finance Act 2007, the single tier income tax system became effective from the year of assessment 2008. 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. Unlike the previous full imputation system, the recipient of the dividend would no longer be able to claim any tax credit.

Companies with Section 108 tax credit are given an irrevocable option to disregard the tax credit or to continue to utilise such tax credits until the tax credits are fully utilised or upon the expiry of the 6 year transitional period on 31 December 2013, whichever earlier. During this transitional period, the Section 108 tax credit will be reduced by any tax credits utilised and any tax paid will not be added to this account.

In 2008, the Company has opted to elect for a switch to the new system and subject to agreement with the relevant tax authorities, the Company has sufficient tax exempt income as mentioned in Note 9 to distribute tax exempt dividends out of its retained earnings as of 31 December 2010.

29.2 Dividends

	Group and Company	
	2010 RM'000	2009 RM'000
Interim single tier dividend of 23.0 sen per share (2009: Interim single tier dividend of 15.0 sen per share)	195,430	127,454
First interim single tier dividend of 8.0 sen per share (2009: Interim single tier dividend of 15.0 sen per share)	67,976	127,454
Second interim single tier dividend of 8.0 sen per share	67,975	-
Third interim single tier dividend of 8.0 sen per share	67,976	-
	399,357	254,908

29. RETAINED EARNINGS AND DIVIDENDS (continued)

29.2 Dividends (continued)

A second interim dividend of 23.0 sen single tier dividend per ordinary share of RM1.00 each, amounting to RM195.430 million declared on 25 February 2010 in respect of the financial year ended 31 December 2009 and dealt with in the previous Directors' Report was paid on 14 April 2010.

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 2010 amounting to RM67.976 million was declared on 26 May 2010 and paid on 8 July 2010.

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 2010 amounting to RM67.975 million was declared on 25 August 2010 and paid on 13 October 2010.

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 2010 amounting to RM67.976 million was declared on 29 November 2010 and paid on 19 January 2011.

The Directors declared on 23 February 2011 a fourth interim dividend of 10.0 sen single tier dividend per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2010 amounting to RM84.970 million payable on 14 April 2011.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2010.

30. MINORITY INTERESTS

	Group	
	2010 RM'000	2009 RM'000
At beginning of year	20,996	27,009
Share of loss for the year	(4,242)	(6,013)
At end of year	16,754	20,996

31. BORROWINGS

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current - at amortised cost				
Secured:				
Finance lease liabilities (a)	2,826	3,501	-	-
Unsecured:				
Revolving credit (b)	-	140,000	-	-
Floating rate notes (c)	105,000	-	105,000	-
	105,000	140,000	105,000	-
Total current borrowings	107,826	143,501	105,000	-

31. BORROWINGS (continued)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-current - at amortised cost				
<u>Secured:</u>				
Finance lease liabilities (a)	2,949	5,775	-	-
<u>Unsecured:</u>				
Floating rate notes (c)	105,000	210,000	105,000	210,000
Total non-current borrowings	107,949	215,775	105,000	210,000
Total borrowings	215,775	359,276	210,000	210,000
Current	107,826	143,501	105,000	-
Non-current:				
1 - 2 years	106,242	107,826	105,000	105,000
2 - 5 years	1,707	107,949	-	105,000
	215,775	359,276	210,000	210,000

All borrowings are denominated in Ringgit Malaysia.

Finance lease liabilities are payable as follows:

Group	Minimum	Present	Minimum	Present
	lease	value of	lease	value of
	payments	minimum	payments	minimum
	2010	payments	2009	payments
	RM'000	2010	RM'000	2009
		RM'000		RM'000
Not later than one year	3,164	2,826	3,950	3,501
Later than one year and not later than five years	3,139	2,949	6,302	5,775
	6,303	5,775	10,252	9,276
Less: Future finance charges	(528)	-	(976)	-
	5,775	5,775	9,276	9,276

(a) A subsidiary leases mixer trucks under finance leases expiring from three to five years. At the end of the lease term, the subsidiary has the option to purchase the mixer trucks at 8% of the purchase price.

(b) In 2009, a subsidiary had a RM140 million revolving credit facility from a local licensed bank. The said facility bears interest at 2.83% per annum.

