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

| | 1st Quarter Ended | | 3 Months Ended | |
|---|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **31 March 2013 RM'000** | **31 March 2012 RM'000** |
| **Revenue** | **644,941** | **644,198** | **644,941** | **644,198** |
| Operating expenses | (538,741) | (518,837) | (538,741) | (518,837) |
| Depreciation and amortisation | (35,525) | (39,514) | (35,525) | (39,514) |
| Other expenses | (1,022) | (1,012) | (1,022) | (1,012) |
| Investment income | 1,794 | 2,115 | 1,794 | 2,115 |
| Interest income | 1,599 | 1,441 | 1,599 | 1,441 |
| **Profit from operations** | **73,046** | **88,391** | **73,046** | **88,391** |
| Finance cost | (297) | (1,886) | (297) | (1,886) |
| Share in results of associate | 620 | 609 | 620 | 609 |
| **Profit before tax** | **73,369** | **87,114** | **73,369** | **87,114** |
| Income tax expense | (18,929) | (22,369) | (18,929) | (22,369) |
| **Profit for the period** | **54,440** | **64,745** | **54,440** | **64,745** |
| **Other comprehensive income/(loss), net of tax** | | | | |
| **Items never reclassified subsequently to profit or loss** | - | - | - | - |
| | - | - | - | - |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Foreign currency translation differences for foreign operations | 334 | (993) | 334 | (993) |
| Net change in cash flow hedges | (546) | 268 | (546) | 268 |
| **Total other comprehensive loss for the period, net of tax** | (212) | (725) | (212) | (725) |
| **Total comprehensive income for the period** | **54,228** | **64,020** | **54,228** | **64,020** |
| **Profit/(Loss) attributable to:** | | | | |
| Owners of the Company | 54,304 | 64,818 | 54,304 | 64,818 |
| Non-controlling interests | 136 | (73) | 136 | (73) |
| | **54,440** | **64,745** | **54,440** | **64,745** |
| **Total comprehensive income/(loss) attributable to:** | | | | |
| Owners of the Company | 54,092 | 64,096 | 54,092 | 64,096 |
| Non-controlling interests | 136 | (76) | 136 | (76) |
| | **54,228** | **64,020** | **54,228** | **64,020** |
| Basic and diluted earnings per share (sen) | 6.4 | 7.6 | 6.4 | 7.6 |

***(The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31st December 2012 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 2013 RM'000 | As at 31 December 2012 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 1,561,936 | 1,589,405 |
| Investment property | | 3,522 | 3,532 |
| Prepaid lease payments on leasehold land | | 111,204 | 112,721 |
| Goodwill on consolidation | | 1,205,889 | 1,205,889 |
| Other intangible assets | | 3,303 | 3,433 |
| Investment in associate | | 20,395 | 19,797 |
| Other financial assets | | 1,815 | 1,815 |
| Deferred tax assets | | 2,745 | 2,050 |
| | | 2,910,809 | 2,938,642 |
| Current assets | | | |
| Inventories | | 273,096 | 282,161 |
| Current tax assets | | 25,832 | 22,822 |
| Trade receivables | | 345,647 | 344,266 |
| Other receivables and prepaid expenses | | 33,354 | 34,477 |
| Amounts owing by holding and other related companies | | 18,413 | 21,028 |
| Derivative financial assets | B9 | 233 | 108 |
| Term deposits | | 132,850 | 105,807 |
| Fixed income trust fund | | 26,750 | 28,729 |
| Cash and bank balances | | 215,309 | 219,466 |
| | | 1,071,484 | 1,058,864 |
| **Total assets** | | **3,982,293** | **3,997,506** |
| **EQUITY AND LIABILITIES** | | | |
| Share capital and reserves | | | |
| Share capital | | 849,695 | 849,695 |
| Reserves: | | | |
| Share premium | | 1,067,199 | 1,067,199 |
| Exchange equalisation reserve | | 39,424 | 39,090 |
| Capital redemption reserve | | 33,798 | 33,798 |
| Investments revaluation reserve | | 36 | 36 |
| Hedging reserve | | (532) | 14 |
| Retained earnings | | 1,122,165 | 1,178,321 |
| Equity attributable to owners of the Company | | 3,111,785 | 3,168,153 |
| Non-controlling interests | | 4,603 | 4,467 |
| Total equity | | 3,116,388 | 3,172,620 |

