57 years and still growing strong with Malaysia

LAFARGE CEMENT
Malaysia

Lafarge Malayan Cement Berhad (1877-T)
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Lafarge Malayan Cement Berhad (1877-T)

ANNUAL REPORT 2006

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Lafarge Malayan Cement Berhad

More than 50 years of Building Malaysia Together

LAFARGE CEMENT
Malaysia

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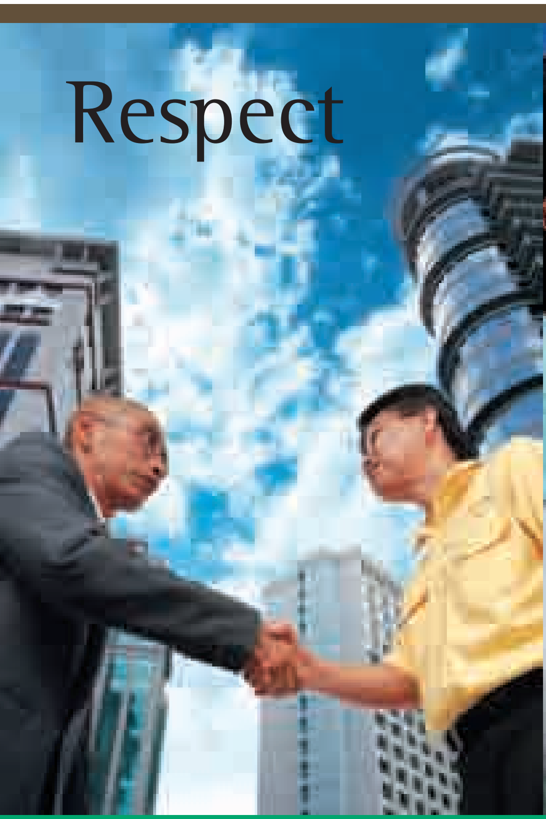


OUR VALUES

Respect

Chairman's Statement

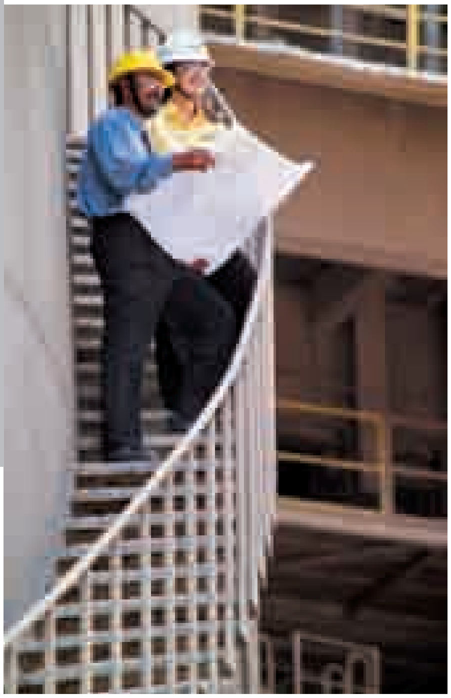
MARKET REVIEW

The Malaysian economy continued to grow in 2006 at a steady rate, despite the moderation of global growth in the second half of the year. Construction activities, however, remained subdued in 2006 with a slowing down in property sales and the implementation of the 9th Malaysia Plan projects being still at a very preliminary stage. In line with the slower construction activities, cement demand in 2006 only increased marginally compared to 2005.

Domestic cement selling prices are marginally better than the level in the second half of 2005 but for the year as a whole in 2006, domestic cement prices recovered by more than 20% from 2005. Average domestic selling price in 2005 was lower than in previous years due to the intense price war in the first half of the year. The Group also benefited from higher export prices in 2006 due to stronger demand in the international markets and tightening of supplies in the region.

In late December 2006, the Government announced an average of 9% upward revision in the ceiling price of cement which had remained at the same level since 1995. While we welcomed the 9% ceiling price adjustment which will improve contribution margins, the return on the Group's invested capital remains unsatisfactory as this increase is still insufficient to compensate for the 40% increase in costs over the past few years.

Launch of Safety Induction Centre in Langkawi Plant by Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar, Chairman of LMCB on 23 August 2006.



FINANCIAL PERFORMANCE

For the financial year ended 31 December 2006, revenue reached a record high of RM2.078 billion, an 11% increase over the previous year. Net profit for the year rose from RM31.3 million in 2005 to RM173.4 million in 2006. While the better results are largely attributed to the recovery in domestic cement prices, management's continuous focus on performance improvement, product and services quality, new product development and people mobilisation has also contributed significantly to achieving the record earnings.

DIVIDENDS

I am very pleased to inform the shareholders that the Board of Directors has declared an interim dividend of 3.0 sen or 6% tax exempt per ordinary share of 50 sen each in respect of the financial year ended 31 December 2006. This accounts for 49% of Group's net profit and is a 50% increase compared to the dividend paid in respect of the financial year ended 31 December 2005. We do not propose any final dividend for the financial year ended 31 December 2006.

CORPORATE DEVELOPMENTS

We announced in January 2007 that the Group proposed to undertake a capital repayment to shareholders via a cash distribution of up to RM566 million on the basis of RM0.20 cash for every one existing ordinary share by way of a reduction in the par value of the ordinary shares of RM0.50 each to RM0.30 each. Following the proposed capital repayment, the resultant share capital will be consolidated into ordinary shares of RM1.00 each and the share capital of the Company will be approximately RM850 million comprising 850 million ordinary shares of RM1.00 each. In addition to the share buyback and subsequent cancellation of the 66 million treasury shares in November 2006, the proposed capital repayment is part of the Group's capital management plans, which seeks to continuously improve the Company's capital structure in view of existing high equity base and low gearing position and also to reward its shareholders for their continuous support for the Company. This proposed capital repayment exercise is expected to be completed in the third quarter of 2007.

In September 2006, we disposed of our entire equity interest in Supermix Asia Pte. Ltd. ("SPMA") to Vietcim (Singapore) Pte. Ltd., a subsidiary of Lafarge S.A., for a cash consideration of USD2.9 million (RM10.8 million) and realised a gain of RM4.7 million. SPMA is an investment holding company which holds a 70% equity interest in Lafarge Concrete (Vietnam) Co. Ltd., a ready-mixed concrete venture in Vietnam which no longer fits with the Group's strategy.

PROSPECTS

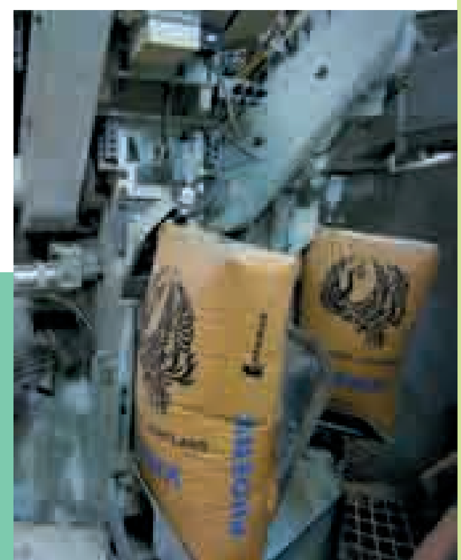
Construction activities and cement demand in Malaysia are expected to improve in 2007, underpinned by the 9th Malaysia Plan projects and the improving consumer sentiments. The revision in ceiling price of the domestic market approved by the Government in late December 2006 will improve our earnings in 2007 but the full year impact of the electricity tariff increase (7 months in 2006), higher cost of transport, paper bags and other raw materials will reduce the positive price impact. Construction activities in Singapore are also expected to improve with the stronger economy and the implementation of the Integrated Resorts. With management continuing its focus on driving performance improvement, the Board is confident of further improvement in the Group's results in 2007 and beyond.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to welcome Mr. Jacques Henceval who was appointed to the Board of Directors on 1 June 2006, replacing Mr. Ulrich Aumuller who resigned on 19 May 2006 as he had to take on a new assignment in the Lafarge Group. We thank Mr. Aumuller for his contribution to the Board during his short period with us.

I would also like to record my appreciation to all our customers, business associates, shareholders and various government departments and agencies for their continued support to the Company. Last but not least, I would like to take the opportunity to thank all the management and staff for their dedications and commitment, and the excellent performance in 2006 under the leadership of Mr. Alain Crouÿ.

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



CEO's Statement: Business Operations Review

At Lafarge Malayan Cement, our mission is to build a sustainable leadership in the Malaysian cement industry to

- Help our customers to create value in their own businesses;
- Give every opportunity to our employees to contribute and develop themselves;
- Contribute to the development of the communities in which we operate; and
- Create value for our shareholders.

In 2006, on our way to accomplish this mission, we have continued to concentrate our efforts on the same five priorities we had chosen in 2005; safety, reliability, quality, product mix and people mobilisation.

1. SAFETY

In 2006, we maintained Safety as our first priority and worked hard to make this choice an operational reality for all our teammates as well as for all our contractors and transporters, in our plants, in our head office and on the roads. To this end, we continued the various programmes we initiated in 2005 and started new ones aimed at improving safety conditions and, more importantly, changing behaviours.

"Best Plant for Safety" and "Best Plant for Safety Improvement" awards won by Pasir Gudang and Rawang plants respectively.

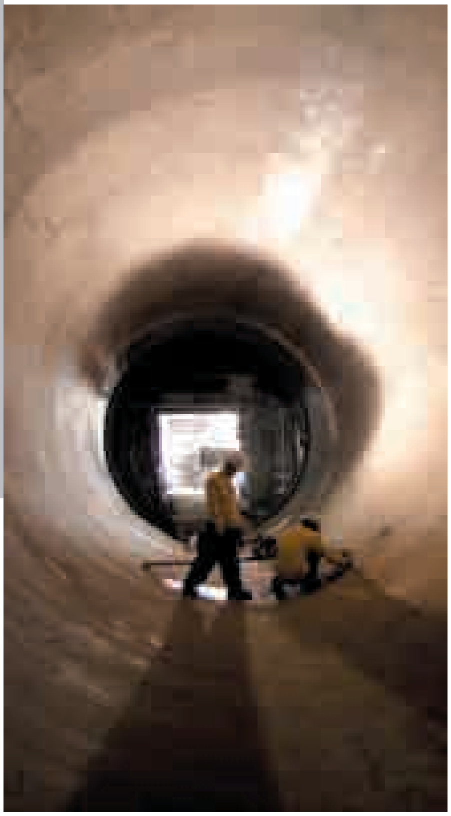
In our plants, we implemented numerous training sessions to develop the safety awareness and competency of our managers and employees. We deployed our housekeeping index in all our facilities and started to monitor the results on a monthly basis. We launched a safety induction centre in our Langkawi plant and will launch similar ones in our other plants in 2007. We continued our efforts to improve the safety of our equipment and procedures and spent significant capital investment to that purpose. Finally, we also invested on safety communications and signages in our plants to improve everyone's daily safety awareness.

We also conducted numerous actions in partnership with our contractors and transporters to increase their awareness and dedication to safety. Early in the year, we launched a four-month safety communications campaign directed towards all our transporters' drivers to change their behaviour with regards to safety belts, reverse sirens, bulk trucks' handrails and the use of wedges for parked trucks. We also trained approximately 1,000 drivers in classroom defensive driving and more than 600 drivers on the road. We launched safety self assessments for both contractors and transporters and will follow and encourage their progress. Finally, we conducted two major safety conferences; one for our transporters in August and another for our contractors in December where we shared our philosophy, policies & procedures and experiences with more than 300 participants encompassing all levels.

In conjunction with a renewed worldwide focus of the Lafarge Group on safety, we also re-organised our actions along the line of the new Group safety road map launched after an in-depth analysis of our safety culture and practices. This will help us to better concentrate on the areas where we still have to progress and bring more and more rigour in our management of safety.

As a result of all those actions, I am pleased to report that no fatality was reported this year, while we had two in the previous year. The number of road accidents for our teammates and transporters was reduced by about 40%. But we registered six lost time incidents (LTIs) while we had only four in 2005. We also still had a number of serious near misses during the year.

I do believe that the safety conditions and mindset of our employees, contractors and transporters has indeed improved in 2006. Both our Rawang and Pasir Gudang plants received safety awards at the 2006 Lafarge Asia Cement Performance Days. However, the number of LTIs is a reminder that we are still far from excellence in safety and that we need to continue our efforts in our endeavour to change the mindset and behaviour of everyone working at or for Lafarge Malayan Cement, to make safety the absolute and continuous first priority every day and a real value of our business culture.



2. INDUSTRY CONTEXT

After two years of decline, cement demand registered a marginal increase of 0.3% in 2006 as the expectations of the construction industry with regards to the impact of the 9th Malaysia Plan did not materialise yet in the past year.

The cement prices were stable in 2006, close to the Government ceiling price which had not changed since 1995 despite an increase of about 40% in our operating costs in the last few years. This led the Government to announce in late December 2006, an increase of about 9% to the existing ceiling price. While still short of compensating for the recent costs increases and the significant decrease of its return in the last years, this price adjustment will help improve the margins of the cement industry.

The export prices continued to rise in 2006, pushed by international demand and supply demand situations in Asia.

3. RELIABILITY

As we continued to export in 2006 all the production which we are not selling in the Malaysian domestic market, our plants continued to run at full capacity. This means of course that any additional production we could generate enhanced our results as we sold it on the international markets, thanks to Cementia, the trading arm of the Lafarge Group. This is the reason why we have selected reliability as one of our priorities.

We have worked hard in 2006 to improve the reliability and reduce the downtime of our plants, and particularly of our kilns. To that end, we have implemented a series of action plans aimed at reducing the number of unplanned shutdowns, improving the preparation and realisation of the planned shutdowns and start ups, and improving the competency of our operators and the follow-up of their daily performance. Thanks to these actions and the mobilisation of our industrial and procurement teams, we have made significant progress in this domain and will continue to do so in 2007.

4. QUALITY

As stated above, our mission is to help our customers create value in their own businesses. This requires listening to them and supplying them consistently with the products and services they need. Our annual customer survey in 2006 confirmed our leadership in the industry and the progress we made in 2005.

We have continued the actions launched in 2005 to improve the quality and consistency of our products and services through a transversal mobilisation of all departments involved, not only in the plants with the Production, Maintenance, Process and Quality departments but also in the Head Office and on the roads with the Marketing, Sales and Logistics departments.

It is only when all teammates truly understand the importance for our customers of the consistency of our products and services that we will be able to deliver it day after day. This is why we have also developed our internal communications on quality and our customers' needs. We have also increased the interaction between our employees and our customers through mutual visits toward the development of a more customer oriented culture throughout the Company.

After a decrease of more than 40% in 2005 in product complaints, we registered a further decrease of nearly 30% in 2006. This obviously goes in the right direction but more progress is possible and we will have to continue in our efforts to do even better.

With regards to services, we have registered an increase of our customers' complaints, partly due to some difficulties in the launch of our new customer call centre in September. Coupled with specific efforts for a better consistency in our deliveries, this call centre should help us in 2007 to be more reactive to our customers' needs and to serve them better.

5. PRODUCT MIX

Based on in-depth customer surveys, we have also continued in 2006 to develop our product mix. Our Avancrete bag cement is now well anchored in the bag market and has proven its value to numerous customers. We have launched in August a new fly ash cement, Mascrete Pro, aimed at the Ready-Mixed and Industrial Users segments. This new cement is an improvement compared to our traditional Mascrete which had been a success in the market for many years and has contributed to many buildings in Malaysia, the most prestigious one of all, the Petronas Towers. This new Mascrete Pro has the ability to replace the traditional Ordinary Portland Cement (OPC) and improve the durability of constructions.

These product developments are transversal projects, involving all departments; Marketing, Industrial, Sales, Logistics as well as Finance and Human Resources. They are also supported by the Lafarge Asia Technical Centre which helps us in bringing in-depth product expertise as well as experience from other Lafarge business units in other countries.

These fine examples show our commitment to innovation and our will to bring to our customers new products aimed at helping them to make further progress in their own businesses.

6. PEOPLE MOBILISATION

We have continued in 2006 to invest in internal communications to share with all our teammates in the Company our Vision and Priorities. We believe that it is only with everybody sharing the same purpose and the same understanding of where Lafarge Malayan Cement is heading that we will be able to free initiatives at all levels in the organisation and achieve excellence.

Based on an analysis of the needs of our teams, we have also intensified our training programmes as we believe in the potential of our employees for the realisation of our action plans as well as for their own development. We have launched new training programmes in all departments, technical and managerial and we have already seen positive impacts in the competency and dedication of numerous teammates. Some of these programmes have been designed and are fully supported by the Lafarge Group and the Asia Technical Centre.

We also believe in involving the Company and our teammates in caring for our communities. As part of our Corporate Social Responsibility programmes, we want to be an integral part of the life of our communities and contribute to their development.

We continued to support local students in the vicinity of our plants via our "Schools Project" which started in 1997. In 2006, a total of 277 students from 28 schools in Rawang, Kanthan, Langkawi and Pasir Gudang benefited from the project in the form of Bursaries and Excellence Awards.

We also provided support and services to the communities in Aceh, Sumatra devastated by the tsunami in December 2004. From February to May 2006, 14 of our employees became a part of the global Lafarge volunteering programme in Lamkruet, Indonesia, to help rebuild 274 houses for the locals.

In Rawang, we built a new housing area to accommodate squatters in the immediate vicinity of our quarry, who had been affected by flash floods in recent years. The new housing estate, Desa Kuala Garing, inaugurated in October, was made possible with the support of the Selangor State Government.

Finally, in Kanthan, we donated a piece of land to a nearby Hindu temple as a contribution to the community who lives close to our plant.

7. 2006 RESULTS AND 2007 OUTLOOK

The 2006 results of our cement activities show considerable progress compared to 2005. Although a good part of the progress came from better and stable domestic cement prices, we also registered the benefits of better export prices and better overall performance of the Company, which included our Singapore operations. Unfortunately, these improvements were partly offset by more costs increases, which were mainly attributed to coal, power and transport.

Our concrete operations had a difficult year because of the highly competitive market and industry situation. However, as in cement, we were able to launch in the market a brand new product, Artevia, on 15 March 2006. Artevia is a new decorative coloured concrete created in response to the growing demand for high quality decorative finishes. Artevia is setting a new trend and will appeal to owners who want more creativity in the application of concrete. Our Singapore concrete operations as well as our aggregates operations in Peninsular Malaysia also showed improvement.

With the cement price increase announced by the Government in December, the pursuit of our efforts to improve our operational efficiencies, and despite further costs increments, I believe that we can continue our progress in 2007. Of course, the impact of the 9th Malaysia Plan on the construction industry should materialise during the year and bring about a growth in the domestic cement and concrete demands.

8. A WORD OF APPRECIATION

We have asked much of our management and employees throughout 2006. I would like to thank them for their contribution to an encouraging 2006 performance. We would not have been able to achieve such results without their competency, dedication and commitment. I would also like to extend my sincere gratitude to our customers for their renewed trust. I thank our communities for allowing us to be a part of your fraternity in working together to build the future. Lastly, I thank our shareholders for their support as we continue to work towards building a better Lafarge Malayan Cement for the long term.

Alain Crouÿ
President & Chief Executive Officer

Lafarge Malayan Cement: Milestones 1950-2006

1950s

1950
- Incorporation of Malayan Cement Limited.

1953
- Establishment of Rawang Plant, Malaysia's first cement plant (Rawang Kiln No. 1 - 110,000 tonnes per annum).

1958
- Commissioning of Rawang Kiln No. 2 (190,000 tonnes per annum).

1960s

1964
- Opening of Kanthan Plant by Pan Malaysia Cement Works Bhd. (PMCW).

1965
- Commissioning of Kanthan Kiln No. 2 (190,000 tonnes per annum).
- Opening of a grinding plant in Singapore by Pan Malaysia Cement Works Singapore (PMCWS).

1967
- Merger of cement operations with PMCW and the formation of Associated Pan Malaysia Cement Sdn. Bhd. (APMC). Also acquired 50% stake in PMCWS.

1980s

1980
- Commissioning of Rawang Kiln No. 3 (1,200,000 tonnes per annum).
- Incorporation of Supermix Concrete Pte. Ltd.

1983
- Incorporation of Supermix Concrete (Malaysia) Sdn. Bhd. [now known as Lafarge Concrete (Malaysia) Sdn. Bhd.].

1984
- Opening of Langkawi Plant by Kedah Cement Sdn. Bhd. (now known as Malayan Cement Industries Sdn. Bhd.).

1985
- Commissioning of Kanthan Kiln No. 3 (800,000 tonnes per annum).

1989
- Launch of company's first differentiated bulk product, Mascrete.

1990s

1992-1993
- Uprating of Rawang Kiln No. 3 and Kanthan Kiln No. 3 to 1.5 and 1.0 million tonnes per annum respectively.

1995
- Rawang Plant became the first location within the Group and the first cement plant in Malaysia to be awarded the ISO 9002 (now changed to ISO 9001:2000) certification. Kanthan Plant received the same certification about three months later.

1997
- Commissioning of Pasir Gudang Plant, a grinding plant with a rated capacity of 800,000 tonnes per annum.
- Commissioning of Bulk Import Terminal with silo capacity of 60,000 tonnes in Jurong Port, Singapore to replace PMCWS grinding facility.
- Launch of the company's Schools Project which provides Bursaries and Excellence Awards to students in schools in the vicinity of our plants in Rawang, Kanthan, Langkawi and Pasir Gudang.

1998

- Rawang and Kanthan plants were awarded the ISO 14001 certification, making it the first cement company in Malaysia to receive this certification.
- Commissioning of Kanthan Kiln No. 4 with a rated capacity of 1.8 million tonnes per annum.
- Acquisition of the remaining 50% stake in APMC.

1999

- Acquisition of Kedah Cement Group.

2000s

2000

- We became the first cement company to be awarded the OHSAS 18001 certification when Rawang Plant received the certification on 8 December 2000 followed by Kanthan Plant on 15 December 2000.

2001

- We became part of Lafarge Group following Lafarge's acquisition of Blue Circle.
- Launch of company's first fly ash bag cement, Phoenix.
- Lafarge Concrete Malaysia acquired Pengkalan Concrete and spread its wings to East Malaysia.

2002

- We launched a new corporate identity to reflect its membership in the Lafarge Group.

2003

- Our company name officially changed from Malayan Cement Berhad to Lafarge Malayan Cement Berhad to better reflect its corporate identity as a member of the Lafarge Group.
- Launch of the Lafarge Young Engineers Programme where fresh graduates from local universities are recruited and enrolled annually in a cement professionals development programme to develop them into competent engineers.

2004

- Launch of the company's three-year priorities; safety, reliability, quality, customers and people mobilisation.

2005

- Launch of the company's first differentiated bag product, Avancrete.
- We secured a long term contract with Tanjung Bin power plant for their exclusive supply of all their fly ash production.

