**LAFARGE MALAYAN CEMENT BERHAD**
**(1877-T)**
**CONDENSED CONSOLIDATED INCOME STATEMENT**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year To Date | Preceding Year Corresponding Year |
| | 31/12/2006 | 31/12/2005 | 31/12/2006 | 31/12/2005 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Revenue** | **503,637** | **507,376** | **2,077,893** | **1,866,668** |
| Operating expenses | (367,336) | (409,310) | (1,672,315) | (1,675,835) |
| Depreciation | (42,884) | (41,906) | (168,574) | (168,421) |
| Other operating income/(expenses) | (15,199) | 3,098 | (4,650) | 29,250 |
| Investment income | 753 | 2,115 | 2,856 | 2,775 |
| Interest income | 711 | 777 | 2,971 | 2,382 |
| **Profit from operations** | **79,682** | **62,150** | **238,181** | **56,819** |
| Finance cost | (5,232) | (6,415) | (24,019) | (26,976) |
| Share of results of associates | (1,043) | (153) | (2,067) | (498) |
| **Profit before tax** | **73,407** | **55,582** | **212,095** | **29,345** |
| Taxation | (1,763) | (17,783) | (38,667) | 1,956 |
| **Profit for the year** | **71,644** | **37,799** | **173,428** | **31,301** |
| Profit/(Loss) attributable to: | | | | |
| Equity holders of the parent | 73,993 | 37,278 | 174,756 | 29,792 |
| Minority interest | (2,349) | 521 | (1,328) | 1,509 |
| | **71,644** | **37,799** | **173,428** | **31,301** |
| Basic and diluted earnings per share (sen) | 2.6 | 1.3 | 6.2 | 1.0 |

***(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31st December 2005 and the accompanying explanatory notes attached to the interim financial statements)***

**LAFARGE MALAYAN CEMENT BERHAD**
**(1877-T)**

## CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | As at 31/12/2006 RM'000 | As at 31/12/2005 RM'000 (Restated) |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 2,194,102 | 2,282,597 |
| Investment property | | 4,867 | 4,946 |
| Goodwill on consolidation | | 1,188,430 | 1,188,922 |
| Other intangible assets | | 2,284 | 989 |
| Investment in associates | | 3,095 | - |
| Other investments | | 2,024 | 2,000 |
| Deferred tax assets | | 35,403 | 102,608 |
| Other receivables | | 9,227 | 4,318 |
| | | 3,439,432 | 3,586,380 |
| Current assets | | | |
| Assets classified as held for sale | | 224 | - |
| Inventories | | 351,143 | 305,698 |
| Trade receivables | | 340,563 | 327,864 |
| Other receivables | | 74,247 | 100,133 |
| Term deposits | | 34,057 | 33,463 |
| Cash and bank balances | | 120,984 | 88,956 |
| | | 921,218 | 856,114 |
| **Total assets** | | **4,360,650** | **4,442,494** |
| **EQUITY AND LIABILITIES** | | | |
| Capital and reserves | | | |
| Share capital - ordinary shares of RM0.50 each | | 1,416,159 | 1,449,298 |
| Treasury shares | | - # | (30,918) |
| Reserves: | | | |
| Share premium | | 1,067,199 | 1,114,291 |
| Capital reserves | | 33,968 | 33,968 |
| Exchange equalisation reserves | | 34,689 | 32,934 |
| Capital redemption reserves | | 33,548 | 159 |
| Retained earnings | | 687,118 | 569,276 |
| Equity attributable to equity holders of the parent | | 3,272,681 | 3,169,008 |
| Minority interests | | 29,993 | 36,610 |
| Total equity | | 3,302,674 | 3,205,618 |
| Non-current liabilities | | | |
| Long-term borrowings | B9 | 6,505 | 250,000 |
| Provision for retirement benefits | | 34,423 | 29,880 |
| Deferred tax liabilities | | 266,944 | 296,413 |
| | | 307,872 | 576,293 |