31. BORROWINGS (continued)

(c) On 26 September 2008, the Company issued the Floating Rate Notes (“FRN”) (unsecured) for a total amount of RM350 million, of which RM250 million was subscribed by a subsidiary of the ultimate holding company. The FRN is repayable over three (3) to five (5) years from the issuance date. During the last financial year, the Company had redeemed RM140 million of the FRN, including RM130 million subscribed by the said subsidiary of the ultimate holding company.

The interest rate on the FRN is revised semi-annually. As of end of the financial year, the effective interest rate for the said FRN is 3.96% (2009: 3.15%) per annum. The Company hedges a portion of the loan via an interest rate swap exchanging variable rate interest for fixed rate interest.

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 a tenure of ten (10) years.

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

32. RETIREMENT BENEFITS

The Group operates an unfunded final salary defined benefit plan covering eligible employees. Provision for retirement benefits is made based on an actuarial valuation carried out periodically using the Projected Unit Credit Method. The latest actuarial valuation was undertaken on 10 January 2011.

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At beginning of year	37,685	37,046	582	509
Charge for the year	6,430	6,636	91	84
Benefits paid	(4,376)	(4,646)	-	-
Actuarial loss/(gain) recognised in other comprehensive income	1,181	(1,351)	(3)	(11)
At end of year	40,920	37,685	670	582

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

Present value of unfunded obligation	41,402	38,266	670	582
Unrecognised past service cost	(482)	(581)	-	-
Net liability	40,920	37,685	670	582

32. RETIREMENT BENEFITS (continued)

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At beginning of year	38,266	37,725	582	509
Current service cost	3,879	4,136	53	51
Interest cost	2,452	2,402	38	33
Actuarial loss/(gain)	1,181	(1,351)	(3)	(11)
Benefits paid	(4,376)	(4,646)	-	-
At end of year	41,402	38,266	670	582

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

Current service cost	3,879	4,136	53	51
Interest cost	2,452	2,402	38	33
Past service cost	99	98	-	-
	6,430	6,636	91	84

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

As beginning of year	4,225	2,874	166	155
Recognised during the year	(1,181)	1,351	3	11
At end of year	3,044	4,225	169	166

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

	2010 %	2009 %
Discount rate	6.4	6.5
Future salary increase	6.0	6.0

33. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The average credit period granted to the Group for trade purchases generally ranges from 30 to 60 days (2009: 30 to 60 days).

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

	Group	
	2010 RM'000	2009 RM'000
Ringgit Malaysia	260,889	225,652
United States Dollar	24,528	33,150
Singapore Dollar	5,235	6,789
Euro	2,423	4,647
	293,075	270,238

34. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses consist of:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other payables	45,240	45,766	102	215
Accrued expenses	51,430	56,382	3,591	4,822
	96,670	102,148	3,693	5,037

Other payables of the Group mainly arose from retention monies, deposits received and general administrative expenses payable which are interest free with no fixed terms of repayment. Included in accrued expenses of the Group and of the Company is an amount of RM2,383,000 and RM2,364,000 respectively (2009: RM3,937,000 and RM3,917,000) representing interest expense accrued for borrowings.

35. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Derivatives that are designated and effective as hedging instruments carried at fair value:				
<u>Current</u>				
Foreign currency forward contracts	279	-	-	-
Interest rate swap	409	-	409	-
	688	-	409	-
Financial liabilities carried at fair value through profit or loss (FVTPL)				
Derivatives not designated in hedge accounting relationships - foreign currency forward contracts	310	-	-	-
	998	-	409	-

36. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Term deposits (Note 25)	128,909	176,525	-	-
Fixed income trust fund (a)	30,083	-	-	-
Cash and bank balances	213,715	236,996	4,707	14,521
	372,707	413,521	4,707	14,521

(a) The portfolio of investment of the fixed income trust fund is only in Shariah based short term deposits which is readily convertible to cash with insignificant risk of changes in value. During the year, the Group received dividend of 57.0 sen (2009: 58.0 sen) per unit totalling to RM111,000 (2009: RM129,000).

