

10. ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus)



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**The Board of Directors
Minetech Resources Berhad**

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Dear Sirs

**MINETECH RESOURCES BERHAD
ACCOUNTANTS' REPORT**

1. INTRODUCTION

This report has been prepared by an approved company auditors for the purpose of inclusion in the Prospectus of Minetech Resources Berhad ("the Company" or "MRB") to be dated 30 June 2005 in connection with the:-

- (a) Public Issue of 10,000,000 ordinary shares of RM1.00 each in MRB at an issue price of RM1.30 per ordinary share;
- (b) Offer for Sale of 4,600,000 ordinary shares of RM1.00 each in MRB at an offer price of RM1.30 per ordinary share; and
- (c) Listing and quotation of the entire issued and fully paid-up share capital of MRB comprising 55,000,000 ordinary shares of RM1.00 each on the Second Board of Bursa Malaysia Securities Berhad .

2. GENERAL INFORMATION

- 2.1 MRB was incorporated in Malaysia under the Companies Act, 1965 on 30 March 2002 as a private limited liability company. On 12 May 2004, it was converted into a public limited liability company and assumed its present name.
- 2.2 The principal activity of MRB is that of investment holding. The principal activities of the subsidiary companies are set out in paragraph 2.3. There have been no significant changes in the principal activities of MRB and its subsidiary companies in the financial year ended 31 December 2004.

10. ACCOUNTANTS' REPORT (Cont'd)**2. GENERAL INFORMATION (cont'd)**

2.3 The details of the subsidiary companies of MRB which are incorporated in Malaysia as at the date of this report are as follows:-

Name of company	Effective equity interest	Date of Incorporation	Principal activities
K. S. Chin Minerals Sdn. Bhd. ("KSC")	100%	5 March 1984	Provision of turnkey and specialised quarry services including drilling and blasting, loading and hauling, rock crushing, loading of finished aggregates and rental of machinery
Angkasa Tegas Sdn. Bhd. ("AT")	100%	21 July 1989	Provision of specialised civil engineering services and rental of machinery
Tegas Marketing Sdn. Bhd. ("TM")	100%	28 March 1996	Sales and marketing of aggregates
Tegas Premix Sdn. Bhd. ("TP")	100%	9 May 2002	Manufacturing and trading of premix products
Drillman Industrial Supplies Sdn. Bhd. ("DIS")	100%	7 January 1994	Trading of industrial machinery spare parts
Solar Media Sdn. Bhd. ("SM")	100%	3 September 2003	Property investment holding
Diman K.S. Chin Sdn. Bhd. ("DKSC")	100%	25 March 2005	Sales and marketing of aggregates

3. SHARE CAPITAL

MRB was incorporated in Malaysia under the Companies Act, 1965 on 30 March 2002 as a private limited liability company with an authorised share capital of RM2.00 comprising 2 ordinary shares of RM1.00 each. On 31 December 2004, MRB increased its authorised share capital to RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each.

10. ACCOUNTANTS' REPORT (Cont'd)**3. SHARE CAPITAL (cont'd)**

Details of changes in the issued and paid-up share capital of the Company since the date of incorporation are as follows:-

Date of allotment	No. of ordinary shares issued	Par Value RM	Consideration	Cumulative total issued and fully paid-up share capital RM
30 March 2002	2	1.00	Subscribers' shares at the date of incorporation	2
1 January 2005	44,999,998	1.00	Shares issued pursuant to the acquisitions of KSC, AT, TM, TP, DIS and SM	45,000,000

4. DIVIDENDS

Except as disclosed below, MRB and its subsidiary companies have not paid or declared any dividends for the financial years/periods under review.

In respect of the financial year ended 31 December 2003:-

	RM
<u>KSC</u>	
First interim dividend of RM3.00 per share less tax, paid on 10 November 2003	2,160,000
Tax exempt interim dividend of RM3.00 per share, paid on 10 November 2003	3,000,000
Second interim dividend of RM4.00 per share less tax, paid on 1 December 2003	2,880,000
Third interim dividend of RM2.20 per share less tax, paid on 10 December 2003	1,584,000
Tax exempt interim dividend of RM1.10 per share, paid on 10 December 2003	1,100,000
	<u>10,724,000</u>

10. ACCOUNTANTS' REPORT (Cont'd)**4. DIVIDENDS (cont'd)**

	RM
<u>AT</u>	
Interim dividend of RM1.20 per share less tax, paid on 8 July 2003	864,000
Tax exempt interim dividend of RM1.00 per share, paid on 9 October 2003	1,000,000
Interim dividend of RM3.30 per share less tax, paid on 13 November 2003	2,376,000
Interim dividend of RM5.00 per share less tax, paid on 18 December 2003	3,600,000
	<u>7,840,000</u>
 <u>TM</u>	
Interim dividend of RM250,000 per share less tax, paid on 30 September 2003	<u>360,000</u>
 <u>DIS</u>	
Tax exempt interim dividend of RM1.75 per share, paid on 30 September 2003	<u>700,000</u>

In respect of the financial year ended 31 December 2004:-

	RM
<u>AT</u>	
Interim dividend of RM0.80 per share less tax, paid on 21 May 2004	<u>576,000</u>
 <u>TM</u>	
Interim dividend of RM300,000 per share less tax, paid on 30 April 2004	<u>432,000</u>
 <u>DIS</u>	
Interim dividend of RM1.75 per share less tax, paid on 30 April 2004	<u>504,000</u>



5. LISTING AND QUOTATION

In conjunction with the listing and quotation of the entire issued and fully paid-up share capital of MRB on the Second Board of Bursa Securities, MRB had undertaken the following exercises which were approved by the Securities Commission on 17 November 2004.

5.1 Acquisitions

MRB had entered into a Shareholders Agreement on 15 June 2004 with the vendors of KSC, AT, TM, TP, DIS and SM to acquire these companies for a total purchase consideration of RM44,999,998 satisfied by way of issuance of 44,999,998 new ordinary shares of RM1.00 each in MRB at par and credited as fully paid-up. The new shares issued shall rank pari passu in all respects with the then existing ordinary shares of MRB including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

The details of the Acquisitions are summarised as follows:-

(a) KSC Acquisition

Acquisition by MRB of the entire issued and paid-up share capital of KSC comprising 1,000,000 ordinary shares of RM1.00 each for a total consideration of RM31,716,626 to be satisfied by the issuance of 31,716,626 new ordinary shares of RM1.00 each in MRB, credited as fully paid-up at par.

(b) AT Acquisition

Acquisition by MRB of the entire issued and paid-up share capital of AT comprising 1,000,000 ordinary shares of RM1.00 each for a total consideration of RM10,546,173 to be satisfied by the issuance of 10,546,173 new ordinary shares of RM1.00 each in MRB, credited as fully paid-up at par.

(c) TM Acquisition

Acquisition by MRB of the entire issued and paid-up share capital of TM comprising 2 ordinary shares of RM1.00 each for a total consideration of RM1,054,406 to be satisfied by the issuance of 1,054,406 new ordinary shares of RM1.00 each in MRB, credited as fully paid-up at par.

(d) TP Acquisition

Acquisition by MRB of the entire issued and paid-up share capital of TP comprising 2 ordinary shares of RM1.00 each for a total consideration of RM638,412 to be satisfied by the issuance of 638,412 new ordinary shares of RM1.00 each in MRB, credited as fully paid-up at par.

10. ACCOUNTANTS' REPORT (Cont'd)**5. LISTING AND QUOTATION (cont'd)****5.1 Acquisitions (cont'd)****(e) DIS Acquisition**

Acquisition by MRB of the entire issued and paid-up share capital of DIS comprising 400,000 ordinary shares of RM1.00 each for a total consideration of RM1,044,379 to be satisfied by the issuance of 1,044,379 new ordinary shares of RM1.00 each in MRB, credited as fully paid-up at par.

(f) SM Acquisition

Acquisition by MRB of the entire issued and paid-up share capital of SM comprising 2 ordinary shares of RM1.00 each for a total consideration of RM2 to be satisfied by the issuance of 2 new ordinary shares of RM1.00 each in MRB, credited as fully paid-up at par.

5.2 Public Issue

The Public Issue of 10,000,000 ordinary shares of RM1.00 each at an issue price of RM1.30 per ordinary share.

5.3 Offer for Sale

The Offer for Sale of 4,600,000 ordinary shares of RM1.00 each at an offer price of RM1.30 per ordinary share.