- Launch of annual Logistics Safety Conference with the objective of increasing awareness on road safety among the company's transporters and drivers towards achieving zero accident in loading and transport.

2006

- Launch of a new differentiated bulk product, Mascrete Pro.
- Opening of a Residential Housing area built and contributed by Lafarge Malayan Cement to relocate 124 squatters in Rawang and allow the diversion of Sungai Rawang to curb flood problems which had affected the safety of the squatters as well as the company's quarry.
- Launch of Industrial Safety Conference to instil greater safety awareness among the company's contractors to work towards achieving zero accident in LMC.
- Group revenue in 2006 crossed the RM2 billion mark for the first time in the company's history.


Care

Corporate Information

Board of Directors

Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar *DKYR, PSM, SPNS, AMN, PJK*	*Independent Non-Executive Director (Chairman)*
Guillaume Roux	*Non-Executive Director (Vice Chairman)*
Alain Crouÿ	*Executive Director (President & Chief Executive Officer)*
Yeoh Khoon Cheng	*Executive Director (Senior Vice President & CFO)*
Jacques Henceval	*Executive Director (Aggregates & Concrete)*
Chan Hua Eng *R. OBE*	*Senior Independent Director*
Charles Tan Poh Tei	*Independent Non-Executive Director*
Saw Ewe Seng	*Independent Non-Executive Director*
Tan Sri A. Razak bin Ramli	*Independent Non-Executive Director*
Michel Rose	*Non-Executive Director*
Jean-Jacques Gauthier	*Non-Executive Director*

Company Secretaries
Chew Tee Kheng - L.S. No. 8174
Teoh Yow Kee - L.S. No. 5960

Registered Office
Lafarge Malayan Cement Berhad
Level 12, Bangunan TH Uptown 3
No. 3, Jalan SS21/39
47400 Petaling Jaya
Selangor Darul Ehsan

Auditors
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Level 19, Uptown 1
No. 1, Jalan SS21/58
47400 Petaling Jaya
Selangor Darul Ehsan

Share Registrars
Symphony Share Registrars Sdn. Bhd.
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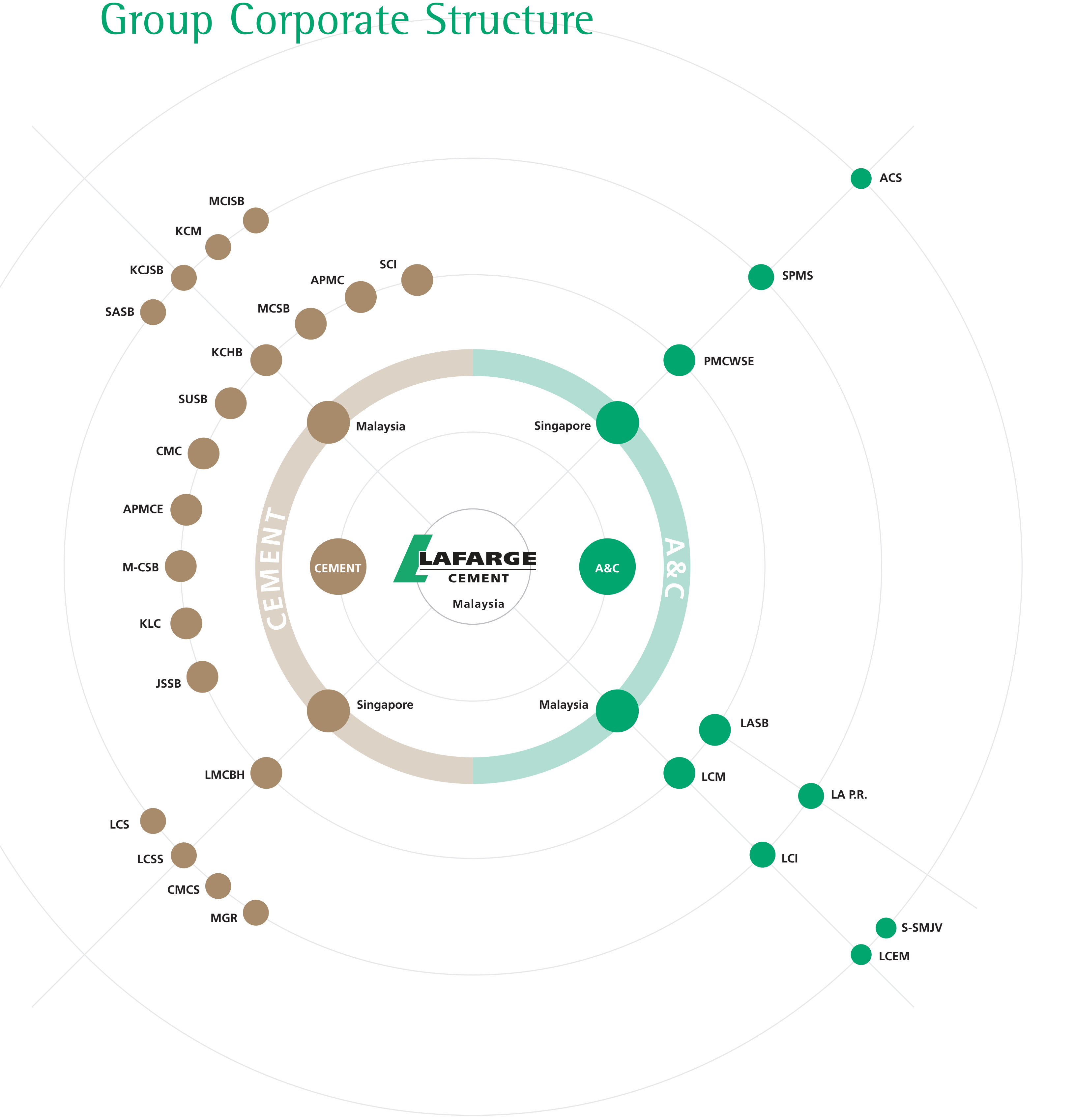
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 603-2721 2222
Fax : 603-2721 2530

Stock Exchange Listing
Bursa Malaysia Securities Berhad
- Main Board

Website
www.lafargemalayancement.com

Group Corporate Structure



Corporate Structure

Subsidiaries and Associated Companies

Acronym	Name of Companies	Effective Interest	Principal Activities
	SUBSIDIARIES		
	Incorporated in Malaysia		
APMC	Associated Pan Malaysia Cement Sdn. Bhd.	100	Manufacture and sale of clinker and cement
MCISB	Malayan Cement Industries Sdn. Bhd.	100	Manufacture and sale of clinker and cement
SCI	Southern Cement Industries Sdn. Bhd.	100	Manufacture and sale of cement
SUSB	Simen Utama Sdn. Bhd.	100	Distributor of cement
KCM	Kedah Cement Marketing Sdn. Bhd.	100	Inactive
CMCM	CMCM Perniagaan Sdn. Bhd.	100	Trading of cement and other building materials
JSSB	Jumewah Shipping Sdn. Bhd.	100	Shipping of bulk cement and chartering of vessels
KCJSB	Kedah Cement Jetty Sdn. Bhd.	100	Management and operation of a jetty
LASB	Lafarge Aggregates Sdn. Bhd.	100	Investment holding, trading and quarrying of aggregates and related products
LA P.R.	Lafarge Aggregates (Pantai Remis) Sdn. Bhd.	100	Producer and supplier of aggregates and construction materials
LCM	Lafarge Concrete (Malaysia) Sdn. Bhd.	61.7	Manufacture and sale of ready-mixed concrete
LCI	Lafarge Concrete Industries Sdn. Bhd.	61.7	Manufacture and sale of ready-mixed concrete
LCEM	Lafarge Concrete (East Malaysia) Sdn. Bhd.	61.7	Manufacture and sale of ready-mixed concrete
S-SMJV	Supermix-SMJ JV Sdn. Bhd.	43.2	Inactive
APMCE	APMC Enterprises Sdn. Bhd.	100	Investment holding and letting of premises
MCSB	M-Cement Sdn. Bhd.	100	Investment holding
KCHB	Kedah Cement Holdings Berhad	100	Investment holding
M-CSB	M-Creation Sdn. Bhd.	100	Under liquidation
KLC	KL Cement Sdn. Bhd.	100	Inactive
SASB	Simen Angkut Sdn. Bhd.	100	Under liquidation
	Incorporated in Singapore		
LMCBH	LMCB Holding Pte. Ltd.	100	Investment holding
LCS	Lafarge Cement Singapore Pte. Ltd.	100	Bulk import and sale of cement and trading in other building materials
SPMS	Supermix Concrete Pte. Ltd.	100	Manufacture and sale of ready-mixed concrete
CMCS	Cement Marketing Company (Singapore) Pte. Ltd.	100	Investment holding
PMCWSE	PMCWS Enterprises Pte. Ltd.	100	Investment holding
LCSS	LCS Shipping Pte. Ltd. (formerly known as Blue Circle Shipping & Trading Pte. Ltd.)	100	Shipping of bulk cement and chartering of vessels
	ASSOCIATES		
	Incorporated in Singapore		
MGR	Morelastic Green Resources Pte. Ltd.	50.0	Recycling of non-metal waste
ACS	Alliance Concrete Singapore Pte. Ltd.	33.3	Manufacture and sale of ready-mixed concrete

Board of Directors' Profile

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

DKYR, PSM, SPNS, AMN, PJK
Independent Non-Executive Director (Chairman)
Age 59, Malaysian

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

Guillaume Roux

Non-Executive Director (Vice Chairman)
Age 47, French

He was appointed as Director and Vice Chairman of the Board on 1 March 2002. Graduated with a degree in Business Administration from the Institute of Political Studies, Paris in 1980 and joined the Lafarge Group Headquarters in the same year. From 1996 to 1999, he was Vice President, Strategic Planning and Marketing at Lafarge North America. He was appointed Chief Executive Officer of Lafarge's Turkey operations in 1999 where he served until his appointment as President of Lafarge's ASEAN Region on 1 March 2002. He was appointed as Group Executive Vice President and Co-President of Lafarge Cement Division on 1 October 2005. He is a member of the Audit Committee and the Remuneration and Nomination Committee of the Company.

Alain Crouÿ

Executive Director
(President & Chief Executive Officer)
Age 55, French

Appointed as President & Chief Executive Officer of the Company on 1 July 2004. He graduated from Ecole Nationale Superieure des Mines de Paris (Mining Engineering School) in 1974 and attended the Senior Executive Programme in Massachusetts Institute of Technology, United States of America (USA) in 1990. He joined Lafarge Group in 1976 and held various management positions in cement plants in France and USA as well as Human Resources Manager in Lafarge North America. From 1990 to 2004, he held the position of Chief Executive Officer in several companies in the Lafarge Group.

Yeoh Khoon Cheng

Executive Director
(Senior Vice President & CFO)
Age 48, Malaysian

Qualified as an accountant in 1983 after four years of articleship with a professional firm of accountants, and is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He joined Lafarge Malayan Cement in 1987 as Finance Manager, and has held various positions involving business development, mergers and acquisitions and corporate finance activities and acting as Company Secretary from 1990 to 1998 before taking up his current position since January 1999.

Jacques Henceval

Executive Director
(Aggregates & Concrete)
Age 59, Belgian

Appointed as Executive Director of the Company on 1 June 2006 to oversee its aggregates and concrete business.
He joined Lafarge S.A. in 1988 and has held various general management responsibilities in France where he has been in charge of Lafarge's ready-mixed business in the Paris area as well as the roofing division business in France. As Head of the Performance Department of Lafarge's Aggregates & Concrete business from 1996 to 1999, he has been the initiator of several performance programmes. In the past years, he has been heading Lafarge's development efforts worldwide in the aggregates business.

Chan Hua Eng

R. OBE
Senior Independent Director
Age 78, Malaysian

An Independent Non-Executive Director since July 1979. Graduated with a Bachelor of Law (Honours) degree from Bristol University in 1952. Called to the English Bar in 1953 and the Malayan Bar in 1955. He started his career in legal practice in 1954 in Shearn Delamore & Co. and Drew & Napier where he remained until his retirement in January 1987 as the Senior Partner. He was formerly a Chairman of the Malayan Bar, a part time Judicial Commissioner and Chairman of the Sabah Inquiry Commission. He currently sits on the Board of Directors of Pacific & Orient Berhad, Rohas-Euco Industries Berhad, Lingui Developments Berhad and Gleanealy Plantations (Malaya) Berhad. He is the Chairman of the Audit Committee and is a member of the Remuneration and Nomination Committee of the Company.

Charles Tan Poh Tei

Independent Non-Executive Director
Age 68, Malaysian

Appointed as Non-Executive Director in January 1999 following his retirement as the Finance Director, a position he had held since August 1978. He became an Independent Non-Executive Director on 25 January 2002. An accountant by profession, he joined the Group in 1964 and held various positions prior to his appointment as Finance Director. A member of the Malaysian Institute of Accountants, the Australian Society of Certified Practising Accountants and the Institute of Chartered Secretaries & Administrators, UK. He also sits on the Board of Directors of Courts Mammoth Berhad and Kian Joo Can Factory Berhad. He is a member of the Audit Committee of the Company.

Saw Ewe Seng

Independent Non-Executive Director
Age 68, Malaysian

Appointed as an Executive Director in April 2000 and has been a Non-Executive Director since October 2000 following his retirement after 36 years of service with the Group. He became an Independent Non-Executive Director on 1 December 2002. Obtained his fellowship Diploma in Civil Engineering from the Royal Melbourne Institute of Technology, Australia in 1960 and is a member of the Institute of Engineers (Malaysia). He joined the Group in 1964, and had held various positions until his appointment as Managing Director/Group Chief Executive of the Group's operating units in 1981, a position he held until his retirement in September 2000. He is a member of the Audit Committee and the Remuneration and Nomination Committee of the Company.

Tan Sri A. Razak bin Ramli

Independent Non-Executive Director
Age 58, Malaysian

Appointed as a Director on 9 November 2004. Graduated with a B.A. Hons in Public Admin. from University of Tasmania in 1971 and Diplome Gestion Publique Institut International D'Administration Publique, Paris in 1980. He started his career in the Policy Research Division of the Malaysian Prime Minister's Department and subsequently held the position of Principal Assistant Director in both the Public Services Department and the Technical Cooperation Division of the Economic Planning Unit. From 1985 to October 2004, he held various positions in the Ministry of International Trade & Industry (MITI); his last position was as the Secretary-General of MITI. He also sits on the Board of Directors of Shangri-La Hotels Malaysia Berhad, Transmile Group Berhad, Ann Joo Resources Berhad and Favelle Favco Berhad. He was appointed Chairman of the Cement & Concrete Association of Malaysia on 22 June 2005. On 22 February 2006, he was appointed the Chairman of the Remuneration & Nomination Committee of the Company.

Michel Rose

Non-Executive Director
Age 64, French

Appointed as a Director on 18 February 2002. Graduated from Ecole des Mines, France and obtained a Master's degree in Business Administration from IMI, Geneva. Joined the Lafarge Group in 1970 and became Executive Vice President for Human Resource and Corporate Communications in 1984. He was appointed as Senior Executive Vice President in the Lafarge Group in 1989, and also held the position of President & Chief Executive Officer, Lafarge Corporation in North America from 1992 to 1996. He is currently Chief Operating Officer of Lafarge S.A. and Co-President of Lafarge Cement Division.

Jean-Jacques Gauthier

Non-Executive Director
Age 47, French

Appointed as a Director on 1 January 2005. Prior to that, he was an Alternate Director to Michel Rose since 18 February 2002. He joined Lafarge S.A. as Chief Financial Officer and Executive Vice President on 1 March 2001 with responsibility for the Finance function, Legal affairs and Purchasing. He is a member of the Lafarge Group Executive Committee. He holds a Masters in Business Law and a degree in Economic Science and Accounting and began his career with the Arthur Young auditing firm, moving on to join the Matra Group (now EADS) in 1986, where he held several posts in financial management in France and the United States. In 1991, he was appointed Executive Vice President and Chief Financial Officer of Matra Marconi Space and retained the same position in Astrium, the company resulting from the merger in 2000 of Matra Marconi Space with the space operations of the Daimler Benz Group.

Other Information on Directors

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

Executive Committee

Alain Crouÿ
President & CEO

Yeoh Khoon Cheng
Senior Vice President & CFO

Mah Poon Keat
Senior Vice President, Sales

Philippe Quemener
Senior Vice President, Industrial

Ghazali Yacob
Vice President,
Human Resources

Yegaraj Ramiah
Vice President, Logistics

Wong Choong Meng
Senior Vice President, CMC

Tan Teng Choon
Vice President,
Business Affairs

Kenan Ozturk
Senior Vice President,
Procurement

Robitahani Zainal
Vice President,
Communications

Yee Kien Ling
Group Strategy Manager

Corporate Social Responsibility

We aim to integrate ourselves into the local community and contribute to their development wherever we operate. This commitment is in line with Lafarge Group's global commitment of building a better world for the local communities.

Cheer and Charity

Giving aid to the needy has always been one of Lafarge Malayan Cement's concerns and Hospis Malaysia is no exception. The cash donation was gratefully accepted with much appreciation.

Proceeds from printing of specially-designed Lafarge Malayan Cement greeting cards was donated to Hospis Malaysia.

A large part of community service is about giving to the needy. We exemplified that spirit by taking time off voluntarily to visit Hospis Malaysia on 27 July 2006. Apart from spreading cheer to the residents, we also presented a cheque for RM3,060 collected from the proceeds of specially-designed Lafarge Malayan Cement greeting cards last year. We were also given a tour of the Cheras facilities that provides free palliative care services to members of the society, irrespective of race and religion. This was the third year in which proceeds from our greeting cards have been donated to Hospis Malaysia.

Social Service Beyond Borders

We are committed to building a sustainable future for our communities. When homes in Aceh were devastated by the December 2004 tsunami, the Lafarge Aceh Volunteer Programme was created to help rebuilding efforts.

From February to May 2006, 14 volunteers from Lafarge Malayan Cement partook in this global Lafarge programme in Lamkruet, Indonesia to help build homes for the locals. Lafarge committed to build 274 permanent and earthquake-resistant houses.

Additionally, Lafarge set up a mobile clinic to support the local clinic, making rounds three times a week. The clinic provided, among others, free medicine and health talks to the locals.

A volunteer from Lafarge Malayan Cement helping to rebuild homes for the devasted victims. The culture of caring for the communities provides sustainability to Lafarge's continuous growth.

Good Neighbours

A donation in the form of a parcel of land to a local temple in Kanthan, Perak is just a part of Lafarge Malayan Cement's commitment and contribution to the communities in which we operate in.

In supporting the communities we live in, we also work and do business in a manner that respects local laws, customs and traditions, and ultimately improves the quality of life. On 15 July 2006, Lafarge Malayan Cement handed over 7.2 acres of land near to its plant in Kanthan, Perak, to the Kanthan Sri Veeramakaliamman temple trustees.

The handover ceremony was witnessed by guest of honour, Y.B. Dato' Seri S. Samy Vellu, Minister of Works, also a Member of Parliament for Sungai Siput. The land donated will help to further maintain, develop and expand activities for the 100-year-old establishment.

Shaping Tomorrow's Talents through Education

Building the communities in which we work in also means investing in tomorrow's generation. Since 1997, Lafarge Malayan Cement has been promoting academic excellence to enhance relations with the community through its Schools Project.

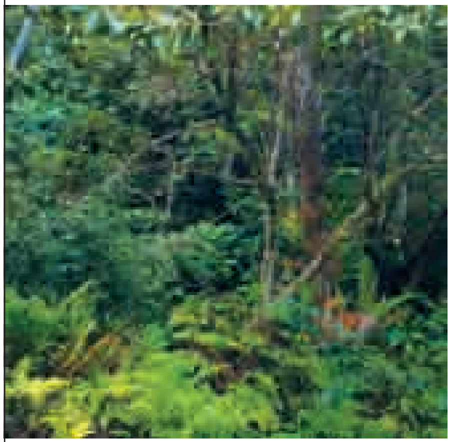
Covering 28 schools in Kanthan, Pasir Gudang, Langkawi and Rawang, we honour deserving talents as well as help deserving and needy students through Bursaries and Excellence Awards. In 2006, a total of 277 students benefited from the initiative, with 84 students awarded the Lafarge Malayan Cement Excellence Awards and 193 received Bursaries. Y.B. Dato' Seri S. Samy Vellu, Minister of Works and Member of Parliament for Sungai Siput, graced the Kanthan award presentation ceremony on 15 July 2006.

The Pasir Gudang award ceremony on 22 July 2006 was graced by Encik Jailani bin Rusni, Johor State Education Director. Exco Member of Selangor State Government and Rawang State Assemblyman, Y.B. Dato' Tang See Hang, was present to give the awards in Rawang on 12 August 2006. A similar ceremony also took place earlier in Langkawi on 30 July 2006.

Since the project's inception, we have helped over 1,500 academic achievers as well as deserving children and needy families, for a total of RM1.3 million.

Knowledge is crucial to the growth of young minds who are leaders of tomorrow. Over 1,500 deserving youths have benefited from Lafarge Malayan Cement's contribution.

Partnering Locals and Safeguarding the Community to Becoming a Greener Citizen



The environmental initiatives formulated by Lafarge Group have become the guide for the direction of environmental management in Malaysia. The project involves the substitution of a percentage of coal with biomass in the cement manufacturing process.

As part of a global entity, Lafarge Malayan Cement is well-placed to make significant contributions to the community. Our commitment to sustainable development aims to ensure that our long term growth and development benefits the environment, our community and our financial health. We are committed to use our skills and resources wisely to help preserve the environment and tackle the main issues concerning future generation.

Since 2000, we have replaced part of the coal used as fuel with biomass to help reduce CO_2 emissions linked to the cement production process. The initiative was registered as a Clean Development Mechanism (CDM), in line with the framework established by the Kyoto Protocol. Lafarge Group's research teams are constantly exploring ways to promote more sustainable methods for the production of cement and for construction, following the voluntary commitment made by the Group in 2001 as part of its partnership with WWF to reduce worldwide CO_2 emissions per tonne of cement by 20% between 1990 and 2010.

Better, Safer Homes

Our vision of sustainable development is to resolve successfully key issues that affect the communities today. In Rawang, where flash floods began affecting the residents' safety as well as our quarry operations, we proposed to have a section of Sungai Rawang widened and diverted to curb the problem.

The project's initial stages involved relocating 124 squatter families living in the affected area. Supported by the Selangor State Government, we developed a new housing estate called Desa Kuala Garing to accommodate the affected families.

On 30 October 2006, an official handover ceremony of the houses to residents was held with guest of honour, Y.B. Dato' Sri Chan Kong Choy, Minister of Transport and Member of Parliament for Selayang. Each family now owns a single-storey terrace house with modern amenities. The river diversion project will take off in 2007 supported by the Selangor State Government.