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

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Ringgit Malaysia	340,019	353,943	4,707	14,521
Singapore Dollar	20,976	37,494	-	-
United States Dollar	11,253	19,984	-	-
Euro	459	2,100	-	-
	372,707	413,521	4,707	14,521

37. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 31 December 2009 by virtue of the exemption given in paragraph 44AA of FRS 7.

37.1 Capital Risk Management

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

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

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

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

37.2 Significant Accounting Policies

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

37.3 Categories of Financial Instruments

	Group 2010 RM'000	Company 2010 RM'000
Financial assets		
Derivative instruments in designated hedge accounting relationships (Note 19)	26	-
Loan and receivables:		
- Amounts owing by a subsidiary (Note 20)	-	249,685
- Trade receivables (Note 22)	275,814	-
- Other receivables and refundable deposits (Note 23)	23,756	900
- Amounts owing by holding and other related companies (Note 24)	23,517	-
- Term deposits (Note 25)	128,909	-
- Cash and bank balances	213,715	4,707
Available-for-sale financial assets:		
- Available-for-sale investments carried at fair value (Note 19)	856	-
- Fixed income trust fund (Note 36)	30,083	-
Held-to-maturity investment (Note 19)	1,255	1,255
Financial liabilities		
FVTPL:		
- Held for trading (Note 35)	310	-
Derivative instruments in designated hedge accounting relationships (Note 35)	688	409
Amortised cost:		
- Borrowings (Note 31)	215,775	210,000
- Trade payables (Note 33)	293,075	-
- Other payables (Note 34)	45,240	102
- Amounts owing to holding and other related companies (Note 24)	12,422	-
- Amounts owing to subsidiaries (Note 20)	-	169,059

37. FINANCIAL INSTRUMENTS (continued)

37.4 Financial Risk Management

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

37.5 Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 37.6 below) and interest rates (see 37.7 below). The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on foreign currency purchases; and
- interest rate swaps to mitigate the risk of rising interest rates.

37.6 Foreign Currency Risk Management

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as disclosed in Note 22 for trade receivables, Note 24 for amounts owing by/(to) holding and other related companies, Note 33 for trade payables and Note 36 for cash and cash equivalents.

37.6.1 Foreign currency sensitivity

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

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

	Group		
	USD Impact	SGD Impact	Euro Impact
	2010	2010	2010
	RM'000	RM'000	RM'000
Profit or loss	(1028) ⁽ⁱ⁾	(3,019) ⁽ⁱⁱⁱ⁾	1,076 ^(iv)
Other equity	440 ⁽ⁱⁱ⁾	-	525 ⁽ⁱⁱ⁾

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

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

⁽ⁱⁱⁱ⁾ This is mainly attributable to the exposure outstanding on SGD trade receivables and cash and cash equivalents of the Group at the end of the reporting period.

^(iv) This is mainly attributable to the exposure outstanding on Euro payables in the Group at the end of the reporting period.

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

37. FINANCIAL INSTRUMENTS (continued)

37.6 Foreign Currency Risk Management (continued)

37.6.2 Forward foreign exchange contracts

In the course of its operations, the Group's policy is to hedge all material "operational" foreign currency exposures arising from its transactions using derivative instruments as soon as a firm or highly probable commercial and/or financial commitment is entered into or known. This derivative instrument only limited to forward foreign currency contracts, with a term generally less than one year.

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

	Average exchange rate 2010	Group		Fair value 2010 RM'000
		Foreign currency 2010 FC'000	Contract value 2010 RM'000	
Outstanding contracts				
Cash flow hedges				
<u>Buy US Dollars</u>				
Less than 3 months	3.14	600	1,884	(40)
3 to 6 months	3.15	900	2,831	(59)
<u>Buy Euro</u>				
Less than 3 months	4.30	200	861	(41)
3 to 6 months	4.12	1,000	4,123	(26)
More than 6 months	4.29	100	429	(15)
				(181)

37.7 Interest Rate Risk Management

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

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

37.7.1 Interest rate sensitivity

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

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

37. FINANCIAL INSTRUMENTS (continued)

37.7 Interest Rate Risk Management (continued)

37.7.2 Interest rate swaps contract

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

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

	Group and Company			
	Average contracted fixed interest rate 2010 %	Notional principal amount 2010 RM'000	Fair value 2010 RM'000	
	Outstanding receive floating pay fixed contract			
	Cash flow hedge			
Less than 1 year	4.80%	80,000	(409)	

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

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

37.8 Other Price Risk

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

37.8.1 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 5% higher/lower, the Group's:

- profit for the year ended 31 December 2010 would have been reduced by RM1,000 as the equity investment is classified as available-for-sale and the investment has been impaired; and
- other equity reserves would increase by RM1,000 as a result of the changes in fair value of available-for-sale shares.