# comprising treasury shares amounting to RM121

Forward

**LAFARGE MALAYAN CEMENT BERHAD**
**(1877-T)**

## CONDENSED CONSOLIDATED BALANCE SHEET

| | Note | As at 31/12/2006 RM'000 | As at 31/12/2005 RM'000 (Restated) |
|---|---|---|---|
| Current liabilities | | | |
| Trade payables | | 239,122 | 235,682 |
| Other payables and accruals | | 114,710 | 96,434 |
| Amount due to holding and related companies | | 3,106 | 2,120 |
| Short-term borrowings | B9 | 387,103 | 318,598 |
| Tax liabilities | | 6,063 | 7,749 |
| | | 750,104 | 660,583 |
| Total liabilities | | 1,057,976 | 1,236,876 |
| **Total equity and liabilities** | | **4,360,650** | **4,442,494** |
| | | | |
| Net assets per share (RM) | | 1.17 | 1.11 |
| Net tangible assets per share (RM) | | 0.75 | 0.70 |

***(The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31st December 2005 and the accompanying explanatory notes attached to the interim financial statements)***

**LAFARGE MALAYAN CEMENT BERHAD**
**(1877-T)**
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

| | Current Year To Date 31/12/2006 RM'000 | Preceding Year To Date 31/12/2005 RM'000 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Net Profit before tax | 212,095 | 29,345 |
| Adjustments for:- | | |
| Non-cash items | 184,856 | 153,063 |
| Non-operating items | 21,028 | 24,560 |
| Operating profit before changes in working capital | 417,979 | 206,968 |
| Changes in working capital | | |
| Net change in current assets | (50,808) | (63,081) |
| Net change in current liabilities | 29,406 | 27,631 |
| Retirement benefits paid | (1,423) | (1,814) |
| Tax refunded/(paid) | (3,247) | 3,773 |
| Net cash generated from operating activities | 391,907 | 173,477 |
| Cash Flows From Investing Activities | | |
| Purchase of property, plant and equipment | (86,764) | (68,849) |
| Proceeds from disposal of property, plant and equipment | 4,714 | 52,357 |
| Proceeds from disposal of quoted shares | 49 | - |
| Additional purchase consideration paid for a subsidiary acquired in prior years | - | (5,442) |
| Purchase of additional equity interests in existing subsidiaries | - | (492) |
| Purchase of quarry rights | (1,000) | (500) |
| Proceeds from disposal of an associate | - | 21,105 |
| Proceeds from disposal of subsidiaries | 9,933 | - |
| Acquisition of investment in an associate | (4,553) | - |
| Acquisition of a subsidiary | - | (3) |
| Other investment activities | 2,985 | 2,406 |
| Net cash generated from/(used in) investing activities | (74,636) | 582 |
| Cash Flows From Financing Activities | | |
| Share buy-back | (17,613) | (12,208) |
| Net repayment of borrowings | (180,000) | (95,136) |
| Dividend paid by subsidiaries to minority shareholders | (263) | (2,244) |
| Dividend paid | (56,664) | (57,016) |
| Interest paid | (26,933) | (28,804) |
| Net cash used in financing activities | (281,473) | (195,408) |
| Net Change in Cash & Cash Equivalents | 35,798 | (21,349) |
| Effects of currency translations | 422 | (430) |
| Cash & Cash Equivalents at beginning of the year | 118,821 | 140,600 |
| Cash & Cash Equivalents at end of the year | 155,041 | 118,821 |

***(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31st December 2005 and the accompanying explanatory notes attached to the interim financial statements)***