5.4 Listing on the Second Board of Bursa Securities

Upon completion of the Public Issue and Offer for Sale, MRB will seek a listing of and quotation for its entire enlarged issued and fully paid-up share capital of 55,000,000 ordinary shares of RM1.00 each on the Second Board of Bursa Securities.

6. BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

This report is prepared based on the audited financial statements of MRB, KSC, AT, TM, TP, DIS and SM (collectively known as "MRB Group") and have been prepared in accordance with applicable approved accounting standards issued in Malaysia and is presented on a basis consistent with those bases and accounting principles previously adopted in the preparation of the audited financial statements.

10. ACCOUNTANTS' REPORT (Cont'd)**7. FINANCIAL STATEMENTS AND AUDITORS**

The following financial statements were not subject to any audit qualification and were audited by BDO Binder unless stated otherwise:-

<u>Company</u>	<u>Financial years/periods</u>
MRB	31 December 2002 (9 months), 31 December 2003 and 31 December 2004
KSC	31 December 2000, 31 December 2001, 31 December 2002, 31 December 2003 and 31 December 2004
AT	31 August 2000, 31 August 2001, 31 December 2002 (16 months), 31 December 2003 and 31 December 2004
TM	30 April 2000*, 30 April 2001, 31 December 2002 (20 months), 31 December 2003 and 31 December 2004
TP	31 December 2002 (8 months), 31 December 2003 and 31 December 2004
DIS	31 December 2000*, 31 December 2001, 31 December 2002, 31 December 2003 and 31 December 2004
SM	31 December 2003 (4 months) and 31 December 2004

* audited by a firm of chartered accountants other than BDO Binder

No financial statements have been issued for DKSC up to 31 December 2004 as the company was incorporated on 25 March 2005.

10. ACCOUNTANTS' REPORT (Cont'd)**8. SUMMARISED INCOME STATEMENTS****8.1 Proforma Group**

The summarised Proforma Consolidated Income Statements of MRB for the financial years ended from 31 December 2000 to 2004 are prepared for illustrative purposes only and on the basis as stated in section 8.1.1 to 8.1.9.

	Financial years ended 31 December				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
Revenue	80,449,808	78,609,519	85,706,055	96,604,424	92,013,373
Profit before depreciation, interest and taxation	14,152,439	10,680,635	9,754,019	14,638,180	14,889,496
Depreciation	(487,782)	(674,452)	(730,265)	(685,970)	(925,376)
Interest expense	(2,207,774)	(2,425,033)	(2,576,082)	(2,115,173)	(2,125,995)
Profit before taxation	11,456,883	7,581,150	6,447,672	11,837,037	11,838,125
Tax expense	(2,789,730)	(1,753,200)	(2,318,910)	(3,155,820)	(3,550,650)
Net profits from ordinary activities	8,667,153	5,827,950	4,128,762	8,681,217	8,287,475
Number of ordinary shares assumed in issue after the Acquisitions but before Public Issue	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000
Basic EPS:-					
Gross earnings per share (RM)	0.25	0.17	0.14	0.26	0.26
Net earnings per share (RM)	0.19	0.13	0.09	0.19	0.18

10. ACCOUNTANTS' REPORT (Cont'd)**8.1 Proforma Group (cont'd)**

8.1.1 The Proforma Consolidated Income Statements of MRB for the financial years ended 31 December 2000 to 2004 have been prepared for illustrative purposes after making such adjustments considered necessary on the audited financial statements of MRB, KSC, AT, TM, TP, DIS and SM and assuming that the MRB Group has been in existence throughout the financial years under review.

8.1.2 The Proforma Income Statements of the following subsidiary companies have been time apportioned in order to be coterminous with the financial year end of the MRB Group:-

<u>Company</u>	<u>Financial year end</u>
AT	31 August 2000 to 31 August 2001 and 16-month period ended 31 December 2002
TM	30 April 2000 to 30 April 2001 and 20-month period ended 31 December 2002

Consequently, the results of AT and TM have been adjusted on a time apportionment basis to arrive at the above results.

8.1.3 MRB's equity interest in the subsidiary companies is assumed as follows for the Proforma Consolidated Income Statements for the financial years ended 31 December 2000 to 2004 :-

<u>Company</u>	<u>Equity interest (%)</u>
KSC	100
AT	100
TM	100
TP	100
DIS	100
SM	100

8.1.4 The Proforma Consolidated Income Statements have been prepared based on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements of the respective subsidiary companies.

8.1.5 There were no amortisation, share of profits of associated company and joint ventures, extraordinary or exceptional items during the relevant financial years under review.

8.1.6 Tax expense has been adjusted for any under or overprovision where relevant.

8.1.7 The proforma gross earnings per share is computed by dividing the profit before taxation by the number of ordinary shares assumed in issue of 45,000,000 ordinary shares of RM1.00 each in MRB after the Acquisitions but before the Public Issue.

8.1.8 The proforma net earnings per share is computed by dividing the profit after taxation by the number of ordinary shares assumed in issue of 45,000,000 ordinary shares of RM1.00 each in MRB after the Acquisitions but before the Public Issue.

8.1.9 All significant intra-group transactions are eliminated on consolidation and the consolidated results reflect external transactions only.

**8.1 Proforma Group (cont'd)**

8.1.10 In 2000, the Group's revenue from the turnkey quarry operation increased in line with the intensive development projects and infrastructure works in the areas surrounding the quarry sites of the Group. Specialised civil engineering works also registered higher income following the intensive housing development projects in Klang Valley and Selangor.

The Group's revenue for 2001 decreased slightly due to the drop in contract income from specialised civil engineering works. Quarry sales surged in line with the intensive development in the areas surrounding the quarry sites.

In 2002, the Group's revenue increased due to the higher quarry sales together with the new sales generated from the premix products through TP.

In 2003, the Group reported improvement in total revenue due to the significant increase in contract income from specialised civil engineering works following the completion of certain major civil engineering projects. In addition, the sales of premix product increased significantly as a result of market demand.

In 2004, the Group's revenue decreased marginally mainly due to the expiry of certain turnkey quarry contracts. Contract income from specialised civil engineering works remained consistent with prior year.

8.1.11 In 2000, pre-tax profit increased in-line with the increased in revenue.

In 2001, pre-tax profit slipped due mainly to bad debts written off amounting to RM2.4 million and higher finance costs resulting from hire-purchase and lease arrangements for the acquisitions of new plant and machinery.

In 2002, the pre-tax profit dropped marginally due to the higher depreciation charge, higher upkeep of plant and machinery and machinery parts consumed.

In 2003, the pre-tax profit improved mainly due to the better cost control and higher profit margin earned from the quarry sales as a result of better selling price.

In 2004, the pre-tax profit remained fairly consistent despite the decrease in revenue due to the more stringent cost control imposed.

8.1.12 In 2000 and 2001, the effective tax rates were lower than the statutory tax rate due mainly to the tax exempt foreign income from Karimun Project in accordance with the Income Tax (Exemption) (No. 48) Order 1997.

In 2002, the effective tax rate for the year increased significantly due mainly to the taxable income on the disposal of certain plant and machinery. In addition, the profits were derived mainly from the local sales following the completion of overseas project.

In 2003, the effective tax rate was slightly lower than the statutory tax rate mainly due to the non-taxable capital gain on disposal of plant and machinery.

In 2004, the effective tax rate was marginally higher than the statutory tax rate mainly due to the taxable income on the disposal of certain leased assets and non-allowable expenses.

10. ACCOUNTANTS' REPORT (Cont'd)



8.2 MRB (Company level)

The summarised income statements of MRB based on the audited financial statements for the 9-month financial period ended 31 December 2002 and financial years ended 31 December 2003 to 2004 are set out below :-

	Financial years/period ended		
	9 months ended 31 December 2002 RM	12 months ended 31 December 2003 RM	12 months ended 31 December 2004 RM
Revenue	-	-	-
Loss before depreciation, interest and taxation	(3,865)	(2,487)	(6,202)
Depreciation	-	-	-
Interest expense	-	-	-
Loss before taxation	(3,865)	(2,487)	(6,202)
Tax expense	-	-	-
Loss after taxation	(3,865)	(2,487)	(6,202)
Number of ordinary shares in issue	2	2	2
Gross loss per share (RM)	(1,933)	(1,244)	(3,101)
Net loss per share (RM)	(1,933)	(1,244)	(3,101)

Note:-

- (i) Gross and net loss per share are computed based on the loss before taxation and loss after taxation divided by the number of ordinary shares in issue for each financial period/year under review.