37.9 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.

37. FINANCIAL INSTRUMENTS (continued)

37.9 Credit Risk Management (continued)

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

37.10 Liquidity Risk

The Group monitors their cash flows actively and ensures that credit facilities are in place to meet their obligations as and when they fall due.

37.11 Fair Values

The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amounts derived from such methods and valuation techniques are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of the amounts estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.

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

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

38. COMMITMENTS

38.1 Capital Commitments

	Group	
	2010	2009
	RM'000	RM'000
In respect of capital expenditure:		
Approved, contracted but not provided for	17,466	1,620
Approved but not contracted for	15,949	39,898
	33,415	41,518

38.2 Lease Commitments

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

	Group	
	2010	2009
	RM'000	RM'000
Not later than 1 year	14,335	24,693
Later than 1 year and not later than 5 years	23,522	31,837
Later than 5 years	51,069	52,258
	88,926	108,788

39. CONTINGENT LIABILITY

	Company	
	2010	2009
	RM'000	RM'000
Unsecured		
Corporate guarantee given to a third party in respect of provision for services to subsidiaries	21,100	21,100

40. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Group is organised into the following operating divisions:

- cement
- aggregates and concrete

Included in Cement Segment of the Group are operating divisions of other building materials and other operations.

Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of FRS 8.

40. SEGMENTAL INFORMATION (continued)

40.1 Segment Revenue and Results

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
2010				
REVENUE				
External sales	2,031,561	293,327	-	2,324,888
Inter-segment sales	179,084	593	(179,677)	-
Total revenue	2,210,645	293,920	(179,677)	2,324,888
RESULTS				
Segment results	366,419	(9,902)	-	356,517
Interest income				5,902
Profit from operations				362,419
Finance costs				(10,817)
Share in results of associate				(6,205)
Income tax expense				(54,299)
Profit for the year				291,098
2009				
REVENUE				
External sales	2,175,680	307,426	-	2,483,106
Inter-segment sales	190,585	56	(190,641)	-
Total revenue	2,366,265	307,482	(190,641)	2,483,106
RESULTS				
Segment results	464,196	(6,805)	-	457,391
Interest income				3,463
Profit from operations				460,854
Finance costs				(17,405)
Share in results of associate				(1,535)
Income tax expense				(35,699)
Profit for the year				406,215

40. SEGMENTAL INFORMATION (continued)

40.2 Segment Assets and Liabilities

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

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

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
2010				
SEGMENT ASSETS				
Segment assets	3,720,391	208,378	(210,915)	3,717,854
Investment in associate				9,601
Unallocated corporate assets				396,907
Consolidated total assets				4,124,362
SEGMENT LIABILITIES				
Segment liabilities	598,150	122,449	(210,921)	509,678
Interest bearing instruments				218,158
Unallocated corporate liabilities				294,759
Consolidated total liabilities				1,022,595
2009				
SEGMENT ASSETS				
Segment assets	3,851,580	201,389	(198,603)	3,854,366
Investment in associate				16,149
Unallocated corporate assets				416,054
Consolidated total assets				4,286,569
SEGMENT LIABILITIES				
Segment liabilities	484,191	120,648	(198,704)	406,135
Interest bearing instruments				363,213
Unallocated corporate liabilities				302,577
Consolidated total liabilities				1,071,925

40. SEGMENTAL INFORMATION (continued)

40.3 Other Segment Information

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
OTHER INFORMATION				
2010				
Capital expenditure	43,768	16,882	-	60,650
Depreciation and amortisation	142,344	13,513	-	155,857
2009				
Capital expenditure	38,446	6,348	-	44,794
Depreciation and amortisation	139,891	13,676	-	153,567