## LAFARGE MALAYAN CEMENT BERHAD
## (1877-T)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | | Distributable | | | |
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Capital Reserve RM'000 | Exchange Equalisation Reserve RM'000 | Capital Redemption Reserve RM'000 | Retained Earnings RM'000 | Total RM'000 | Minority Interest RM'000 | Total Equity RM'000 |
| As at 1 January 2006 | 1,449,298 | (30,918) | 1,114,291 | 33,968 | 32,934 | 159 | 569,276 | 3,169,008 | - | 3,169,008 |
| Reclassification of opening minority interest | - | - | - | - | - | - | - | - | 36,610 | 36,610 |
| As restated | 1,449,298 | (30,918) | 1,114,291 | 33,968 | 32,934 | 159 | 569,276 | 3,169,008 | 36,610 | 3,205,618 |
| Exchange differences on translation of foreign operations | - | - | - | - | 1,755 | - | - | 1,755 | 194 | 1,949 |
| Net income recognised directly in equity | - | - | - | - | 1,755 | - | - | 1,755 | 194 | 1,949 |
| Profit/(Loss) for the year | - | - | - | - | - | - | 174,756 | 174,756 | (1,328) | 173,428 |
| Total recognised income/ (expense) for the year | - | - | - | - | 1,755 | - | 174,756 | 176,511 | (1,134) | 175,377 |
| Minority Interest's share of net assets in subsidiaries disposed of | - | - | - | - | - | - | - | - | (5,220) | (5,220) |
| Redemption of preference shares | - | - | - | - | - | 250 | (250) | - | - | - |
| Share buy-back | - | (16,174) | - | - | - | - | - | (16,174) | - | (16,174) |
| Cancellation of treasury shares | (33,139) | 47,092 | (47,092) | - | - | 33,139 | - | - | - | - |
| Dividends | - | - | - | - | - | - | (56,664) | (56,664) | (263) | (56,927) |
| As at 31 December 2006 | 1,416,159 | - # | 1,067,199 | 33,968 | 34,689 | 33,548 | 687,118 | 3,272,681 | 29,993 | 3,302,674 |

# comprising treasury shares amounting to RM121

***(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31st December 2005 and the accompanying explanatory notes attached to the interim financial statements)***

**LAFARGE MALAYAN CEMENT BERHAD**
**(1877-T)**

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | | Distributable | | | |
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Capital Reserve RM'000 | Exchange Equalisation Reserve RM'000 | Capital Redemption Reserve RM'000 | Retained Earnings RM'000 | Total RM'000 | Minority Interest RM'000 | Total Equity RM'000 |
| As at 1 January 2005 | 1,449,298 | (17,271) | 1,114,291 | 33,968 | 34,918 | 159 | 596,500 | 3,211,863 | - | 3,211,863 |
| Reclassification of opening minority interest | - | - | - | - | - | - | - | - | 36,820 | 36,820 |
| As restated | 1,449,298 | (17,271) | 1,114,291 | 33,968 | 34,918 | 159 | 596,500 | 3,211,863 | 36,820 | 3,248,683 |
| Exchange differences on translation of foreign operations | - | - | - | - | (1,984) | - | - | (1,984) | 525 | (1,459) |
| Net income/(expense) recognised directly in equity | - | - | - | - | (1,984) | - | - | (1,984) | 525 | (1,459) |
| Profit for the year | - | - | - | - | - | - | 29,792 | 29,792 | 1,509 | 31,301 |
| Total recognised income/(expense) for the year | - | - | - | - | (1,984) | - | 29,792 | 27,808 | 2,034 | 29,842 |
| Share buy-back | - | (13,647) | - | - | - | - | - | (13,647) | - | (13,647) |
| Dividends | - | - | - | - | - | - | (57,016) | (57,016) | (2,244) | (59,260) |
| As at 31 December 2005 | 1,449,298 | (30,918) | 1,114,291 | 33,968 | 32,934 | 159 | 569,276 | 3,169,008 | 36,610 | 3,205,618 |

***(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31st December 2005 and the accompanying explanatory notes attached to the interim financial statements)***

## A. EXPLANATORY NOTES PURSUANT TO FRS 134

### A1. Basis of Preparation

The interim financial statements have been prepared in accordance with Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2005. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2005.

The Group has adopted all of the new and revised Financial Reporting Standards and Interpretations (hereinafter referred as FRSs) issued by The Malaysian Accounting Standards Board (MASB) that are relevant to their operations and effective for annual reporting periods beginning on or after 1 January 2006. The adoption of these new and revised FRSs has resulted in certain changes to the Group's accounting policies as disclosed in Note A2.