10. ACCOUNTANTS' REPORT (Cont'd)



8.3 KSC

The summarised income statements of KSC based on the audited financial statements for the financial years ended from 31 December 2000 to 2004 are set out below :-

	Financial years ended				
	12 months ended 31 December 2000 RM	12 months ended 31 December 2001 RM	12 months ended 31 December 2002 RM	12 months ended 31 December 2003 RM	12 months ended 31 December 2004 RM
Revenue	61,337,302	64,368,068	71,489,553	65,084,959	60,666,216
Profit before depreciation, interest and taxation	9,867,978	8,538,639	8,133,239	8,829,412	9,967,369
Depreciation	(277,382)	(374,406)	(438,249)	(429,850)	(619,925)
Interest expense	(1,714,190)	(1,967,012)	(2,170,076)	(1,710,789)	(1,678,079)
Profit before taxation	7,876,406	6,197,221	5,524,914	6,688,773	7,669,365
Tax expense	(1,733,467)	(1,219,382)	(1,424,799)	(2,295,255)	(2,314,250)
Profit after taxation	6,142,939	4,977,839	4,100,115	4,393,518	5,355,115
Number of ordinary shares in issue	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Weighted average number of ordinary shares in issue	885,418	1,000,000	1,000,000	1,000,000	1,000,000
Gross earnings per share (RM)	8.90	6.20	5.52	6.69	7.67
Net earnings per share (RM)	6.94	4.98	4.10	4.39	5.36

Note:

- (i) Gross and net earnings per share are computed based on the profit before taxation and profit after taxation divided by the weighted average number of ordinary shares in issue for each financial year under review.
- (ii) Tax expense has been adjusted for any under or overprovision where relevant.

10. ACCOUNTANTS' REPORT (Cont'd)



8.4 AT

The summarised income statements of AT based on the audited financial statements for the financial years ended from 31 August 2000 to 2001, 16-month financial period ended 31 December 2002 and financial years ended 31 December 2003 to 2004 are set out below :-

	Financial years/period ended				
	12 months ended 31 August 2000 RM	12 months ended 31 August 2001 RM	16 months ended 31 December 2002 RM	12 months ended 31 December 2003 RM	12 months ended 31 December 2004 RM
Revenue	23,992,683	16,434,024	20,059,025	21,699,203	18,200,487
Profit before depreciation, interest and taxation	4,717,736	1,351,428	1,572,165	2,351,680	2,094,943
Depreciation	(105,577)	(183,615)	(261,482)	(167,760)	(209,966)
Interest expense	(439,309)	(443,034)	(506,113)	(391,328)	(425,035)
Profit before taxation	4,172,850	724,779	804,570	1,792,592	1,459,942
Tax expense	(1,205,819)	(124,285)	(824,852)	(182,710)	(557,000)
Profit/(loss) after taxation	2,967,031	600,494	(20,282)	1,609,882	902,942
Number of ordinary shares in issue	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Weighted average number of ordinary shares in issue	489,583	1,000,000	1,000,000	1,000,000	1,000,000
Gross earnings per share (RM)	8.52	0.72	0.80	1.79	1.46
Net earnings/(loss) per share (RM)	6.06	0.60	(0.02)	1.61	0.90

Note:

- (i) Gross and net earnings/ (loss) per share are computed based on the profit before taxation and profit / (loss) after taxation divided by the weighted average number of ordinary shares in issue for each financial year/period under review.
- (ii) Tax expense has been adjusted for any under or overprovision where relevant.

10. ACCOUNTANTS' REPORT (Cont'd)



8.5 TM

The summarised income statements of TM based on the audited financial statements for the financial years ended from 30 April 2000 to 2001, 20-month financial period ended 31 December 2002 and financial years ended 31 December 2003 to 2004 are set out below :-

	Financial years/period ended				
	12 months ended 30 April 2000 RM	12 months ended 30 April 2001 RM	20 months ended 31 December 2002 RM	12 months ended 31 December 2003 RM	12 months ended 31 December 2004 RM
Revenue	3,739,001	8,206,121	30,876,823	20,091,240	21,178,818
Profit before depreciation, interest and taxation	88,208	222,944	1,250,446	1,222,165	1,192,426
Depreciation	(1,895)	(15,266)	(68,388)	(44,963)	(49,789)
Interest expense	-	(7,975)	(17,388)	(6,595)	(3,717)
Profit before taxation	86,313	199,703	1,164,670	1,170,607	1,138,920
Tax expense	(23,372)	(56,804)	(356,739)	(339,276)	(293,600)
Profit after taxation	62,941	142,899	807,931	831,331	845,320
Number of ordinary shares in issue	2	2	2	2	2
Gross earnings per share (RM)	43.157	99,852	582,335	585,304	569,460
Net earnings per share (RM)	31,471	71,450	403,966	415,666	422,660

Note:

- (i) Gross and net earnings per share are computed based on the profit before taxation and profit after taxation divided by the number of ordinary shares in issue for each financial year/period under review.
- (ii) Tax expense has been adjusted for any under or overprovision where relevant.

10. ACCOUNTANTS' REPORT (Cont'd)



8.6 TP

The summarised income statements of TP based on the audited financial statements for the 8-month financial period ended 31 December 2002 and financial years ended 31 December 2003 to 2004 are set out below :-

	Financial years/period ended		
	8 months ended 31 December 2002 RM	12 months ended 31 December 2003 RM	12 months ended 31 December 2004 RM
Revenue	1,192,674	11,099,370	12,727,014
Profit / (Loss) before depreciation, interest and taxation	(108,325)	990,735	1,210,144
Depreciation	-	-	-
Interest expense	-	-	-
Profit / (Loss) before taxation	(108,325)	990,735	1,210,144
Tax expense	-	(236,603)	(313,000)
Profit / (Loss) after taxation	(108,325)	754,132	897,144
Number of ordinary shares in issue	2	2	2
Gross earnings/(loss) per share (RM)	(54,163)	495,368	605,072
Net earnings/(loss) per share (RM)	(54,163)	377,066	448,572

Note:

- (i) Gross and net earnings/(loss) per share are computed based on the profit/(loss) before taxation and profit/(loss) after taxation divided by the number of ordinary shares in issue for each financial year/period under review.
- (ii) Tax expense has been adjusted for any under or overprovision where relevant.

10. ACCOUNTANTS' REPORT (Cont'd)



8.7 DIS

The summarised income statements of DIS based on the audited financial statements for the financial years ended from 31 December 2000 to 2004 are set out below :-

	Financial years ended				
	12 months ended 31 December 2000 RM	12 months ended 31 December 2001 RM	12 months ended 31 December 2002 RM	12 months ended 31 December 2003 RM	12 months ended 31 December 2004 RM
Revenue	9,003,097	10,196,442	13,428,556	11,577,316	10,112,714
Profit before depreciation, interest and taxation	510,796	383,187	480,989	462,438	432,722
Depreciation	(68,001)	(79,822)	(54,872)	(43,397)	(45,696)
Interest expense	(47,717)	(26,523)	(15,988)	(6,461)	(19,164)
Profit before taxation	395,078	276,842	410,129	412,580	367,862
Tax expense	(165,295)	(83,118)	(61,429)	(101,976)	(72,800)
Profit after taxation	229,783	193,724	348,700	310,604	295,062
Number of ordinary shares in issue	400,000	400,000	400,000	400,000	400,000
Weighted average number of ordinary shares in issue	202,409	400,000	400,000	400,000	400,000
Gross earnings per share (RM)	1.95	0.69	1.03	1.03	0.92
Net earnings per share (RM)	1.14	0.48	0.87	0.78	0.74

Note:

- (i) Gross and net earnings per share are computed based on the profit before taxation and profit after taxation divided by the weighted average number of ordinary shares in issue for each financial year under review.
- (ii) Tax expense has been adjusted for any under or overprovision where relevant.