40.4 Geographical Information

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

	Revenue		Segment Assets		Capital Expenditure	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	2,247,469	2,370,002	3,586,097	3,693,971	60,587	44,304
Singapore	77,419	113,104	131,757	160,395	63	490
	2,324,888	2,483,106	3,717,854	3,854,366	60,650	44,794
Investment in associate			9,601	16,149		
Unallocated corporate assets			396,907	416,054		
			4,124,362	4,286,569		

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

41. EVENT AFTER THE REPORTING PERIOD

On 24 January 2011, the Company announced that its wholly owned subsidiary, Southern Cement Industries Sdn. Bhd ("SCI"), had commenced members' voluntary liquidation.

SCI, which was involved in the manufacturing and sale of cement, became inactive during the financial year ended 31 December 2009. The voluntary liquidation of SCI is not expected to have any material effect on the earnings and net assets of the Group for the financial ending 31 December 2011.

42. RECLASSIFICATIONS OF COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. Comparative figures have been reclassified to conform with the current year's presentation.

The items were reclassified as follows:

	As previously stated RM'000	Reclassifications RM'000	As reclassified RM'000
Group			
Current tax assets	-	23,427	23,427
Other receivables and prepaid expenses	62,493	(23,427)	39,066
Company			
Current tax assets	-	1,083	1,083
Other receivables and prepaid expenses	1,628	(1,083)	545

43. DISCLOSURE ON REALISED AND UNREALISED PROFITS - SUPPLEMENTARY INFORMATION

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

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

The breakdown of the retained earnings of the Group and of the Company as of 31 December 2010 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	Group 2010 RM'000	Company 2010 RM'000
Total retained earnings of the Company and its subsidiaries		
Realised	1,450,133	184,211
Unrealised	(184,598)	3,039
	1,265,535	187,250
Total share of retained earnings from associate		
Realised	16,322	-
	1,281,857	187,250
Less: Consolidation adjustments	(222,349)	-
Total retained profits as per statements of financial position	1,059,508	187,250

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

Comparative information is not presented in the first financial year of application pursuant to the directive issued by Bursa Malaysia on 25 March 2010.

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

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

Analysis of Shareholdings

AS AT 28 MARCH 2011

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 28 March 2011

Size of Shareholdings	No. of Shareholders & Percentage		No. of Shares & Percentage	
	Shareholders	%	Shares	%
Less than 100	308	3.66	8,243	0.00
100 - 1,000	3,677	43.73	1,926,801	0.23
1,001 - 10,000	3,260	38.77	10,676,294	1.26
10,001 - 100,000	882	10.49	25,759,007	3.03
100,001 to less than 5% of issued ordinary shares	278	3.31	307,023,393	36.13
5% of issued ordinary shares and above	3	0.04	504,301,738	59.35
TOTAL	8,408	100.00	849,695,476	100.00

DIRECTORS' SHAREHOLDINGS

Based on the Register of Directors' Shareholdings as at 28 March 2011

Name	Nationality	Direct		Indirect	
		No. of Ordinary Shares of RM1.00 each	Percentage of Share Capital %	No. of Ordinary Shares of RM1.00 each	Percentage of Share Capital %
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar	Malaysian	-	-	-	-
Isidoro Miranda	Spaniard	-	-	-	-
Bi Yong Chungunco	Filipino	-	-	-	-
Yeoh Khooon Cheng	Malaysian	-	-	-	-
Chan Hua Eng	Malaysian	-	-	261,630	@
Saw Ewe Seng	Malaysian	16,500	@	33,000	@
Tan Sri A. Razak bin Ramli	Malaysian	-	-	-	-
Michel Rose	French	-	-	-	-
Jean-Jacques Gauthier	French	-	-	-	-
Martin Kriegner	Austrian	-	-	-	-
Md Yusof bin Hussin	Malaysian	-	-	-	-
Bradley Mulronev	British	-	-	-	-

Note: @ : Less than 0.03%

THIRTY LARGEST SECURITIES ACCOUNTS HOLDER

(According to Register of Depositors as at 28 March 2011)