The Group has not elected for early adoption of the following FRSs which were issued but not yet effective for the Group at the date of issue of these interim financial statements:

| | |
|---|---|
| FRS 117 | Leases |
| FRS 119 | Amendment to Financial Reporting Standard FRS $119_{2004}$ Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures |
| FRS 124 | Related Party Disclosures |
| FRS 139 | Financial Instruments: Recognition and Measurement |

The Group will apply FRS 117, FRS 124 and the Amendment to FRS $119_{2004}$ in the annual period commencing 1 January 2007. The Directors anticipate that the adoption of these standards will have no material impact on the financial statements of the Group in the period of initial application except for FRS 117. Upon adoption of FRS 117, leases of land in which the title is not expected to pass to the Group will be accounted for as operating leases, instead of finance leases as have been currently presented. Payments already made on entering into such leases will be accounted for as prepaid lease payments that will be amortised over the lease term.

As for FRS 139, its effective date has been deferred to a date to be announced by the MASB.

Except as explained in the foregoing paragraph and disclosed under Note A2, the accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the audited financial statements for the year ended 31 December 2005.

### A2. Changes in accounting policies resulting from adoption of new and revised FRSs

The changes in accounting policies resulting from the adoption of the new and revised FRSs are as follows:

**(a) FRS 2: Share-based Payment**

This FRS requires an entity to recognise share-based payment transactions in its financial statements.

**(a) FRS 2: Share-based Payment (Continued)**

On 12 February 2001, the Company implemented an Employees' Share Option Scheme ("Scheme") under which options to subscribe for unissued new ordinary shares of RM0.50 each were granted to eligible Directors and employees of the Company and its subsidiaries. The Scheme is for a period of five calendar years and the exercise of the option is conditional upon the achievement of an earnings per share target ("EPS target") determined by the Board Options Committee. The Scheme expired on 29 January 2006 and accordingly, all options offered had lapsed and all rights and entitlements granted thereon had been cancelled and become null and void.

Prior to the adoption of FRS 2, the Group did not recognise these share options granted in its financial statements until the options were exercised, in which case the Group recognised the increase in share capital and share premium, if any. With the adoption of FRS 2, the compensation expense relating to share options is required to be recognised in income statement over the vesting periods of the grants with a corresponding increase in equity. Under the transitional provisions of FRS 2, this FRS shall be applied retrospectively to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006.

The Company had granted 1,627,000 options after 31 December 2004. As the EPS target had not been achieved, none of these options became exercisable either on 1 January 2006 when this FRS became effective or on 29 January 2006 when the Scheme expired. Accordingly, no adjustments are required to be made to the opening balance of retained earning as at 1 January 2006.

Details of the Scheme can be found in the Company's annual report for the year ended 31 December 2005.

**(b) FRS 5: Non-current Assets Held for Sale and Discontinued Operations**

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Prior to 1 January 2006, non-current assets held for sale were not reclassified or presented as current assets, and they were measured using bases of measurement applicable to similar assets held for continuing use.

The Group adopted FRS 5 prospectively from 1 January 2006. Any assets held for sale are recognised and measured in accordance with FRS 5 only from 1 January 2006.

**(c) FRS 101: Presentation of Financial Statements**

Prior to the adoption of the revised FRS 101, minority interest was presented separately from liabilities and equity in the consolidated balance sheet. With the adoption of the revised FRS 101, minority interest is presented within equity in the consolidated balance sheet. In the consolidated income statement, profit or loss attributable to minority interest is presented as an allocation of profit or loss for the period. In the consolidated statement of changes in equity, total recognised income and expenses for the period is presented, showing separately the amounts attributable to equity holders of the parent and to minority interest.

**(c) FRS 101: Presentation of Financial Statements (Continued)**

The current period's presentation of the Group's interim financial statements is based on the requirements of the revised FRS 101, with the comparatives restated to conform with the current period's presentation and includes the following reclassifications:

| | As Previously Reported RM'000 | Reclassification RM'000 | As Restated RM'000 |
|---|---|---|---|
| Property, Plant and Equipment | 2,284,443 | (1,846) | 2,282,597 |
| Other Investments | 5,100 | (3,100) | 2,000 |
| Investment Property | - | 4,946 | 4,946 |

**A3. Audit Report of Preceding Audited Financial Statements**

The audit reports of the preceding annual financial statements of the Company and of the Group were not subject to any qualification.