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

| | Note | As at 31 March 2013 RM'000 | As at 31 December 2012 RM'000 |
|---|---|---|---|
| Non-current liabilities | | | |
| Borrowings | B8 | 228 | 488 |
| Retirement benefits | | 61,554 | 59,874 |
| Deferred tax liabilities | | 235,277 | 237,637 |
| | | 297,059 | 297,999 |
| Current liabilities | | | |
| Trade payables | | 357,147 | 319,131 |
| Other payables and accrued expenses | | 82,892 | 100,040 |
| Amounts owing to holding and other related companies | | 15,636 | 22,286 |
| Borrowings | B8 | 1,181 | 1,219 |
| Derivative financial liabilities | B9 | 1,182 | 1 |
| Tax liabilities | | 348 | 16,234 |
| Dividend payable | | 110,460 | 67,976 |
| | | 568,846 | 526,887 |
| Total liabilities | | 865,905 | 824,886 |
| **Total equity and liabilities** | | **3,982,293** | **3,997,506** |
| Net assets per share attributable to ordinary equity holders of the Company (RM) | | 3.66 | 3.73 |

***(The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31st December 2012 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 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | | Distributable | | | |
| | Share Capital RM'000 | Share Premium RM'000 | Exchange Equalisation Reserve RM'000 | Capital Redemption Reserve RM'000 | Investment Revaluation Reserve RM'000 | Hedging Reserve RM'000 | Retained Earnings RM'000 | Total RM'000 | Non-controlling Interests RM'000 | Total Equity RM'000 |
| As of 1 January 2013 | 849,695 | 1,067,199 | 39,090 | 33,798 | 36 | 14 | 1,178,321 | 3,168,153 | 4,467 | 3,172,620 |
| Profit or loss for the period | - | - | - | - | - | - | 54,304 | 54,304 | 136 | 54,440 |
| Other comprehensive income/(loss) for the period | - | - | 334 | - | - | (546) | - | (212) | - | (212) |
| Dividends | - | - | - | - | - | - | (110,460) | (110,460) | - | (110,460) |
| As of 31 March 2013 | 849,695 | 1,067,199 | 39,424 | 33,798 | 36 | (532) | 1,122,165 | 3,111,785 | 4,603 | 3,116,388 |
| As of 1 January 2012 | 849,695 | 1,067,199 | 39,716 | 33,798 | 36 | (242) | 1,118,127 | 3,108,329 | 16,745 | 3,125,074 |
| Profit or loss for the period | | | | | | | 64,818 | 64,818 | (73) | 64,745 |
| Other comprehensive income/(loss) for the period | - | - | (990) | - | - | 268 | - | (722) | (3) | (725) |
| Changes in ownership with no loss of control | - | - | - | - | - | - | 2,553 | 2,553 | (12,769) | (10,216) |
| Dividends | - | - | - | - | - | - | (84,970) | (84,970) | - | (84,970) |
| As of 31 March 2012 | 849,695 | 1,067,199 | 38,726 | 33,798 | 36 | 26 | 1,100,528 | 3,090,008 | 3,900 | 3,093,908 |

***(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 2012 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 2013 RM'000** | **31 March 2012 RM'000** |
| Cash Flows From Operating Activities | | |
| Profit before tax | 73,369 | 87,114 |
| Adjustments for:- | | |
| Allowance for inventories obsolescence | 690 | 1,619 |
| Amortisation of: | | |
| - other intangible assets | 130 | 102 |
| - prepaid lease payments on leasehold land | 1,517 | 1,716 |
| Depreciation of: | | |
| - investment property | 10 | 9 |
| - property, plant and equipment | 33,868 | 37,687 |
| Derivative loss/(gain) | 259 | (649) |
| Dividend income | (222) | (210) |
| Finance cost | 297 | 1,886 |
| Loss/(Gain) on disposal of: | | |
| - property, plant and equipment | 552 | (316) |
| - available-for-sale investments | - | 37 |
| Impairment loss recognised on trade receivables | 220 | 121 |
| Interest income | (1,599) | (1,441) |
| Property, plant and equipment written off | 9 | 54 |
| Provision for retirement benefits | 1,874 | 2,025 |
| Reversal of impairment loss on trade receivables | (52) | (101) |
| Unrealised loss/(gain) on foreign exchange | 452 | (197) |
| Share in results of associate | (620) | (609) |
| Operating profit before changes in working capital | 110,754 | 128,847 |
| Decrease /(Increase) in: | | |
| Inventories | 9,411 | 8,368 |
| Receivables | (591) | (61,855) |
| Amounts owing by holding and other related companies | 1,740 | (919) |
| Increase/(Decrease) in: | | |
| Payables | 22,316 | 204 |
| Amounts owing to holding and other related companies | (5,608) | 6,502 |
| Cash generated from operations | 138,022 | 81,147 |
| Retirement benefits paid | (194) | (365) |
| Tax paid | (40,948) | (35,927) |
| Net cash generated from operating activities | 96,880 | 44,855 |