No.	NAMES	Shareholdings	
		No.	%
1	Lafarge Cement UK PLC	361,624,440	42.56
2	Associated International Cement Limited	71,720,253	8.44
3	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	70,957,045	8.35
4	Valuecap Sdn Bhd	17,700,000	2.08
5	Kumpulan Wang Persaraan (Diperbadankan)	14,984,000	1.76
6	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for JPMorgan Chase Bank, National Association) (Resident U.S.A.-2)	14,691,800	1.73
7	HSBC Nominees (Asing) Sdn Bhd BNP Paribas Secs Svs Lux for Aberdeen Global	14,315,600	1.68
8	Amanah Raya Trustees Berhad Skim Amanah Saham Bumiputera	13,818,800	1.63
9	HSBC Nominees (Asing) Sdn Bhd Exempt AN for the Bank of New York Mellon (BNYM as E&A)	10,391,245	1.22
10	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLTOD67)	8,023,191	0.94
11	Mayban Nominees (Tempatan) Sdn Bhd (Mayban Trustee Berhad for Public Ittikal Fund-N14011970240)	7,831,330	0.92
12	HSBC Nominees (Asing) Sdn Bhd (BNY LUX for Invesco Funds)	7,590,000	0.89
13	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund 1LNO for the Genesis Group Trust Employee Benefit Plans	6,550,247	0.77
14	Cartaban Nominees (Asing) Sdn Bhd (Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C))	6,292,360	0.74
15	HSBC Nominees (Asing) Sdn Bhd (BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund)	5,615,720	0.66
16	HSBC Nominees (Asing) Sdn Bhd BBH (LUX) SCA for the Genesis Emerging Markets Investment Company	5,390,573	0.63

THIRTY LARGEST SECURITIES ACCOUNTS HOLDER

(According to Register of Depositors as at 28 March 2011)

No.	NAMES	Shareholdings	
		No.	%
17	Loke Wan Yat Realty Sdn Bhd	5,163,148	0.61
18	Amanah Raya Trustees Berhad (Public Islamic Dividend Fund)	4,688,800	0.55
19	Mayban Nominees (Tempatan) Sdn Bhd (Mayban Trustees Berhad for Public Regular Savings Fund N14011940100)	4,389,040	0.52
20	Amanah Raya Trustees Berhad (Public Islamic Sector Select Fund)	4,046,100	0.48
21	Lembaga Tabung Haji	4,000,000	0.47
22	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for Prudential Fund Management Berhad	3,889,200	0.46
23	Malaysia Nominees (Tempatan) Sdn Bhd (Lee Foundation, States of Malaya 00-00197-000)	3,763,620	0.44
24	Citigroup Nominees (Asing) Sdn Bhd Citibank International PLC as Trustee for Standard Life Pacific Basin Trust (CBLDN)	3,437,725	0.40
25	HSBC Nominees (Asing) Sdn Bhd Sumitomo T&B NY for Asia Ocenia Dividend Yield Stock Motherfund	3,365,100	0.40
26	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.A.E.)	3,207,035	0.38
27	HSBC Nominees (Asing) Sdn Bhd (Exempt AN for the Bank of New York Mellon (Mellon Acct))	3,121,094	0.37
28	Amanah Raya Trustees Bhd Amanah Saham Malaysia	3,000,000	0.35
29	Amanah Raya Trustees Bhd AS 1Malaysia	2,963,200	0.35
30	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for RBC Dexia Investor Services Trust (Clients Account)	2,847,719	0.34
TOTAL		689,378,385	81.13

SUBSTANTIAL SHAREHOLDERS

(According to the Company's Register of Substantial Shareholders as at 28 March 2011)

Name	Place of Incorporation/ Nationality	Direct		Indirect	
		No. of Ordinary Shares of RM1.00 each	Percentage of Share Capital %	No. of Ordinary Shares of RM1.00 each	Percentage of Share Capital %
Lafarge Cement UK PLC ("LCUK")	UK	361,624,440	42.56	⁽¹⁾ 71,720,253	8.44
Associated International Cement Limited ("AIC")	UK	71,720,253	8.44	-	-
Blue Circle International Holdings BV ("BCIHBV")	UK	-	-	⁽²⁾ 71,720,253	8.44
Lafarge S.A. ("Lafarge")	France	-	-	⁽³⁾ 433,344,693	51.00
SOFIMO *	France	-	-	⁽⁴⁾ 433,344,693	51.00
Financiere Lafarge S.A. ("FLSA")	France	-	-	⁽⁵⁾ 433,344,693	51.00
Lafarge Building Materials Limited ("LBML")	United Kingdom	-	-	⁽⁶⁾ 433,344,693	51.00
Lafarge UK Holdings Limited ("LUKH")	United Kingdom	-	-	⁽⁷⁾ 433,344,693	51.00
Employees Provident Fund Board ("EPF")	Malaysia	72,457,045	8.53	3,472,120	0.41