10. ACCOUNTANTS' REPORT (Cont'd)



8.8 SM

The summarised income statements of SM based on the audited financial statements for the 4-month financial period ended 31 December 2003 and financial year ended 31 December 2004 are set out below :-

	← Financial period/year ended →	
	4 months ended 31 December 2003 RM	12 months ended 31 December 2004 RM
Revenue	-	-
Loss before depreciation, interest and taxation	(2,850)	(1,906)
Depreciation	-	-
Interest expense	-	-
Loss before taxation	(2,850)	(1,906)
Tax expense	-	-
Loss after taxation	(2,850)	(1,906)
Number of ordinary shares in issue	2	2
Gross loss per share (RM)	(1,425)	(953)
Net loss per share (RM)	(1,425)	(953)

Note:

- (i) *Gross and net loss per share are computed based on the loss before taxation and loss after taxation divided by the number of ordinary shares in issue for each financial period/year under review.*

10. ACCOUNTANTS' REPORT (Cont'd)**9. SUMMARISED BALANCE SHEETS****9.1 Proforma Group**

It is impracticable to present the proforma consolidated balance sheet of MRB Group for the past 5 financial years as the purchase consideration for the acquisition of KSC, AT, TM, TP, DIS and SM were arrived at based on the net tangible assets of the respective companies as at 31 December 2003. Consequently, the proforma consolidated statement of assets and liabilities as of 31 December 2004, based on the audited financial statements of MRB, KSC, AT, TM, TP, DIS and SM has been prepared on the assumption that the Acquisitions has been effected as of 31 December 2004 but before the Public Issue for illustration purposes only. The proforma consolidated statement of assets and liabilities is presented in Section 10 of this Report. We set out below the summarised audited balance sheets of MRB and its subsidiary companies for the relevant financial years/periods under review.

9.2 MRB (Company level)

The summarised balance sheets of MRB based on the audited financial statements as at 31 December 2002 to 31 December 2004 are set out below :-

	← As at 31 December →		
	2002 RM	2003 RM	2004 RM
ASSETS EMPLOYED:-			
PROPERTY, PLANT AND EQUIPMENT	-	-	-
CURRENT ASSETS	63,002	177,694	570,661
LESS: CURRENT LIABILITIES	(66,865)	(184,044)	(583,213)
NET CURRENT LIABILITIES	(3,863)	(6,350)	(12,552)
	(3,863)	(6,350)	(12,552)
REPRESENTED BY:-			
SHARE CAPITAL	2	2	2
ACCUMULATED LOSSES	(3,865)	(6,352)	(12,554)
CAPITAL DEFICIENCY	(3,863)	(6,350)	(12,552)
LONG TERM AND DEFERRED LIABILITIES	-	-	-
	(3,863)	(6,350)	(12,552)
NET LIABILITIES PER ORDINARY SHARE OF RM1.00 EACH	(1.932)	(3.175)	(6.276)

10. ACCOUNTANTS' REPORT (Cont'd)



9.3 KSC

The summarised balance sheets of KSC based on the audited financial statements as at the end of the financial years under review are set out below :-

	As at 31 December				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
ASSETS EMPLOYED:-					
PROPERTY, PLANT AND EQUIPMENT	42,728,366	50,907,897	52,140,586	42,607,463	39,706,350
QUARRY DEVELOPMENT EXPENDITURE	-	-	-	-	1,804,091
CURRENT ASSETS	27,991,336	28,051,521	31,592,195	24,783,570	30,520,971
LESS : CURRENT LIABILITIES	(34,558,622)	(31,822,881)	(30,649,138)	(23,120,293)	(22,106,936)
NET CURRENT ASSETS / (LIABILITIES)	(6,567,286)	(3,771,360)	943,057	1,663,277	8,414,035
	36,161,080	47,136,537	53,083,643	44,270,740	49,924,476
FINANCED BY:-					
SHARE CAPITAL	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
RETAINED PROFITS	28,072,566	33,050,405	37,150,520	30,820,038	36,175,153
SHAREHOLDERS' EQUITY	29,072,566	34,050,405	38,150,520	31,820,038	37,175,153
LONG TERM AND DEFERRED LIABILITIES	7,088,514	13,086,132	14,933,123	12,450,702	12,749,323
	36,161,080	47,136,537	53,083,643	44,270,740	49,924,476
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH	29.1	34.1	38.2	31.8	35.4

10. ACCOUNTANTS' REPORT (Cont'd)



9.4 AT

The summarised balance sheets of AT based on the audited financial statements as at the end of the financial years/period under review are set out below :-

	As at				
	31 August 2000 RM	31 August 2001 RM	31 December 2002 RM	31 December 2003 RM	31 December 2004 RM
ASSETS EMPLOYED:-					
PROPERTY, PLANT AND EQUIPMENT	14,732,814	17,005,916	14,407,812	12,833,797	12,545,705
CURRENT ASSETS	13,664,175	12,519,129	14,873,577	11,681,664	11,489,423
LESS : CURRENT LIABILITIES	(10,333,452)	(10,526,392)	(10,190,294)	(9,453,660)	(8,707,925)
NET CURRENT ASSETS	3,330,723	1,992,737	4,683,283	2,228,004	2,781,498
	18,063,537	18,998,653	19,091,095	15,061,801	15,327,203
FINANCED BY:-					
SHARE CAPITAL	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
RETAINED PROFITS	15,805,369	16,405,863	16,385,581	10,155,463	10,482,405
SHAREHOLDERS' EQUITY	16,805,369	17,405,863	17,385,581	11,155,463	11,482,405
LONG TERM AND DEFERRED LIABILITIES	1,258,168	1,592,790	1,705,514	3,906,338	3,844,798
	18,063,537	18,998,653	19,091,095	15,061,801	15,327,203
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH	16.8	17.4	17.4	11.2	11.5

10. ACCOUNTANTS' REPORT (Cont'd)



9.5 TM

The summarised balance sheets of TM based on the audited financial statements as at the end of the financial years/period under review are set out below :-

	As at				
	30 April 2000 RM	30 April 2001 RM	31 December 2002 RM	31 December 2003 RM	31 December 2004 RM
ASSETS EMPLOYED:-					
PROPERTY, PLANT AND EQUIPMENT	26,864	174,999	173,813	155,987	123,049
CURRENT ASSETS	1,477,492	3,228,667	5,628,566	5,286,000	5,560,766
(LESS : CURRENT LIABILITIES)	(1,441,557)	(3,099,314)	(4,722,275)	(3,913,929)	(3,763,335)
NET CURRENT ASSETS	35,935	129,353	906,291	1,372,071	1,797,431
	62,799	304,352	1,080,104	1,528,058	1,920,480
FINANCED BY:-					
SHARE CAPITAL	2	2	2	2	2
RETAINED PROFITS	62,797	205,696	1,013,627	1,484,958	1,898,278
SHAREHOLDERS' EQUITY	62,799	205,698	1,013,629	1,484,960	1,898,280
LONG TERM AND DEFERRED LIABILITIES	-	98,654	66,475	43,098	22,200
	62,799	304,352	1,080,104	1,528,058	1,920,480
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH	31,400	102,849	506,815	742,480	949,140

10. ACCOUNTANTS' REPORT (Cont'd)**9.6 TP**

The summarised balance sheets of TP based on the audited financial statements as at the end of the financial years/period under review are set out below :-

	← As at 31 December →		
	2002 RM	2003 RM	2004 RM
ASSETS EMPLOYED:-			
PROPERTY, PLANT AND EQUIPMENT	322,389	684,391	971,657
CURRENT ASSETS	1,157,454	2,256,004	2,314,317
LESS : CURRENT LIABILITIES	(1,588,166)	(2,229,586)	(1,619,021)
NET CURRENT ASSETS / (LIABILITIES)	(430,712)	26,418	695,296
	(108,323)	710,809	1,666,953
REPRESENTED BY:-			
SHARE CAPITAL	2	2	2
RETAINED PROFITS / (ACCUMULATED LOSSES)	(108,325)	645,807	1,542,951
SHAREHOLDERS' EQUITY / (CAPITAL DEFICIENCY)	(108,323)	645,809	1,542,953
LONG TERM AND DEFERRED LIABILITIES	-	65,000	124,000
	(108,323)	710,809	1,666,953
NET TANGIBLE ASSETS / (LIABILITIES) PER ORDINARY SHARE OF RM1.00 EACH	(54,162)	322,905	771,477

10. ACCOUNTANTS' REPORT (Cont'd)**9.7 DIS**

The summarised balance sheets of DIS based on the audited financial statements as at the end of the financial years under review are set out below :-