A strong commitment to sustainable development is an integral part of Lafarge Malayan Cement's long term strategic goals. We do our best to continuously contribute to the development of the local communities and to preserving the environment.

Health & Safety

Health & Safety is our first priority and also one of the core values of our business.

A Culture of Safety for All

The impressive and revolutionary science and technology can deceive us into believing we are invincible from workplace hazards and risks. That is why we are committed to continually improving the safety of our employees, our customers, our neighbours, and the environment where they live and work.

The goal behind the launch of the Lafarge Group's worldwide Health & Safety Policy in 2006 is to be among the safest industrial groups in the world. Our commitment is simple: to care and protect the people we employ and everyone working with us. We want everyone to work and end each day free of any occupational injuries or illnesses. At Lafarge Malayan Cement, we believe that our business can thrive, and that people and the environment can be protected, simultaneously.

HEALTH & SAFETY POLICY

Lafarge is committed to providing a safe and healthy work environment for its stakeholders and to conducting its various businesses in a safe manner. Health & Safety are core values that must be incorporated into all aspects of our business.

We integrate health and safety objectives into our management systems at all levels of the Group. Management is accountable for the prevention of injuries and occupational illnesses.

Everyone working for Lafarge expects a safe and healthy work environment, and in turn, we expect everyone to contribute to that safe environment through responsible behavior.

Everyone is also expected to demonstrate that Health & Safety are core values through visible commitment and active engagement of each other.

When it comes to safety, I believe the only acceptable number is zero – zero accidents, incidents or occupational illnesses. Reaching this goal is critical for us to reach excellence.

Bruno Lafont
Chief Executive Officer

Alain Crouÿ
President & CEO

HEALTH & SAFETY RULES

1 **RESPONSIBILITY:** Line management is responsible for Health & Safety implementation, communication and compliance.

2 **TRAINING:** Employees, managers and contractors must be trained to work safely and manage Health & Safety in their area.

3 **EVERYONE:** Everyone working for Lafarge, including Contractors, must respect Health & Safety rules.

4 **IMPROVEMENT:** All units must have an annualized Health & Safety improvement plan as part of the Performance Plan.

5 **ORGANIZATION:** All units must have a Health & Safety committee, composed of managers and relevant experts and partners.

6 **COMPLIANCE:** All units must comply with the Group Health & Safety standards.

7 **REPORTING:** All incidents and accidents must be reported at the appropriate level, investigated and learnings shared.

8 **TRANSPARENCY:** Safety results must be visibly communicated to everyone.

9 **MEASUREMENT:** All operations must be regularly audited against the Group policy, Health & Safety and Management Systems and Standards.

10 **SUPPORT:** Health & Safety Organization must be resourced and trained to provide support to the line management.

11 **CONDITION OF EMPLOYMENT:** Compliance with these rules is a condition of employment and a criteria for career development.

The Lafarge Group's Health & Safety Policy and Rules is the expression of what the Group expects from everyone in terms of attitude towards safety.

Back-to-Basics Safety Campaign

"Safety First" heads the priority list at Lafarge Malayan Cement. Ever mindful of our commitment to the protection of human health and well being, constant reminders are being re-emphasised through surveys and safety awareness campaigns.

From February to June 2006, a unique company-wide Drivers' Safety Campaign to re-emphasise safety and bring many issues of safety compliance to the forefront was launched. The 4-month drive, focused specifically on the use of safety belts, wedges, handrails and auto reverse sirens. Its main objective was to change the mindset and behaviour of drivers and ensure they display greater personal commitment towards their own safety and others. Informative leaflets were distributed throughout the campaign and a contest held, offering exciting prizes worth RM5,000, as part of the campaign activities.

Safety Self-assessment for Contractors & Transporters

Constant reminders of "Safety First" via meetings, trainings, exhibitions, discussions are being planned and organised to implement Lafarge Malayan Cement's top priority. Results have been encouraging and the number of road accidents have reduced by more than 30% in 2006.

The safety self-assessment provided by Lafarge Malayan Cement to our contractors and transporters is a spin off from Lafarge's training kit which is a checklist intended for companies, and a self-assessing tool to assess and improve their safety behaviours.

The self-assessment kit comprises a list of questionnaires that has been segmented into the following areas: Vision, Accountability, Audit, Incident Investigation, Involvement, Safety Culture, Data Driven & Performance Oriented Review.

A score (A to D) will be allocated accordingly and the results provide the strengths and weaknesses to be built upon and improved by each company.

Safety Observation & Feedback

Reacting positively to constructive feedback and input from others on how to improve health and safety provides an effective way to internalise positive behaviours and attitudes. This, in turn, positively reinforces others to emulate the behaviour. Seeking out the experience and good practices of others will also help learning. This process of collecting positive "sample behaviours" with others can develop a commonality in the way health and safety issues are addressed and help reinforce safe behaviours.

First Safety Induction Centre

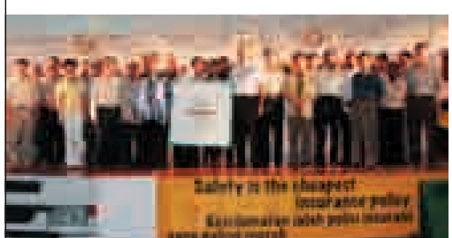
The launch of the first Lafarge Malayan Cement (LMC) Safety Induction Centre in Langkawi Plant further endorses LMC's commitment to achieving leadership in safety performance.

To further train and expose people to the safety standards and procedures at our plants, a plan was made to build Safety Induction Centres for employees, suppliers, contractors and visitors to the plants.

The first Safety Induction Centre was launched in Langkawi Plant. The centre was opened on 23 August 2006 and is aimed at facilitating and accelerating the behavioural changing process towards being the safest company in the industry by 2010. Equipped with classrooms and live simulations of major areas in the plant, attendees will have the benefit of both theoretical and practical training related to all aspects of the industry. Lessons derived from this first initiative gave us valuable insights to help us build Safety Induction Centres for all of our other plants.

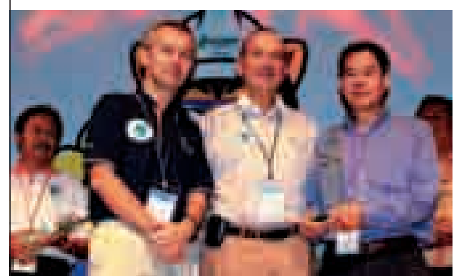
Logistics Safety Conference

Lafarge Malayan Cement (LMC) organised the Logistics Safety Conference for the second consecutive year on 27 August 2006 with the objective of increasing awareness on the importance of road safety, especially driving behaviour. A total of 184 drivers from LMC and transportation companies were present at the conference officiated by Encik Nik Yusaimi bin Yussof, Director of Programme & Project Implementation Division, Road Safety Department, Ministry of Transport. At the conference, all heads of transportation companies signed a safety pledge as a sign of support for LMC's safety commitment, towards zero accident.



LMC's safety objectives, safety action plans, initiatives and assessment criteria were discussed, shared and well-received in good spirits by all participants.

Inaugural Industrial Safety Conference

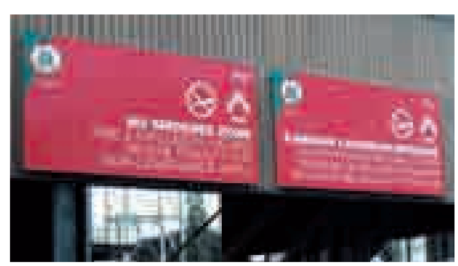


To instil greater safety awareness, awards for Best Performance, Best Improvement and Best Initiative in Safety were presented to deserving contractors.

The first Industrial Safety Conference was held on 2 December 2006. Its objective was to instil greater awareness of safety among employees and contractors and work towards zero accident in the company. The new Health & Safety Roadmap adopted by the Lafarge Group was also launched during the conference by Alain Crouÿ, President & CEO of LMC. Attended by 248 employees and contractors, the conference was designed to help revitalise safety improvement and initiatives. An award presentation was also held in recognition of safety initiatives carried out by our contractors and plants.

Safety Visual Communications at All Plants

In July 2006, Lafarge Malayan Cement (LMC) embarked on a safety visual communications project with the objective of promoting continuous safety awareness at all our plants. A series of safety signages were developed to remind and re-emphasise the importance of compliance with safety rules and regulations to make LMC a safe place to work for everyone.



LMC regards Health & Safety as one of our core business values integrated into the overall business performance. All people working at our sites have the responsibility to adhere to strict safety guidelines coupled with responsible behaviour for themselves and others.


Excellence

Corporate Governance Statement

INTRODUCTION

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

The Board is pleased to report on the extent to which the principles and best practices of the Code were applied throughout the financial year ended 31 December 2006.

A. BOARD OF DIRECTORS

Role and Responsibilities

The role of the Board is to represent the shareholders and to promote and protect the interests of the Company. The Board is therefore accountable to the shareholders for the performance of the Company. In 2006, the Board approved and adopted the Company's Directors' Manual which, amongst others, outlines the roles and responsibilities of the directors, terms of reference of Board Committees and Board procedures.

Board Composition and Balance

Presently, the Board consists of eleven (11) members comprising three (3) Executive Directors and eight (8) Non-Executive Directors, five (5) of whom are considered by the Board to be independent. The Board considers the size to be appropriate and that the composition fairly reflects the investment of minority shareholders. The Chairman of the Board is one of the Independent Non-Executive Directors. The number of Independent Non-Executive Directors on the Board complies with paragraph 15.02 of the Listing Requirements of Bursa Malaysia which requires at least two (2) Directors or one-third of the membership of the Board to be independent.

The Directors, with their diverse skills, knowledge and business experience, including international and operational experience; understanding of the economics of the sector in which the Company operates; and an understanding of the health, safety, environmental and community challenges that the Company faces ensure that the long term interest of the shareholders and other stakeholders in the Company are safeguarded. A brief profile of each Director is presented on pages 18 to 21 of this Annual Report.

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

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

Senior Independent Director

The Board has appointed Chan Hua Eng as the Senior Independent Director since 27 May 2003. In this capacity, he continues to provide an avenue for shareholders and the Non-Executive Directors to express any concerns that they may have concerning the Company.

Meetings of the Board

The Board ordinarily meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent important decisions need to be taken between the scheduled meetings. During the year ended 31 December 2006, the Board met on five (5) occasions and the attendance record of each Director is as follows:

Name	Attendance
Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar	5/5
Guillaume Roux	5/5
Alain Crouÿ	5/5
Yeoh Khoon Cheng	5/5
Jacques Henceval (appointed on 1.6.2006)	3/3
Chan Hua Eng	4/5
Charles Tan Poh Tei	5/5
Saw Ewe Seng	4/5
Tan Sri A. Razak bin Ramli	4/5
Michel Rose	3/5
Jean-Jacques Gauthier	3/5
Ulrich Aumuller (appointed on 23.2.2006 and resigned on 19.5.2006)	1/1

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

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

Board Committees

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

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

1. The Audit Committee

   The Audit Committee comprised three (3) Independent Non-Executive Directors and one (1) Non-Executive Director.

   The terms of reference and activities of the Audit Committee during the financial year ended 31 December 2006 prepared pursuant to paragraph 15.16 of Bursa Malaysia Listing Requirements are set out in the Report of the Audit Committee on pages 37 to 39 of this Annual Report.

2. The Remuneration And Nomination Committee

The Remuneration and Nomination Committee for the year ended 31 December 2006 consisted of the three (3) Independent Non-Executive Directors and one (1) Non-Executive Director. Tan Sri A. Razak bin Ramli was appointed on 22 February 2006 as Chairman of this Committee to succeed Allahyarham Dato' Dr Ikmal Hisham Albakri who passed away on 14 January 2006.

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

Name	Attendance
Tan Sri A. Razak bin Ramli (Chairman)	2/2
Saw Ewe Seng	2/2
Guillaume Roux	2/2
Chan Hua Eng	1/2

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

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

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

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

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

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

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

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

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

6. To recommend to the Board the compensation and remuneration of Executive Directors and senior management. The remuneration of Non-Executive Directors shall be a matter for the Board.

7. To consult annually with the President & Chief Executive Officer regarding his succession plans relative to Executive Directors.

Appointment Process

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

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

Re-election

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

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

Directors' Remuneration

Details of Directors' remuneration are set out below and in Note 5 to the financial statements.

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

	Fees RM	Salaries RM	Other Emoluments* RM	Benefits-In-Kind RM	Total RM
Executive Directors	-	1,101,365	142,385	316,260	1,560,010
Non-Executive Directors	280,000	-	-	-	280,000

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

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

	Number of Directors	
Range of remuneration	**Executive**	**Non-Executive**
Below RM50,000	-	5
RM50,001 to RM100,000	-	1
RM600,001 to RM650,000	1	-
RM900,001 to RM950,000	1	-

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

Directors' Training

As at the date of this Statement, all Directors have complied with the MAP and the CEP requirements pursuant to the requirements of Bursa Malaysia. Nonetheless the Directors are encouraged to participate in relevant training programmes for continuing professional development and to further enhance their skills and knowledge. During the year, the Board undertook a site visit to the integrated plant in Langkawi and was updated on the cement manufacturing operations. The Board also attended a safety briefing while in the Langkawi plant to improve their understanding on the safety requirements of the business.

In addition, the training programmes attended by the Directors either collectively or individually included the following:

- Upholding Integrity, Eradicate Corruption by Anti Corruption Agency
- Understanding Financial & Accounting Reports in the New Reporting Regime & Corporate Governance
- Adopting Risk Management Framework
- An understanding of Business Failure and Corporate Recovery: A Director's Perspective

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

B. INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDER

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

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

During the financial year, the President & Chief Executive Officer and the Senior Vice President & CFO conducted briefings for analysts, institutional shareholders and investors immediately following the release of the Company's quarterly results. The involvement of Executive Directors for investor relations is a reflection of the commitment of the Board in providing high standard of transparency to its shareholders.

The primary person responsible for investor relations is the Senior Vice President & CFO, Yeoh Khoon Cheng (Tel: 603-77238228).

C. ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

The Directors also have a general responsibility for taking such steps as is reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Board is further assisted by the Audit Committee to oversee the quality and processes of the financial reporting.

State of Internal Controls

The Board of Directors is responsible for the system of internal control and for regularly reviewing its effectiveness. The principal aim of the system of internal control is the management of business risks with a view to enhancing the value of shareholders' investments and safeguarding assets and not to provide absolute assurance that business risks will be fully mitigated. The Statement on Internal Control furnished on pages 35 & 36 of the Annual Report provides an overview of the state of internal controls within the Group. The Company's internal audit function is led by Lawrence Ho. The work undertaken by the Audit Committee and the internal audit team assist the Board to discharge its duty on internal control.

The Board is also pleased to report that the Company has adopted a programme for compliance with the Sarbanes-Oxley Act and in embracing the spirit of that Act, the Board is of the view that it would lead to stronger ethics, better governance and reliable reporting. This programme is also subjected to audit by the external auditor.

Code of Business Conduct

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

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

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

Relationship with the Auditors

Key feature underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 37 & 38 of the Annual Report.

Additional Compliance Statement

(a) Share Buyback

Details of the Company's Share Buyback undertaken during the financial year 2006 are contained on page 43 of this Annual Report. The Company had on 22 November 2006 cancelled 66,276,800 ordinary shares of RM0.50 each that were purchased at the total consideration of RM47,091,766. As at the date of this Statement, the Company has 100 ordinary shares held in treasury.

(b) Non-audit fees

The amount of non-audit fees paid to external auditors by the Company and its subsidiaries for the financial year 2006 is RM64,000. The non-audit fees paid is in respect of tax compliance for the Singapore operations.

(c) Material Contracts Involving Substantial Shareholders

During the financial year 2006, there were no material contracts by the Company and/or its Subsidiaries which involved Directors and substantial shareholders interest either still subsisting or entered into since the end of the previous financial year except as disclosed in Note 27 of the financial statements and below:

- On 19 and 22 July 2002, the Company entered into various agreements with Standard Chartered Bank Malaysia Berhad ("SCB") as Facility Agent and Arranger and a substantial shareholder of the Company, namely, the Employees Provident Fund Board, to raise financing via an Unsecured Term Loan Incorporating Preference Shares facility ("TULIPS facility") for a total amount of RM500 million which comprises a RM499.5 million term loan facility and 500 redeemable preference shares ("RPS") of RM1.00 each in the Company to be issued at RM1,000/- per RPS for a total consideration of RM500,000/-. The TULIPS facility allows the Company the option of paying dividends on preference shares in lieu of interest. The 500 RPS were issued to SCB on 26 July 2002 following the full draw down of the said facility on the same date. The TULIPS facility was to refinance part of the Group's term loans. During the financial year 2006, the Company redeemed 250 RPS on 26 July 2006.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 16 February 2007.

Statement on Internal Control

Board Responsibility

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

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

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

Risk Management

The Group has an embedded process for the identification, evaluation and reporting of the major business risks within the Group. Policies and procedures have been laid down for the regular review and management of these risks. Regular reviews of the most significant areas of risk are undertaken to ensure that key control objectives remain in place. Reports on such regular reviews are presented to the Board and the Audit Committee on a regular basis.

Internal Control Structure

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

- Main Control Procedures

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

- Reporting

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

- Audit Committee

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

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

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

- Control Environment
  The Group has in place a proper control environment which emphasises on quality and performance of the Group's employees through the development and implementation of human resource policies and programmes which are designed to enhance the effectiveness and efficiency of the individual and the organisation.

  In 2004, the Group embarked on a project to comply with the Sarbanes-Oxley Act of the United States of America, in particular Section 404 of the Act which requires management to acknowledge responsibility for internal control structure and procedures, assess internal controls annually, and assess and certify controls over financial reporting. This project was launched as a result of the Group being a subsidiary of Lafarge S.A. which is listed on the New York Stock Exchange.

  During the year, all key controls documented in the system were internally tested for its operating effectiveness and were subsequently audited. The Group has successfully achieved certification for Sarbanes-Oxley Certification in 2005 and in 2006. The implementation of this project has raised the level of internal controls in the Group and will further enhance the control environment that is already in place previously.

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

Signed on behalf of the Board of Directors in accordance with resolution dated 16 February 2007.

Chan Hua Eng
Chairman of Audit Committee

Alain Crouÿ
President & Chief Executive Officer

Report of the Audit Committee

A. MEMBERS AND MEETINGS

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

Name	Membership Status	Attendance
Chan Hua Eng	Chairman, Independent Non-Executive Director	4/4
Charles Tan Poh Tei *(a member of the Malaysian Institute of Accountants)*	Independent Non-Executive Director	4/4
Saw Ewe Seng	Independent Non-Executive Director	4/4
Guillaume Roux	Non-Executive Director	3/4

B. TERMS OF REFERENCE

Structure of the Audit Committee

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

Authority

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

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

Functions

(a) To review the interim and annual financial statements before approval by the Board, focusing particularly on:
  - any change in accounting policies and practices;
  - major judgmental areas;
  - significant audit adjustments;
  - departure from accounting standards; and
  - compliance with Bursa Malaysia and other statutory requirements.

(b) To discuss with the external auditors the scope of their audit findings.

(c) To discuss with the external auditors their evaluation of the system of internal controls.

(d) To review the adequacy of the scope, functions and resources of the internal audit functions, the internal audit programmes, processes, the result thereto and recommendations made by the internal audit function.

(e) To review from time to time management information received by the Board.

(f) To make recommendations to the Board on the appointment and remuneration of the external auditors and questions of resignation or dismissal.

(g) To review any related party transaction and conflict of interest situation that may arise including any transaction, procedure or course of conduct that raises questions of management integrity.

(h) To carry out any additional duties as may from time to time be prescribed by the Board.

Meetings and Minutes

The Committee shall meet at least four (4) times a year and the quorum for any meeting shall be three (3) members, majority of members present must be Independent Directors. The President & Chief Executive Officer, the Senior Vice President & CFO and the Group Internal Auditor will be invited to attend all meetings of the Committee and the external auditors will be invited to attend when appropriate. The external auditors may request a meeting if they consider one necessary.

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

C. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

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

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

Financial Results

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

- Reviewed quarterly unaudited financial results announcements prior to recommending them for approval by the Board.

External Audit

- Reviewed with external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by MASB.

- Reviewed with external auditors the results of the audit and the audit report in particular, reviewed accounting issues and significant audit adjustments arising from the external audit.

- Reviewed with external auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal control.

- Evaluated the performance of the external auditor and made recommendations to the Board on their re-appointment and remuneration.

Internal Audit

- Reviewed the resource requirements and skill levels of the internal auditors for the year and assessed the performance of the Internal Audit Department.

- Reviewed the annual audit plan to ensure adequate scope and coverage on the activities of the Group taking into consideration the assessment of the key risks areas.

- Reviewed the internal audit reports, audit recommendations made and management response to these recommendations and actions taken to improve system of internal control and procedures.

- Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.

- Monitored and reviewed the impact and progress of compliance with Sarbanes-Oxley Act 2002.

Others

- Reviewed business risks identified by management and updates from management on existence of mitigating controls and action plans to mitigate the risks.

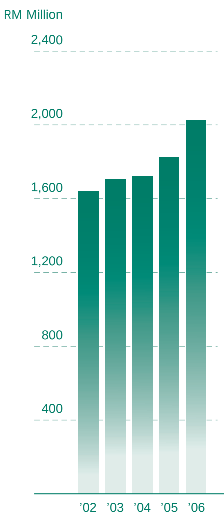
- Reviewed the terms of the related parties transactions entered into by the Group.

- Reviewed the Report of the Audit Committee and recommended to the Board for inclusion in the 2005 Annual Report.

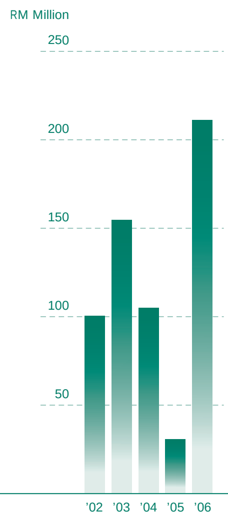
- Reviewed the Statement on Internal Control and recommended to the Board for inclusion in the 2005 Annual Report.