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

| | Financial Period Ended | |
|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** |
| <u>Cash Flows From Investing Activities</u> | | |
| Additions to property, plant and equipment | (11,306) | (10,763) |
| Dividend received | 222 | 210 |
| Interest received | 1,599 | 1,441 |
| Proceeds from disposal of: | | |
| - property, plant and equipment | 2,554 | 341 |
| - available-for-sale investments | - | 84 |
| Acquisition of additional interest in a subsidiary | - | (10,216) |
| Net cash used in investing activities | (6,931) | (18,903) |
| <u>Cash Flows From Financing Activities</u> | | |
| Dividends paid | (67,976) | (67,976) |
| Interest paid | (280) | (3,034) |
| Repayment of borrowings | (298) | (367) |
| Net cash used in financing activities | (68,554) | (71,377) |
| Net Change in Cash and Cash Equivalents | 21,395 | (45,425) |
| Effects of currency translations | (488) | 1,381 |
| Cash and Cash Equivalents at beginning of the year | 354,002 | 352,304 |
| Cash and Cash Equivalents at end of the period | 374,909 | 308,260 |

***(The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31st December 2012 and the accompanying explanatory notes attached to the interim financial statements)***

## A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

### A1. Basis of Preparation

The interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 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 2012. The audited financial statements of the Group for the year ended 31 December 2012 were prepared in accordance with MFRS and International Financial Reporting Standards (“IFRS”). 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 2012.

### A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2012, except for the adoption of the following MFRSs, amendments to MFRSs and IC Interpretations:

**Adoption of New and Revised FRSs, IC Interpretations and Amendments**

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

| | |
|---|---|
| Amendments to MFRS 7 | Financial Instruments: Disclosures [Amendments relating to Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009 and October 2010 respectively)] |

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

| | |
|---|---|
| Amendments to MFRS 101 | Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income) |

Effective for financial periods beginning on or after 1 January 2013:

| | |
|---|---|
| Amendments to MFRS 7 | Financial Instruments: Disclosure – Offsetting of Financial Assets and Financial Liabilities |
| MFRS 10 | Consolidated Financial Statements |
| MFRS 11 | Joint Arrangements |
| MFRS 12 | Disclosure of Interests in Other Entities |
| MFRS 13 | Fair Value Measurement |
| MFRS 119 | Employee Benefits (IAS 19 as amended by IASB in June 2011) |
| MFRS 127 | Separate Financial Statements (IAS 27 as amended by IASB in May 2011) |
| MFRS 128 | Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011) |
| IC Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine |

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

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

The Group has not adopted the following new and revised MFRSs, IC Interpretations and Amendments because they are not yet effective for the current period ended 31 March 2013 and the current financial year ending 31 December 2013:

Effective for financial periods beginning on or after 1 January 2014.

| | |
|---|---|
| Amendment to MFRS 10, MFRS 11 and MFRS 12 | Investment Entities |
| Amendments to MFRS 132 | Financial Instruments Presentation: Offsetting of Financial Assets and Financial Liabilities |

Effective for financial periods beginning on or after 1 January 2015:

| | |
|---|---|
| MFRS 9 | Financial Instruments |

Except for MFRS 9 which has an effective date beginning on or after 1 January 2015, the Group will adopt the other relevant Standards when it becomes effective. Adoption of these new Standards in the next financial year will have no significant effect or will not result in changes to the existing accounting policies. The directors anticipate that the application of MFRS 9 may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until a detailed review has been completed.

