

LAFARGE MALAYAN CEMENT BERHAD
(1877-T)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 1 st Quarter Ended | | Financial Period Ended | |
|---|-------------------------------|----------------------------|----------------------------|----------------------------|
| | 31 March 2011 RM'000 | 31 March 2010 RM'000 | 31 March 2011 RM'000 | 31 March 2010 RM'000 |
| Revenue | 602,771 | 548,420 | 602,771 | 548,420 |
| Operating expenses | (495,151) | (445,960) | (495,151) | (445,960) |
| Depreciation and amortisation | (41,108) | (38,808) | (41,108) | (38,808) |
| Other income/(expenses) | 1,084 | (5,394) | 1,084 | (5,394) |
| Investment income | 1,972 | 1,968 | 1,972 | 1,968 |
| Interest income | 1,590 | 1,825 | 1,590 | 1,825 |
| Profit from operations | 71,158 | 62,051 | 71,158 | 62,051 |
| Finance cost | (2,624) | (3,149) | (2,624) | (3,149) |
| Share in results of associate | 328 | (1,870) | 328 | (1,870) |
| Profit before tax | 68,862 | 57,032 | 68,862 | 57,032 |
| Income tax expense | (18,124) | (9,889) | (18,124) | (9,889) |
| Profit for the period | 50,738 | 47,143 | 50,738 | 47,143 |
| Other comprehensive income/(loss), net of tax | | | | |
| Foreign currency translation differences for foreign operations | (3,070) | (4,724) | (3,070) | (4,724) |
| Net change in cash flow hedges | 202 | (393) | 202 | (393) |
| Others | (111) | - | (111) | - |
| Total other comprehensive income/(loss) for the period, net of tax | (2,979) | (5,117) | (2,979) | (5,117) |
| Total comprehensive income for the period | 47,759 | 42,026 | 47,759 | 42,026 |
| Profit/(Loss) attributable to: | | | | |
| Owners of the Company | 51,962 | 48,053 | 51,962 | 48,053 |
| Non-controlling interests | (1,224) | (910) | (1,224) | (910) |
| | 50,738 | 47,143 | 50,738 | 47,143 |
| Total comprehensive income/(loss) attributable to: | | | | |
| Owners of the Company | 48,980 | 42,936 | 48,980 | 42,936 |
| Non-controlling interests | (1,221) | (910) | (1,221) | (910) |
| | 47,759 | 42,026 | 47,759 | 42,026 |
| Basic and diluted earnings per share (sen) | 6.1 | 5.7 | 6.1 | 5.7 |

(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31st December 2010 and the accompanying explanatory notes attached to the interim financial statements)

LAFARGE MALAYAN CEMENT BERHAD
(1877-T)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 March 2011 RM'000 | As at 31 December 2010 RM'000 |
|--|------|-------------------------------------|--|
| ASSETS | | | |
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | | 1,734,454 | 1,763,888 |
| Investment property | | 3,767 | 3,777 |
| Prepaid lease payments on leasehold land | | 122,775 | 124,649 |
| Goodwill on consolidation | | 1,205,889 | 1,205,889 |
| Other intangible assets | | 4,105 | 4,179 |
| Investment in associate | | 9,975 | 9,601 |
| Other financial assets | | 2,111 | 2,111 |
| Deferred tax assets | | 1,412 | 1,205 |
| | | <u>3,084,488</u> | <u>3,115,299</u> |
| <u>Current assets</u> | | | |
| Inventories | | 276,490 | 261,133 |
| Current tax assets | | 23,764 | 20,884 |
| Trade receivables | | 314,154 | 275,814 |
| Other receivables and prepaid expenses | | 39,697 | 36,234 |
| Amounts owing to holding and other related companies | | 38,243 | 23,517 |
| Derivative financial assets | B10 | 149 | 26 |
| Term deposits | | 148,674 | 128,909 |
| Fixed income trust fund | | 17,375 | 30,083 |
| Cash and bank balances | | 152,202 | 213,715 |
| | | <u>1,010,748</u> | <u>990,315</u> |
| Assets classified as held for sale | | 18,836 | 18,748 |
| | | <u>1,029,584</u> | <u>1,009,063</u> |
| Total assets | | 4,114,072 | 4,124,362 |
| EQUITY AND LIABILITIES | | | |
| <u>Share capital and reserves</u> | | | |
| Share capital | | 849,695 | 849,695 |
| Reserves: | | | |
| Share premium | | 1,067,199 | 1,067,199 |
| Capital reserve | | 33,968 | 34,079 |
| Exchange equalisation reserve | | 38,091 | 41,164 |
| Capital redemption reserve | | 33,798 | 33,798 |
| Hedging reserve | | (228) | (430) |
| Retained earnings | | 1,026,500 | 1,059,508 |
| Equity attributable to owners of the Company | | <u>3,049,023</u> | <u>3,085,013</u> |
| Non-controlling interests | | 15,533 | 16,754 |
| Total equity | | <u>3,064,556</u> | <u>3,101,767</u> |