	← As at 31 December →				
	2000 RM	2001 RM	2002 RM	2003 RM	2004 RM
ASSETS EMPLOYED:-					
PROPERTY, PLANT AND EQUIPMENT	283,390	195,943	141,506	89,189	124,145
CURRENT ASSETS	6,218,268	8,479,076	8,324,927	6,858,006	3,536,095
LESS : CURRENT LIABILITIES	(4,885,066)	(6,939,927)	(6,480,711)	(5,386,161)	(2,311,875)
NET CURRENT ASSETS	1,333,202	1,539,149	1,844,216	1,471,845	1,224,220
	1,616,592	1,735,092	1,985,722	1,561,034	1,348,365
FINANCED BY:-					
SHARE CAPITAL	400,000	400,000	400,000	400,000	400,000
RETAINED PROFITS	995,575	1,189,299	1,537,999	1,148,603	939,665
SHAREHOLDERS' EQUITY	1,395,575	1,589,299	1,937,999	1,548,603	1,339,665
LONG TERM AND DEFERRED LIABILITIES	221,017	145,793	47,723	12,431	8,700
	1,616,592	1,735,092	1,985,722	1,561,034	1,348,365
NET TANGIBLE ASSETS PER ORDINARY SHARE OF RM1.00 EACH	3.5	4.0	4.8	3.9	3.3

10. ACCOUNTANTS' REPORT (Cont'd)



9.8 SM

The summarised balance sheets of SM based on the audited financial statements as at the end of the financial period / year under review are set out below :-

	As at 31 December	
	2003 RM	2004 RM
ASSETS EMPLOYED:-		
PROPERTY, PLANT AND EQUIPMENT	-	2,243,941
CURRENT ASSETS	2	2
LESS : CURRENT LIABILITIES	(2,850)	(2,248,697)
NET CURRENT LIABILITIES	(2,848)	(2,248,695)
	(2,848)	(4,754)
REPRESENTED BY:-		
SHARE CAPITAL	2	2
ACCUMULATED LOSSES	(2,850)	(4,756)
CAPITAL DEFICIENCY	(2,848)	(4,754)
LONG TERM AND DEFERRED LIABILITIES	-	-
	(2,848)	(4,754)
NET LIABILITIES PER ORDINARY SHARE OF RM1.00 EACH	(1,424)	(2,377)

10. ACCOUNTANTS' REPORT (Cont'd)**10. PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES**

As mentioned in Section 9.1, the proforma consolidated statement of assets and liabilities of the MRB Group as at 31 December 2004 is set out below. It has been prepared based on the audited financial statements of MRB, KSC, AT, TM, TP, DIS and SM and on the assumption that the Acquisitions has been effected as of 31 December 2004 but before the Public Issue for illustration purposes only. The proforma consolidated statement of assets and liabilities should be read in conjunction with the notes thereon:-

	NOTE	31.12.2004 RM
ASSETS EMPLOYED		
PROPERTY, PLANT AND EQUIPMENT	11.3	55,714,847
QUARRY DEVELOPMENT EXPENDITURE	11.4	1,804,091
CURRENT ASSETS		
Inventories	11.5	9,481,824
Trade receivables	11.6	18,695,458
Other receivables, deposits and prepayments	11.7	6,096,074
Amounts owing by customers for contract works	11.8	3,697,319
Tax recoverable		258,875
Fixed deposits with licensed banks	11.9	1,350,783
Cash and bank balances		3,796,779
		43,377,112
LESS: CURRENT LIABILITIES		
Trade payables	11.10	11,204,797
Other payables and accruals	11.11	5,699,095
Hire-purchase and lease creditors	11.12	3,697,476
Amounts owing to Directors	11.13	2,471,782
Short term borrowings - secured	11.14	5,506,656
Term loan - secured	11.15	1,226,632
Taxation		919,441
		30,725,879
NET CURRENT ASSETS		12,651,233
		70,170,171
FINANCED BY		
SHARE CAPITAL	11.16	45,000,000
ACCUMULATED LOSSES		(12,554)
RESERVE ON CONSOLIDATION	11.17	8,433,704
SHAREHOLDERS' EQUITY		53,421,150
LONG TERM AND DEFERRED LIABILITIES		
Hire-purchase and lease creditors	11.12	8,479,117
Term loan - secured	11.15	2,563,004
Deferred taxation	11.18	5,706,900
		70,170,171
Net tangible assets per ordinary share of RM1.00 each		1.15

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES****11.1 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Board of Directors recognises the importance of financial risk management in the overall management of the Group's business. A sound risk management system will not only mitigate financial risk but will be able to create opportunities if risk elements are properly managed.

The Group's overall financial risk management objective is to ensure the Group creates value for its shareholders while minimising potential adverse effects on the performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies set out as follows:-

Liquidity risks

The Group manages its operating cash flows and debt maturity profile so as to ensure all commitments and funding needs are met. As part of the overall liquidity management, it is the Group's policy to ensure continuity in servicing its future cash obligations by forecasting its cash commitments and maintaining sufficient level of cash and cash equivalents to meet its working capital requirements. In addition, the Group maintains sufficient banking facilities to meet its operational needs.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate risk exposure arises from the Group's borrowings. The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates through the use of fixed and floating rates debts. The Group does not use derivative financial instruments to hedge this risk.

Credit risk

Credit risk, which is the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit evaluations are performed on customers requiring credit exceeding a certain amount and by limiting the Group's business association to parties with high credit worthiness. Trade receivables are monitored on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

Foreign currency risk

The Group is exposed to currency exchange risk as a result of the foreign currency denominated transactions entered into by the Group during the course of business. The currency involved is primarily Singapore Dollar. As the effects to the currency risk are immaterial, the Group does not enter into any hedging contract.

10. ACCOUNTANTS' REPORT (Cont'd)



11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)

11.2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Proforma Group have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

The preparation of financial statements in conformity with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of MRB and all its subsidiary companies made up to the end of the financial year using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of are included from the effective date of acquisition or up to the effective date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The differences between the cost of acquisition and the fair value of the group's share of the subsidiary companies' identifiable net assets at the date of acquisition is reflected as goodwill or reserve on consolidation.

Goodwill on consolidation is stated at cost less impairment losses, if any. Reserve on consolidation is not recognised as income and is presented as a separate item in the balance sheet.

Inter-company transactions and balances are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Minority interest is measured at the minorities' share of the post-acquisition fair values of the identifiable assets and liabilities of the subsidiary.

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(c) Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation on assets under construction commence when the assets are ready for their intended use.

Depreciation on other property, plant and equipment is calculated to write off the costs of the assets on a straight-line basis over their estimated useful lives. The principal annual depreciation rates are as follows:-

Freehold land and buildings	2%
Leasehold land buildings	99 years
Plant and machinery	10%
Motor vehicles	20%
Office equipment	10%
Furniture and fittings	10%
Renovation	10%
Workshop cum site office	10%
Access Road	7 years
Computer equipment and peripherals	10% - 20%

(d) Quarry development expenditure

Quarry development expenditure comprises direct cost of development, cost of site infrastructure and other related expenses. The development expenditure is amortised upon commencement of rock extraction activities. Amortisation is calculated by reference to output for the year so as to write off the quarry development expenditure over the estimated total reserves during the period of the leases.

The development expenditure is written off immediately to the income statement to the extent that the unamortised balance is no longer probable of being recovered.

(e) Assets acquired under hire-purchase and lease arrangements

Assets acquired under hire-purchase and lease arrangements which transfer substantially all the risks and rewards of ownership to the Proforma Group are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

Finance charges are allocated to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining hire-purchase and lease liabilities.

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(f) Investment in subsidiary company**

A subsidiary company is a company in which the Proforma Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies which are eliminated on consolidation are stated at cost less impairment losses, if any.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value.

Inventories of spare parts and fuel comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Inventories of quarry products are stated at cost which includes raw materials, direct labour and production overheads.

(h) Amounts owing by/(to) customers for contract works

The amounts owing by customers for contract works represents contract expenditure incurred plus attributable profits less foreseeable losses and progress billings received and receivable. The excess of progress billings over the contract expenditure incurred plus attributable profits less foreseeable losses is shown as amounts owing to customers for contract works.

(i) Receivables

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

(j) Impairment of assets

The carrying amounts of the Proforma Group's assets, other than financial assets (other than investment in subsidiary companies), inventories, amounts owing from customers for contract works and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The impairment loss is recognised in the income statement immediately.