**A4. Seasonal or Cyclical Factors**

The operations of the Group are closely linked to the construction sector which would normally experience a slow-down in construction activities during festive seasons in Malaysia and Singapore.

**A5. Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no items affecting the Group's assets, liabilities, equity, net income or cash flows that are material and unusual because of their nature, size or incidence.

**A6. Material Changes in Accounting Estimates**

There were no material changes in estimates of amounts reported in prior interim periods or in previous financial years which have a material effect in the current quarter.

**A7. Capital Issues, Dealings in Own Shares and Repayment of Debt**

For the current financial year ended 31 December 2006, the Company has purchased a total of 24,636,900 ordinary shares of its issued share capital from the open market for a total consideration of RM16.2 million at an average cost of RM0.66 per share. The share buy-back transaction was financed by internally generated funds.

Details of the share buy-back are as follows:

| **Month** | **Number of Shares Purchased** | **Highest Price Paid per Share RM** | **Lowest Price Paid per Share RM** | **Average Price Paid per Share RM** | **Total Amount Paid RM'000** |
|---|---|---|---|---|---|
| January 2006 | 16,642,900 | 0.63 | 0.61 | 0.62 | 10,425 |
| March 2006 | 7,117,100 | 0.73 | 0.71 | 0.72 | 5,158 |
| June 2006 | 511,000 | 0.62 | 0.62 | 0.62 | 318 |
| August 2006 | 365,800 | 0.75 | 0.74 | 0.75 | 273 |
| November 2006 | 100 | 1.08 | 1.08 | 1.08 | - # |

## A7. Capital Issues, Dealings in Own Shares and Repayment of Debt (Continued)

All the shares bought back were retained as treasury shares until 22 November 2006, on which date the Company cancelled 66,276,800 treasury shares with carrying amount of RM47.1 million. The cancelled share capital of RM33.1 million was transferred to capital redemption reserve and consideration paid of RM47.1 million for the shares cancelled was set off against the share premium in accordance with the requirement of Section 67A of the Companies Act, 1965.

During the current financial year, the Company also repaid RM250 million Term Unsecured Loan Incorporating Preference Shares.

Save as disclosed above, there were no other issuance and repayment of debt and equity securities, share buy-back, share cancellations, share held as treasury shares and resale of treasury shares during the year under review.

# comprising treasury shares amounting to RM121

## A8. Dividend Paid

An interim dividend of 2.0 sen or 4.0% tax exempt per ordinary share, amounting to RM56.7 million declared on the ordinary shares of RM0.50 each in respect of the financial year ended 31 December 2005 was paid on 4 May 2006.

## A9. Segmental Information

Analysis of the Group's segmental revenue and results is as follows:

| | Financial year ended 31 December | | | |
|---|---|---|---|---|
| | **Revenue** | | **Profit/(Loss)** | |
| | **2006** | **2005** | **2006** | **2005** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Cement & Clinker | 1,488,283 | 1,305,987 | 228,653 | 26,087 |
| Ready-mixed concrete & Aggregates | 427,488 | 475,605 | (4,916) | (5,602) |
| Other building materials | 232,810 | 209,025 | 3,741 | 4,203 |
| Other operations | 68,515 | 90,608 | 7,732 | 29,749 |
| | 2,217,096 | 2,081,225 | 235,210 | 54,437 |
| Inter-segment elimination | (139,203) | (214,557) | - | - |
| Interest income | - | - | 2,971 | 2,382 |
| Total Revenue/Profit from operations | 2,077,893 | 1,866,668 | 238,181 | 56,819 |
| Finance cost | | | (24,019) | (26,976) |
| Share of results of associates | | | (2,067) | (498) |
| Profit before tax | | | 212,095 | 29,345 |
| Taxation | | | (38,667) | 1,956 |
| Profit for the year | | | 173,428 | 31,301 |

## A10. Valuation of Property, Plant and Equipment

There is no revaluation of property, plant and equipment brought forward from the previous audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