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LAFARGE MALAYAN CEMENT BERHAD
(1877-T)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 March 2011 RM'000 | As at 31 December 2010 RM'000 |
|--|------|-------------------------------------|--|
| <u>Non-current liabilities</u> | | | |
| Borrowings | B9 | 107,582 | 107,949 |
| Retirement benefits | | 42,212 | 40,920 |
| Deferred tax liabilities | | 279,900 | 283,076 |
| | | 429,694 | 431,945 |
| <u>Current liabilities</u> | | | |
| Trade payables | | 319,406 | 293,075 |
| Other payables and accrued expenses | | 81,453 | 96,670 |
| Amounts owing to holding and other related companies | | 15,478 | 12,422 |
| Borrowings | B9 | 107,365 | 107,826 |
| Derivative financial liabilities | B10 | 484 | 998 |
| Tax liabilities | | 10,666 | 11,683 |
| Dividend payable | | 84,970 | 67,976 |
| | | 619,822 | 590,650 |
| Total liabilities | | 1,049,516 | 1,022,595 |
| Total equity and liabilities | | 4,114,072 | 4,124,362 |
| | | | |
| Net assets per share attributable to ordinary equity holders of the Company (RM) | | 3.59 | 3.63 |

(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31st December 2010 and the accompanying explanatory notes attached to the interim financial statements)

LAFARGE MALAYAN CEMENT BERHAD
(1877-T)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | ← Attributable to owners of the Company → | | | | | | | Total | Non- controlling Interest | Total Equity |
|--|---|----------------------------|------------------------------|---|--|------------------------------|--------------------------------|-----------|---------------------------------|-----------------|
| | ← Non-distributable → | | | | Distributable | | | | | |
| | Share Capital RM'000 | Share Premium RM'000 | Capital Reserve RM'000 | Exchange Equalisation Reserve RM'000 | Capital Redemption Reserve RM'000 | Hedging Reserve RM'000 | Retained Earnings RM'000 | | | |
| As of 1 January 2011 | 849,695 | 1,067,199 | 34,079 | 41,164 | 33,798 | (430) | 1,059,508 | 3,085,013 | 16,754 | 3,101,767 |
| Total comprehensive income/(loss) for the period | - | - | (111) | (3,073) | - | 202 | 51,962 | 48,980 | (1,221) | 47,759 |
| Dividends | - | - | - | - | - | - | (84,970) | (84,970) | - | (84,970) |
| As of 31 March 2011 | 849,695 | 1,067,199 | 33,968 | 38,091 | 33,798 | (228) | 1,026,500 | 3,049,023 | 15,533 | 3,064,556 |
| As of 1 January 2010 | 849,695 | 1,067,199 | 33,968 | 44,209 | 33,798 | - | 1,164,779 | 3,193,648 | 20,996 | 3,214,644 |
| As previously stated - Effect of adopting FRS 139 | - | - | - | - | - | 278 | (389) | (111) | - | (111) |
| As of 1 January 2010 (restated) | 849,695 | 1,067,199 | 33,968 | 44,209 | 33,798 | 278 | 1,164,390 | 3,193,537 | 20,996 | 3,214,533 |
| Total comprehensive income/(loss) for the period | - | - | - | (4,724) | - | (394) | 48,053 | 42,935 | (910) | 42,025 |
| As of 31 March 2010 | 849,695 | 1,067,199 | 33,968 | 39,485 | 33,798 | (116) | 1,212,443 | 3,236,472 | 20,086 | 3,256,558 |

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31st December 2010 and the accompanying explanatory notes attached to the interim financial statements)