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(j) Impairment of assets (cont'd)**

An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of an impairment loss are recognised as income immediately in the income statement.

(k) Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(l) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(m) Employee benefits**(i) Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees rendered services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave is recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(m) Employee benefits (cont'd)****(ii) Defined contribution plans**

The Company and subsidiary companies incorporated in Malaysia make contributions to a statutory provident fund and recognise the contributions payable:-

- after deducting contributions already paid as liability; and

- as expense in the financial year in which the employees render their services.

(n) Income tax

Income tax in the financial statements for the financial year comprises current tax expense and deferred tax.

(i) Current tax expense

Current tax expense includes all taxes which are based on taxable profits.

(ii) Deferred tax

Deferred tax, which includes deferred tax liabilities and assets, is provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to the same taxation authority.

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(o) Foreign currency transactions and translations****(i) Transactions and balances in foreign currencies**

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the approximate rates of exchange at the balance sheet date.

All gains or losses from currency transactions and from translating foreign monetary assets and liabilities are taken up in the income statement.

(ii) Principal closing rates

The principal closing rates used in the translation of foreign currency amounts are as follows:-

	31.12.2004
	RM
1 US Dollar (USD)	3.800
1 Singapore Dollar (SGD)	<u>2.342</u>

(p) Revenue recognition

Revenue from invoiced value of goods sold is recognised in the income statement when significant risks and rewards of ownership have been transferred to the customers.

Revenue from civil contract works is recognised in the income statement based on the stage of completion. The stage of completion is determined based on the proportion that contract costs incurred for the work performed to date bear to the estimated total contract costs.

Revenue from rental of machinery is recognised on accrual basis unless collectibility is in doubt.

(q) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments which are readily convertible to cash and which are subject to insignificant risk of changes in value.

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(r) Segment information**

Segment information is presented in respect of the Proforma Group's business and geographical segments. The primary reporting segment information is in respect of business segments as the Proforma Group's risk and returns are affected predominantly by differences in the products it produces. No geographical segment is presented as the Proforma Group principally operates in Malaysia.

A segment with a majority of operating income earned from providing product or services to external clients and whose operating income, results or assets are 10 percent or more of all the segments is reported separately.

Segment results, assets and liabilities include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

(s) Financial instruments

Financial instruments recognised on the balance sheet

(i) Ordinary shares

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of share issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of shares are accounted for as a deduction from share premium. Otherwise, they are charged to the income statement.

Dividends to shareholders are recognised in equity in the period in which they are declared.

(ii) Interest bearing borrowings

Interest bearing borrowings are recorded at the amount of proceeds received, net of transaction cost.

(iii) Other financial instruments

The accounting policies for other financial instruments recognised on the balance sheet are disclosed in the individual policy associated with each item.

(t) Borrowing costs

Interest, dividends, losses and gains relating to a financial instrument, or a component part classified as a financial liability is reported as finance cost in the income statement.

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.3 PROPERTY, PLANT AND EQUIPMENT**

	Balance as at 1.1.2004 RM	Additions RM	Reclassi- fication RM	Disposals RM	Written off RM	Balance as at 31.12.2004 RM
Cost						
Freehold land and buildings	4,198,006	-	-	-	-	4,198,006
Leasehold land and buildings	3,022,125	-	-	-	-	3,022,125
Plant and machinery	77,911,644	7,305,013	-	(10,332,629)	-	74,884,028
Motor vehicles	5,278,126	1,232,401	-	(546,813)	-	5,963,714
Office equipment	509,657	58,571	(1,570)	-	-	566,658
Furniture and fittings	115,261	29,240	(24,200)	-	-	120,301
Renovation	287,498	59,046	24,200	-	(5,430)	365,314
Workshop cum site office	38,000	38,103	-	-	-	76,103
Construction work-in-progress	-	2,243,941	-	-	-	2,243,941
Access Road	-	218,009	-	-	-	218,009
Computer equipment and peripherals	468,058	66,567	1,570	(840)	-	535,355
	<u>91,828,375</u>	<u>11,250,891</u>	<u>-</u>	<u>(10,880,282)</u>	<u>(5,430)</u>	<u>92,193,554</u>

	Balance as at 1.1.2004 RM	Charge for the financial year RM	Reclassi- fication RM	Disposals RM	Written off RM	Balance as at 31.12.2004 RM
Accumulated depreciation						
Freehold land and buildings	511,204	83,961	-	-	-	595,165
Leasehold land and buildings	178,792	30,524	-	-	-	209,316
Plant and machinery	30,771,513	6,955,649	-	(6,510,911)	-	31,216,251
Motor vehicles	3,263,031	686,488	-	(383,111)	-	3,566,408
Office equipment	312,264	43,167	(13)	-	-	355,418
Furniture and fittings	69,919	10,412	(802)	-	-	79,529
Renovation	146,400	29,922	802	-	(1,041)	176,083
Workshop cum site office	9,120	1,554	-	-	-	10,674
Construction work-in-progress	-	-	-	-	-	-
Access Road	-	23,358	-	-	-	23,358
Computer equipment and peripherals	195,305	51,292	13	(105)	-	246,505
	<u>35,457,548</u>	<u>7,916,327</u>	<u>-</u>	<u>(6,894,127)</u>	<u>(1,041)</u>	<u>36,478,707</u>

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.3 PROPERTY, PLANT AND EQUIPMENT (cont'd)**

Net book value	31.12.2004 RM
Freehold land and buildings	3,602,841
Leasehold land and buildings	2,812,809
Plant and machinery	43,667,777
Motor vehicles	2,397,306
Office equipment	211,240
Furniture and fittings	40,772
Renovation	189,231
Workshop cum site office	65,429
Work-in-progress	2,243,941
Access Road	194,651
Computer equipment	288,850
	<u>55,714,847</u>

The net book value of the property, plant and equipment which have been acquired by way of hire-purchase and lease arrangements are as follows:-

	31.12.2004 RM
Plant and machinery	30,877,318
Motor vehicles	2,220,897
	<u>33,098,215</u>

The net book value of the property, plant and equipment which have been charged to licensed financial institutions for credit facilities granted to the Proforma Group are as follows:-

	31.12.2004 RM
Freehold land and buildings	3,602,841
Leasehold land and buildings	2,812,809
Plant and machinery	4,120,594
	<u>10,536,244</u>

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.4 QUARRY DEVELOPMENT EXPENDITURE**

	31.12.2004
	RM
At cost	
At beginning of financial year	-
Addition	1,804,091
At end of financial year	-
	<u>1,804,091</u>

Included in the quarry development expenditure is an amount of RM239,485 arising from depreciation of property, plant and equipment capitalised during the financial year.

11.5 INVENTORIES

	31.12.2004
	RM
At cost	
Quarry products	7,189,901
Bitumen, filler and diesel	182,645
Spare-parts and consumables	2,109,278
	<u>9,481,824</u>

11.6 TRADE RECEIVABLES

	31.12.2004
	RM
Trade receivables	18,748,926
Less: Allowance for doubtful debts	<u>(53,468)</u>
	<u>18,695,458</u>

The credit terms of trade receivables range from 30 to 180 days from the date of invoice except for certain receivables of which the outstanding balances are settled by way of fixed monthly installment or by way of contra of properties.

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.7 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	31.12.2004
	RM
Other receivables	3,485,444
Deposits	1,349,916
Prepayments	<u>1,260,714</u>
	<u><u>6,096,074</u></u>

11.8 AMOUNTS OWING BY CUSTOMERS FOR CONTRACT WORKS

	31.12.2004
	RM
Accumulated cost incurred to date	16,864,094
Attributable profits	<u>2,453,325</u>
	19,317,419
Less : Progress billings	<u>(15,620,100)</u>
Amounts owing by customers for contract works	<u><u>3,697,319</u></u>
Retention sum included in progress billings	<u><u>672,517</u></u>

11.9 FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits have been pledged as security for banking facilities granted to the subsidiary companies.

11.10 TRADE PAYABLES

The credit terms of trade payables range from 30 to 120 days from the date of invoice.

