

MINETECH RESOURCES BERHAD (575543-X)
(Incorporated in Malaysia)

A. NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MAR 2005

1. Basis of preparation

The interim financial reports are unaudited and have been prepared in accordance with MASB 26 – Interim Financial Reporting.

The accounting policies and methods of computation applied in the preparation of the quarterly financial statements are consistent with those previously adopted in the preparation of the audited financial statements of Minetech Resources Berhad (“MRB”) and its subsidiary companies. It should be read in conjunction with the Company and the subsidiary companies’ financial statements for the year ended 31 Dec 2004.

There were no comparative results presented as these are the first quarterly results announced by the Group in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Consolidated Condensed Financial Statements should be read in conjunction with the accompanying explanatory notes attached to the financial statements.

2. Preceding year’s audit report

The annual audited financial statements of the Company and its subsidiary companies for financial year ended 31 Dec 2004 were not subject to any qualification.

3. Seasonal or cyclical factors

The Group’s business operations and performance are not significantly affected by any seasonal or cyclical factors except during the festive season in the month of February and November. The manufacturing and trading of industrial products will experience a shorter production and trading time during these two months.

4. Unusual items affecting assets, liabilities, equity, net income & cash flows

There were no unusual items for the current financial quarter under review except for the issuance of equity as disclosed in item 6.

5. Change in accounting estimates

There were no changes in estimates used for accounting estimates which may have a material effect for the current financial quarter under review.

6. Issuance of debt and equity securities

In conjunction with the listing of and quotation for the entire issued and paid-up share capital of the 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.

(a) Acquisitions

- i. K. S. Chin Minerals Sdn. Bhd. (“KSC”)
Acquisition by MRB of the entire issued and paid up capital of KSC comprising 1,000,000 ordinary shares of RM1.00 each for a purchase 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.
- ii. Angkasa Tegas Sdn. Bhd. (“AT”)
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 purchase 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.
- iii. Tegas Marketing Sdn. Bhd. (“TM”)
Acquisition by MRB of the entire issued and paid-up share capital of TM comprising 2 ordinary shares of RM1.00 each for a purchase 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.
- iv. Tegas Premix Sdn. Bhd. (“TP”)
Acquisition by MRB of the entire issued and paid-up share capital of TP comprising 2 ordinary shares of RM1.00 each for a purchase 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.
- v. Drillman Industrial Supplies Sdn. Bhd. (“DIS”)
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 purchase 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.
- vi. Solar Media Sdn. Bhd. (“SM”)
Acquisition by MRB of the entire issued and paid-up share capital of SM comprising 2 ordinary shares of RM1.00 each for a purchase 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

The above acquisition was completed on 1 Jan 2005 and pursuant to the acquisition, the issued and paid up share capital of the Company was increased from RM2 to RM45,000,000 by allotment of 44,999,998 ordinary shares of RM1.00 each at par. The new shares rank pari-passu with the existing shares.

7. Dividend payment

There were no dividends paid during the current financial quarter.

8. Segmental reporting

	Revenue (RM'000)	PBT (RM'000)
Quarry	11,947	899
Civil Engineering	4,681	647
Sales & Marketing	3,985	38
Premix products	2,334	248
Industrial Spare parts	2,022	(11)
Others	899	(5)
Elimination	(5,895)	-
Consolidation	<u>19,973</u>	<u>1,816</u>

9. Valuation of property, plant and equipment

The valuation of property, plant and equipment has been brought forward without any amendments from the previous audited financial statements.

10. Material events not reflected in the financial statements

There were no material events subsequent to the current financial quarter ended 31 Mar 2005 that have not been reflected in the interim financial statements except for:

(a) MRB had entered into an Underwriting Agreement dated 18 April 2005 with AmMerchant Bank Berhad and AmSecurities Sdn. Bhd. whereby AmMerchant Bank Berhad and AmSecurities Sdn. Bhd. had severally but not jointly agreed to underwrite Eight Million (8,000,000) Issue Shares subject to the terms and conditions contained in the underwriting agreement for an underwriting commission of 1.5% of the issue price.

(b) Prospectus for MRB's implemented its initial public offering of 10,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.30 per share and offer for sale of 4,600,000 ordinary shares of RM1.00 each at an offer price of RM1.30 per share was issued on 30 June 2005 and the public issue shares are expected to be allotted to successful applications in July 2005.