Five-Year Financial Statistics

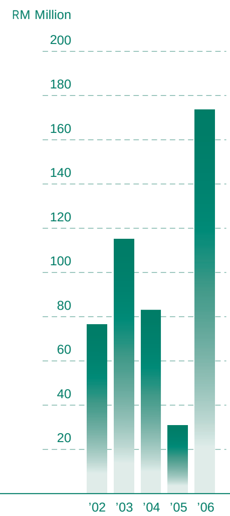
	2002 (RM'000)	2003 (RM'000)	2004 (RM'000)	2005 (RM'000)	2006 (RM'000)
OPERATING RESULTS					
Revenue	1,674,005	1,747,997	1,761,555	1,866,668	**2,077,893**
Profit from operations	152,084	201,590	135,730	56,819	**238,181**
Profit before tax	101,495	156,210	103,693	29,345	**212,095**
Profit for the year (1)	76,238	115,145	83,823	31,301	**173,428**
KEY BALANCE SHEET DATA					
Share capital	1,446,828	1,449,298	1,449,298	1,449,298	**1,416,159**
Total equity (1)	3,160,234	3,235,381	3,248,683	3,205,618	**3,302,674**
Net borrowings	941,033	613,998	519,536	446,179	**238,567**
Net tangible assets (1)	1,981,223	2,056,370	2,060,658	2,015,707	**2,111,960**
SHARE INFORMATION & FINANCIAL RATIOS					
Net gearing ratio (times)	0.30	0.19	0.16	0.14	**0.07**
Net tangible assets per share (RM) (1)	0.69	0.71	0.72	0.70	**0.75**
Net earnings per share (sen)	2.42	4.11	2.87	1.03	**6.16**
Net dividend per share (sen) (2)	1.50	2.00	1.98	2.00	**3.00**
Share price (RM) - Year High	1.07	1.02	1.12	0.88	**1.41**
Share price (RM) - Year Low	0.71	0.64	0.71	0.54	**0.61**



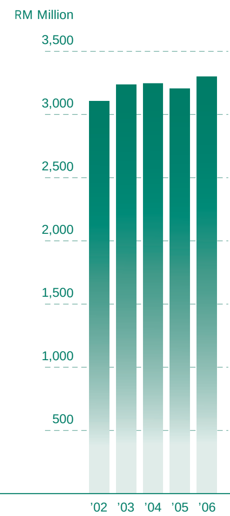
Revenue



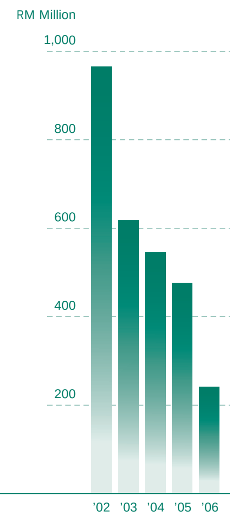
Profit Before Tax



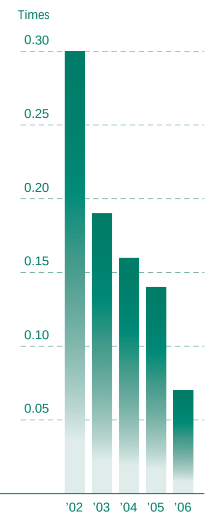
Profit For The Year



Total Equity



Net Borrowings



Net Gearing Ratio

Notes:
(1) Comparative figures have been restated to conform with the current year's presentation following the adoption by the Group of the new and revised Financial Reporting Standards and Interpretations issued by The Malaysian Accounting Standards Board.
(2) All dividends declared are tax exempt except for financial year 2004 where the dividends are net of 28% tax.

FINANCIAL STATEMENTS

OUR VALUES

Directors' Report

The Directors of **LAFARGE MALAYAN CEMENT BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 12 to the financial statements.

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

RESULTS OF OPERATIONS

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

	The Group RM'000	The Company RM'000
Profit before tax	212,095	32,205
Taxation	(38,667)	(7,060)
Profit for the year	173,428	25,145
Profit/(Loss) attributable to:		
Equity holders of the parent	174,756	25,145
Minority interests	(1,328)	-
	173,428	25,145

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

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Dividends paid by the Company since the end of the previous financial year were as follows:

(a) Ordinary Shares

- An interim dividend of 2.0 sen or 4.0% tax exempt per ordinary share, amounting to RM56,664,000 declared in respect of ordinary shares in previous financial year and dealt with the previous Directors' Report was paid on 4 May 2006. No final dividend was paid in respect of the financial year ended 31 December 2005.

(b) Class A Redeemable Preference Shares

- A second interim dividend of RM7,111,264, less tax at 28%, for financial year ended 31 December 2005 amounting to RM5,120,110 declared in respect of the 250 Class A redeemable preference shares of the Company then in issue was paid on 26 January 2006; and

- A first interim dividend of RM6,995,320, less tax at 28%, for financial year ended 31 December 2006 amounting to RM5,036,630 declared in respect of the 250 Class A redeemable preference shares of the Company then in issue was paid on 26 July 2006.

(c) Class B Redeemable Preference Shares

- A second interim dividend of RM7,303,042, less tax at 28%, for financial year ended 31 December 2005 amounting to RM5,258,190 declared in respect of the 250 Class B redeemable preference shares of the Company then in issue was paid on 26 January 2006;

- A first interim dividend of RM7,183,971, less tax at 28%, for financial year ended 31 December 2006 amounting to RM5,172,459 declared in respect of the 250 Class B redeemable preference shares of the Company then in issue was paid on 26 July 2006; and

- A second interim dividend of RM7,277,436, less tax at 27%, for financial year ended 31 December 2006 amounting to RM5,312,528 declared in respect of the 250 Class B redeemable preference shares of the Company then in issue was paid on 26 January 2007.

The redeemable preference shares of the Term Unsecured Loan Incorporating Preference Shares ("TULIPS") facility is classified as debt instruments and hence are reported as liabilities. Accordingly, the annual net dividend is classified as finance cost in the income statements.

The Directors declared an interim dividend of 3.0 sen or 6.0% tax exempt per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2006. Total dividend payable amounted to RM84,970,000 compared to an interim dividend of 2.0 sen or 4.0% tax exempt per ordinary share, amounting to a total payout of RM56,664,000 for the financial year ended 31 December 2005. The dividend is payable on 3 May 2007.

The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2006.

ISSUE OF SHARES AND DEBENTURES

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.

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

SHARE BUYBACK

The shareholders of the Company, by an ordinary resolution passed at the 56th Annual General Meeting held on 19 May 2006, approved the Company's plan to repurchase its own ordinary shares of RM0.50 each up to a maximum of 10% of the total issued and fully paid-up share capital of the Company listed on the Bursa Malaysia Securities Berhad.

Details of the share buybacks and cancelled treasury shares are as follows:

Month	Number of Shares Purchased/ (Cancelled)	Highest Price Paid per Share RM	Lowest Price Paid per Share RM	Average Price Paid per Share RM	Total Amount Paid RM'000
Purchases prior to 2006	41,640,000	1.03	0.56	0.74	30,918
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	-*
Total prior to cancellation	66,276,900				47,092
Cancellation	(66,276,800)				(47,092)
As of 31 December 2006	100				-*

*RM121.

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 RM47,092,000. The cancelled share capital of RM33,139,000 was transferred to capital redemption reserve and consideration paid of RM47,092,000 for the shares cancelled was set off against the share premium in accordance with the requirement of Section 67A of the Companies Act, 1965.

DIRECTORS

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

Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar
Guillaume Roux
Alain Crouÿ
Yeoh Khoon Cheng
Chan Hua Eng
Charles Tan Poh Tei
Saw Ewe Seng
Tan Sri A. Razak bin Ramli
Michel Rose
Jean-Jacques Gauthier
Jacques Henceval (appointed on 1 June 2006)
Ulrich Aumuller (resigned on 19 May 2006)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the employees' share options granted to an Executive Director in prior year as disclosed in the Directors' interests below.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than the remuneration and money value of benefits disclosed in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

	No. of Ordinary Shares of RM0.50 Each			
	Balance as of 1.1.2006	**Bought**	**Sold**	**Balance as of 31.12.2006**
Shares in the Company				
Alain Crouÿ	79,000	-	-	79,000
Saw Ewe Seng	55,000	-	-	55,000
Chan Hua Eng	805,100	-	-	805,100

	No. of Ordinary Shares of €4.00 Each			
	Balance as of 1.1.2006/ Date of appointment	**Bought**	**Sold**	**Balance as of 31.12.2006**
Shares in the Ultimate Holding Company, Lafarge S.A.				
Guillaume Roux	273	-	-	273
Alain Crouÿ	3,599	110	(1,501)	2,208
Yeoh Khoon Cheng	262	-	(25)	237
Michel Rose	390	-	-	390
Jean-Jacques Gauthier	151	-	-	151
Jacques Henceval	248	-	-	248

	No. of Ordinary Shares of USD1.00 Each			
	Balance as of 1.1.2006	Bought	Sold	Balance as of 31.12.2006
Shares in a Related Company, Lafarge North America Inc				
Guillaume Roux	373	-	(373)	-

	No. of Options over Ordinary Shares of RM0.50 Each			
	Balance as of 1.1.2006	Granted/ (Exercised)	Expired	Balance as of 31.12.2006
Options over the Ordinary Shares of the Company held by:				
Yeoh Khoon Cheng	500,000	-	(500,000)*	-

* The options had lapsed upon the expiry of the Employees' Share Option Scheme of the Company on 29 January 2006.

	No. of Options over Ordinary Shares of €4.00 Each			
	Balance as of 1.1.2006/ Date of appointment	Granted	Exercised/ Sold	Balance as of 31.12.2006
Options over the Ordinary Shares of the Ultimate Holding Company, Lafarge S.A. held by:				
Guillaume Roux	41,801	20,000	-	61,801
Alain Crouÿ	27,183	4,000	(6,346)	24,837
Yeoh Khoon Cheng	1,907	300	-	2,207
Michel Rose	172,324	30,000	(17,405)	184,919
Jean-Jacques Gauthier	84,117	20,000	-	104,117
Jacques Henceval	18,352	-	-	18,352

	No. of Options over Ordinary Shares of USD1.00 Each			
	Balance as of 1.1.2006	Granted	Exercised/ Sold	Balance as of 31.12.2006
Options over the Ordinary Shares of a Related Company, Lafarge North America Inc held by:				
Michel Rose	1,000	1,000	(2,000)	-

EMPLOYEES' SHARE OPTION SCHEME

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 in the Company were granted to eligible Directors and employees of the Company and its subsidiaries. The Scheme is governed by the by-laws which were approved by the shareholders on 7 December 2000. The salient features of the Scheme are as follows:

(a) The total number of shares to be issued by the Company under the Scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the duration of the Scheme.

(b) The subscription price shall be the higher of (i) the weighted average market price of the shares for the 5 market days quoted on the Bursa Malaysia Securities Berhad immediately preceding the date of offer with a discount of up to 10%, to be determined at the discretion of the Board Options Committee or (ii) par value of the shares.

(c) Eligible persons are employees including full-time Directors of the Company or any company comprised in the Group who had been confirmed in their employment with at least one (1) year of continuous service.

(d) The exercise of the options is conditional upon the achievement of an earnings per share target ("EPS target") determined by the Board Options Committee. If the EPS target has not been achieved by the end of the particular year, the entitlement to exercise such options shall be carried forward to subsequent years within the Option period.

(e) The Scheme is for a period of five calendar years and it expired on 29 January 2006.

The movements in the number of options over the Company's unissued shares during the financial year are as follows:

	Balance as of 1.1.2006	**Granted/ (Exercised)**	**Cancelled**	**Expired**	**Balance as of 31.12.2006**
Number of unissued shares under options	83,696,100	-	-	(83,696,100)	-

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings.

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 Share-based Payment, the Group did not recognise these share options granted in its financial statements. 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 earnings as of 1 January 2006.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business were written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:
   (i) the amounts written off or provided for bad and doubtful debts of the Group and of the Company inadequate to any substantial extent; or

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:
   (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
   (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:
   (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT POST BALANCE SHEET EVENT

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 be 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.

Save as disclosed above, there are no other material events subsequent to the end of the financial year up to the date of this report which are likely to substantially affect the results of operations of the Group.

HOLDING COMPANIES

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

AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to continue in office.

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

ALAIN CROUŸ

YEOH KHOON CHENG

Petaling Jaya, Selangor Darul Ehsan
16 February 2007

Statement by Directors

The Directors of **LAFARGE MALAYAN CEMENT BERHAD** state that, in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards for entities other than private entities in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of 31 December 2006 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

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

ALAIN CROUŸ

YEOH KHOON CHENG

Petaling Jaya, Selangor Darul Ehsan
16 February 2007

Declaration by the Director

Primarily Responsible for the Financial Management of the Company

I, **YEOH KHOON CHENG**, being the Director primarily responsible for the financial management of **LAFARGE MALAYAN CEMENT BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

YEOH KHOON CHENG

Subscribed and solemnly declared by the abovenamed **YEOH KHOON CHENG**
at Petaling Jaya, Selangor Darul Ehsan on 16 February 2007

Before me,

NG KOK SONG PCB
(No. B113)
COMMISSIONER FOR OATHS

Report of the Auditors

To the Members of Lafarge Malayan Cement Berhad

We have audited the accompanying balance sheets as of 31 December 2006 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards for entities other than private entities in Malaysia so as to give a true and fair view of:

  (i) the state of affairs of the Group and of the Company as of 31 December 2006 and of the results and cash flows of the Group and of the Company for the year ended on that date; and

  (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and

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

We have considered the financial statements and auditors' reports of the subsidiaries of which we have not acted as auditors as indicated in Note 12 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

YEE YOON CHONG
1829/07/07 (J)
Partner

16 February 2007

Income Statements

For the Year Ended 31 December 2006

		The Group		The Company	
	Note	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	5	2,077,893	1,866,668	54,574	113,988
Cost of sales	5	(1,564,780)	(1,560,569)	-	-
Gross profit		513,113	306,099	54,574	113,988
Selling and distribution expenses	5	(222,200)	(220,992)	-	-
Administration expenses	5	(53,909)	(62,695)	(2,839)	(2,897)
Other operating expenses	5	(26,292)	(22,150)	(143)	(4,517)
Other operating income		21,642	51,400	2,236	62
Investment income		2,856	2,775	-	-
Interest income		2,971	2,382	-	-
Profit from operations	6	238,181	56,819	53,828	106,636
Finance cost	7	(24,019)	(26,976)	(21,623)	(24,066)
Share of results of associates		(2,067)	(498)	-	-
Profit before tax		212,095	29,345	32,205	82,570
Taxation	8	(38,667)	1,956	(7,060)	(27,444)
Profit for the year		173,428	31,301	25,145	55,126
Profit/(Loss) attributable to:					
Equity holders of the parent		174,756	29,792	25,145	55,126
Minority interests		(1,328)	1,509	-	-
		173,428	31,301	25,145	55,126
Earnings per ordinary share (sen)					
Basic and diluted	9	6.16	1.03		

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

Balance Sheets

As of 31 December 2006

	Note	The Group 2006 RM'000	The Group 2005 RM'000 (Restated)	The Company 2006 RM'000	The Company 2005 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	2,194,102	2,282,597	130	245
Investment property	11	4,867	4,946	-	-
Investment in subsidiaries	12	-	-	2,390,781	2,319,279
Amounts owing by subsidiaries	12	-	-	467,768	770,843
Investment in associates	13	3,095	-	-	-
Other investments	14	2,024	2,000	1,255	1,255
Deferred tax assets	15	35,403	102,608	-	-
Intangible assets	16	1,190,714	1,189,911	-	-
Other receivables	19	9,227	4,318	-	-
		3,439,432	3,586,380	2,859,934	3,091,622
Current assets					
Assets classified as held for sale	17	224	-	-	-
Inventories	18	351,143	305,698	-	-
Trade receivables	19	340,563	327,864	-	-
Amounts owing by subsidiaries	12	-	-	407,565	334,736
Other receivables and prepaid expenses	19	74,247	100,133	1,448	1,778
Term deposits	20	34,057	33,463	-	-
Cash and bank balances		120,984	88,956	186	931
		921,218	856,114	409,199	337,445
Total assets		**4,360,650**	**4,442,494**	**3,269,133**	**3,429,067**

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

Balance Sheets (continued)

As of 31 December 2006

	Note	The Group 2006 RM'000	The Group 2005 RM'000 (Restated)	The Company 2006 RM'000	The Company 2005 RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	1,416,159	1,449,298	1,416,159	1,449,298
Treasury shares	21	-*	(30,918)	-*	(30,918)
Reserves	22	1,856,522	1,750,628	1,348,317	1,393,789
Equity attributable to equity holders of the parent		3,272,681	3,169,008	2,764,476	2,812,169
Minority interests		29,993	36,610	-	-
Total equity		3,302,674	3,205,618	2,764,476	2,812,169
Non-current liabilities					
Borrowings	24	6,505	250,000	-	250,000
Retirement benefits	25	34,423	29,880	487	459
Deferred tax liabilities	15	266,944	296,413	-	-
		307,872	576,293	487	250,459
Current liabilities					
Trade payables	26	239,122	235,682	-	-
Other payables and accrued expenses	26	114,710	96,434	7,198	11,206
Amounts owing to holding and related companies	27	3,106	2,120	-	-
Amounts owing to subsidiaries	12	-	-	111,747	40,008
Borrowings	24	387,103	318,598	385,000	315,000
Tax liabilities		6,063	7,749	225	225
		750,104	660,583	504,170	366,439
Total liabilities		1,057,976	1,236,876	504,657	616,898
Total equity and liabilities		**4,360,650**	**4,442,494**	**3,269,133**	**3,429,067**

* comprising treasury shares amounting to RM121.

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

Statement of Changes in Equity

For the Year Ended 31 December 2006

		Attributable to equity holders of the parent									
				Non-distributable				Distributable			
	Note	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Capital Reserve RM'000	Capital Redemption Reserve RM'000	Exchange Equalisation Reserve RM'000	Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
The Group											
As of 1 January 2005		1,449,298	(17,271)	1,114,291	33,968	159	34,918	596,500	3,211,863	-	3,211,863
Reclassification of opening minority interests		-	-	-	-	-	-	-	-	36,820	36,820
As restated		1,449,298	(17,271)	1,114,291	33,968	159	34,918	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 buyback		-	(13,647)	-	-	-	-	-	(13,647)	-	(13,647)
Dividend paid	23	-	-	-	-	-	-	(57,016)	(57,016)	(2,244)	(59,260)
As of 31 December 2005		1,449,298	(30,918)	1,114,291	33,968	159	32,934	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 interests' share of net assets in subsidiaries disposed of		-	-	-	-	-	-	-	-	(5,220)	(5,220)
Redemption of preference shares		-	-	-	-	250	-	(250)	-	-	-
Share buyback		-	(16,174)	-	-	-	-	-	(16,174)	-	(16,174)
Cancellation of treasury shares	21	(33,139)	47,092	(47,092)	-	33,139	-	-	-	-	-
Dividend paid	23	-	-	-	-	-	-	(56,664)	(56,664)	(263)	(56,927)
As of 31 December 2006		1,416,159	-*	1,067,199	33,968	33,548	34,689	687,118	3,272,681	29,993	3,302,674

* comprising treasury shares amounting to RM121.

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

Statement of Changes in Equity (continued)

For the Year Ended 31 December 2006

				Non-distributable			Distributable	
	Note	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Capital Reserve RM'000	Capital Redemption Reserve RM'000	Retained Earnings RM'000	Total RM'000
The Company								
As of 1 January 2005		1,449,298	(17,271)	1,114,283	33,890	-	247,506	2,827,706
Share buyback		-	(13,647)	-	-	-	-	(13,647)
Profit for the year		-	-	-	-	-	55,126	55,126
Dividend paid	23	-	-	-	-	-	(57,016)	(57,016)
As of 31 December 2005		1,449,298	(30,918)	1,114,283	33,890	-	245,616	2,812,169
Share buyback		-	(16,174)	-	-	-	-	(16,174)
Redemption of preference shares		-	-	-	-	250	(250)	-
Cancellation of treasury shares	21	(33,139)	47,092	(47,092)	-	33,139	-	-
Profit for the year		-	-	-	-	-	25,145	25,145
Dividend paid	23	-	-	-	-	-	(56,664)	(56,664)
As of 31 December 2006		1,416,159	-*	1,067,191	33,890	33,389	213,847	2,764,476

* comprising treasury shares amounting to RM121.

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

Cash Flow Statements

For the Year Ended 31 December 2006

	Note	The Group 2006 RM'000	The Group 2005 RM'000	The Company 2006 RM'000	The Company 2005 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit before tax		212,095	29,345	32,205	82,570
Adjustments for:					
Depreciation of property, plant and equipment		168,495	168,421	115	222
Depreciation of investment property		79	-	-	-
Amortisation of intangible assets		205	11	-	-
Allowance for inventory obsolescence		4,485	1,672	-	-
Provision for retirement benefits		5,966	5,796	28	64
Property, plant and equipment written off		3,083	5,569	-	1
Impairment loss on property, plant and equipment		-	40	-	-
(Write back)/Allowance for diminution in value of					
- quoted investments		(57)	93	-	-
- unquoted investments		(2)	13	-	-
Gain on disposal of property, plant and equipment		(461)	(16,981)	-	(58)
Allowance/(Write back of allowance) for doubtful debts		3,734	(9,097)	-	-
Loss on disposal of quoted investments		7	-	-	-
Loss on liquidation of a subsidiary		-	-	-	470
Gain on disposal of subsidiaries		(4,707)	-	-	-
Unrealised loss/(gain) on foreign exchange		1,962	(2,972)	(2,236)	4,041
Share of results of associates		2,067	498	-	-
Finance cost		24,019	26,976	21,623	24,066
Interest income		(2,971)	(2,382)	(3,719)	(3,553)
Dividend income		(20)	(34)	(50,855)	(110,435)
Operating Profit/(Loss) Before Working Capital Changes		417,979	206,968	(2,839)	(2,612)
(Increase)/Decrease in:					
Inventories		(47,572)	(20,637)	-	-
Receivables		(3,236)	(42,444)	330	(192)
Amounts owing by subsidiaries		-	-	(73,276)	185,858

Cash Flow Statements (continued)

For the Year Ended 31 December 2006

	Note	The Group 2006 RM'000	The Group 2005 RM'000	The Company 2006 RM'000	The Company 2005 RM'000
Increase/(Decrease) in:					
Payables		30,945	27,023	(2,569)	93
Amounts owing to holding and related companies		986	608	-	-
Amounts owing to subsidiaries		-	-	237	28,456
Cash Generated From/(Used In) Operations		399,102	171,518	(78,117)	211,603
Retirement benefits paid		(1,423)	(1,814)	-	-
Income tax (paid)/refunded		(3,247)	3,773	-	-
Net Cash From/(Used In) Operating Activities		394,432	173,477	(78,117)	211,603
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		4,714	52,357	-	212
Additions to property, plant and equipment		(89,289)	(68,849)	-	-
Purchase of quarry rights		(1,000)	(500)	-	-
Proceeds from disposal of an associate		-	21,105	-	-
Proceeds from disposal of quoted investments		49	-	-	-
Additional purchase consideration paid for a subsidiary acquired in prior years		-	(5,442)	-	-
Purchase of additional equity interest in existing subsidiaries		-	(492)	-	-
Subscription of ordinary shares in an existing subsidiary		-	-	-	(15,650)
Net cash paid for acquisition of a subsidiary		-	(3)	-	(3)
Net cash paid for acquisition of an associate	13	(4,553)	-	-	-
Net cash received for disposal of subsidiaries	12(f)	9,933	-	-	-
Interest received		2,971	2,382	4,166	5,317
Dividends received		20	34	50,855	110,435
Tax paid at source on dividends received		(6)	(10)	(7,060)	(27,444)
Loan repaid by/(advanced to) subsidiaries		-	-	305,311	(94,187)
Net Cash From/(Used In) Investing Activities		(77,161)	582	353,272	(21,320)

Cash Flow Statements (continued)

For the Year Ended 31 December 2006

	Note	The Group 2006 RM'000	The Group 2005 RM'000	The Company 2006 RM'000	The Company 2005 RM'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Net repayment of borrowings		(180,000)	(95,136)	(180,000)	(94,955)
Repurchase of own shares		(17,613)	(12,208)	(17,613)	(12,208)
Interest paid		(26,933)	(28,804)	(21,623)	(25,780)
Dividends paid by subsidiaries to minority shareholders		(263)	(2,244)	-	-
Dividend paid		(56,664)	(57,016)	(56,664)	(57,016)
Net Cash Used In Financing Activities		(281,473)	(195,408)	(275,900)	(189,959)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		35,798	(21,349)	(745)	324
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		422	(430)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		118,821	140,600	931	607
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	155,041	118,821	186	931

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

Notes to the Financial Statements

1. GENERAL INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 12.

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

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

The immediate holding company is Blue Circle Industries PLC, a company incorporated in the United Kingdom whilst the ultimate holding company is Lafarge S.A., a public-listed company incorporated in France.