The currencies exposure of trade payables are as follows:-

	31.12.2004
	RM
Singapore Dollar	67,572
Ringgit Malaysia	<u>11,137,225</u>
	<u><u>11,204,797</u></u>

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.11 OTHER PAYABLES AND ACCRUALS**

	31.12.2004
	RM
Other payables	2,772,594
Accruals	2,926,501
	<u>5,699,095</u>

11.12 HIRE-PURCHASE AND LEASE CREDITORS

	31.12.2004
	RM
Minimum hire-purchase and lease payments:-	
- not later than one year	4,607,254
- later than one year and not later than five years	9,472,674
	14,079,928
Less: Future interest charges	<u>(1,903,335)</u>
Present value of hire-purchase and lease liabilities	<u>12,176,593</u>
Repayable as follows:-	
Current liabilities:-	
- not later than one year	3,697,476
Long term liabilities:-	
- later than one year and not later than five years	<u>8,479,117</u>
	<u>12,176,593</u>

11.13 AMOUNTS OWING TO DIRECTORS

The amounts owing to Directors represent payments made on behalf and advances which are unsecured, interest-free and have no fixed terms of repayment.

11.14 SHORT TERM BORROWINGS – SECURED

	31.12.2004
	RM
Bank overdrafts	4,138,950
Letter of credit/Trust receipt	911,083
Revolving credits	456,623
	<u>5,506,656</u>

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.14 SHORT TERM BORROWINGS – SECURED (cont'd)**

- (a) The bank overdrafts bear interest at rates ranging from 1.50% to 2.25% per annum above the base lending rates of the banks. The bank overdrafts are secured by the following:-
- (i) First fixed charge over the freehold land and buildings, leasehold land and buildings and plant and machinery of certain subsidiary companies;
 - (ii) A third party second fixed charge over certain landed properties of a company in which certain Directors have substantial financial interests;
 - (iii) Fixed deposits with a licensed bank of certain subsidiary companies and fixed deposits in the name of certain Directors of the subsidiary companies; and
 - (iv) Joint and several guarantee by certain Directors of the subsidiary companies.
- (b) The short term borrowings such as letter of credit, trust receipt and revolving credits are secured by means of first fixed charge over the freehold land and buildings of a subsidiary company and a joint and several guarantee by the Directors of the subsidiary company.

11.15 TERM LOANS - SECURED

	31.12.2004
	RM
Term loan I at interest of 7.5% per annum repayable over a period of ten years in equal monthly installments of RM6,446 each commencing in 1996	184,472
Term loan II at interest of 7.8% per annum repayable over a period of seven years in equal monthly installments of RM15,787 each commencing in 2002	698,709
Term loan III at interest of 4.6% per annum repayable over a period of five years in equal monthly installments of RM18,655 each commencing in 2002	444,886
Term loan IV at interest of 7.5% per annum repayable over a period of seven years in equal monthly installments of RM2,310 each commencing in 2004	137,500
Term loan V at interest of 4.0% per annum repayable over a period of three years in equal monthly installments of RM45,044 each commencing in 2003	878,329
Term loan VI at interest of 4.0% per annum repayable over a period of six years in equal monthly installments of RM28,614 each commencing in 2003	1,445,740
	<u>3,789,636</u>

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.15 TERM LOANS – SECURED (cont'd)**

Repayable as follows:-

Current liabilities:-

- within one year 1,226,632

Long term liabilities:-

- not later than one year 2,530,714

- later than one year and not later than five years 32,290

2,563,004

3,789,636

Term loan I and IV are secured by means of a first fixed charge over the freehold land and buildings of a subsidiary company and guaranteed by a joint and several guarantee by the Directors of the subsidiary company.

Term loan II is secured by means of a first and second legal charges over the freehold land and buildings of a Directors' related company, a property of certain Directors, a pledged of fixed deposit of a subsidiary company and guaranteed by a joint and several guarantee by the Directors of the subsidiary company.

Term loan III is secured by means of a fixed charge over the plant and machinery financed, guaranteed by a joint and several guarantee by the Directors of a subsidiary company and specific debenture incorporating a fixed charge over the plant and machinery financed by the loan.

Term loan V and VI are secured by means of a first fixed charge over the plant and equipment of a subsidiary company, third parties deed of assignment over the properties of a Directors' related company and guaranteed by a joint and several guarantee of the Directors of the subsidiary company.

11.16 SHARE CAPITAL

	31.12.2004	
	Number of shares	RM
Authorised:-		
Ordinary shares of RM1.00 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:-		
Ordinary shares of RM1.00 each	<u>45,000,000</u>	<u>45,000,000</u>

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.17 RESERVE ON CONSOLIDATION**

Reserve on consolidation represents the excess of the fair value of net assets of subsidiary companies as at the date of acquisition over the cost of acquisition.

11.18 DEFERRED TAX

(a) The deferred tax is made up of the following:-

	31.12.2004
	RM
At beginning of financial year	5,138,300
Recognised in the income statement	
- current year	848,550
- prior years	(279,950)
	<u>568,600</u>
At end of financial year	<u>5,706,900</u>

(b) The movements of deferred tax asset and deferred tax liabilities during the financial year prior to offsetting are as follows:-

Deferred tax asset arose from allowance for doubtful debts

	31.12.2004
	RM
At beginning of financial year	238,670
Recognised in the income statement	<u>(238,670)</u>
At end of financial year	<u>-</u>

Deferred tax liabilities arose from capital allowances in excess of depreciation

	31.12.2004
	RM
At beginning of financial year	5,376,970
Recognised in the income statement	<u>329,930</u>
At end of financial year	<u>5,706,900</u>



11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)

11.19 SEGMENTAL REPORTING

(i) Business segments

The Proforma Group's operations comprise the following business segments:-

Quarrying	:	Turnkey quarry operations
Civil engineering	:	Specialised civil engineering works
Sales and marketing	:	Sales and marketing of quarry products
Premix products	:	Manufacturing and trading of premix products
Industrial spare-parts	:	Trading of industrial machinery spare-parts
Others	:	Investment holding and rental of machinery

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10. ACCOUNTANTS' REPORT (Cont'd)



11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)

11.19 SEGMENTAL REPORTING (cont'd)

(i) Business segments (cont'd)

31.12.2004	Quarry RM	Civil engineering RM	Sales and marketing RM	Premix products RM	Industrial spare-parts RM	Others RM	Elimination RM	Consolidation RM
Revenue								
External sales	41,193,768	14,208,607	21,178,818	12,727,014	654,471	2,050,695	-	92,013,373
Inter-segment sales	16,768,515	2,360,107	-	-	9,458,243	2,285,011	(30,871,876)	-
	<u>57,962,283</u>	<u>16,568,714</u>	<u>21,178,818</u>	<u>12,727,014</u>	<u>10,112,714</u>	<u>4,335,706</u>	<u>(30,871,876)</u>	<u>92,013,373</u>
Results								
Profit before taxation	7,669,365	1,459,942	1,138,920	1,210,144	367,862	(8,108)	-	11,838,125
Tax expense								(3,550,650)
Profit after taxation								8,287,475
Minority interest								-
Net profit for the financial year								<u>8,287,475</u>
Other information								
Segment assets	72,031,412	24,035,128	5,683,815	3,285,974	3,660,240	2,814,604	(10,615,123)	100,896,050
Segment liabilities	34,856,259	12,552,723	3,785,535	1,743,021	2,320,575	2,831,910	(10,615,123)	47,474,900
Capital expenditure	9,037,647	1,275,091	16,851	400,800	80,652	2,243,941	-	13,054,982
Depreciation	6,159,622	1,547,686	49,789	113,534	45,696	-	-	7,916,327
Non-cash expenses other than depreciation	-	483,804	57,967	-	-	-	-	541,771

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.19 SEGMENTAL REPORTING (cont'd)****(ii) Geographical segments**

No geographical segment is presented as the Proforma Group principally operates in Malaysia.

11.20 CAPITAL COMMITMENTS

	31.12.2004
	RM
Capital expenditure in respect of purchase of property, plant and equipment	
- approved and contracted for	9,287,000
- approved but not contracted for	<u>565,000</u>

11.21 CONTINGENT LIABILITY – UNSECURED

A former employee of DIS has filed a claim against DIS for a sum of approximately RM70,000.00 for liquidated damages and for general damages to be assessed by the Court pursuant to injury arising from a personal accident during working hours. The solicitors for DIS had on 9 May 2005 obtained an order from the Court to amend its defence to include Section 31 of the Employees Social Security Act 1969. Upon filing of the amended statement of defence, the solicitors of DIS will file an application to strike out the matter. Based on the legal advice, the Board of Directors are of the opinion that no provision is required as DIS has valid grounds to succeed in defending this litigation.