* *Societe Financiere Immobiliere et Mobiliere*

Notes:

- (1) LCUK : Deemed interest by virtue of its 100% shareholding in BCIHBV.
(2) BCIHBV : Deemed interest by virtue of its 100% shareholding in AIC.
(3) Lafarge : Deemed interest by virtue of its 100% direct shareholding in SOFIMO.
(4) SOFIMO : Deemed interest by virtue of its 100% direct shareholding in FLSA.
(5) FLSA : Deemed interest by virtue of its 100% direct shareholding in LBML.
(6) LBML : Deemed interest by virtue of its 100% direct shareholding in LUKH.
(7) LUKH : Deemed interest by virtue of its 100% direct shareholding in LCUK.
(8) EPF : Held through AmInvestment Management, Aberdeen Asset Management, BNP Paribas, CIMB-Principal Asset, Franklin Templeton Asset and Hwang DBS Investment.

Top 10 List of Properties

AS OF 31 DECEMBER 2010

	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	26	39,503
2	Lot No. 4222 Rawang Selangor Darul Ehsan	348 acres (Total gross floor area of buildings: approximately 28,403 sq ft)	Leasehold expiring in 2025	Limestone ancillary buildings	Dec 1998	35	31,860
3	P.T. 867, H.S. (D) 7/86 Mukim Air Hangat, Langkawi Kedah Darul Aman	674 acres	Leasehold expiring on 09/01/2032	Limestone quarry	15/06/1999	-	23,368
4	Lot 19079, Kg Keramat Pulau 31300 Kg Kepayang Simpang Pulau Perak Darul Ridzuan	39.99 acres	Leasehold expiring on 03/03/2035	Quarry land	01/07/2008	-	21,317
5	No. 2, Jalan Kilang Petaling Jaya 46050 Selangor Darul Ehsan	6 acres	Leasehold expiring in 2068	Office complex	Dec 1998	25	16,770
6	Lot No. 46497 & 15 Kanthan Perak Darul Ridzuan	393 acres (Total gross floor area of buildings: approximately 39,672 sq ft)	Leasehold expiring in 2020	Limestone quarry and ancillary buildings	Dec 1998	20	12,639
7	Lot No. 2, Jalan Kontena Kawasan Pelabuhan Johor 81700 Pasir Gudang Johor Darul Takzim	8.7 acres	Sub-lease expiring on 30/12/2022	Cement grinding plant and ancillary buildings	Dec 1998	13	9,491
8	Lot No. 1956 Rawang, Selangor Darul Ehsan	49 acres	Leasehold expiring in 2056	Cement factory complex and ancillary buildings	Dec 1998	11-35	9,378
9	Plot A, H.S. (D) 5/1983 Telok Ewa, Langkawi Kedah Darul Aman	86.5 acres (Total built-up area: approximately 137,810 sq ft)	Leasehold expiring on 01/06/2043	Employees' housing Area B, 146 units single storey terrace houses; 46 units single storey semi-detached houses and 60 units single storey dormitories	15/06/1999	26	8,513
10	Lot Nos. 3546 to 3548, 3551 3554, 3555 & 3557 to 3560 Rawang, Selangor Darul Ehsan	105.83 acres	Freehold	Agricultural land	Dec 1998	-	6,937