The Company's registered office and principal place of business are located at Level 12, Bangunan TH Uptown 3, No.3, Jalan SS21/39, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 February 2007.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board ("MASB") approved accounting standards for entities other than private entities in Malaysia.

The Group has adopted all of the new and revised Financial Reporting Standards and Interpretations (hereinafter referred to as FRSs) issued by The Malaysian Accounting Standards Board 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 3.

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 the 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 119₂₀₀₄ 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.

3. 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:

FRS 2: Share-based Payment

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

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 earnings as of 1 January 2006.

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.

FRS 101: Presentation of Financial Statements

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

4. SIGNIFICANT ACCOUNTING POLICIES

Accounting Convention

The financial statements of the Group and of the Company are prepared under the historical cost convention (as modified for the revaluation of certain properties and investments) unless otherwise indicated in this summary of significant accounting policies.

Revenue Recognition

Revenue of the Group from sale of clinker, cement, ready-mixed concrete and other building materials is stated net of discounts, rebates, commissions and returns. Revenue of the Company represents gross dividend and interest income received and/or receivable from subsidiaries.

Revenue is recognised on the following basis:

- Gross invoiced value of goods sold: upon shipment/delivery of products, net of discounts, rebates, commissions and returns and when the risks and rewards of ownership have been passed to the customers.

- Dividend income: when the shareholder's right to receive payment is established.

- Interest and rental income: as it accrues using the effective interest method unless collectibility is in doubt.

Foreign Currency Conversion

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

Transactions in foreign currencies are converted into RM at the approximate exchange rates prevailing at the transaction dates or, where settlement has not taken place at the end of the financial year, at the approximate exchange rates prevailing at that date. All gains and losses on foreign exchange are dealt with in the income statement.

In the Group financial statements, assets and liabilities of foreign incorporated subsidiaries are translated at exchange rates ruling at the balance sheet date whilst income statement items are translated at average exchange rates for the year. Exchange differences are dealt with through the exchange equalisation reserve account.

The principal closing rates used in translating foreign currency amounts are as follows:

Currency	2006 RM	2005 RM
1 United States Dollar	3.53	3.78
1 Singapore Dollar	2.30	2.27
1 Sterling Pound	6.92	6.51
1 Euro	4.65	4.46

Taxation

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

(1) Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for the current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(2) Deferred Tax

Deferred tax is provided for, using the "liability" method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the determination of goodwill or negative goodwill.

Impairment of Assets

The carrying amounts of tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

The impairment loss is charged to the income statement unless it reverses a previous revaluation, in which case it is treated as a revaluation decrease. An impairment loss is only reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Property, Plant and Equipment

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

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

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

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

The principal annual rates are:

Leasehold land	Equal annual instalments over the remaining life of the leases ranging from 6 to 92 years
Buildings	2% to 9%
Plants, machinery, vessels and cement silos	2% to 6%
Office equipment, furniture and fittings	10% to 20%
Motor vehicles	20%

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

Quarry Rights

Quarry rights represent the consideration paid to obtain limestone and is amortised on a straight line basis to write off the cost over lives of the quarry agreements. Where an indication of impairment exists, the carrying amount of quarry right is assessed and written down immediately to its recoverable amount.

Basis of Consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The consolidated financial statements incorporate the financial statements of the Company and of its subsidiaries as mentioned in Note 12 made up to 31 December 2006. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant intercompany transactions, balances and resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. The consolidated financial statements reflect external transactions only.

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

Business Combination

Acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for the recognition under FRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with FRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

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

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

Investment in Subsidiaries

Investment in unquoted shares of subsidiaries, which is eliminated on consolidation, is stated in the Company's financial statements at cost or valuation. When there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Investment in Associates

Investment in associates is accounted for in the consolidated financial statements using the equity method of accounting. An associate is defined as a company, not being a subsidiary, in which the Group has a long term interest of not less than 20% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's share of net after tax results of associates is included in the consolidated income statement.

The results and reserves of the associates are taken from the latest available audited or management accounts. The Group's investment in associates is carried in the balance sheet at an amount that reflects its share of the net assets of these associates.

Goodwill

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

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

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units which are business units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Investments

Investments in subsidiaries, associates and other investments that are held on a long term basis are stated at cost or valuation, less impairment loss, if any.

Marketable securities are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Market value is calculated by reference to selling prices quoted on the Bursa Malaysia Securities Berhad and Singapore Exchange Limited at the close of business on the balance sheet date.

Investments in subsidiaries which are stated at valuation were last revalued by the Directors during the financial year ended 30 November 1993 on the basis of their net tangible assets and deducting any surplus on revaluation of plant and machinery as of 31 March 1993. Surplus on revaluation is recognised in the capital reserve account. The revaluation was carried out for the purpose of a bonus issue exercise undertaken by the Company in 1993 and therefore, it is not the intention of the Directors to adopt a policy of regular periodic revaluation.

Investment Property

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

Inventories

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

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

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

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

Leases

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

(1) The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(2) The Group as lessee

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

Employee Benefits

(1) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company.

(2) Post-employment benefits

The Group and the Company has various post-employment benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefit plans are either defined contribution or defined benefit plans.

(i) Defined contribution plans

The Group and the Company makes statutory contributions to approved provident funds and the contributions are charged to the income statements in the period to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

(ii) Defined benefit plans

The Group and the Company operates an unfunded final salary defined benefit plan covering eligible employees. The retirement benefit accounting cost is assessed using the Projected Unit Credit Method. Under this method, the cost of providing retirement benefit is charged to the income statements so as to spread the regular cost over the service lives of the employees in accordance with the advice of qualified actuaries who carry out a valuation of the plan every year. The latest actuarial valuation was undertaken on 1 December 2006.

The retirement benefit obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are dealt with in the income statements.

(3) Termination benefits

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

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Provisions

Provisions are made when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

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

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

Cash Flow Statements

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

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

5. REVENUE AND OPERATING COSTS

(a) Revenue

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Sale of clinker, cement, ready-mixed concrete and other building materials	2,051,493	1,837,665	-	-
Freight and chartering of vessels and jetty services	26,400	29,003	-	-
Gross dividend from unquoted investment in Malaysia	-	-	50,855	110,435
Interest income:				
Loans to subsidiaries	-	-	3,644	3,474
Term deposits	-	-	68	71
Others	-	-	7	8
	2,077,893	1,866,668	54,574	113,988

Revenue of the Group from sale of clinker, cement, ready-mixed concrete and other building materials is stated net of discounts, rebates, commissions and returns.

(b) Operating Costs Applicable to Revenue

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Raw and packing materials and other consumables used and changes in inventories of finished goods	1,373,168	1,354,032	-	-
Depreciation	168,574	168,421	115	222
Staff costs	136,864	151,480	349	318
Directors' remuneration	2,804	6,737	1,900	1,884
Others	185,771	185,736	618	4,990
	1,867,181	1,866,406	2,982	7,414

(c) Staff Costs

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Wages, salaries and bonuses	101,148	107,140	215	180
Defined contribution retirement plan	10,414	10,366	19	20
Defined benefits retirement plan	5,822	5,614	(33)	17
Termination benefits	1,290	8,831	-	-
Other employee benefits	18,190	19,529	148	101
	136,864	151,480	349	318

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(d) Directors' Remuneration				
Directors of the Company				
Executive Directors:				
Salaries and other emoluments	1,178	1,115	1,178	1,115
Estimated money value of benefits	316	352	316	352
Defined contribution retirement plan	65	62	65	62
Defined benefits retirement plan	61	47	61	47
	1,620	1,576	1,620	1,576
Non-Executive Directors:				
Fees	280	308	280	308
	1,900	1,884	1,900	1,884
Directors of the Subsidiaries				
Executive Directors:				
Salaries and other emoluments	680	4,009	-	-
Estimated money value of benefits	59	525	-	-
Defined contribution retirement plan	82	184	-	-
Defined benefits retirement plan	83	135	-	-
	904	4,853	-	-
Total	2,804	6,737	1,900	1,884

6. PROFIT FROM OPERATIONS

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
This is arrived at after charging/(crediting):				
Rental of premises and equipment	20,285	22,840	-	-
Allowance for inventory obsolescence	4,485	1,672	-	-
Provision for retirement benefits	5,966	5,796	28	64
Loss/(gain) on foreign exchange:				
- Unrealised	1,962	(2,972)	(2,236)	4,041
- Realised	(1,528)	(1,309)	-	(3)
Property, plant and equipment written off	3,083	5,569	-	1
Fees paid/payable to external auditors:				
Statutory audit:				
- Auditors of the Company	484	604	25	25
Special audit:				
- Auditors of the Company	197	312	40	40
Non-audit services:				
- Auditors of the Company	62	88	-	-
- Other auditors	2	23	-	-
Amortisation of intangible assets	205	11	-	-
Impairment loss on property, plant and equipment	-	40	-	-
(Write back)/Allowance for diminution in value of:				
- quoted investments	(57)	93	-	-
- unquoted investments	(2)	13	-	-
Gain on disposal of property, plant and equipment	(461)	(16,981)	-	(58)
Allowance/(Write back of allowance) for doubtful debts	3,734	(9,097)	-	-
Loss on disposal of quoted investments	7	-	-	-
Loss on liquidation of a subsidiary	-	-	-	470
Gain on disposal of subsidiaries	(4,707)	-	-	-
Interest income:				
- Term deposits, debentures and others	(2,971)	(2,382)	-	-
Investment income:				
- Rental income	(2,836)	(2,741)	-	-
- Gross dividends on quoted and unquoted investments	(20)	(34)	-	-

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000

7. FINANCE COST

Finance cost on:				
- term borrowings	-	598	-	595
- commercial papers	3,598	2,769	3,598	2,769
- bankers' acceptances and revolving credit	803	237	-	-
- bank overdrafts	16	72	-	-
- others	1,682	2,220	105	115
Dividend on:				
- redeemable preference shares	17,920	21,080	17,920	20,587
	24,019	26,976	21,623	24,066

The redeemable preference shares in the Term Unsecured Loan Incorporating Preference Shares ("TULIPS") facility is classified as debt instruments and hence are reported as liabilities. Accordingly, the annual net dividend is classified as finance cost in the income statements.

8. TAXATION

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Malaysia				
Estimated current tax expense/(credit):				
- Current year	9,693	8,531	7,060	27,444
- Overprovision in prior years	(1,280)	(26)	-	-
Deferred tax	38,667	(1,211)	-	-
	47,080	7,294	7,060	27,444
Foreign				
Estimated current tax expense/(credit):				
- Current year	(7,240)	(8,055)	-	-
- Overprovision in prior years	-	(467)	-	-
Deferred tax	(1,173)	(728)	-	-
	38,667	(1,956)	7,060	27,444

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

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Profit before tax	212,095	29,345	32,205	82,570
Tax expense at applicable statutory tax rate	59,387	8,217	9,017	23,120
Tax effects of:				
- reduction in corporate tax rate	(12,911)	-	-	-
- expenses not deductible for tax purposes	15,900	10,786	5,222	7,802
- income not subject to tax	(1,835)	(6,511)	-	-
- tax exempt income	(182)	(1,083)	(7,179)	(3,478)
- utilisation of reinvestment allowances	(11,456)	(3,954)	-	-
- others	214	94	-	-
Tax credit refundable from tax authorities	(9,170)	(9,012)	-	-
Overprovision in respect of prior years	(1,280)	(493)	-	-
Tax expense/(credit) for the year	38,667	(1,956)	7,060	27,444

As of 31 December 2006, the Company has a total tax exempt income amounting to approximately RM158,599,000 (2005: RM189,624,000) arising mainly from exempt accounts namely Section 3C of Income Tax Act, 1967, Income Tax (Exemption)(No. 48) Order 1987, Section 12 of Income Tax (Amendment) Act, 1999, exempt dividend income and reinvestment allowance. Subject to approval by the tax authorities, these tax exempt income accounts are available for distribution as tax exempt dividends to shareholders without attracting any further tax liabilities.

As of 31 December 2006, certain subsidiaries have the following tax exempt income arising from various sources:

	The Group	
	2006 RM'000	2005 RM'000
Reinvestment allowances claimed and utilised under Schedule 7A of the Income Tax Act, 1967	227,511	212,499
Tax exempt income claimed under Section 54A of the Income Tax Act, 1967	90,328	89,914
Chargeable income on which income tax has been waived in 1999 in accordance with the Income Tax (Amendment) Act, 1999	34,883	34,913
	352,722	337,326

These tax exempt income accounts, which are subject to approval by the tax authorities, are available for distribution as tax exempt dividends to shareholders of subsidiaries without attracting any further tax liabilities.

As of 31 December 2006, certain subsidiaries have unutilised reinvestment allowances claimed of approximately RM818,767,000 (2005: RM859,682,000) which, subject to approval by the authorities, is available for offset against future taxable income of these subsidiaries.

9. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the parent and the weighted average number of ordinary shares outstanding during the year net of treasury shares as follows:

Basic

	The Group	
	2006 RM'000	2005 RM'000
Profit attributable to equity holders of the parent	174,756	29,792

	The Group	
	2006 Units'000	2005 Units'000
Number of shares in issue (net of treasury shares) as of 1 January	2,856,956	2,879,575
Effect of treasury shares arising during the year	(20,971)	(525)
Weighted average number of ordinary shares in issue	2,835,985	2,879,050

	The Group	
	2006	2005
Basic earnings per ordinary share (sen)	6.16	1.03

Fully diluted earnings per share for the financial year has not been disclosed as the average exercise price of the share options granted pursuant to the Employees' Share Option Scheme ("Scheme") is above the average fair value of the Company's shares during the financial year. The potential effect of the conversion of such options would be anti-dilutive. 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.

10. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost/Valuation	Freehold Land RM'000	Leasehold Land Long-term RM'000	Leasehold Land Short-term RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plants, Machinery, Vessels and Cement Silos RM'000	Capital Work-in-Progress RM'000	Total RM'000
As of 1 January 2005	36,820	52,480	144,898	218,329	90,330	2,840,678	41,325	3,424,860
Additions	-	-	-	341	3,964	5,477	63,269	73,051
Reclassification	23	-	1,121	53	1,568	51,939	(54,704)	-
Transfer from deferred expenditure	-	-	610	-	-	-	70	680
Reclassified as investment property	-	-	(480)	(2,702)	-	-	-	(3,182)
Disposals	-	-	(1,433)	-	(2,635)	(49,939)	-	(54,007)
Write-off	-	-	-	(299)	(3,456)	(11,472)	-	(15,227)
Write-down	-	-	(17,072)	-	-	-	-	(17,072)
Exchange differences and other adjustments	-	-	-	(497)	(249)	(2,194)	-	(2,940)
As of 31 December 2005	36,843	52,480	127,644	215,225	89,522	2,834,489	49,960	3,406,163
Additions	-	-	3,495	3,256	5,284	7,641	69,495	89,171
Disposal of subsidiaries	-	-	-	(1,222)	(7,523)	(2,212)	-	(10,957)
Reclassification	-	-	26	962	3,836	56,156	(60,980)	-
Reclassified as assets held for sale	-	(224)	-	-	-	-	-	(224)
Disposals	-	(859)	(1,826)	(1,824)	(1,617)	(1,014)	-	(7,140)
Write-off	(14)	-	-	(2,056)	(2,557)	(21,925)	-	(26,552)
Exchange differences and other adjustments	-	-	-	243	(88)	1,134	-	1,289
As of 31 December 2006	36,829	51,397	129,339	214,584	86,857	2,874,269	58,475	3,451,750

The Group

Accumulated Depreciation	Freehold Land RM'000	Leasehold Land Long-term RM'000	Leasehold Land Short-term RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plants, Machinery, Vessels and Cement Silos RM'000	Capital Work-in-Progress RM'000	Total RM'000
As of 1 January 2005	-	5,112	49,539	82,207	62,447	802,501	-	1,001,806
Charge for the year	-	905	5,773	14,087	10,539	137,117	-	168,421
Reclassification	-	-	-	(1)	34	(33)	-	-
Transfer from deferred expenditure	-	-	66	-	-	-	-	66
Reclassified as investment property	-	-	-	(367)	-	-	-	(367)
Disposals	-	-	(157)	-	(2,187)	(16,287)	-	(18,631)
Write-off	-	-	-	(298)	(3,073)	(6,287)	-	(9,658)
Write-down	-	-	(17,072)	-	-	-	-	(17,072)
Exchange differences and other adjustments	-	-	-	(146)	(211)	(918)	-	(1,275)
As of 31 December 2005	-	6,017	38,149	95,482	67,549	916,093	-	1,123,290
Charge for the year	-	899	5,411	13,903	9,242	139,040	-	168,495
Disposal of subsidiaries	-	-	-	(560)	(7,004)	(1,041)	-	(8,605)
Reclassification	-	-	-	-	769	(769)	-	-
Disposals	-	(72)	(960)	(88)	(940)	(700)	-	(2,760)
Write-off	-	-	-	(1,148)	(2,398)	(19,923)	-	(23,469)
Exchange differences and other adjustments	-	-	-	74	(101)	575	-	548
As of 31 December 2006	-	6,844	42,600	107,663	67,117	1,033,275	-	1,257,499
Provision for Impairment Loss								
As of 1 January 2005	109	-	-	1,096	-	-	-	1,205
Charge for the year	40	-	-	-	-	-	-	40
Reclassified as investment property	-	-	-	(969)	-	-	-	(969)
As of 31 December 2005	149	-	-	127	-	-	-	276
Disposals	-	-	-	(127)	-	-	-	(127)
As of 31 December 2006	149	-	-	-	-	-	-	149
Net Book Value								
As of 31 December 2005	36,694	46,463	89,495	119,616	21,973	1,918,396	49,960	2,282,597
As of 31 December 2006	36,680	44,553	86,739	106,921	19,740	1,840,994	58,475	2,194,102

The Company

Cost/Valuation	Furniture and Fittings RM'000	Motor Vehicles RM'000	Total RM'000
As of 1 January 2005	372	1,728	2,100
Disposals	-	(994)	(994)
Write-off	(28)	-	(28)
As of 31 December 2005	344	734	1,078
As of 31 December 2006	344	734	1,078
Accumulated Depreciation			
As of 1 January 2005	356	1,122	1,478
Charge for the year	7	215	222
Disposals	-	(840)	(840)
Write-off	(27)	-	(27)
As of 31 December 2005	336	497	833
Charge for the year	4	111	115
As of 31 December 2006	340	608	948
Net Book Value			
As of 31 December 2005	8	237	245
As of 31 December 2006	4	126	130

Included in property, plant and equipment of the Group and the Company are fully depreciated plant, machinery and equipment at an aggregate cost of approximately RM69,649,000 and RM739,000 respectively (2005: RM50,063,000 and RM319,000) as of 31 December 2006 which are still in use.

11. INVESTMENT PROPERTY

	The Group	
	2006	2005
	RM'000	RM'000
At Cost		
At beginning of year	6,282	-
Reclassified from property, plant and equipment	-	3,182
Reclassified from other investments	-	3,100
At end of year	6,282	6,282
Accumulated Depreciation		
At beginning of year	367	-
Charge to income statement	79	-
Reclassified from property, plant and equipment	-	367
At end of year	446	367
Provision for Impairment Loss		
At beginning of year	969	-
Reclassified from property, plant and equipment	-	969
At end of year	969	969
Net	4,867	4,946
Included in the above are:		
Freehold land	3,100	3,100
Buildings	1,767	1,846
	4,867	4,946
Fair value of investment property	6,920	6,920

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

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to RM99,000 (2005: RM105,000). Direct operating expenses arising on the investment property amounted to RM29,000 (2005: RM32,000).

12. SUBSIDIARIES

	The Company 2006 RM'000	2005 RM'000
(a) Unquoted shares at cost:		
In Malaysia	2,270,581	2,199,079
Outside Malaysia	- *	- *
Unquoted shares at valuation:		
In Malaysia	120,200	120,200
	2,390,781	2,319,279

* comprising cost of investment amounting to SGD2.00.

Subsidiaries stated at valuation were revalued during the financial year ended 30 November 1993 as associates of the Group before they became subsidiaries in December 1998 following the completion of the acquisition of additional equity interests in these companies by M-Cement Sdn. Bhd.. The revaluation was carried out based on net tangible assets less revaluation surplus on plant and machinery as of 31 March 1993.

	The Company 2006 RM'000	2005 RM'000
(b) Amounts owing by subsidiaries (long-term):		
- Unsecured interest free loans	467,768	770,843
Amounts owing by subsidiaries (short-term):		
- Unsecured interest free loans	250,000	250,000
- Unsecured interest bearing loans	145,000	75,000
- Outstanding balances receivable for other operating transactions	12,565	9,736
	407,565	334,736

The carrying amounts of the long-term unsecured interest free loans at the balance sheet date were not reduced to their estimated fair value of RM405,817,000 (2005: RM668,576,000) as these loans are receivable from profitable wholly-owned subsidiaries and the Directors are of the opinion that the amounts will be repaid in full on the due date.