## A11. Material Events Subsequent to Quarter End

On 30 January 2007, the Company proposed to undertake a capital repayment to the shareholders of the Company via a cash distribution of up to RM566.46 million on the basis of RM0.20 cash for every one existing ordinary share of RM0.50 each held in the Company via a reduction in the par value of the ordinary shares of the Company of RM0.50 each to RM0.30 each at a date to determined later. Following the proposed capital repayment and the distribution of RM0.20 per share, the Company will consolidate the resultant share capital of up to 2,832,318,356 ordinary shares of RM0.30 each, on the basis of ten (10) ordinary shares of RM0.30 each into three (3) ordinary shares of RM1.00 each. Upon completion of the proposed consolidation, the share capital of the Company will be RM849,695,507 comprising 849,695,507 ordinary shares of RM1.00 each. The proposed capital repayment is expected to be completed in the 3rd quarter of 2007.

Saved as disclosed above, there were no other material events subsequent to the current financial quarter 31 December 2006 up to the date of this report which are likely to substantially affect the results of the operations of the Group.

## A12. Changes in Group Composition

On 9 January 2007, M-Creation Sdn Bhd, a wholly-owned dormant subsidiary of the Company has submitted an application to the Companies Commission of Malaysia ("CCM") to strike-off its name from the register. The application was rejected by the CCM which advised that the said subsidiary to commence its voluntary winding-up instead.

## A13. Contingent Liabilities

The Group has no material contingent liabilities as at the date of this report.

## A14. Commitments

Outstanding commitments in respect of capital expenditure at balance sheet date not provided for in the financial statements are as follows:

| | **As at 31/12/2006 RM'000** |
|---|---|
| Approved and contracted for | 12,341 |
| Approved but not contracted for | 58,661 |
| | 71,002 |

## A15. Related Party Transactions

The 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 |
| 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. |
| Lafarge Roofing Tiles Sdn Bhd | Subsidiary of Lafarge S.A. |
| Lafarge Roofing Systems Sdn Bhd | Subsidiary of Lafarge S.A. |
| Lafarge Tiles (Pahang) Sdn Bhd | Subsidiary of Lafarge S.A. |
| Marine Cement Ltd | Subsidiary of Lafarge S.A. |
| PT Semen Andalas Indonesia | Subsidiary of Lafarge S.A. |

| Description of Transactions | Current Year to Date 31/12/2006 RM'000 |
|---|---:|
| Provision of trademark licence and general assistance fees payable to Lafarge S.A. | 23,386 |
| Insurance premium and brokerage fee payable to Lafarge S.A. | 168 |
| Specific technical assistance fee charged by Lafarge S.A. | 685 |
| Sales of cement and clinker to Cementia Trading AG | 210,748 |
| Sales of cement to Marine Cement Ltd | 58,769 |
| Sales of cement to Lafarge Tiles (Pahang) Sdn Bhd | 2,517 |
| Sales of cement to Lafarge Roofing Tiles Sdn Bhd | 20,213 |
| Time charter hire of vessels to Cement Shipping Company Ltd | 16,614 |
| Sub-charter of vessels to PT Semen Andalas Indonesia | 9,378 |
| Services for export sales by Cementia Asia Sdn Bhd | 3,192 |
| Purchase of cement and clinker from Cementia Trading AG | 48,193 |
| Purchase of building materials for resale from Lafarge Roofing Systems Sdn Bhd | 9,220 |
| Rental of office premises to Lafarge Asia Sdn Bhd | 821 |
| Rental of office premises to Cementia Asia Sdn Bhd | 76 |
| Maintenance of hardware and software by Lafarge Asia Sdn Bhd | 1,780 |

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

Furthermore, the centralisation of these services within the Lafarge Group helps to develop specialised expertise for use by relevant members of the Lafarge Group and generate savings from the economies of scale for all recipient companies.

## B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

### B1. Review of Group's Performance

**Current Quarter**

The Group registered a profit before tax for the current quarter of RM73.4 million compared to RM55.6 million in the corresponding quarter last year. The favourable result is mainly due to higher export sales and export prices and better industrial performance, offset to some extent by higher electricity tariff and some non-operating expenses.