LAFARGE MALAYAN CEMENT BERHAD
(1877-T)
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Financial Period Ended | |
|---|-------------------------------------|-------------------------------------|
| | 31 March 2011 RM'000 | 31 March 2010 RM'000 |
| <u>Cash Flows From Operating Activities</u> | | |
| Profit before tax | 68,862 | 57,032 |
| Adjustments for:- | | |
| Non-cash items | 41,879 | 45,181 |
| Non-operating items | 749 | 1,296 |
| Operating profit before changes in working capital | 111,490 | 103,509 |
| <u>Changes in working capital</u> | | |
| Net change in current assets | (74,997) | 30,678 |
| Net change in current liabilities | 23,840 | (13,161) |
| Retirement benefits paid | (369) | (2,364) |
| Tax paid | (25,520) | (1,751) |
| Net cash generated from operating activities | 34,444 | 116,911 |
| <u>Cash Flows From Investing Activities</u> | | |
| Purchase of property, plant and equipment | (17,489) | (7,974) |
| Proceeds from disposal of property, plant and equipment | 854 | 1,108 |
| Interest received | 1,875 | 1,848 |
| Net cash used in investing activities | (14,760) | (5,018) |
| <u>Cash Flows From Financing Activities</u> | | |
| Net repayment of borrowings | (828) | (140,000) |
| Dividend paid | (67,976) | - |
| Interest paid | (4,926) | (5,091) |
| Net cash used in financing activities | (73,730) | (145,091) |
| Net Change in Cash and Cash Equivalents | (54,046) | (33,198) |
| Effects of currency translations | (410) | (1,749) |
| Cash and Cash Equivalents at beginning of the year | 372,707 | 413,521 |
| Cash and Cash Equivalents at end of the period | 318,251 | 378,574 |

(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31st December 2010 and the accompanying explanatory notes attached to the interim financial statements)

LAFARGE MALAYAN CEMENT BERHAD
(1877-T)

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 issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements.

The interim financial statements should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2010. 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 2010.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2010, except for the adoption of the following Financial Reporting Standards (FRSs), amendments to FRSs and IC Interpretations:

Adoption of New and Revised FRSs, IC Interpretations and Amendments

Effective for financial periods beginning on or after 1 March 2010:

| | |
|---------|--|
| FRS 132 | Financial Instruments: Presentation (Amendments relating to Classification of Rights Issues) |
|---------|--|

Effective for financial periods beginning on or after 1 July 2010:

| | |
|----------------------|--|
| FRS 1 | First-time Adoption of Financial Reporting Standards (Revised) |
| FRS 2 | Share-based Payments (Amendments relating to scope of FRS 2 and revised FRS 3) |
| FRS 3 | Business Combinations (Revised in 2010) |
| FRS 5 | Non-current Assets Held for Sale and Discontinued Operations (Amendments relating to plan to sell the controlling interest in a subsidiary) |
| FRS 127 | Consolidated and Separate Financial Statements (Revised in 2010) |
| FRS 128 | Investment in Associates (Revised) |
| FRS 138 | Intangible Assets (Amendments relating to additional consequential amendments arising from revised FRS 3) |
| FRS 139 | Financial Instruments: Recognition and Measurement (Amendments relating to additional consequential amendments arising from revised FRS 3 and revised FRS 127) |
| IC Interpretation 9 | Reassessment of Embedded Derivatives (Amendments relating to scope of IC Interpretation 9 and revised FRS 3) |
| IC Interpretation 12 | Service Concession Arrangements |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation |
| IC Interpretation 17 | Distributions of Non-cash Assets to Owners |

Effective for financial periods beginning on or after 1 January 2011:

| | |
|-------------------------------------|--|
| FRS 1 | First-time Adoption of Financial Reporting Standards (Amendments relating to limited exemption from Comparative FRS 7 Disclosures for First-time Adopters) |
| FRS 1 | First-time Adoption of Financial Reporting Standards (Amendments relating to additional exemption for First-time Adopters) |
| FRS 2 | Share-based Payments (Amendments relating to Group Cash-settled Share Based Payment Transactions) |
| FRS 7 | Financial Instruments: Disclosures (Amendments relating to improving disclosures about financial instruments) |
| IC Interpretation 4 | Determining whether an Arrangement contains a Lease |
| IC Interpretation 18 | Transfers of Assets from Customers |
| Improvements to FRSs issued in 2010 | |

The adoption of the abovementioned new and revised FRSs, IC Interpretations and Amendments has no effect to the Group's consolidated financial statements of the current quarter or the comparative consolidated financial statements of the prior financial year.