The unsecured short-term interest bearing loans bear interest at rates ranging from 3.1% to 4.1% (2005: 2.7% to 3.0%) per annum.

	The Company 2006 RM'000	2005 RM'000
(c) Amounts owing to subsidiaries (short-term)	111,747	40,008

The amounts owing to subsidiaries (short-term) are unsecured, interest free and have no fixed terms of repayment except for an unsecured interest bearing loan amounting to RM10,000,000 (2005: RM10,000,000) which bears interest at 2.9% (2005: 2.9%) per annum.

(d) Particulars of the subsidiaries are as follows:

Name of Company	Principal Activities	The Group Effective Equity 2006 %	Interest 2005 %
Incorporated in Malaysia			
Associated Pan Malaysia Cement Sdn. Bhd.	Manufacture and sale of clinker and cement	100	100
Malayan Cement Industries Sdn. Bhd.	Manufacture and sale of clinker and cement	100	100
Southern Cement Industries Sdn. Bhd.	Manufacture and sale of cement	100	100
Simen Utama Sdn. Bhd.	Distributor of cement	100	100
Kedah Cement Marketing Sdn. Bhd.	Inactive	100	100
CMCM Perniagaan Sdn. Bhd.	Trading of cement and other building materials	100	100
Jumewah Shipping Sdn. Bhd.	Shipping of bulk cement and chartering of vessels	100	100
Kedah Cement Jetty Sdn. Bhd.	Management and operation of a jetty	100	100
Lafarge Aggregates Sdn. Bhd.	Production and sale of aggregates and related products	100	100
Lafarge Aggregates (Pantai Remis) Sdn. Bhd.	Production and sale of aggregates and related products	100	100
Lafarge Concrete (Malaysia) Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	61.7	61.7
Lafarge Concrete Industries Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	61.7	61.7
Lafarge Concrete (East Malaysia) Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	61.7	61.7
Supermix-SMJ JV Sdn. Bhd.	Inactive	43.2	43.2
APMC Enterprises Sdn. Bhd.	Letting of premises	100	100
M-Cement Sdn. Bhd.	Investment holding	100	100
Kedah Cement Holdings Berhad	Investment holding	100	100
M-Creation Sdn. Bhd.	Inactive	100	100
KL Cement Sdn. Bhd.	Inactive	100	100
Simen Angkut Sdn. Bhd.	Under liquidation	100	100

Name of Company	Principal Activities	The Group Effective Equity Interest 2006 %	2005 %
Incorporated in Singapore			
LMCB Holding Pte. Ltd. *	Investment holding	100	100
Lafarge Cement Singapore Pte. Ltd. *	Bulk import and sale of cement and trading in other building materials	100	100
Supermix Concrete Pte. Ltd. *	Sale of ready-mixed concrete	100	100
Cement Marketing Company (Singapore) Pte. Ltd. *	Investment holding	100	100
PMCWS Enterprises Pte. Ltd. *	Investment holding	100	100
LCS Shipping Pte. Ltd. *	Shipping of bulk cement and chartering of vessels	100	100
Supermix Asia Pte. Ltd. *	Investment holding	-	61.7
Incorporated in Vietnam			
Lafarge Concrete (Vietnam) Co. Ltd. *	Manufacture and sale of ready-mixed concrete	-	43.2

* The financial statements of these subsidiaries were audited by other member firms of Deloitte & Touche.

(e) On 6 December 2005, the Company proposed to acquire and transfer the entire 100% interest in the issued and paid-up share capital of Jumewah Shipping Sdn. Bhd. ("JSSB"), comprising 40,000,000 issued and paid-up ordinary shares held through its wholly-owned subsidiary, Kedah Cement Holdings Berhad to itself at a consideration of RM71,501,710. The above transfer was completed on 6 September 2006 and the Company holds directly 100% of the issued and paid-up share capital of JSSB. The said exercise was undertaken to simplify the Group's corporate structure and had no impact on the net tangible assets and earnings of the Group.

(f) Disposal of subsidiaries

On 29 September 2006, a subsidiary, Lafarge Concrete (Malaysia) Sdn. Bhd., disposed of its entire equity interest in Supermix Asia Pte. Ltd. ("SPMA"), comprising 1,200,000 ordinary shares of SGD1.00 each of the issued and paid-up share capital of SPMA, to Vietcim (Singapore) Pte. Ltd., a nominee of Lafarge S.A., for a cash consideration of USD2,931,500 (equivalent to approximately RM10.8 million). SPMA, a private limited company incorporated in Singapore on 27 February 1993 is an investment holding company. It holds 70% equity interest in Lafarge Concrete (Vietnam) Co. Ltd. ("LCV"), a ready-mixed concrete venture in Vietnam. The Group's effective interest in LCV was 43.2%.

The disposal had the following effects on the Group's financial results for the year and financial position at the date of disposal and as of 31 December 2005:

	2006 9 months results RM'000	2005 12 months results RM'000
Revenue	24,447	37,382
Profit before tax	873	3,651
Profit for the year	947	2,640
Profit attributable to equity holders of the parent	506	1,244

	As of date of disposal RM'000	As of 31.12.05 RM'000
Net assets disposed of as of date of disposal:		
Property, plant and equipment	2,352	2,453
Deferred tax assets	121	52
Inventories	269	159
Trade receivables	11,481	13,609
Cash and cash equivalents	870	1,542
Other receivables and prepaid expenses	4,372	4,152
Trade payables	(6,376)	(9,358)
Other payables and accrued expenses	(2,265)	(1,639)
Tax liabilities	-	(484)
Net assets disposed of before share of minority interests	10,824	10,486
Minority interests' share of net assets disposed of	(5,220)	(4,819)
Net assets disposed of	5,604	5,667
Goodwill disposed of	492	
Gain on disposal	4,707	
Sales proceeds	10,803	
Less: Cash and cash equivalents disposed of	(870)	
Net cash inflow to the Group	9,933	

(g) 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 and the said subsidiary had been advised by the CCM to commence its voluntary winding-up instead.

13. INVESTMENT IN ASSOCIATES

	The Group 2006 RM'000	The Group 2005 RM'000
Unquoted shares at cost, representing share of net assets acquired	5,132	535
Group's share of post acquisition results	(2,037)	(535)
	3,095	-

At Group level, the carrying value of associates represents its share of net assets in the associates at balance sheet date. Summaried financial information in respect of the Group's associates are as follows:

	The Group 2006 RM'000	The Group 2005 RM'000
Total assets	57,743	1,186
Total liabilities	(48,458)	(1,186)
Net assets	9,285	-
Group's share of associates' net assets	3,095	-
Total revenue	162,805	216
Total loss for the year	(5,640)	(995)
Share of results of associates	(2,067)	(498)

Particulars of the associates are as follows:

Name of Company	Principal Activities	The Group Effective Equity Interest 2006 %	The Group Effective Equity Interest 2005 %
Incorporated in Singapore			
Morelastic Green Resources Pte. Ltd. *	Recycling of non-metal waste	50.0	50.0
Alliance Concrete Pte. Ltd. *	Production and sale of ready-mixed concrete	33.3	-

* The financial statements of the associates were audited by firms other than Deloitte & Touche.

On 15 November 2005, SPMS signed an agreement with Asia Cement (Singapore) Pte. Ltd. and SINHENGCHAN Concrete Pte. Ltd. to participate in the establishment of a 3-way equal-shareholding joint venture company, namely Alliance Concrete Pte. Ltd. ("ACPL") to carry on the business of production and sale of ready-mixed concrete in Singapore. ACPL has commenced operations on 1 January 2006. The Group's initial cost of investment for 33.33% of ACPL was SGD2 million (approximately RM4.6 million).

14. OTHER INVESTMENTS

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At Cost				
In Malaysia:				
Unquoted investments	1,327	1,327	-	-
Unquoted debentures	1,255	1,255	1,255	1,255
Quoted investments	972	951	-	-
Others	29	29	-	-
Outside Malaysia:				
Quoted investments	-	56	-	-
	3,583	3,618	1,255	1,255
Less:				
Impairment loss	(1,100)	(1,100)	-	-
Allowance for diminution in value of:				
- unquoted investments	(19)	(21)	-	-
- quoted investments	(440)	(497)	-	-
	2,024	2,000	1,255	1,255
Market value of quoted investments	543	725		

15. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group Deferred tax assets		The Company Deferred tax liabilities	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At beginning of year	102,608	100,358	(296,413)	(296,329)
Disposal of subsidiaries	(121)	-	-	-
Recognised in the income statements	(56,269)	2,250	18,775	(311)
Exchange adjustments	-	-	(121)	227
Reclassification	(10,815)	-	10,815	-
At end of year	35,403	102,608	(266,944)	(296,413)

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

The Group	Property, plant and equipment RM'000	Receivables RM'000	Payables RM'000	Unutilised tax losses and unabsorbed capital allowances RM'000	Total RM'000
Deferred Tax Assets					
As of 1 January 2005	(138,107)	2,670	7,870	227,925	100,358
Recognised in the income statements	10,813	(2,089)	2,438	(8,912)	2,250
As of 31 December 2005	(127,294)	581	10,308	219,013	102,608
Recognised in the income statements	12,614	(439)	1,852	(70,296)	(56,269)
Disposal of subsidiaries	-	(61)	(60)	-	(121)
Reclassification	(10,815)	-	-	-	(10,815)
As of 31 December 2006	(125,495)	81	12,100	148,717	35,403
Deferred Tax Liabilities					
As of 1 January 2005	(306,673)	834	9,510	-	(296,329)
Recognised in the income statements	(8,736)	(811)	107	9,129	(311)
Exchange adjustments	231	-	(4)	-	227
As of 31 December 2005	(315,178)	23	9,613	9,129	(296,413)
Recognised in the income statements	26,782	17	(2)	(8,022)	18,775
Exchange adjustments	(121)	-	-	-	(121)
Reclassification	10,815	-	-	-	10,815
As of 31 December 2006	(277,702)	40	9,611	1,107	(266,944)

16. INTANGIBLE ASSETS

	The Group 2006 RM'000	The Group 2005 RM'000
(a) Goodwill on consolidation		
At beginning of year	1,188,922	1,188,025
Goodwill arising from acquisition of subsidiaries	-	374
Goodwill arising from adjustment subsequent to acquisition of a subsidiary in prior years	-	31
Goodwill arising from purchase of additional equity interest in existing subsidiaries	-	492
Goodwill in subsidiaries disposed of	(492)	-
At end of year	1,188,430	1,188,922

The carrying amount of the goodwill allocated to cash-generating units that are significant is as follows:

	The Group 2006 RM'000	The Group 2005 RM'000
Cement	1,150,218	1,150,218
Aggregates and concrete	38,212	38,704
	1,188,430	1,188,922
(b) Quarry Rights		
Cost		
At beginning of year	1,000	-
Additions	1,500	1,000
At end of year	2,500	1,000
Accumulated Amortisation		
At beginning of year	11	-
Charged to income statements	205	11
At end of year	216	11
Net	2,284	989
Intangible Assets – Net Book Value	1,190,714	1,189,911

17. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group 2006 RM'000	The Group 2005 RM'000
Land held for sale	224	-

A subsidiary has entered into a sale and purchase agreement with a buyer, for the disposal of a parcel land and is currently pending approval from the State Authorities for the transfer of the said land title. The land was previously used in the subsidiary as a batching plant.

18. INVENTORIES

	The Group 2006 RM'000	The Group 2005 RM'000
At cost:		
Fuels, raw and packing materials	69,614	65,281
Finished and semi-finished goods	82,466	61,609
Engineering spares and consumables	212,236	200,434
	364,316	327,324
Allowance for inventory obsolescence	(15,430)	(24,765)
	348,886	302,559
At net realisable value:		
Finished and semi-finished goods	2,257	3,139
	351,143	305,698

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

(a) Trade Receivables

	The Group 2006 RM'000	The Group 2005 RM'000
Trade receivables	365,120	349,750
Allowance for doubtful debts	(24,557)	(21,886)
	340,563	327,864

Trade receivables of the Group comprise amounts receivable for the trading and sales of goods. The average credit terms for trade receivables of the Group range from 30 to 60 days (2005: 30 to 60 days).

The Group's historical experience in collection of trade receivables falls within the recorded credit period and management believes that no additional credit risk for collection losses is inherent in the Group's trade receivables. An allowance of RM24,557,000 (2005: RM21,886,000) has been made for estimated irrecoverable amounts based on management's past experience on default by customers.

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

	The Group	
	2006 RM'000	**2005 RM'000**
Ringgit Malaysia	281,065	275,500
United States Dollar	30,813	19,255
Singapore Dollar	28,685	33,109
	340,563	327,864

Included in trade receivables are amounts totalling RM26,164,000 (2005: RM21,170,000) owing by related companies.

(b) Other Receivables and Prepaid Expenses

	The Group		The Company	
	2006 RM'000	**2005 RM'000**	**2006 RM'000**	**2005 RM'000**
Current				
Other receivables	44,329	64,196	727	1,189
Finance lease receivables	2,109	-	-	-
Prepaid expenses	11,481	21,951	247	115
Refundable deposits	4,347	4,524	474	474
Tax recoverable	11,981	9,462	-	-
	74,247	100,133	1,448	1,778
Non-current				
Other receivables	2,361	4,318	-	-
Finance lease receivables	6,866	-	-	-
	9,227	4,318	-	-
Total	83,474	104,451	1,448	1,778

Other receivables of the Group arose mainly from amounts receivable in respect of proceeds from disposal of mixer trucks to drivers under the Lorry-Owner-Driver scheme of its subsidiaries and loans and advances given to the staff.

Finance lease receivables as of 31 December 2006 are receivable as follows:

	The Group	
	Minimum lease payments 2006 RM'000	Present value of minimum lease payments 2006 RM'000
Within 1 year	2,277	2,109
Between 2 to 5 years	7,505	6,866
	9,782	8,975
Less: Unearned finance income	(807)	-
	8,975	8,975

The finance lease receivables represent finance lease undertaken by its subsidiaries in respect of its mixer trucks sold to drivers under the Lorry-Owner-Driver scheme. The term of these arrangements is three to five years.

20. TERM DEPOSITS

	The Group	
	2006 RM'000	2005 RM'000
Term deposits placed with licensed banks	34,057	33,463

The term deposits of the Group bear a weighted average effective interest rate of 2.14% to 3.22% (2005: 0.40% to 3.30%) per annum and have maturity ranging from 7 to 90 days (2005: 7 to 30 days).

21. SHARE CAPITAL AND TREASURY SHARES

	The Group and The Company 2006 RM'000	2005 RM'000
(a) Share Capital		
Authorised		
Ordinary shares of RM0.50 each	3,000,000	3,000,000
Redeemable preference shares of RM1.00 each	-*	-*
Issued and fully paid		
Ordinary shares of RM0.50 each:		
At beginning of year	1,449,298	1,449,298
Transfer to capital redemption reserve arising from cancellation of treasury shares (Note 21(b))	(33,139)	-
At end of year	1,416,159	1,449,298
Redeemable preference shares of RM1.00 each	-*	-*
Redemption of redeemable preference shares of RM1.00 each	(-**)	-*
	-**	-*

* Comprising 500 redeemable preference shares of RM1.00 each.

** Comprising 250 redeemable preference shares of RM1.00 each.

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.

The 500 redeemable preference shares ("RPS") of RM1.00 each were issued in conjunction with and formed an integral part of the issue of RM500 million Term Unsecured Loan Incorporating Preference Shares ("TULIPS") facility of the Company which was completed in 2002. The RPS have been presented as a liability forming part of the TULIPS facility on the balance sheet in accordance with their economic substance.

This TULIPS facility was partly repaid by a single payment amounted to RM249.75 million on 26 July 2006 and accordingly, 250 RPS of RM1.00 each was redeemed at RM1,000 per RPS amounting to RM250,000 on the same date.

The salient features of the RPS are as follows:

(a) The RPS holders have the right to a fixed non-cumulative gross dividend payable in cash;

(b) The RPS holders have the right on a winding-up or other return of capital, to payment, in priority to all other shares in the Company;

(c) The RPS holders do not carry any right to vote at any general meeting of the Company, other than in the circumstances set out in Article 5 of the Company's Article of Associations; and

(d) RPS may be redeemed at the repayment terms as mentioned in Note 24.

(b) Treasury Shares

The shareholders of the Company, by an ordinary resolution passed at the 56th Annual General Meeting held on 19 May 2006, approved the Company's plan to repurchase its own ordinary shares of RM0.50 each up to a maximum of 10% of the total issued and fully paid-up share capital of the Company listed on the Bursa Malaysia Securities Berhad.

Details of the share buybacks are as follows:

Month	Number of Shares Purchased/ (Cancelled)	Highest Price Paid per Share	Lowest Price Paid per Share	Average Price Paid per Share	Total Amount Paid
		RM	RM	RM	RM'000
Purchases prior to 2006	41,640,000	1.03	0.56	0.74	30,918
January 2006	16,642,900	0.63	0.61	0.63	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	-*
Total prior to cancellation	66,276,900				47,092
Cancellation	(66,276,800)				(47,092)
	100				-*

*RM121.

All the shares bought back were retained as treasury shares until 22 November 2006, of which date the Company cancelled 66,276,800 treasury shares with carrying amount of RM47,092,000. The cancelled share capital of RM33,139,000 was transferred to capital redemption reserve and consideration paid of RM47,092,000 for the shares cancelled was set off against the share premium in accordance with the requirement of Section 67A of the Companies Act, 1965.

22. RESERVES

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-distributable:				
Capital reserve	33,968	33,968	33,890	33,890
Share premium	1,067,199	1,114,291	1,067,191	1,114,283
Capital redemption reserve	33,548	159	33,389	-
Exchange equalisation reserve	34,689	32,934	-	-
	1,169,404	1,181,352	1,134,470	1,148,173
Distributable:				
Retained earnings	687,118	569,276	213,847	245,616
Total reserves at end of year	1,856,522	1,750,628	1,348,317	1,393,789

Capital Reserve

Capital reserve arose from the revaluation of the Company's investments in subsidiaries and properties, plant and equipment.

Share Premium

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

During the year, the consideration paid of RM47,092,000 for the share cancelled was set off against the share premium in accordance with the requirement of Section 67A of the Companies Act, 1965 as disclosed in Note 21(b).

Capital Redemption Reserve

Capital redemption reserve arose from the redemption of 159,200 preference shares by a subsidiary of the Company in 1999, redemption of 250 preference shares by the Company during the year (Note 21(a)) and cancellation of treasury shares with share capital amounting to RM33,139,000 (Note 21(b)).

Exchange Equalisation Reserve

Exchange differences arising from translation of foreign subsidiaries are taken to the exchange equalisation reserve, as described in the accounting policies.

Retained Earnings

Distributable reserves are those available for distribution as cash dividend. Subject to agreement with the relevant tax authorities, the Company has sufficient tax exempt profits as mentioned in Note 8 and Malaysia and Singapore tax credits to frank the payment of dividends out of its retained earnings as of 31 December 2006 without additional tax liability being incurred.

23. DIVIDENDS

	The Group and The Company 2006 RM'000	2005 RM'000
Interim tax exempt dividend paid of 2.0 sen per share (2005: 2.75 sen gross less tax at 28% per share)	56,664	57,016

An interim dividend of 2.0 sen or 4.0% tax exempt per ordinary share, amounting to RM56,664,000 declared in respect of ordinary shares in previous financial year and dealt with the previous Directors' Report was paid on 4 May 2006. No final dividend was paid in respect of the financial year ended 31 December 2005.

The Directors declared an interim dividend of 3.0 sen or 6.0% tax exempt per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2006. Total dividend payable amounted to RM84,970,000 compared to an interim dividend of 2.0 sen or 4.0% tax exempt per ordinary share, amounting to a total payout of RM56,664,000 for the financial year ended 31 December 2005. The dividend is payable on 3 May 2007.

The Directors do not recommend the payment of a final dividend in respect of the financial year ended 31 December 2006.

24. BORROWINGS

		The Group		The Company	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current					
Secured:					
Finance lease liabilities	(a)	2,103	-	-	-
Unsecured:					
Bank overdraft	(b)	-	3,598	-	-
Commercial papers	(c)	135,000	65,000	135,000	65,000
Term Unsecured Loan Incorporating Preference Shares	(d)	250,000	250,000	250,000	250,000
		385,000	318,598	385,000	315,000
Total current borrowings		387,103	318,598	385,000	315,000

		The Group		The Company	
		2006	2005	2006	2005
		RM'000	RM'000	RM'000	RM'000
Non-current					
Secured:					
Finance lease liabilities	(a)	6,505	-	-	-
Unsecured:					
Term Unsecured Loan					
Incorporating Preference Shares	(d)	-	250,000	-	250,000
Total non-current borrowings		6,505	250,000	-	250,000
Total borrowings		393,608	568,598	385,000	565,000
Maturity of borrowings:					
Within 1 year		387,103	318,598	385,000	315,000
Between 2 to 5 years		6,505	250,000	-	250,000
		393,608	568,598	385,000	565,000

The currency exposure profile of borrowings are as follows:

	The Group		The Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	393,608	565,000	385,000	565,000
Singapore Dollar	-	3,598	-	-
	393,608	568,598	385,000	565,000

The finance lease liabilities as of 31 December 2006 are payable as follows:

	The Group	
	Minimum lease payments 2006 RM'000	Present value of minimum lease payments 2006 RM'000
Within 1 year	2,290	2,103
Between 2 to 5 years	7,083	6,505
	9,373	8,608
Less: Future finance charges	(765)	-
	8,608	8,608

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

(b) The bank overdraft (unsecured) in the current year bears an effective interest rate of 6.0% (2005: 6.0% to 6.5%) per annum.

(c) The Company has a RM350 million 7-year Al-Murabahah Commercial Papers/Medium Term Notes Programme and the said facility has been duly signed by all parties to the arrangement on 31 January 2003. The Commercial Papers (unsecured) bear an effective interest rate of 3.1% to 4.0% (2005: 2.7% to 3.0%) per annum.

(d) The Term Unsecured Loan Incorporating Preference Shares ("TULIPS") facility for a total amount of RM500 million issued in 2002, comprises RM499.5 million term loan facility and 500 redeemable preference shares ("RPS") of RM1.00 each in the Company issued at RM1,000 per RPS for a total consideration of RM500,000. This term loan facility was partly repaid by a single payment amounting to RM249.75 million on 26 July 2006 and accordingly, 250 RPS of RM1.00 each was redeemed at RM1,000 per RPS amounting to RM250,000 on the same date. Another single payment amounting to RM249.75 million is payable on 26 July 2007. The RPS may be redeemed at any time on or after the second anniversary from the date of issue and, subject to the consent of the Company, is transferable in whole or in part. No RPS may be converted into fully paid ordinary shares of the Company at any time.