11.22 FINANCIAL INSTRUMENTS**(a) Interest rate risk**

The effective interest rates per annum of the financial assets and liabilities of the Proforma Group are as follows:-

	%
<u>Financial assets</u>	
Fixed deposits with licensed banks	3.00% - 3.35%
<u>Financial liabilities</u>	
Bank overdrafts	7.50% - 8.25%
Letter of credit/Trust receipt	7.50%
Revolving credits	7.50%
Hire-purchase and lease creditors	6.00% - 14.30%
Term loans	<u>7.36% - 8.47%</u>

10. ACCOUNTANTS' REPORT (Cont'd)**11. NOTES TO THE PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES (cont'd)****11.22 FINANCIAL INSTRUMENTS (cont'd)****(b) Credit risk**

The Proforma Group has no major concentration of credit risk as at 31 December 2004 except for an amount of RM4,049,870 included in trade receivables which has been outstanding and exceeded the Group's normal credit period.

In respect of the deposits, cash and bank balances placed with major financial institutions in Malaysia, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Other than as mentioned, the Group has no significant concentration of credit risk. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets in the balance sheet.

(c) Fair values

The carrying amounts of the financial assets and liabilities of the Proforma Group at the balance sheet date approximate their fair values except as set out below:-

	Carrying Amount RM	Fair Value RM
As at 31 December 2004		
Term loans	3,789,636	3,660,609
Amounts owing to Directors	<u>2,471,782</u>	<u>*</u>

* It is not practical to estimate the fair value of the amounts owing to Directors due to the absence of fixed repayment terms. The Directors do not anticipate the carrying amount to be significantly different from the values that would eventually be settled.

The following methods and assumptions are used to determine the fair value of financial instruments:-

- (i) The carrying amounts of financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.
- (ii) The fair values of term loan is estimated by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

10. ACCOUNTANTS' REPORT (Cont'd)**12. PROFORMA NET TANGIBLE ASSETS**

Based on the proforma consolidated statement of assets and liabilities of MRB Group as at 31 December 2004, the proforma net tangible assets per share is as follows:-

	2004 RM
(i) Proforma net tangible assets	
Proforma net tangible assets after the Acquisitions	51,617,059
Add: Proceeds from the Public Issue	13,000,000
Less: Estimated listing expenses	(1,600,000)
	<u>63,017,059</u>
(ii) Enlarged issued and fully paid-up share capital	No. of ordinary share of RM1.00 each
As at 31 December 2004	2
Issued pursuant to the Acquisitions	44,999,998
	<u>45,000,000</u>
To be issued pursuant to the Public Issue	10,000,000
	<u>55,000,000</u>
(iii) Proforma net tangible assets per share (RM)	<u>1.15</u>

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10. ACCOUNTANTS' REPORT (Cont'd)**13. PROFORMA CONSOLIDATED CASH FLOW STATEMENT**

The Proforma Consolidated Cash Flow Statement for the financial year ended 31 December 2004 has been prepared based on the audited financial statements of MRB, KSC, AT, TM, TP, DIS and SM after elimination of all significant inter-company balances and transactions and on the assumption that the Acquisitions has been effected as of 31 December 2004 but before the Public Issue for illustration purposes only.

	31.12.2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before tax	11,838,125
Adjustments for:-	
Allowance for doubtful debts	53,468
Allowance for doubtful debts no longer required	(852,393)
Bad debts written off	483,914
Depreciation of property, plant and equipment	7,676,842
Gain on disposal of property, plant and equipment	(1,014,595)
Interest expenses	2,125,995
Interest income	(39,324)
Property, plant and equipment written off	4,389
Operating profit before working capital changes	20,276,421
Increase in inventories	(2,982,247)
Decrease in trade receivables	5,565,653
Decrease in other receivables, deposits and prepayments	(2,364,442)
Increase in amounts owing by customers for contract works	(1,066,208)
Decrease in trade payables	(3,949,056)
Increase in other payables and accruals	(907,651)
Decrease in amounts owing to Directors	776,258
Cash generated from operations	15,348,728
Tax paid	(1,994,422)
Interest received	6,129
Interest paid	(148,597)
Net cash from operating activities	13,211,838
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment (Note 13.2)	(6,544,991)
Quarry development expenditure incurred	(1,564,606)
Interest income	17,209
Proceeds from disposal of property, plant and equipment	5,000,750
Net cash used in investing activities	(3,091,638)

10. ACCOUNTANTS' REPORT (Cont'd)**13. PROFORMA CONSOLIDATED CASH FLOW STATEMENT (cont'd)**

	31.12.2004 RM
CASH FLOWS FROM FINANCING ACTIVITIES	
Dividends paid to shareholders of the subsidiary companies	(1,512,000)
Interest paid	(1,977,398)
Interest received	15,986
Drawdown of short term borrowings	1,367,706
Repayment of term loans	(1,170,648)
Repayment of hire-purchase and lease liabilities	(4,668,259)
Placement of fixed deposits	(83,195)
Net cash used in financing activities	<u>(8,027,808)</u>
Net increase in cash and cash equivalents	2,092,392
Cash and cash equivalents at beginning of financial year	<u>(2,434,563)</u>
Cash and cash equivalents at end of financial year (Note 13.1)	<u>(342,171)</u>

13.1 CASH AND CASH EQUIVALENTS

	31.12.2004 RM
Fixed deposits with licensed banks	1,350,783
Cash and bank balances	3,796,779
Bank overdrafts	<u>(4,138,950)</u>
	1,008,612
Less: Fixed deposits pledged to licensed banks	<u>(1,350,783)</u>
	<u>(342,171)</u>

13.2 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group made the following cash payments to purchase property, plant and equipment:-

	31.12.2004 RM
Purchase of property, plant and equipment (Note 11.3)	11,250,891
Financed by hire-purchase arrangement	<u>(4,705,900)</u>
Cash payment on purchase of property, plant and equipment	<u>6,544,991</u>

10. ACCOUNTANTS' REPORT (Cont'd)



14. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

- (i) Certain subsidiary companies are currently under tax investigation by the Inland Revenue Board ("IRB"). To date, the Group has through its tax consultants held various discussions with the IRB to address their findings and the IRB has made a proposed tax settlement of RM228,000 to the MRB Group in respect of the year of assessment 1999. However, the Directors of MRB are currently considering this proposal prior to final settlement with the IRB. The Directors are of the opinion that the additional tax liability is not material to the Group. To the best knowledge of the Board, the Board is not aware of any material additional tax liability in respect of other years of assessment arising from the tax investigation as at the date of this report; and
- (ii) On 25 March 2005, the Group has subscribed for the entire share capital in Diman KS Chin Sdn Bhd ("DKSC") comprising 100 shares of RM1.00 each. DKSC is principally involved in the sales and marketing of aggregates.

15. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2004.

Yours faithfully

BDO Binder
AF : 0206
Chartered Accountants

Tan Lye Chong
1972/08/05 (J)
Partner

11. DIRECTORS' REPORT
(Prepared for inclusion in the Prospectus)



MINETECH RESOURCES BERHAD

(Company No: 575543-X)

23 June 2005

Registered Office:

C15-1, Level 15
Tower C, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Wilayah Persekutuan

The Shareholders of
Minetech Resources Berhad ("MRB" or "Company")

Dear Sir/Madam,

On behalf of the Board of Directors, I wish to report after due enquiry that between the period from 31 December 2004 (being the date to which the last audited accounts of the Company and its subsidiaries ("Group") has been made up) to hereof (being a date not earlier than 14 days before the issuance of this Prospectus), that: -

- (a) the business of the Group has, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen since to the last audited accounts of the Group which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in Section 9.5 of this Prospectus, no contingent liabilities have arisen by reason of any guarantees or indemnities given by the Company or any of its subsidiary;
- (e) the Directors are not aware, since the last audited accounts of the Group, of any default or any known event that could give rise to a default situation in respect of payments of either interest and/or principal sums in relation to any borrowings; and
- (f) there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group since the last audited accounts of the Group.

Yours faithfully,

For and on behalf of the Board of Directors
MINETECH RESOURCES BERHAD

Choy Sen @ Chin Kim Sang
Executive Chairman