**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 2012 amounting to RM67.976 million was paid on 16 January 2013.

A fourth interim single tier dividend of 13.0 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2012 amounting to RM110.460 million was paid on 16 April 2013.

## 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 | Cement business and trading of other building materials |
| Aggregates & Concrete | Aggregates and ready-mixed concrete business |

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

| **3 Months Ended** | **Cement** | | **Aggregates & Concrete** | | **Elimination** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Segment revenue** | | | | | | | | |
| External revenue | 515,526 | 542,368 | 129,415 | 101,830 | - | - | 644,941 | 644,198 |
| Internal revenue | 61,731 | 63,982 | - | 84 | (61,731) | (64,066) | - | - |
| | 577,257 | 606,350 | 129,415 | 101,914 | (61,731) | (64,066) | 644,941 | 644,198 |
| **Segment profit/(loss)** | 68,759 | 86,105 | 2,688 | 845 | - | - | 71,447 | 86,950 |
| Reconciliation of segment profit to consolidated profit before tax: | | | | | | | | |
| Interest income | | | | | | | 1,599 | 1,441 |
| Finance cost | | | | | | | (297) | (1,886) |
| Share in results of associate | | | | | | | 620 | 609 |
| Consolidated profit before tax | | | | | | | 73,369 | 87,114 |
| **Segment assets** | 3,604,118 | 3,685,751 | 253,316 | 242,559 | (300,837) | (251,062) | 3,556,597 | 3,677,248 |
| Reconciliation of segment assets to consolidated total assets: | | | | | | | | |
| Investment in associate | | | | | | | 20,395 | 16,475 |
| Unallocated corporate assets | | | | | | | 405,301 | 334,018 |
| Consolidated total assets | | | | | | | 3,982,293 | 4,027,741 |
| **Segment liabilities** | 780,828 | 695,984 | 156,837 | 110,614 | (308,832) | (250,653) | 628,833 | 555,945 |
| Reconciliation of segment liabilities to consolidated total liabilities: | | | | | | | | |
| Interest bearing instruments | | | | | | | 1,447 | 107,650 |
| Unallocated corporate liabilities | | | | | | | 235,625 | 270,238 |
| Consolidated total liabilities | | | | | | | 865,905 | 933,833 |

## 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

There were no material events subsequent to the current financial quarter 31 March 2013 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

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

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

| | **As at 31 March 2013 RM'000** |
|---|---|
| In respect of capital expenditure: | |
| Approved and contracted for | 17,290 |
| Approved but not contracted for | 15,963 |
| | 33,253 |

## 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 |
| Associated International Cement Ltd | Immediate holding company of the Company |
| Alliance Concrete Singapore Pte Ltd | Associate of the Company |
| Cementia Trading AG | Subsidiary of Lafarge S.A. |
| Cement Shipping Company Ltd | Subsidiary of Lafarge S.A. |
| Cementia Asia Sdn Bhd | Subsidiary of Lafarge S.A. |
| Coprocem Services Malaysia Sdn Bhd | Subsidiary of Lafarge S.A. |
| Lafarge Asia Sdn Bhd | Subsidiary of Lafarge S.A. |
| Marine Cement Ltd | Subsidiary of Lafarge S.A. |
| PT Lafarge Cement Indonesia | Subsidiary of Lafarge S.A. |

The related party transactions for financial period ended 31 March 2013 are as follows:

| Description of Transactions | RM’000 |
|---|---|
| Ultimate holding company of the Company: | |
| Provision of trademark licence and general assistance fee | 7,786 |
| | |
| Associate of the Group: | |
| Sales and/or purchase of cement and aggregates | 17,740 |
| Batching income | 344 |
| Management service fee | 56 |
| | |
| Subsidiaries of ultimate holding company of the Company: | |
| Sale and/or purchase of cement and clinker | 71,963 |
| Maintenance of hardware and software | 544 |
| Service fee for sourcing alternative fuel and raw materials | 423 |
| Rental income of office premises | 196 |
| Chartering of vessels | 824 |
| Administrative and supporting service fee | 266 |

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 of RM 644.9 million was slightly higher compared to the corresponding quarter last year of RM644.2 million. The higher Aggregates and Concrete sales achieved was offset by the lower revenue generated from the Cement sector arising from the keen competition. Pricing pressure is still prevailing in the domestic market resulting in the lower domestic cement selling price.