This TULIPS is classified as debt instrument and hence is reported as liability. Accordingly, the net dividend for the year amounting to RM17,920,000 (2005: RM20,587,000) is classified as finance cost in the income statements as mentioned in Note 7.

In 2003, a wholly-owned foreign subsidiary, LMCB Holding Pte. Ltd. ("LMCBH") issued SGD225 million of fixed rate notes ("the Notes") due in 2013 and entered into a fiscal agency agreement and a subscription agreement for the creation and issue of the Notes. The Notes were subscribed by a licensed bank incorporated in Mauritius ("the Bank"). The Notes bear interest at a fixed rate of 8.85% per annum and have a tenure of ten (10) years. The Notes may be convertible into LMCBH's ordinary shares upon maturity and may also be callable in full at the end of 3 years and on every one-year anniversary thereafter.

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

25. RETIREMENT BENEFITS

The Group operates an unfunded final salary defined benefit plan covering eligible employees. Provision for retirement benefits is made based on an actuarial valuation carried out periodically using the Projected Unit Credit Method. The latest actuarial valuation was undertaken on 1 December 2006.

Movements in the net liability recognised in the balance sheet are as follows:

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At beginning of year	29,880	25,898	459	395
Charged to income statements	5,966	5,796	28	64
Benefits paid	(1,423)	(1,814)	-	-
At end of year	34,423	29,880	487	459

The amounts recognised in the balance sheet are analysed as follows:

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Present value of unfunded obligation	36,432	30,337	310	263
Unrecognised actuarial gains/(losses)	(891)	786	177	196
Unrecognised past service cost	(1,118)	(1,243)	-	-
	34,423	29,880	487	459

The amounts recognised in the income statements are as follows:

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current service cost	3,965	3,865	47	45
Interest cost	1,802	1,816	20	19
Net actuarial losses recognised	(127)	(10)	-	-
Past service cost	126	125	-	-
Settlements	200	-	-	-
Inter-company transfer	-	-	(39)	-
	5,966	5,796	28	64

The principal actuarial assumptions at the balance sheet date are as follows:

	2006 %	2005 %
Discount rate	5.6	6.0
Future salary increase	6.0	6.0

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases. The average credit period granted to the Group for trade purchases generally ranges from 30 to 60 days (2005: 30 to 60 days).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Other payables	44,192	38,900	301	1,746
Accrued expenses	70,518	57,534	6,897	9,460
	114,710	96,434	7,198	11,206

Other payables of the Group mainly arose from retention monies, deposits received and general administrative expenses payable which are interest free with no fixed terms of repayment. Included in accrued expenses of the Group and of the Company is an amount of RM6,320,000 and RM6,301,000 respectively (2005: RM8,987,000 and RM8,968,000) representing interest expense accrued for borrowings.

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

	The Group	
	2006 RM'000	2005 RM'000
Ringgit Malaysia	204,808	187,705
Singapore Dollar	14,809	19,186
United States Dollar	15,408	23,977
Euro	4,097	4,814
	239,122	235,682

Included in trade payables are amounts totalling RM1,800,000 (2005: RM3,915,000) owing to related companies.

27. RELATED PARTY TRANSACTIONS

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

Other than as disclosed elsewhere in the financial statements, 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
Blue Circle Industries PLC ("BCI")	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 Asia Pacific Pte. Ltd.	Subsidiary of Lafarge S.A.
Lafarge Roofing Systems Sdn. Bhd.	Subsidiary of Lafarge S.A.
Lafarge Roofing Tiles 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.

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

	The Group			
	2006		2005	
	Transactions during the year RM'000	Outstanding balance at end of year RM'000	Transactions during the year RM'000	Outstanding balance at end of year RM'000
Lafarge S.A.:				
Provision of trademark licence and general assistance	23,386	6,029	18,833	6,207
Insurance premium and brokerage fee	168	581	94	523
Specific technical assistance	685	358	1,131	992
Cementia Trading AG:				
Sales of cement and clinker	210,748	22,625	138,742	12,333
Purchase of cement and clinker	48,193	150	66,409	1,603
Marine Cement Ltd.:				
Sales of cement	58,769	1,085	31,722	871

	The Group			
	2006		2005	
	Transactions during the year RM'000	Outstanding balance at end of year RM'000	Transactions during the year RM'000	Outstanding balance at end of year RM'000
Lafarge Roofing Tiles Sdn. Bhd.:				
Sales of cement	20,213	1,110	19,250	4,348
Lafarge Tiles (Pahang) Sdn. Bhd.:				
Sales of cement	2,517	100	2,257	443
Lafarge Roofing Systems Sdn. Bhd.:				
Purchase of goods for trading	9,220	1,800	10,082	2,312
Cement Shipping Company Ltd.:				
Time charter hire of vessels	16,614	658	17,403	2,128
PT Semen Andalas Indonesia:				
Sub-charter of vessels	9,378	736	7,278	191
Lafarge Asia Sdn. Bhd.:				
Rental of office premises	821	-	709	-
Maintenance of hardware and software	1,780	327	1,755	157
Cementia Asia Sdn. Bhd.:				
Rental of office premises	76	-	78	-
Services for export sales	3,192	1,860	2,573	856

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

28. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Term deposits	34,057	33,463	-	-
Cash and bank balances	120,984	88,956	186	931
Bank overdraft	-	(3,598)	-	-
	155,041	118,821	186	931

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

	The Group		The Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Ringgit Malaysia	96,830	81,524	186	931
United States Dollar	22,129	5,358	-	-
Singapore Dollar	36,082	31,939	-	-
	155,041	118,821	186	931

29. FINANCIAL INSTRUMENTS

Financial risk management

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

(a) Interest rate risk

Interest rate risk is the risk that changes in interest rates will have an adverse financial effect on the Group's financial conditions and/or results. The primary source of the Group's interest rate risk is its borrowings from banks and other financial institutions in Malaysia. The Group does not hedge interest rate risks. The Group ensures that it obtains borrowings at competitive interest rates under the most favourable terms and conditions.

It is the Group's policy to place cash deposits on a short-term basis and therefore allows the Group to respond to significant changes of interest rates promptly. This has minimised the Group's interest rate exposure on interest-bearing investments.

(b) Credit risk

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

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

(c) Foreign currency risk

Foreign currency risk occurs as a result of the Group's transactions that are not denominated in its functional currencies. The currency exposures are primarily in Euro, United States Dollar and Singapore Dollar. The Group manages its foreign exchange exposure by using forward exchange contracts to hedge. The Group generally enters into forward exchange contracts with maturity less than a year.

(d) Liquidity risk

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

Foreign Currency Forward Contracts

In order to hedge its exposure to foreign currency risks, the Group enters into foreign currency forward contracts. Gains and losses on foreign exchange contracts designated as hedges of identified exposure are offset against the foreign exchange gains and losses on the hedged financial assets and liabilities.

Where the instrument is used to hedge against anticipated future transactions, gains and losses are not recognised until the transaction occurs.

At the balance sheet date, the Group and the Company had contracted to buy and sell the following amounts under forward contracts:

	2006 RM'000	**2005 RM'000**
Buy:		
Euro	5,140	5,132
Sell:		
United States Dollar	24,298	41,298
The average exchange rate per unit of:		
Euro	4.56	4.49
United States Dollar	3.60	3.75

All of these contracts mature within 7 months (2005: 9 months) of the balance sheet date.

The net deferred gain/(loss) arising on such contracts as of 31 December 2006 will be recognised in the underlying transactions as of the maturity date of the contracts. The estimated amounts are as follows:

	2006 RM'000	2005 RM'000
Buy:		
Euro	42	(16)
Sell:		
United States Dollar	548	(365)

Fair values

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

On the basis of the amounts estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the balance sheet approximate their fair values, except for the fair value of the interest free loan extended by the Company to certain subsidiaries as mentioned in Note 12. In addition, it is impractical to estimate the fair value of certain unquoted investments.

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

(a) **Cash and cash equivalents, trade and other receivables, inter-company indebtedness, trade and other payables and short-term borrowings:** The carrying amounts are considered to approximate the fair values as they are either payable on demand or within the normal credit terms or they have short maturity.

(b) **Quoted investments:** The fair values are estimated based on quoted market prices as of 31 December 2006.

(c) **Long-term borrowings:** The fair values of long-term borrowings are determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate which takes into consideration the Group's incremental borrowing rate at year end for similar types of debt arrangements.

(d) **Foreign currency forward contracts:** The fair values of foreign currency forward contracts are calculated by reference to the market rates as of 31 December 2006 with similar maturity profiles.

The fair values of financial assets and liabilities approximate their carrying values as of 31 December 2006 except for the long-term interest free loans owing by subsidiaries within the Group as disclosed in Note 12.

30. COMMITMENTS

(a) Capital Commitments

	The Group 2006 RM'000	2005 RM'000
In respect of capital expenditure:		
Approved and contracted for	12,341	51,145
Approved but not contracted for	58,661	35,042
	71,002	86,187

(b) Lease Commitments

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

	The Group 2006 RM'000	2005 RM'000
Not later than 1 year	8,613	8,302
Later than 1 year and not later than 5 years	30,358	28,654
Later than 5 years	66,210	68,788
	105,181	105,744

31. SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

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 expenses.

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

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

- cement and clinker
- ready-mixed concrete and aggregates
- other building materials
- other operations

Business segments

	Cement and Clinker RM'000	Ready-mixed Concrete & Aggregates RM'000	Other Building Materials RM'000	Other Operations RM'000	Elimination RM'000	Consolidated RM'000
The Group						
2006						
REVENUE						
External sales	1,392,928	426,165	232,810	25,990	-	2,077,893
Inter-segment sales	95,355	1,323	-	42,525	(139,203)	-
Total revenue	1,488,283	427,488	232,810	68,515	(139,203)	2,077,893
RESULTS						
Segment result	228,653	(4,916)	3,741	7,732	-	235,210
Interest income						2,971
Unallocated corporate expenses						-
Profit from operations						238,181
Finance cost						(24,019)
Share of results of associates						(2,067)
Taxation						(38,667)
Profit for the year						173,428
OTHER INFORMATION						
Segment assets	3,904,883	209,484	57,467	79,920	(86,667)	4,165,087
Investment in equity method	-	3,095	-	-	-	3,095
Unallocated corporate assets						192,468
Consolidated total assets						4,360,650
Segment liabilities	292,854	137,931	21,694	16,106	(86,650)	381,935
Interest bearing instruments						399,928
Unallocated corporate liabilities						276,113
Consolidated total liabilities						1,057,976
Capital expenditure	80,346	7,608	1,217	-	-	89,171
Depreciation	161,278	6,207	579	510	-	168,574

	Cement and Clinker RM'000	Ready-mixed Concrete & Aggregates RM'000	Other Building Materials RM'000	Other Operations RM'000	Elimination RM'000	Consolidated RM'000
The Group						
2005						
REVENUE						
External sales	1,163,474	465,556	209,019	28,619	-	1,866,668
Inter-segment sales	142,513	10,049	6	61,989	(214,557)	-
Total revenue	1,305,987	475,605	209,025	90,608	(214,557)	1,866,668
RESULTS						
Segment result	26,087	(5,602)	4,203	29,749	-	54,437
Interest income						2,382
Unallocated corporate expenses						-
Profit from operations						56,819
Finance cost						(26,976)
Share of results of associates						(498)
Taxation						1,956
Profit for the year						31,301
OTHER INFORMATION						
Segment assets	3,950,256	217,519	56,430	81,132	(92,970)	4,212,367
Unallocated corporate assets						230,127
Consolidated total assets						4,442,494
Segment liabilities	278,036	131,365	20,788	15,765	(92,945)	353,009
Interest bearing instruments						577,585
Unallocated corporate liabilities						306,282
Consolidated total liabilities						1,236,876
Capital expenditure	65,123	7,737	191	-	-	73,051
Depreciation	158,585	7,026	644	2,166	-	168,421

Geographical Segments

	Revenue		Segment Assets		Capital Expenditure	
	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	1,913,328	1,662,372	3,983,749	4,003,435	86,985	71,202
Singapore	140,118	166,915	181,338	190,369	1,707	359
Vietnam	24,447	37,381	-	18,563	479	1,490
	2,077,893	1,866,668	4,165,087	4,212,367	89,171	73,051
Investment in equity method associates			3,095	-		
Unallocated corporate assets			192,468	230,127		
			4,360,650	4,442,494		

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

32. SIGNIFICANT POST BALANCE SHEET EVENT

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 be 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.

Save as disclosed above, there are no other material events subsequent to the end of the financial year up to the date of this report which are likely to substantially affect the results of operations of the Group.

33. COMPARATIVE FIGURES

The adoption of the revised FRS 101 Presentation of Financial Statements and FRS 140 Investment Property have affected the presentation of minority interests, investment property, share of net after tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within equity and investment property is presented separately from other assets. In the consolidated income statement, profit or loss attributable to minority interests 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 interests.

The Group's financial statements are based on the requirements of the revised FRS 101 and FRS 140, with the comparatives restated to conform with the current year's presentation and includes the following reclassifications:

	The Group	
	As Restated RM'000	**As Previously Reported RM'000**
Balance Sheet		
Non-current assets		
Property, plant and equipment	2,282,597	2,284,443
Other investments	2,000	5,100
Investment property	4,946	-
Other receivables	4,318	-
Current assets		
Other receivables	100,133	104,451

Analysis of Shareholdings

As at 5 March 2007

SHARE CAPITAL

Type	No. of shares		Amount (RM)
Authorised	6,000,000,000 ordinary shares of RM0.50 each		3,000,000,000
	500 redeemable preference shares of RM1.00 each		500
		Total	**3,000,000,500**
Issued and Paid-up	2,832,318,256 ordinary shares of RM0.50 each		1,416,159,128
	250 redeemable preference shares of RM1.00 each		250
		Total	**1,416,159,378**
Voting right of ordinary shares	1 vote per share		

DISTRIBUTION ACCORDING TO SIZE OF SHAREHOLDINGS (as at 5 March 2007*)

Size of Shareholdings	No. of Shareholders	(%)	No. of Shares	(%)
Less than 100	162	1.04	4,487	0.00
100 - 1,000	3,231	20.77	3,115,043	0.11
1,001 - 10,000	8,692	55.87	39,351,483	1.39
10,001 - 100,000	2,801	18.01	89,785,883	3.17
100,001 to less than 5% of issued ordinary shares	668	4.29	750,809,081	26.51
5% of issued ordinary shares and above	3	0.02	1,949,252,279	68.82
Total	**15,557**	**100.00**	**2,832,318,256**	**100.00**

* Based on adjusted Issued Share Capital of 2,832,318,256 ordinary shares of RM0.50 each after deducting 100 treasury shares.

DIRECTORS' SHAREHOLDINGS

(Based on the Register of Directors' Shareholdings as at 5 March 2007)

Name	Nationality	Direct: No. of Ordinary Shares of RM0.50 each	Direct: Percentage of Share Capital %	Indirect: No. of Ordinary Shares of RM0.50 each	Indirect: Percentage of Share Capital %
Y.A.M. Tunku Tan Sri Imran ibni Tuanku Ja'afar	Malaysian	-	-	-	-
Guillaume Roux	French	-	-	-	-
Alain Crouÿ	French	79,000	@	-	-
Yeoh Khoon Cheng	Malaysian	-	-	-	-
Chan Hua Eng	Malaysian	805,100	0.03	67,000	@
Charles Tan Poh Tei	Malaysian	-	-	-	-
Saw Ewe Seng	Malaysian	55,000	@	110,000	@
Tan Sri A. Razak Bin Ramli	Malaysian	-	-	-	-
Michel Rose	French	-	-	-	-
Jean-Jacques Gauthier	French	-	-	-	-
Jacques Henceval	Belgian	-	-	-	-

Note:
@ : Less than 0.03%

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS

(According to Register of Depositors as at 5 March 2007)

	Name	Shareholdings No.	%
1.	Blue Circle Industries PLC	1,522,592,619	53.76
2.	Associated International Cement Limited	239,067,510	8.44
3.	Employees Provident Fund Board	187,592,150	6.62
4.	Cartaban Nominees (Asing) Sdn. Bhd. (Investor Bank and Trust Company for Asian Small Companies Portfolio)	44,183,100	1.56
5.	Cartaban Nominees (Asing) Sdn. Bhd. (Government of Singapore Investment Corporation Pte. Ltd. for Monetary Authority of Singapore (C))	39,820,600	1.41
6.	HSBC Nominees (Asing) Sdn. Bhd. BBH (Lux) SCA for Fidelity Funds Asean	20,073,400	0.71
7.	HSBC Nominees (Asing) Sdn. Bhd. BBH (Lux) SCA for Fidelity Funds Malaysia	19,520,100	0.69
8.	Cartaban Nominees (Asing) Sdn. Bhd. (Government of Singapore Investment Corporation Pte. Ltd. for Monetary Authority of Singapore (H))	19,081,100	0.67
9.	HSBC Nominees (Asing) Sdn. Bhd. (Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.))	18,847,600	0.67
10.	Malaysian Reinsurance Berhad	17,966,500	0.63

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS (continued)

	Name	Shareholdings No.	%
11.	Loke Wan Yat Realty Sdn. Bhd.	17,210,495	0.61
12.	Citigroup Nominees (Asing) Sdn. Bhd. UBS AG	16,836,140	0.59
13.	Cartaban Nominees (Asing) Sdn. Bhd. (Investor Bank and Trust Company for I Shares, Inc.)	16,052,400	0.57
14.	Malaysia Nominees (Tempatan) Sdn. Bhd. (Lee Foundation, States of Malaya)	12,545,400	0.44
15.	HSBC Nominees (Asing) Sdn. Bhd. (Exempt AN for JPMorgan Chase Bank, National Association (U.K.))	11,941,700	0.42
16.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Public Growth Fund)	11,798,100	0.42
17.	HSBC Nominees (Tempatan) Sdn. Bhd. (Nomura Assets Mgmt SG for Employees Provident Fund)	11,709,200	0.41
18.	HSBC Nominees (Asing) Sdn. Bhd. (Exempt An For the Hong Kong and Shanghai Banking Corporation Limited)	11,000,000	0.39
19.	Citigroup Nominees (Asing) Sdn. Bhd. (Scottish Equitable (MF) Ltd for Series B Pacific Fund (CBLDN))	9,217,000	0.33
20.	Mayban Nominees (Tempatan) Sdn. Bhd. (Mayban Trustee Berhad for Public Ittikal Fund)	7,656,700	0.27
21.	Citigroup Nominees (Asing) Sdn. Bhd. (GSI for the MBAM Global Fund Limited)	7,370,700	0.26
22.	HSBC Nominees (Asing) Sdn. Bhd. (BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund)	6,955,500	0.25
23.	HSBC Nominees (Asing) Sdn. Bhd. (HSBC BK PLC for BDT Invest Asian Focus Fund)	6,795,000	0.24
24.	Universiti Malaya	6,635,000	0.23
25.	HSBC Nominees (Asing) Sdn. Bhd. (BBH and Co Boston for UnidynamicFonds: Asia)	6,500,100	0.23
26.	Pertubuhan Keselamatan Sosial	6,424,025	0.23
27.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Sekim Amanah Saham Nasional)	6,288,125	0.22
28.	Citigroup Nominees (Tempatan) Sdn. Bhd. (Exempt An for Prudential Assurance Malaysia Berhad)	6,214,100	0.22
29.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Amanah Saham Malaysia)	6,144,900	0.22
30.	Cartaban Nominees (Asing) Sdn. Bhd. (Investor Bank and Trust Company for Eaton Vance Tax-Managed International Equity Fund)	6,000,000	0.21
	TOTAL	**2,320,039,264**	**81.91**

SUBSTANTIAL SHAREHOLDERS

(According to the Company's Register of Substantial Shareholders as at 5 March 2007)

		Direct		Indirect	
Name	Place of Incorporation/ Nationality	No. of ordinary shares of RM0.50 each	Percentage of share capital*1 %	No. of Ordinary Shares of RM0.50 each	Percentage of share capital*1 %
Blue Circle Industries PLC ("BCI")	UK	1,522,592,619	53.76	239,067,510(1)	8.44
Associated International Cement Limited ("AIC")	UK	239,067,510	8.44	-	-
Blue Circle Housing Products ("BCHPL")	UK	-	-	239,067,510(2)	8.44
Lafarge S.A. ("Lafarge")	France	-	-	1,761,660,129(3)	62.20
SOFIMO *2	France	-	-	1,761,660,129(4)	62.20
ARICINQ	France	-	-	1,761,660,129(5)	62.20
Financiere Lafarge S.A. ("FLSA")	France	-	-	1,761,660,129(6)	62.20
Lafarge Asland S.A. ("LASA")	Spain	-	-	1,761,660,129(7)	62.20
Cementia Holdings AG ("CHAG")	Switzerland	-	-	1,761,660,129(8)	62.20
Lafarge Building Materials Limited ("LBML")	United Kingdom	-	-	1,761,660,129(9)	62.20
Lafarge Minerals Limited ("LML")	United Kingdom	-	-	1,761,660,129(10)	62.20
Danubia Holding AG ("Danubia")	Switzerland	-	-	1,761,660,129(11)	62.20
Lafarge (Swiss) Holdings ("LSH")	Trust created under the laws of the State of New York	-	-	1,761,660,129(12)	62.20
Employees Provident Fund Board ("EPF")	Malaysia	187,592,150	6.62	16,663,200(13)	0.58

*1 Based on adjusted Issued Share Capital of 2,832,318,256 ordinary shares of RM0.50 each after deducting 100 treasury shares.

*2 Societe Financiere Immobiliere et Mobiliere.