New and Revised FRSs, IC Interpretations and Amendments issued but are not yet effective for the Group's Current Quarter Report

Effective for financial periods beginning on or after 1 July 2011:

| | |
|----------------------|--|
| IC Interpretation 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) |
| IC Interpretation 19 | Extinguishing Financial Liabilities with Equity Instruments |

Effective for financial periods beginning on or after 1 January 2012:

| | |
|----------------------|--|
| FRS 124 | Related Party Disclosures (revised) |
| IC Interpretation 15 | Agreements for the Construction of Real Estate |

The Group plans to adopt the abovementioned Standards and IC Interpretations when they become effective. The initial application of these Standards and IC Interpretations are not expected to have any significant financial impact to the financial statements upon their first adoption.

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

There were no 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 period under review.

A8. Dividend Paid

A third interim single tier dividend of 8.0 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2010 amounting to RM67.976 million was paid on 19 January 2011.

A fourth interim single tier dividend of 10.0 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2010 amounting to RM84.970 million was paid on 14 April 2011.

A9. 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.

Segment results, 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.

The Group is organised into the following main operating segments:

Cement
Aggregates & Concrete

Cement business and trading of other building materials
Aggregates and ready-mixed concrete business

Analysis of the Group's segment information is as follows:

| 3 Months Ended | Cement | | Aggregates & Concrete | | Elimination | | Total | |
|--|----------------|----------------|-----------------------|----------------|----------------|----------------|----------------|----------------|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Segment revenue | 566,008 | 520,677 | 86,395 | 65,440 | (49,632) | (37,697) | 602,771 | 548,420 |
| Segment profit/(loss) | 71,574 | 61,884 | (2,006) | (1,658) | - | - | 69,568 | 60,226 |
| Reconciliation of segment profit to consolidated profit before tax: | | | | | | | | |
| Interest income | | | | | | | 1,590 | 1,825 |
| Finance cost | | | | | | | (2,624) | (3,149) |
| Share in results of associate | | | | | | | 328 | (1,870) |
| Consolidated profit before tax | | | | | | | 68,862 | 57,032 |
| Segment assets | 3,757,940 | 3,788,782 | 210,921 | 196,788 | (210,302) | (200,944) | 3,758,559 | 3,784,626 |
| Reconciliation of segment assets to consolidated total assets: | | | | | | | | |
| Investment in associate | | | | | | | 9,975 | 13,597 |
| Unallocated corporate assets | | | | | | | 345,538 | 382,959 |
| Consolidated total assets | | | | | | | 4,114,072 | 4,181,182 |
| Segment liabilities | 637,724 | 490,109 | 116,213 | 108,757 | (210,015) | (201,218) | 543,922 | 397,648 |
| Reconciliation of segment liabilities to consolidated total liabilities: | | | | | | | | |
| Interest bearing instruments | | | | | | | 215,028 | 220,387 |
| Unallocated corporate liabilities | | | | | | | 290,566 | 306,589 |
| Consolidated total liabilities | | | | | | | 1,049,516 | 924,624 |

A11. 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.

A12. Material Events Subsequent to Quarter End

There were no material events subsequent to the current financial quarter 31 March 2011 up to the date of this report which are likely to substantially affect the results of the operations of the Group.

A13. Changes in Group Composition

There were no other changes in the composition for the Group in this quarter.

A14. Contingent Liabilities

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

A15. Commitments

Outstanding commitments in respect of capital commitments at end of reporting period not provided for in the financial statements are as follows:

| | As at 31 March 2011 RM'000 |
|------------------------------------|---|
| In respect of capital expenditure: | |
| Approved and contracted for | 1,674 |
| Approved but not contracted for | 27,406 |
| | <hr/> |
| | 29,080 |
| | <hr/> |

A16. 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 |
| 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. |
| LGBA Trading (Singapore) Pte Ltd | Subsidiary of Lafarge S.A. |
| Marine Cement Ltd | Subsidiary of Lafarge S.A. |
| PT Lafarge Cement Indonesia | Subsidiary of Lafarge S.A. |
| P&O Global Technologies Sdn Bhd | Subsidiary of Pacific & Orient Berhad, of which Mr Chan Hua Eng, a Director of the Company, is a substantial shareholder |