(c) Sunway Construction S/B("SCSB"), SM and AT had entered into an agreement dated 31 Mar 2005 whereby the parties had agreed that SCSB shall sell to SM a for (4) storey shop office known as Lot No. B01, Block B, Kasturi Business plaza bearing postal address No. 15, Jalan Kasturi 1, Plaza Kasturi, Off Jalan Balakong, Batu 11, 43200 Cheras, measuring approximately 12,836 square feet for the purchase consideration of RM1,427,054.80. The parties had agreed that the purchase consideration (minus the deposit of RM5,000) shall be set-off against the monies to be paid by SCSB to AT pursuant to the letter of award dated 9 September 2002 and in the event the monies to be paid by SCSB to AT is insufficient, the balance purchase consideration shall be set off against the monies to be paid by SCSB to AT pursuant to the letter of award dated 19 July 2004. The sale of the said property is conditional upon the relevant authorities consenting to the transfer of the said property from SCSB to SM.

(d) Certain subsidiary companies are currently under tax investigation by 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 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 at the date of this announcement.

11. Changes in composition of the Group

There were no changes in the composition of the Group during the quarter under review or the financial year-to-date except the following:

- (a) acquisitions of the subsidiary companies as disclosed under Note 6 (which have been completed on 1 January 2005)
- (b) Diman KS Chin Sdn. Bhd. (“DKSC”) was incorporated as a private limited company in Malaysia under the Companies Act, 1965 on 25 Mar 2005 and recently commenced business in May 2005. DKSC is principally engaged in the sales and marketing of aggregates. The authorized share capital of DKSC is RM100,000 comprising of 100,000 shares. The issue and paid up share capital is RM100 comprising of 100 shares. DKSC is wholly owned by MRB.

12. Contingent liabilities

Save as disclosed below, MRB does not have any contingent liabilities:-

A former employee of DIS, has filed a claim against the company 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 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.

13. Capital commitments

Capital expenditure in respect of purchase of property, plant & equipment and motor vehicles:	RM'000
Approved and contracted for	9,307
Approved but not contracted for	550

14. Related party transactions

Related party transactions of the Group for the 3 months ended 31 Mar 2005 are as follow: RM'000

Directors

Rental paid to Choy Sen @ Chin Kim Sang	24
Rental paid to Low Choon Lan	3

Connected persons (mother) of Choy Sen @ Chin Kim Sang

Rental paid to Ng Soon Hee	3
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Companies in which Choy Sen @ Chin Kim Sang and Loh Yee Kwan are directors and substantial shareholders

Insurance premium paid/payable to Angkasa Risk Management Sdn Bhd	290
Management fee received/receivable from Angkasa Risk Management Sdn Bhd	3
Rental received/receivable from Angkasa Risk Management Sdn Bhd	3

<u>Companies in which Ramelle Ashram Bin Tan Sri Ramli (substantial shareholders) is director and substantial shareholder</u> Tribute paid to Kuari Sungai Perangin Sdn Bhd (subsidiary of Raz Ekuiti Sdn Bhd)	156
<u>Substantial shareholder</u> Consultancy fee paid to Ramelle Ashram Bin Tan Sri Ramli	29
<u>Former Director</u> Management, consultancy and accounting fee paid to SH Tan Management Services, a sole proprietor of a former Director, Tan Swee Huat	20

The Directors are of the opinion that all business transactions between the Group and the Directors and substantial shareholders and/or persons connected to them are on arm's length basis and on terms not more favourable to the related parties than those generally available to the public.

B. ADDITIONAL DISCLOSURES IN COMPLIANCE WITH THE BURSA SECURITIES LISTING REQUIREMENTS

15. Review of the performance of the company and its principal subsidiary

The Group achieved consolidated revenue and profit before tax of approximately RM20 million and RM1.8 million respectively for the 1st quarter of 2005. Quarry products and civil engineering works represent 60% and 23% of the total Group's revenue respectively.

16. Explanatory comments on any material change in the profit before taxation for the quarter reported on as compared with preceding quarter

There is no comparison with the corresponding quarter's results because this is the first set of quarterly consolidated results of the Group submitted in compliance with the Listing Requirements of Bursa Securities.

17. Prospects for the current financial year

Baring any unforeseen circumstances, the Board of Directors of MRB ("Board") expects the performance of the Group for the financial year ended 31 December 2005 to be favourable. The Group is also expected to benefit from the corporate exercise as stated in Note 10(b).