Notes:

(1) BCI : Deemed interest by virtue of its 100% shareholding in BCHPL

(2) BCHPL : Deemed interest by virtue of its 100% shareholding in AIC

(3) Lafarge : Deemed interest by virtue of its 100% direct shareholding in SOFIMO, which in turn holds 100% indirect interest in BCI

(4) SOFIMO : Deemed interest by virtue of 100% direct shareholding in ARICINQ and FLSA and its 99.62% direct and indirect shareholding in LASA, which in turn holds 22.48% direct interest in BCI

(5) ARICINQ : Deemed interest by virtue of its 22.87% direct shareholding in LASA, which in turn holds 22.48% direct interest in BCI

(6) FLSA : Deemed interest by virtue of its 100% direct shareholding in LBML and LSH, its 48.24% direct shareholding in CHAG and its 22.83% indirect shareholding in LASA

(7) LASA : Deemed interest by virtue of its 22.48% direct shareholding in BCI

(8) CHAG : Deemed interest by virtue of 22.83% direct shareholding in LASA, which in turn holds 22.48% direct interest in BCI

(9) LBML : Deemed interest by virtue of its 100% direct shareholding in LML, which in turn holds 77.52% direct interest in BCI

(10) LML : Deemed interest by virtue of its 77.52% direct interest in BCI

(11) Danubia : Deemed interest by virtue of its 47.30% direct shareholding in CHAG

(12) LSH : Deemed interest by virtue of its 100% direct shareholding in Danubia

(13) EPF : Held through Alliance Capital Asset Management Berhad, Amanah SSCM Asset Management Berhad and Nomura Asset Management (Singapore) Ltd

List of Properties

Title No./Location	Approximate Area	Tenure	Description	Date of Last Revaluation/ Date of Acquisition	Age of Buildings (Years)	31/12/2006 Net Book Value (RM'000)
Associated Pan Malaysia Cement Sdn. Bhd.						
Lot No. 1955 Rawang, Selangor Darul Ehsan	93 acres	Leasehold expiring in 2055	Limestone quarry	Dec 1998	-	270
Lot No. 18518 Rawang, Selangor Darul Ehsan	6.75 acres	Leasehold expiring in 2024	Limestone quarry	01/11/2003	-	16
Lot No. 1956 Rawang, Selangor Darul Ehsan	49 acres	Leasehold expiring in 2056	Cement factory complex and ancillary buildings	Dec 1998	7-31	15,595
Title No. PN 5320 Lot 9, Rawang, Selangor Darul Ehsan	1 acre	Leasehold expiring in 2056	Industrial land	Dec 1998	-	245
Title No. H.S.(M) 1674 P.T. 675 Premium Rawang, Selangor Darul Ehsan	1.3 acres	Leasehold expiring in 2023	Industrial land	28/08/2003	-	132
Lot No. 1401 Rawang, Selangor Darul Ehsan	0.5 acres	Freehold	Industrial land	Dec 1998	-	125
Lot No. 4222 Rawang, Selangor Darul Ehsan	348 acres (Total gross floor area of buildings: approximately 28,403 sq ft)	Leasehold expiring in 2025	Limestone quarry and ancillary buildings	Dec 1998	31	1,433
Lot No. 3847 Rawang, Selangor Darul Ehsan	284 acres	Leasehold expired in 2005 (Application for extension approved for another 10 years and waiting for title issue)	Shale quarry	Dec 1998	-	-
Title No. H.S.(M) 21923 (P.T.11) & 21922 (P.T. 2464) Rawang, Selangor Darul Ehsan	98 acres	Leasehold expiring in 2013	Shale quarry	Dec 1998	-	4
Title No. H.S. (D) 20615 P.T. 10 Rawang, Selangor Darul Ehsan	55 acres	Leasehold expired in 2002 (Application for extension submitted)	Shale quarry	Dec 1998	-	27

Title No./Location	Approximate Area	Tenure	Description	Date of Last Revaluation/ Date of Acquisition	Age of Buildings (Years)	31/12/2006 Net Book Value (RM'000)
Lot No. 479 & 480 Rawang, Selangor Darul Ehsan	51 acres	Freehold	Agricultural land	Dec 1998	-	4,839
Lot No. 813 Rawang, Selangor Darul Ehsan	30 acres	Freehold	Industrial land	Dec 1998	-	5,626
Lot No. 478 Rawang, Selangor Darul Ehsan	24 acres	Freehold	Agricultural land	Dec 1998	-	4,730
Lot No. 473 Rawang, Selangor Darul Ehsan	10 acres	Freehold	Agricultural land	Dec 1998	-	732
Lot No. 911 Rawang, Selangor Darul Ehsan	12 acres	Freehold	Agricultural land	Dec 1998	-	1,084
Lot No. 3546 to 3548, 3551, 3554, 3555 & 3557 to 3560 Rawang, Selangor Darul Ehsan	112.48 acres	Freehold	Agricultural land	Dec 1998	-	8,002
Lot No. 3489 Rawang, Selangor Darul Ehsan	2 acres (Total gross floor area of buildings: approximately 11,131 sq ft)	Freehold	Recreational club	Dec 1998	16	789
Lot No. 1957 Rawang, Selangor Darul Ehsan	57 acres (Total gross floor area of buildings: approximately 46,893 sq ft)	Leasehold expiring in 2056	Employees' quarters comprising 6 bungalows and 24 units single storey houses	Dec 1998	32	7,089
Title No. H.S.(D) 21948 P.T. 8723 Rawang, Selangor Darul Ehsan	14 acres (Total gross floor area of buildings: approximately 11,913 sq ft)	Leasehold expiring in 2053	Employees' quarters comprising of 6 units double storey houses	Dec 1998	32	1,279
Lot No. 1229 to 1232 Rawang, Selangor Darul Ehsan	4.4 acres	Freehold	Agricultural land	Dec 1998	-	240
Title No. H.S.(D) KA 119/84 P.T. 63166 Kanthan, Perak Darul Ridzuan	33 acres	Leasehold expired in 2005 (Application for extension submitted)	Cement factory complex and ancillary buildings	Dec 1998	7-31	7,511
Lot No. 46613 Kanthan, Perak Darul Ridzuan	6 acres (Total gross floor area of buildings: approximately 12,805 sq ft)	Freehold	Cement factory complex and ancillary buildings	Dec 1998	9	1,689

Title No./Location	Approximate Area	Tenure	Description	Date of Last Revaluation/ Date of Acquisition	Age of Buildings (Years)	31/12/2006 Net Book Value (RM'000)
Lot No. 127219 Kanthan, Perak Darul Ridzuan	5 acres (Total gross floor area of buildings: approximately 7,857 sq ft)	Freehold	Cement factory complex and ancillary buildings	Dec 1998	9	749
Lot No. 23 Kanthan, Perak Darul Ridzuan	3 acres	Freehold	Industrial land	Dec 1998	-	322
P.T. 80041, P.T. 22032, P.T. 131714, P.T. 131715, P.T. 131737 & Lot 202092 Kanthan, Perak Darul Ridzuan	8 acres	Leasehold expiring between 2042 to 2055	Industrial land	Dec 1998	-	4,373
Lot No. 143503 & 143504 Kanthan, Perak Darul Ridzuan	4 acres	Leasehold expiring in 2047	Cement factory complex and ancillary buildings	Dec 1998	9	476
Title No. H.S. (D) KA 299/82 P.T. No. 20062 Kanthan, Perak Darul Ridzuan	1 acre	Leasehold expiring in 2012	Industrial land	Dec 1998	-	91
Title No. H.S. (D) KA 21628 P.T. No. 115640 Kanthan, Perak Darul Ridzuan	98 acres	Leasehold expiring in 2052	Crusher and ancillary buildings, stockpile area and water retention	Dec 1998	-	6,091
Lot No. 35244 Kanthan, Perak Darul Ridzuan	25 acres (Total gross floor area of buildings: approximately 66,199 sq ft)	Leasehold expiring in 2050	Limestone crusher and employees quarters	Dec 1998	8-31	2,928
Lot No. 46497 & 15 Kanthan, Perak Darul Ridzuan	393 acres (Total gross floor area of buildings: approximately 39,672 sq ft)	Leasehold expiring in 2020	Limestone quarry and ancillary buildings	Dec 1998	16	13,557
Lot No. 13742 to 13746, 13751 to 13755, 13568 to 13572, 13767 to 13778, 13792 to 13794, 13804 to 13806 & 13817 Kanthan, Perak Darul Ridzuan	37 acres	Freehold	Agricultural land	Dec 1998	-	1,037
Title No. Geran 21347 Part of Lot 24 Kanthan, Perak Darul Ridzuan	10.5 acres	Freehold	Agricultural land	Dec 1998	-	305
Lot No.18561 & 18562 Kanthan, Perak Darul Ridzuan	19.3 acres	Freehold	Agricultural land	Dec 1998	-	1,413

Title No./Location	Approximate Area	Tenure	Description	Date of Last Revaluation/ Date of Acquisition	Age of Buildings (Years)	31/12/2006 Net Book Value (RM'000)
Title No. H.S. (D) KA 34781 P.T. 115858 Kanthan, Perak Darul Ridzuan	30 acres	Leasehold expired in 2004 (Application for extension submitted)	Industrial land	Dec 1998	-	-
Lot No. 22885 Kanthan, Perak Darul Ridzuan	42 acres	Freehold	Industrial land	Dec 1998	-	321
Part of Lot No. 67978 Kanthan, Perak Darul Ridzuan	100 acres	Sub-lease expiring in 2022	Clay extraction	Dec 1998	-	218
Lot No. 36417 Kanthan, Perak Darul Ridzuan	11 acres (Total gross floor area of building: approximately 16,586 sq ft)	Freehold	Industrial Land & Factory Building	30/07/2001	-	5,102
Lot W-5 Lumut Port Industrial Park Perak Darul Ridzuan	13 acres	Leasehold expiring in 2095	Industrial land	29/02/2000	-	2,828
Lot No. 11688 P.T. 6146 - 6151 Sg Siput, Perak Darul Ridzuan	36 acres	Leasehold expiring in 2098	Industrial land	31/12/2000	-	3,810
Tampin Depot Section 1, Pulau Sebang Town Melaka	(Gross floor area of building: 7,573 sq ft)	Land on rental	Bulk Cement Depot	Dec 1998	24	20
Lot No. 1508, Jalan Hilir Wakaf Baru Kelantan Darul Naim	0.3285 acres (Gross floor area of building: 9,600 sq ft)	Leasehold expiring in 2015	Single storey cement warehouse	Dec 1998	20	78
Apartment No. A307 Tanjung Biru, Port Dickson Negeri Sembilan Darul Khusus	839.5 sq ft	Freehold	1 unit of apartment	Dec 1998	15	93
						105,269

APMC Enterprises Sdn. Bhd.

No. 2, Jalan Kilang, Petaling Jaya 46050 Selangor Darul Ehsan	6 acres	Leasehold expiring in 2068	Office complex	Dec 1998	21	18,685
						18,685

Title No./Location	Approximate Area	Tenure	Description	Date of Last Revaluation/ Date of Acquisition	Age of Buildings (Years)	31/12/2006 Net Book Value (RM'000)
CMCM Perniagaan Sdn. Bhd.						
2877, 2877-A & 2877-B Jalan Baru, Bandar Perai Jaya 13600 Seberang Perai Tengah Pulau Pinang	3,373 sq ft	Freehold	3 storey shophouse (Investment property)	13/08/2001	6	262
G-04-D2, G-06-D2 & G-07-D2, Jalan Perai Jaya 3 13600 Seberang Perai Tengah Pulau Pinang	Total 1,800 sq ft	Leasehold expiring in 2094	3 units of single storey shoplot (Investment property)	13/08/2001	11	190
No. 1727 & 1728, Jalan Sri Putri 4 Taman Putri, 81000 Kulai Johor Darul Takzim	3,735 sq ft	Freehold	3 storey shoplot (Investment property)	01/11/2001	6	629
A-12-11, Park Avenue Condominium, Sg Buloh Selangor Darul Ehsan	1,036 sq ft	Leasehold expiring in 2096	Condominium (Investment property)	14/06/2005	2	206
						1,287
Kedah Cement Holdings Berhad						
Lot No. 2987, G.M 195 (46205) Batu Caves, Gombak Selangor Darul Ehsan	11.2 acres	Freehold	Agricultural land	15/06/1999	-	89
Lot P.T. 002, HSD 36486 Batu Caves, Gombak Selangor Darul Ehsan	41,490 sq ft	Freehold (Leased to Kenneison Brothers Sdn. Bhd. expiring in 2018)	Industrial development land (Investment property)	15/06/1999	-	3,100
						3,189
Lafarge Cement Singapore Pte. Ltd.						
110, Pulau Damar Laut Singapore 618402	6,226 sq m	Leasehold expiring in 2014	Bulk cement import terminal	01/05/1993	9	3,178
28, Tuas South Avenue 8 Singapore 637648	6,044 sq m	Leasehold expiring in 2028	Dry-mix factory	01/11/1998	8	9,739
						12,917

Title No./Location	Approximate Area	Tenure	Description	Date of Last Revaluation/ Date of Acquisition	Age of Buildings (Years)	31/12/2006 Net Book Value (RM'000)
Malayan Cement Industries Sdn. Bhd.						
Plot A, H.S. (D) 5/1983 Telok Ewa, Langkawi Kedah Darul Aman	86.5 acres (Total built-up area: approximately 137,810 sq ft)	Leasehold expiring on 01/06/2043	Employees' housing Area B, 146 units single storey terrace houses; 46 units single storey semi-detached houses and 60 units single storey dormitories	15/06/1999	22	9,546
Plot B, H.S. (D) 6/1983 Telok Ewa, Langkawi Kedah Darul Aman	34.6 acres (Total built-up area: approximately 58,173 sq ft)	Leasehold expiring on 01/06/2043	Employees' housing Area A, 1 unit single storey detached house; 9 units double storey detached houses; 20 units single storey semi-detached houses and 20 units single storey dormitories	15/06/1999	22	5,241
Plot C, H.S. (D) 7/1983 Telok Ewa, Langkawi Kedah Darul Aman	196.4 acres	Leasehold expiring on 01/06/2043	Cement factory complex and ancillary buildings	15/06/1999	22	57,235
P.T. 867, H.S. (D) 7/86 Mukim Air Hangat Langkawi, Kedah Darul Aman	674 acres	Leasehold expiring on 09/01/2032	Limestone quarry	15/06/1999	-	34,861
Title No. PN 553 (Lot No. 1601) to 555 (Lot No. 1603) Mukim Air Hangat Langkawi, Kedah Darul Aman	350 acres	Extraction agreement expiring on 31/07/2029	Shale quarry	15/06/1999	-	2,015
Cement Terminal Lot No. 1294, Prai Pulau Pinang	7,095 sq m (Total built-up area of buildings: approximately 1,835 sq m)	Sub-lease expired in 2006 (Application for extension submitted)	Bulk terminal and buildings for the purpose of packing and storing of cement	15/06/1999	15	15
Cement Terminal West Port, Klang Selangor Darul Ehsan	348,480 sq ft (Approximately 8.0 acres)	Lease expiring on 31/08/2024	Bulk terminal and buildings for the purpose of packing and storing of cement	15/06/1999	10	1,854
Cement Terminal Lot No. PTD 9035 Fasa IV Pelabuhan Pasir Gudang Johor Darul Takzim	217,809 sq ft (Total built-up area of buildings: approximately 2,070 sq m)	Sub-lease expiring on 31/12/2022	Bulk terminal and buildings for the purpose of packing and storing of cement	15/06/1999	11	4,400
						115,167

Title No./Location	Approximate Area	Tenure	Description	Date of Last Revaluation/ Date of Acquisition	Age of Buildings (Years)	31/12/2006 Net Book Value (RM'000)
Southern Cement Industries Sdn. Bhd.						
Lot No. 2, Jalan Kontena, Kawasan Pelabuhan Johor, 81700 Pasir Gudang, Johor Darul Takzim	8.7 acres	Sub-lease expiring on 30/12/2022	Cement Grinding Plant and ancillary buildings	Dec 1998	9	12,434
H.S. (D) 346451, PTD 163139, Mukim Plentong, Johor Bahru, Johor Darul Takzim	4.012 acres	Sub-lease expiring on 30/12/2022	Warehouse to storing raw meterials related to business	01/03/06	1	6,114
						18,548
Lafarge Concrete (M) Sdn. Bhd.						
Lot No. 23528 Mukim of Hulu Kinta District of Kinta Perak Darul Ridzuan	53,361 sq ft	Freehold	Site for batching plant (Asset classified as held for sale)	Dec 1998	23	224
Lot No. P.T. 182 & 183 Bandar Panchor, Seremban Negeri Sembilan Darul Khusus	69,300 sq ft	Leasehold expiring in 2096	Industrial land	Dec 1998	10	421
Lot No. PTD 62922 Johor Bahru Johor Darul Takzim	102,318 sq ft	Freehold	Industrial land	Dec 1998	12	2,815
						3,460
Lafarge Concrete Industries Sdn. Bhd.						
Parcel No. D1-G-03, D1-G-04 & D1-G-09 Lot No. P.T. 3884 H.S. (D) 5361, Seberang Perai Tengah Pulau Pinang	56 sq m	Leasehold expiring in 2093	3 units of shoplots (Investment property)	Jan 2001	7	480
						480

Title No./Location	Approximate Area	Tenure	Description	Date of Last Revaluation/ Date of Acquisition	Age of Buildings (Years)	31/12/2006 Net Book Value (RM'000)
Lafarge Concrete (East Malaysia) Sdn. Bhd.						
Plot 27 Kidurong Industrial Area (Kinda) Bintulu, Sarawak	1.21 hectares (3 Acres)	Leasehold expiring in 2064	Site for batching plant	Jun 2005	9	950
						950
Supermix Concrete Pte. Ltd.						
72, Sungei Kadut Street 1 Singapore 729372	13,327 sq m	Rented Land	Site for batching plant and administration office block	Feb 1986 to Oct 2002	21	30
Plot 8, Tampines Industrial, Street 62 7 Tampines Industrial Singapore 528814	7,515 sq m	Rented Land	Site for batching plant	Oct 1999 to Nov 1999	8	2
						32
					Total held by the Group	**279,984**
					Held as:	
					Land and buildings	274,893
					Investment Properties	4,867
					Asset held for sale	224
						279,984

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Seventh Annual General Meeting of LAFARGE MALAYAN CEMENT BERHAD will be held at Selangor Ballroom, Sheraton Subang Hotel & Towers, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on 4 May 2007 at 10.30 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS:

1. To receive and consider the Reports of the Directors and Auditors and the Statement of Accounts for the year ended 31 December 2006.
2. To re-elect Yeoh Khoon Cheng who retires as a Director of the Company under Article 85 of the Articles of Association of the Company. (Resolution 1)
3. To re-elect Charles Tan Poh Tei who retires as a Director of the Company under Article 85 of the Articles of Association of the Company. (Resolution 2)
4. To re-appoint Chan Hua Eng who retires in accordance with Section 129 of the Companies Act, 1965 as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting. (Resolution 3)
5. To re-elect Jacques Henceval who retires as a Director of the Company under Article 91 of the Articles of Association of the Company. (Resolution 4)
6. To re-appoint Deloitte & Touche as auditors for the ensuing year at a remuneration to be determined by the Directors. (Resolution 5)

AS SPECIAL BUSINESS:

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

Ordinary Resolution

7. Authority to allot and issue shares (Resolution 6)

   "THAT pursuant to Section 132D of the Companies Act, 1965 ("the Act"), the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") and that such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company".

Ordinary Resolution

8. Proposed renewal of Shareholders' Mandate for Recurrent Related Party Transactions ("Recurrent RPTs"). (Resolution 7)

Ordinary Resolution

9. Proposed Consolidation of the entire Issued and Paid-up Share Capital of the Company. (Resolution 8)

	Special Resolution 1	
10.	Proposed Capital Repayment to the shareholders of the Company.	(Resolution 9)
	Special Resolution 2	
11.	Proposed Amendments to the Memorandum & Articles of Association of the Company.	(Resolution 10)
	For the full text of the ordinary and special resolutions on Items 8, 9, 10 and 11, please refer to the Circular to Shareholders for the Proposed Recurrent RPT Mandate, the Circular to Shareholders for the Proposed Capital Repayment, Consolidation and Amendments to the Memorandum & Articles of Association of the Company respectively all dated 12 April 2007, which are enclosed with the Annual Report.	
	OTHERS	
12.	To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.	

By Order of the Board

Chew Tee Kheng (L.S. No. 8174)
Teoh Yow Kee (L.S. No. 5960)
Company Secretaries

Petaling Jaya
12 April 2007

Explanatory Notes on Special Business

(a) Ordinary Resolution 6
The proposed ordinary resolution if passed, will empower the Directors to issue shares up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors deem fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company. The rationale for this resolution is to save cost and time for convening a general meeting.

(b) Ordinary Resolutions 7 & 8 and Special Resolutions 1 & 2
Please refer to the Circular to Shareholders for the Proposed Recurrent RPT Mandate, and the Circular to Shareholders for the Proposed Capital Repayment, Consolidation and Amendments to the Memorandum & Articles of Association of the Company respectively which are dispatched together with the Company's Annual Report.

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him and such proxy need not be a member of the Company.

2. The instrument appointing a proxy must, to be valid, be deposited at the Registered Office of the Company, Level 12, Bangunan TH Uptown 3, No. 3, Jalan SS21/39, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the meeting.

3. If the form of proxy is executed by a corporation, it must be either under its seal or under the hand of any authorised officer or attorney.

Statement Accompanying the Notice of Annual General Meeting ("AGM")

(Pursuant to Paragraph 8.28 (2) of the Bursa Securities Listing Requirements)

1. The Directors who are offering themselves for re-election or re-appointment at the 57th AGM are as follows*:

	Name	Date of Appointment	Position	Age	Nationality
(i)	Chan Hua Eng	19.05.2006	Senior Independent Non-Executive Director	78	Malaysian
(ii)	Yeoh Khoon Cheng	12.05.2004	Executive Director	48	Malaysian
(iii)	Charles Tan Poh Tei	12.05.2004	Independent Non-Executive Director	68	Malaysian
(iv)	Jacques Henceval	01.06.2006	Non-Executive Director	59	Belgian

* Please refer to the Board of Directors' Profile on pages 18 to 21 of the Annual Report for details of the respective directors.

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LAFARGE CEMENT

Malaysia

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

FORM OF PROXY

I/We ____
(Full name in block letters)

of ____
(Address)

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

____
(Full name in block letters)

of ____
(Address)

or failing him/her, the Chairman of the meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Fifty-Seventh Annual General Meeting of the Company to be held on 4 May 2007 at 10.30 a.m. at Selangor Ballroom, Sheraton Subang Hotel & Towers, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan and at any adjournment thereof, and to vote as indicated below:

NO	RESOLUTION	FOR	AGAINST
	ORDINARY BUSINESS		
1.	Re-election of Yeoh Khoon Cheng under Article 85		
2.	Re-election of Charles Tan Poh Tei under Article 85		
3.	Re-appointment of Chan Hua Eng under Section 129 of the Companies Act, 1965		
4.	Re-election of Jacques Henceval under Article 91		
5.	Re-appointment of Auditors		
	SPECIAL BUSINESS		
6.	Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
7.	Proposed renewal of Shareholders' Mandate for Recurrent Related Party Transactions		
8.	Proposed Consolidation of the entire Issued and Paid-up Share Capital of the Company		
9.	Special Resolution 1: Proposed Capital Repayment to the shareholders of the Company		
10.	Special Resolution 2: Proposed Amendments to the Memorandum and Articles of Association of the Company		

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

Number of Shares	

Signed this _________ day of ___________________ 2007.

SEAL

____
Signature

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

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Lafarge Malayan Cement Berhad (1877-T)
(Incorporated in Malaysia)

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

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