The related party transactions for financial period ended 31 March 2011 are as follows:

| Description of Transactions | RM'000 |
|---|---------------|
| Ultimate holding company of the Company: | |
| Provision of trademark licence and general assistance fee | 7,952 |
| | |
| Associate of the Group: | |
| Sales of cement and ready-mixed concrete | 7,948 |
| | |
| Subsidiaries of ultimate holding company of the Company: | |
| Sale and/or purchase of cement and clinker | 87,899 |
| Maintenance of hardware and software | 550 |
| Rental income of office premises | 295 |
| | |

The Directors are of the opinion that all 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 S.A has the specialised expertise, technical competencies and/or facilities and infrastructure required for the provision of such services.

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

B1. Review of Group's Performance

Current Quarter

Revenue for the current quarter was higher by 10% as compared to corresponding quarter in 2010 mainly attributable to better selling prices coupled with higher domestic sales volume. The Group also achieved higher pre-tax profit for the current quarter of RM69 million, 21% increase compared to corresponding quarter last year mainly attributable to higher revenue as explained above and better plant performance offset by higher fuel costs and lower export contribution.

B2. Comparison with Preceding Quarter

| | 1st Quarter Ended | 4th Quarter Ended |
|-------------------|-------------------------------------|-------------------------------------|
| | 31 March | 31 December |
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| Revenue | 602,771 | 617,184 |
| Profit before tax | 68,862 | 94,794 |

The Group's revenue for the current quarter was lower by 2% compared to the preceding quarter mainly due to lower sales volume and lower selling prices. The decline in pre-tax profit of the Group for the current quarter is a result of higher production costs primarily due to the increase in fuel costs and higher maintenance costs due to timing of scheduled plant maintenance during the quarter.

B3. Prospects

With more active construction activities as a result of public and private sector projects and investments, the Group is optimistic of a stronger demand in cement and other building materials in the current financial year. The Group is however faced with the challenges of rising costs of fuel and other raw materials and the weaker US Dollars which have a negative impact on export revenues. While part of the rising costs is mitigated by the recent price adjustments, the Group will continue its efforts in improving plant performance, cost control and quality of our product and services to our customers. The Board is optimistic that the performance of the Group will continue to improve for the remaining period of 2011.

B4. Profit Forecast and Profit Guarantee

The Group did not publish any profit forecast or profit guarantee during the current quarter ended 31 March 2011.

B5. Income tax expense

Income tax expense comprises the following:

| | 1st Quarter Ended 31 March 2011 RM'000 |
|-----------------------------|--|
| In respect of current year: | |
| - income tax | (21,703) |
| - deferred tax | 3,579 |
| | <hr/> (18,124) <hr/> |

The Group's effective tax rate for the current quarter is higher than the statutory tax rate of 25% in Malaysia mainly due to certain non tax-deductible expenses and losses in certain subsidiaries.

It was previously announced that on 7 April 2008, LMCB Holding Pte Ltd ("LMCBH"), a wholly owned subsidiary, received Notices of Additional Assessments from the Inland Revenue of Authority Singapore ("IRAS") in connection with the tax refunds received by LMCBH for Years of Assessment 2004 to 2006. LMCBH had recognised in its financial statements the tax refunds received arising from Section 44 tax credit amounting to RM21.276 million for the financial years ended 31 December 2003 to 2005 in connection with the dividends received by LMCBH following internal reorganisation of the Company's investments and corporate structure in Singapore announced on 30 July 2003. Also included in the Group's financial statements for the financial years ended 31 December 2006 and 2007 were tax refunds receivable amounting to RM17.275 million. Total tax refunds recognised for financial years ended 31 December 2003 to 2007 amounted to RM38.551 million. The IRAS via the Notice of Additional Assessment was seeking to recover the tax refunds previously received by LMCBH by assessing additional tax on LMCBH equivalent to the tax refunds. Based on professional advice received, the Company should not be liable to pay this additional tax as the notices of assessment are invalid and had therefore challenged the validity and basis of the Notices of Additional Assessment.