Profit before tax for the current quarter of RM73.4 million was 16% lower compared to RM87.1 million in the same period last year. This was mainly due to the lower domestic cement selling price.

### B2. Comparison with Preceding Quarter

| | 1st Quarter Ended 31 March 2013 RM'000 | 4th Quarter Ended 31 December 2012 RM'000 |
|---|---|---|
| Revenue | 644,941 | 690,146 |
| Profit before tax | 73,369 | 138,894 |

Revenue in the current quarter decreased by 7% mainly due to lower volume as a result of the festive season during the first quarter. Profit before tax in the current quarter of RM73.4 million was lower compared to the preceding quarter. This was mainly due to the lower sales volume and timing of plant maintenance to coincide with the festive season during the first quarter.

### B3. Prospects

The outlook of the construction sector is expected to be positive in 2013 due to continued progress of key infrastructure projects and on-going property development projects. Domestic demand for cement and other building materials should continue to grow whilst the outlook for the export market is expected to be stable.

Whilst the market has continued to experience unnecessary pricing pressure during the first quarter, we remain confident that pricing stability will return in the coming months as this continued volatility affects customer service levels and is therefore not sustainable. The Group will continue to focus on product quality and providing solutions to customers whilst maintaining efficiency in the overall operations. The Group's financial results in 2013 should remain satisfactory.

### B4. Profit Forecast and Profit Guarantee

The Group did not publish any profit forecast or profit guarantee during the current quarter ended 31 March 2013.

## B5. Income Tax Expense

Income tax expense comprises the following:

| | **1st Quarter Ended 31 March 2013 RM'000** |
|---|---|
| In respect of current year: | |
| - income tax | (21,735) |
| - deferred tax | 2,803 |
| | |
| In respect of prior year: | |
| - income tax | 3 |
| - deferred tax | - |
| Total tax expense | (18,929) |

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

It was announced on 7 April 2008 that, 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. The tax refunds arose in connection with the dividends received by LMCBH following the internal reorganisation of the Company's investments and corporate structure in Singapore which was 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 sought to recover the tax refunds previously received by LMCBH by assessing additional tax on LMCBH equivalent to the tax refunds under the Notices of Additional Assessments. Based on professional advice received, LMCBH should not be liable to pay the additional tax as the notices of assessment are invalid. Accordingly,LMCBH challenged the validity and basis of the Notices of Additional Assessment.

As previously announced on 14 November 2008, 18 February 2009, 27 August 2009, 19 November 2009, 25 February 2010, 26 May 2010, 25 August 2010, 29 November 2010 and 23 February 2011, LMCBH had appealed against the Notices of Additional Assessment to the Income Tax Board of Review of Singapore ("ITBRS"). The ITBRS had on 18 April 2011 dismissed LMCBH's appeal.

LMCBH filed an appeal to the High Court against ITBRS' decision. The appeal was heard on 26th and 27th March 2012. On 18 December 2012, the Company received the written Judgment of the High Court of Singapore ("Judgment") allowing LMCBH's appeal against the Notices of Additional Assessments from the IRAS in connection with the tax refunds received by LMCBH for Years of Assessment 2004 to 2006 and the Notice of Assessment for the Year of Assessment 2007. The Notices of Additional Assessments for the Years of Assessment 2004 to 2006 and Notice of Assessment for the Year of Assessment 2007 will be discharged.

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

To preserve its rights, LMCBH had on the same date filed a notice of appeal to the Court of Appeal against those parts of the Judgment which dismissed and/or did not accept LMCBH's arguments which were advanced in the High Court of Singapore. On 22 January 2013, LMCBH received notice from the Supreme Court of Singapore that both appeals have been fixed for hearing before the Court of Appeal for the week commencing 1 July 2013. In the meantime, both IRAS and LMCBH have filed their respective appellant's case and respondent's case for both appeals. By way of further update, the appeal has been refixed for hearing in the week commencing 12 August 2013.