**Current Year To Date**

Group profit before tax for the current financial year ended 31 December 2006 was RM212.1 million, compared to RM29.3 million last year. This is mainly attributed to the recovery in domestic cement selling prices from the low level during the intense price war in the first half of 2005, higher export prices and an improvement in industrial performance. The results would have been better if not for the higher transport costs due to the removal of diesel subsidies and the higher electricity tariff effective from 1 June 2006. The 2005 results were also boosted by the non-operating income, mainly arising from the sale of a marine vessel.

### B2. Comparison with Preceding Quarter

| | **Current Quarter 31/12/2006 RM'000** | **Preceding Quarter 30/9/2006 RM'000** |
|---|---|---|
| Revenue | 503,637 | 561,027 |
| Profit before tax | 73,407 | 51,867 |

Revenue was lower during the current quarter mainly due to lower domestic sales as cement consumption was affected by the festive season and the wet weather. The Group profit before tax however was higher at RM73.4 million compared to RM51.9 million in the preceding quarter due to higher production output resulting in higher export volumes and lower production costs as a result of the improved industrial performance and shorter scheduled plant maintenance.

### B3. Prospects for Year 2007

Construction activities and cement demand in Malaysia are expected to improve in 2007 underpinned by the 9$^{th}$ Malaysia Plan projects. Group results for 2007 is expected to improve following the revision in domestic cement prices in late December 2006, but the full year impact of the electricity tariff increase (7 months in 2006), higher costs of transport, paper bags and raw materials will trim the favourable price impact. The Group welcomed the 9% ceiling price adjustment which will improve contributions but the Group's return on invested capital remains unsatisfactory as this increase is still insufficient to compensate for the 40% increase in costs over the past few years. Construction activities in Singapore are expected to improve with the stronger economy and the implementation of the Integrated Resorts. Against the above background, the Board is optimistic of achieving better results in 2007.

**B4. Profit Forecast and Profit Guarantee**

The Group did not publish any profit forecast or profit guarantee during the current quarter ended 31 December 2006.

**B5. Taxation**

Taxation comprises the following:

| | Current Year Quarter 31/12/2006 RM'000 | Current Year to Date 31/12/2006 RM'000 |
|---|---|---|
| In respect of current year: | | |
| - income tax (charge)/credit | 401 | (1,173) |
| - deferred tax (charge)/credit | (2,164) | (37,494) |
| | (1,763) | (38,667) |

The Group effective tax rate for the current year quarter and current year to date is lower than the statutory tax rate of 28% in Malaysia mainly as a result of a reversal of deferred tax provision to reflect the reduction of corporate tax rate as announced by the Government at the Budget Speech on 1 September 2006. The effect of this reduction has been adopted in this current quarter. The lower effective tax rate is also due to tax credit refundable from Singapore tax authorities and some tax exempt income, offset by the non-availability of group tax relief for losses in certain subsidiaries and certain expenses not deductible for tax purposes.

**B6. Unquoted Investments and/or Properties**

a) Disposal of unquoted investment during the quarter under review is as follows:-

| | Current Year Quarter 31/12/2006 RM'000 | Current Year to Date 31/12/2006 RM'000 |
|---|---|---|
| Sales proceeds | - | 10,803 |
| Book value of investment | - | 6,096 |
| Gain on disposal | - | 4,707 |

b) Gain/(Loss) on disposal of properties during the quarter under review are as follows:-

| | Current Year Quarter 31/12/2006 RM'000 | Current Year to Date 31/12/2006 RM'000 |
|---|---|---|
| Properties included within the : | | |
| - Assets classified as Held for Sale | - | (1) |
| - Property, Plant and Equipment | 95 | 167 |
| Total gain/(loss) on disposal of properties | 95 | 166 |

Save as disclosed above, there were no other disposal of unquoted investments and properties during the year under review.