18. Variance of MRB Group's actual profit from forecast profit

Baring any unforeseen circumstances, the Board is confident that the Group will achieve its forecasted financial results for the financial year ended 31 December 2005 as provided in its prospectus dated 30 June 2005.

19. Taxation

	Current Quarter ended 31 Mar 2005 RM'000	Current Year to Date 31 Mar 2005 RM'000
Current year taxation	932	932
Deferred taxation	(432)	(432)
Total taxation expense	<u>500</u>	<u>500</u>

The effective tax rate of the Group for the quarter is higher than the statutory tax rate mainly due to certain expenses being disallowed for taxation purposes.

20. Sales of unquoted investments and /or properties

There were no disposal of unquoted investments and/or properties for the current quarter ended 31 Mar 2005.

21. Quoted securities

- (a) There were no purchases or disposal of quoted securities for the current financial quarter ended 31 Mar 2005.
- (b) There were no investments in quoted securities for the current financial quarter ended 31 Mar 2005.

22. Status of corporate proposals

Save as disclosed below, there were no corporate proposal announced but not completed as at the date of this announcement.

On 30 Jun 2005, the Company issued a prospectus for the public issue of 10,000,000 new ordinary shares of RM1.00 each and offer for sale of 4,600,000 ordinary shares of RM1.00 each at an issue/offer price of RM1.30 per ordinary share payable in full on application in conjunction with its listing on the Second Board of Bursa Securities. The public issue and offer for sale were over subscribed on its closing date on 12 July 2005.

The total gross proceeds of RM13,000,000 arising from the Public Issues shall accrue to the Company and will be utilised in the following manner :

	(RM'000)
Repayment of Bank Borrowings	3,500
Purchase of Plant and Equipment	4,900
Working Capital	3,000
Estimated Share Issue Expenses	1,600
Total proceeds	<u>13,000</u>

As at the end of the current quarter, shares and proceeds from the Public Issues had yet to be allotted and received and accordingly, the Company has yet to utilise the proceeds arising from the Public Issue.

23. Group borrowings

The Group's borrowings are as follows:-

	As at 31 Mar 2005 (RM'000)
Short-term borrowings-secured	
- Hire purchase	3,969
- Term loan	1,222
- Trade Financing/short term borrowings	1,890
- Bank Overdraft	6,678
Total	<u>13,759</u>
Long-term borrowing-secured	
- Hire purchase and lease creditors	8,667
- Term loan	2,273
Total	<u>10,940</u>
Grand Total	<u><u>24,699</u></u>

24. Off balance sheet financial instruments

There were no off balance sheet financial instruments at the date of this quarterly report.

25. Material litigation

Save as disclosed below, MRB Group is not engaged whether as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence which has a material effect on the financial position of the Group and the Directors do not know of any proceedings pending or threatened or any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the MRB Group:-

High Court Winding Petition No. 28-13-2002

KSC has vide its solicitors filed a petition against Khas Teguh Sdn Bhd ("Khas Teguh") in the Seremban High Court via Winding-Up Petition No. 28-13-2002. KSC is claiming for the sum of RM2,873,913.53 being outstanding fees with regards the work done for Khas Teguh. Khas Teguh has subsequently filed an application for an injunction and to strike out KSC's petition. The Court has dismissed Khas Teguh's application for the injunction and the application to strike out KSC's petition. The parties are required to file written submissions to the Court by 11 Aug 2005. The winding-up petition is also fixed for mention on 11 Aug 2005.

The solicitors for KSC are of the opinion that Khas Teguh will not be able to injunct or strike out KSC's petition

26. Dividend

No interim dividend has been declared or recommended in respect of financial quarter under review.

27. Earnings Per Share

	<u>Individual Quarter</u> Current Quarter ended 31 Mar 2005	<u>Cumulative Quarter</u> Current period YTD ended 31 Mar 2005
Basic Earning Per Share		
Net profit for the period (RM'000)	1,316	1,316
Weighted average no of ordinary share in issue ('000)	45,000	45,000
Basic Earning Per Share (sen)	2.92	2.92
Diluted Earning Per Share		
Weighted average no of ordinary share in issue ('000)	45,000	45,000
Adjustment for shares issue pursuant to the IPO ('000)	10,000	10,000
Weighted average no of ordinary share for diluted earning per share ('000)	55,000	55,000
Diluted Earning Per Share (sen)	2.39	2.39

By Order of the Board

Mah Li Chen
Kim Yi Hwa
Company Secretaries

19 July 2005