## B6. Profit for the Period

| | 1st Quarter Ended | | 3 Months Ended | |
|---|---|---|---|---|
| | **31 March 2013 RM'000** | **31 March 2012 RM'000** | **31 March 2013 RM'000** | **31 March 2012 RM'000** |
| **Profit for the period is arrived after charging:** | | | | |
| Allowance for inventories obsolescence | 690 | 1,619 | 690 | 1,619 |
| Amortisation of: | | | | |
| - other intangible assets | 130 | 102 | 130 | 102 |
| - prepaid lease payments on leasehold land | 1,517 | 1,716 | 1,517 | 1,716 |
| Depreciation of: | | | | |
| - investment property | 10 | 9 | 10 | 9 |
| - property, plant and equipment | 33,868 | 37,687 | 33,868 | 37,687 |
| Derivative loss | 259 | - | 259 | - |
| Impairment loss recognised on trade receivables | 220 | 121 | 220 | 121 |
| Loss on disposal of: | | | | |
| - available-for-sale investments | - | 37 | - | 37 |
| - property, plant and equipment | 552 | - | 552 | - |
| Property, plant and equipment written off | 9 | 54 | 9 | 54 |
| Provision for retirement benefits | 1,874 | 2,025 | 1,874 | 2,025 |
| Realised loss on foreign exchange | - | 1,370 | - | 1,370 |
| Unrealised loss on foreign exchange | 452 | - | 452 | - |
| **and after crediting:** | | | | |
| Derivative gain | - | 649 | - | 649 |
| Gain on disposal of property, plant and equipment | - | 316 | - | 316 |
| Reversal of impairment loss on trade receivables | 52 | 101 | 52 | 101 |
| Realised gain on foreign exchange | 236 | - | 236 | - |
| Unrealised gain on foreign exchange | - | 197 | - | 197 |

## B7. Status of Corporate Proposals

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

## B8. Group Borrowings

The Group borrowings as at 31 March 2013 are as follows:

| | RM'000 |
|---|---|
| Long-term borrowings | |
| Finance lease (secured) | 228 |
| | |
| Short-term borrowings | |
| Finance lease (secured) | 1,181 |
| | |
| Total Group borrowings | 1,409 |

All borrowings are denominated in Ringgit Malaysia.

## B9. Derivative Financial Instruments

Details of derivative financial instruments outstanding as at 31 March 2013 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 Liability (RM'000) | Maturity |
|---|---|---|---|
| Foreign exchange contracts | 17,155 | 56 | Less than 1 year |
| Coal hedging | 21,617 | 893 | Less than 1 year |

The Group's 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 2013, the amount of credit risk in the Group measured in terms of the cost to replace the profitable contracts was RM56,000. 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.

**B10. Fair Value Changes of Financial Liabilities**

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

**B11. Material Litigation**

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

**B12. Dividend**

The Directors has declared a first interim single tier dividend of 8 sen per ordinary share of RM1.00 each in respect of the financial year ending 31 December 2013 which will be paid on 17 July 2013. The entitlement date for the dividend payment is on 19 June 2013.

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 19 June 2013 in respect of transfers; and

(b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

**B13. Earnings per share**

Earnings per share are calculated as follows:

| | **1st Quarter Ended** | |
|---|---|---|
| | **31 March 2013** | **31 March 2012** |
| Profit attributable to equity holders of the Company (RM'000) | 54,304 | 64,818 |
| Weighted average number of ordinary shares in issue ('000) | 849,695 | 849,695 |
| **Basic and diluted earnings per share (sen)** | **6.4** | **7.6** |

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

## B14. Disclosure of Realised and Unrealised Profits

The breakdown of the retained profits of the Group as at 31 March 2013, into realised and unrealised profits, is as follows:

| | **As at 31 March 2013 RM'000** | **As at 31 December 2012 RM'000** |
|---|---|---|
| Total retained profits of the Group: | | |
| - realised | 1,431,691 | 1,491,002 |
| - unrealised | (105,705) | (71,826) |
| | 1,325,986 | 1,419,176 |
| Total retained profits from associate: | | |
| - realised | 27,659 | 27,038 |
| | 1,353,645 | 1,446,214 |
| Less: Consolidation adjustments | (231,480) | (267,893) |
| Total retained profits as per statement of financial position | 1,122,165 | 1,178,321 |

Dated: 22 May 2013
Petaling Jaya, Selangor Darul Ehsan.