**B7. Quoted Securities**

a) Disposal of quoted securities during the quarter under review are as follows:-

| | Current Year Quarter 31/12/2006 RM'000 | Current Year to Date 31/12/2006 RM'000 |
|---|---|---|
| Sales proceeds | - | 49 |
| Cost of investment | - | 55 |
| Loss on disposal | - | (6) |

b) Investment in quoted securities as at 31 December 2006 is as follows:

| | RM'000 |
|---|---|
| At cost | 972 |
| Less: Allowance for diminution in value | (439) |
| At book value | 533 |
| At market value | 543 |

**B8. Status of Corporate Proposals**

**Proposed Special Issue to Bumiputera Investors**

The Company has been given an extension of time until 30 June 2007 by the Foreign Investment Committee and the Securities Commission to implement the remainder Proposed Special Issue of up to 552,228,461 ordinary shares to Bumiputera investors to be approved by the Ministry of International Trade and Industry.

**B9. Group Borrowings**

The Group borrowings as at 31 December 2006 are as follows:

| | RM'000 |
|---|---|
| Long-term borrowings | |
| Finance lease (secured) | 6,505 |
| Short-term borrowings | |
| Term Unsecured Loan incorporating preference shares (unsecured) | 250,000 |
| Commercial Papers (unsecured) | 135,000 |
| Finance lease (secured) | 2,103 |
| | 387,103 |
| Total Group borrowings | 393,608 |

All borrowings are denominated in Ringgit Malaysia.

## B10. Off Balance Sheet Financial Instruments

As of 9 February 2007, the forward foreign exchange contracts which have been entered into by the Group are as follows:-

Forward Contracts Purchased

| Currency | Contract Amount (EURO'000) | Date of Contract | Value Date of Contract | Equivalent Amount (RM'000) |
|---|---|---|---|---|
| EURO | 1,719 | 6 December 2006 to 6 February 2007 | 15 February 2007 to 18 June 2007 | 7,938 |

Forward Contracts Sold

| Currency | Contract Amount (USD'000) | Date of Contract | Value Date of Contract | Equivalent Amount (RM'000) |
|---|---|---|---|---|
| USD | 11,360 | 22 May 2006 to 22 January 2007 | 16 February 2007 to 7 September 2007 | 40,211 |

| Currency | Contract Amount (USD'000) | Date of Contract | Value Date of Contract | Equivalent Amount (EURO'000) |
|---|---|---|---|---|
| USD | 1,008 | 18 December 2006 to 6 February 2007 | 15 February 2007 to 18 September 2007 | 1,318 |

The Group does not foresee any significant credit and market risks associated with the above forward exchange contracts as they are entered into with approved financial institutions in line with the Group's policy.

## B11. Material Litigation

There was no pending material litigation as at the date of this report.

## B12. Dividend

An interim dividend of 3.0 sen or 6.0% tax exempt per ordinary share of RM0.50 each has been declared in respect of the financial year ended 31 December 2006. Total dividend payable amount to RM85.0 million compared to an interim dividend of 2.0 sen or 4.0% tax exempt per ordinary share, equivalent to a total payout of RM56.7 million for the financial year ended 31 December 2005. The dividend is payable on 3 May 2007.

Notice is hereby given that the Register of Members will be closed on 12 April 2007 for the purpose of determining shareholders' entitlements. The entitlement date for the payment of dividend is 12 April 2007.

A depositor shall qualify for the entitlement only in respect of:-

(a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 12 April 2007 in respect of ordinary transfers; and

## B12. Dividend (Continued)

(b) Securities transferred into the Depositor's Securities Account before 12.30 p.m. on 10 April 2007 in respect of securities exempted from mandatory deposit; and

(c) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad

## B13. Earnings per share

Earnings per share is calculated as follows:

| | **Current Year Quarter** | **Preceding Year Corresponding Quarter** | **Current Year To Date** | **Preceding Year Corresponding Year** |
|---|---|---|---|---|
| Profit attributable to equity holders of the parent (RM'000) | 73,993 | 37,278 | 174,756 | 29,792 |
| Weighted average number of ordinary shares in issue* ('000) | 2,832,319 | 2,877,475 | 2,835,985 | 2,879,050 |
| **Basic and diluted earnings per shares (sen)** | **2.6** | **1.3** | **6.2** | **1.0** |

*net of treasury shares.

Dated: 16 February 2007
Petaling Jaya, Selangor Darul Ehsan.