Total PPE held by the Group (Top 10 list) 179,776

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 61st Annual General Meeting of LAFARGE MALAYAN CEMENT BERHAD will be held at Ballroom 3, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on 25 May 2011 at 2.30 p.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 2010.	
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 Isidoro Miranda 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 Bi Yong Chungunco who retires as a Director of the Company under Article 85 of the Articles of Association of the Company.	Resolution 3
5.	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 4
6.	To re-elect Michel Rose who retires as a Director of the Company under Article 85 of the Articles of Association of the Company.	Resolution 5
7.	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 6
8.	To re-appoint Deloitte & Touche as auditors for the ensuing year at a remuneration to be determined by the Directors.	Resolution 7

As Special Business

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

	Ordinary Resolution	
9.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("Recurrent RPTs").	Resolution 8
	Ordinary Resolution	
10.	Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback").	Resolution 9
	Special Resolution	
11.	Proposed Amendment to the Articles of Association of the Company.	Resolution 10

(For the full text of the Ordinary Resolutions on Items 9 and 10, and Special Resolution on Item 11 (Resolutions 8, 9 and 10), please refer to the Circular to Shareholders for the Proposed Recurrent RPT Mandate and the Share Buyback Statement, both dated 27 April 2011 and the Statement to Shareholders in relation to the Proposed Amendment, which are enclosed with the Annual Report of the Company for the financial year ended 31 December 2010.)

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

By Order of the Board

Seet Hooi Ping (L.S. No. 9415)
Teoh Yow Kee (L.S. No. 5960)
Company Secretaries

Petaling Jaya, Selangor Darul Ehsan
27 April 2011

Explanatory Notes on Special Business

For Ordinary Resolutions 8 and 9 and Special Resolution 10, please refer to the Circular to Shareholders for the Proposed Recurrent RPT Mandate and the Share Buyback Statement both dated 27 April 2011 and to the Statement to Shareholders in relation to the Proposed Amendment despatched together with the Company's Annual Report for the financial year ended 31 December 2010.

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a member of the Company.
2. The instrument appointing a proxy must, to be valid, be deposited at the Registered Office of the Company, Level 12, Bangunan TH Uptown 3, No. 3 Jalan SS21/39, 47400 Petaling Jaya, Selangor Darul Ehsan no less than forty-eight (48) hours before the time set for the meeting.
3. If the form of proxy is executed by a corporation, it must be either under its seal or under the hand of any authorised officer or attorney.

Statement Accompanying the Notice of Annual General Meeting (“AGM”)

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

There are no Directors standing for election at the forthcoming Annual General Meeting (“AGM”). Details of the Directors who are standing for re-election at this AGM can be found under Directors' Profile on pages 11 to 15 of the Annual Report.



Malaysia

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

Form of Proxy

I/We _____
(Full name in block letters)

of _____
(Address)

being a member/members of **LAFARGE MALAYAN CEMENT BERHAD**, hereby appoint _____

_____ (Full name in block letters)

of _____ (Address)

or failing him/her, the Chairman of the meeting as my/our proxy to attend and vote for me/us on my/our behalf at the 61st Annual General Meeting of the Company to be held on 25 May 2011 at 2.30 p.m. at Ballroom 3, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur 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 Isidoro Miranda under Article 85		
3.	Re-election of Bi Yong Chungunco under Article 85		
4.	Re-election of Tan Sri A. Razak bin Ramli under Article 85		
5.	Re-election of Michel Rose under Article 85		
6.	Re-appointment of Saw Ewe Seng under Section 129 of the Companies Act, 1965		
7.	Re-appointment of Auditors		
	SPECIAL BUSINESS		
8.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("Recurrent RPTs")		
9.	Proposed Renewal of Authority for Purchase of own share by the Company ("Share Buyback")		
10.	Proposed Amendment to the Articles of Association of the Company		

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

Number of Shares	
------------------	--

Signed this _____ day of _____ 2011.



Signature: _____

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a member of the Company.
2. The instrument appointing a proxy must, to be valid, be deposited at the Registered Office of the Company, Level 12, Bangunan TH Uptown 3, No. 3, Jalan SS21/39, 47400 Petaling Jaya, Selangor Darul Ehsan no less than forty-eight (48) hours before the time set for the meeting.
3. If the form of proxy is executed by a corporation, it must be either under its seal or under the hand of any officer or attorney authorised.

Fold this flap for sealing

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Stamp

LAFARGE MALAYAN CEMENT BERHAD (1877-T)

(Incorporated in Malaysia)

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

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