LMCBH filed the Notice of Appeal on 2 October 2008 and the Petition of Appeal on 31 October 2008 with the Income Tax Board of Review of Singapore. The appeal was partly heard from 26 to 28 April 2010 and the closing submission hearing was held on 28 October 2010.

On 18 April 2011, the Company received the written decision of the Income Tax Board of Review of Singapore dismissing the appeal of LMCBH. Based on professional legal advice that there are strong grounds of appeal, LMCBH has filed an appeal to the High Court against the decision of the Income Tax Board of Review of Singapore.

B6. Unquoted Investments and/or Properties

There was no disposal of unquoted investments and properties during the quarter under review.

B7. Quoted Securities

a) There were no purchases or disposal of quoted securities during the quarter under review.

b) Investment in quoted securities as at 31 March 2011 is as follows:

| | RM'000 |
|-------------------------------------|---------------|
| Available-for-sale financial assets | 11 |

B8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report.

B9. Group Borrowings

The Group borrowings as at 31 March 2011 are as follows:

| | RM'000 |
|---------------------------------|----------------|
| <u>Long-term borrowings</u> | |
| Floating rate notes (unsecured) | 105,000 |
| Finance lease (secured) | 2,582 |
| | <u>107,582</u> |
| <u>Short-term borrowings</u> | |
| Floating rate notes (unsecured) | 105,000 |
| Finance lease (secured) | 2,365 |
| | <u>107,365</u> |
| Total Group borrowings | <u>214,947</u> |

All borrowings are denominated in Ringgit Malaysia.

B10. Derivative Financial Instruments

Details of derivative financial instruments outstanding as at 31 March 2011 measured at their fair values together with their corresponding contract/notional amounts classified by the remaining period of maturity are as follows:

| Types of Derivatives | Contract/ Notional Values (RM'000) | Net Fair Value Assets/(Liabilities) (RM'000) | Maturity |
|-----------------------------|---|---|------------------|
| Foreign exchange contracts | 16,077 | 64 | Less than 1 year |
| Coal hedging contracts | 9,678 | (126) | Less than 1 year |
| Interest rate swap contract | 80,000 | (273) | Less than 1 year |

The Group derivative financial instruments are subject to market and credit risk, as follows:

Market Risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting items on and off the statement of financial position.

Credit Risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain in a contract. As at 31 March 2011, the amount of credit risk in the Group measured in terms of the cost to replace the profitable contracts was RM149,000. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

There have been no changes since the end of the previous financial year in respect of the following:

- a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts; and
- b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts.

B11. Fair Value Changes of Financial Liabilities

There was no gain/(loss) arising from fair value changes in financial liabilities in this reporting period.

B12. Material Litigation

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

B13. Dividend

The Directors has declared a first interim single tier dividend of 8.0 sen per ordinary share of RM1.00 each in respect of the financial year ending 31 December 2011 which will be paid on 13 July 2011. The entitlement date for the dividend payment is on 17 June 2011.

A Depositor shall qualify for the entitlement only in respect of:

- (a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 17 June 2011 in respect of transfers; and
- (b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

B14. Earnings per share

Earnings per share are calculated as follows:

| | 1st Quarter Ended | |
|---|-------------------------------------|--------------------------|
| | 31 March 2011 | 31 March 2010 |
| Profit attributable to equity holders of the Company (RM'000) | 51,962 | 48,053 |
| Weighted average number of ordinary shares in issue ('000) | 849,695 | 849,695 |
| Basic and diluted earnings per shares (sen) | 6.1 | 5.7 |

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

B15. Disclosure of realised and unrealised profits

The breakdown of the retained profits of the Group as at 31 March 2011, into realised and unrealised profits, is as follows:

| | As at 31 March 2011 RM'000 | As at 31 December 2010 RM'000 |
|---|---|--|
| Total retained profits of the Group: | | |
| - realised | 1,408,386 | 1,450,133 |
| - unrealised | (179,623) | (184,598) |
| | <u>1,228,763</u> | <u>1,265,535</u> |
| Total retained profits from associate: | | |
| - realised | 16,649 | 16,322 |
| | <u>1,245,412</u> | <u>1,281,857</u> |
| Less: Consolidation adjustments | (218,912) | (222,349) |
| Total retained profits as per statement of financial position | <u>1,026,500</u> | <u>1,059,508</u> |

Dated: 24 May 2011
Petaling Jaya, Selangor Darul Ehsan.