

**A. NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 SEPTEMBER 2010**

1. Basis of preparation

The interim financial reports are unaudited and have been prepared in accordance with Financial Reporting Standards (FRS) 134 - Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). It should be read in conjunction with the Group's financial statements for the year ended 31 December 2009.

These explanatory notes attached to the interim financial reports provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2009.

The accounting policies and methods of computation applied in the interim financial reports are consistent with those previously adopted in the preparation of the audited financial statements for the year ended 31 December 2009 except for the adoption of the following new Financial Reporting Standards ("FRSs") effective for the financial period beginning on 1 July 2009 and 1 January 2010.

FRS 7	Financial Instruments: Disclosure
FRS 8	Operating Segments
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement

Other than the new standards as stated above, the Group has also adopted the various amendments and interpretations to the existing standards adopted by the Group in the past.

The adoption of the above standards, amendments and interpretations do not have significant impact on the interim financial reports of the Group, other than as explained below:

a) *FRS 8: Operating Segments*

FRS 8 requires segment information to be presented on a similar basis as that used for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on that used for internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. This standard does not have any impact on the financial position and results of the Group.

b) *FRS 139:Financial Instruments: Recognition and Measurement*

FRS 139 establishes principles for recognition and measurement of financial instruments. A financial asset or a financial liability shall be recognised in its statement of financial position when, and only when, the group becomes a party to the contractual provisions of the instrument. A financial asset or a financial liability is recorded at fair value upon initial recognition plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

In accordance to the transitional provisions for first-time adoption of FRS 139, retrospective application is not permitted and any adjustment of the previous carrying amount, arising from remeasurement of the financial instruments as at 1 January 2010, shall be recognized as an adjustment of the opening balance of retained earnings or other appropriate category of reserves. Hence, comparative figures are not restated.

2. Preceding year's audit report

The annual audited financial statements for the financial year ended 31 December 2009 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 September. The manufacturing and trading of industrial products will experience a shorter production and trading time during these two (2) months.

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

There were no unusual items affecting assets, liabilities, equity, net income and cash flows during the financial year under review.

5. Change in accounting estimates

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

6. Issuance of debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter under review.

7. Dividend payment

There were no dividends paid during the current financial quarter.

8. Segmental reporting

	Current Quarter		Cumulative Quarter	
	Revenue (RM'000)	PBT (RM'000)	Revenue (RM'000)	PBT (RM'000)
Quarry Operations	16,009	(383)	52,501	(2,187)
Civil Engineering	7,659	682	22,724	2,830
Premix Products	2,116	(134)	9,657	566
Manufacturing	3,297	(184)	9,270	(652)
Others	1,930	(1,089)	5,481	(1,146)
Inter-segment elimination	(2,152)	-	(6,408)	-
Consolidation	<u>28,859</u>	<u>(1,108)</u>	<u>93,225</u>	<u>(589)</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 end of current quarter.

11. Changes in composition of the Group

There were no changes in the composition of the Group during the quarter under review.

12. Contingent liabilities

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

- a) A former employee of a subsidiary, Minetech Industries Sdn. Bhd. ("MISB") has filed a claim against MISB for a sum of approximately RM70,000.00 for liquidated damages, special and general damages to be assessed by the court pursuant to injury arising from a personal accident during working hours. The Sessions Judge had allowed the plaintiff's application to amend the Statement of Claim to state that K.S. Chin Minerals Sdn. Bhd. ("KSC") and not MISB was the former employee's employer on 3 August 2006. Hence, the application by MISB for striking out based on Sec.31 of the SOCSO Act became academic. An appeal was filed with the High Court against the Session Judges order allowing the amendment to the Statement of Claim as there is substantial evidence that MISB was the plaintiff's employer. MISB re-filed the application to strike out the plaintiff's claim based on Section 31 of the

SOCSO Act was allowed with cost by the Session Court on 23 March 2009. The effect of the decision puts an end to the plaintiff's claim.

However, the Plaintiff has filed a Notice of Motion to seek leave from the Court of Appeal ("COA") to appeal the decision of the High Court in allowing MISB's appeal against the amendment to the Statement of Claim. The COA granted leave to appeal and MISB is waiting for the appeal date from the COA. The Appellant has filed a further Motion at the COA seeking an Extension of Time to file their Record of Appeal as the COA did not grant them an automatic extension of time to file their Record of Appeal. On 6 April 2010, the COA allowed this Motion and directed them to file the Record of Appeal within 3 weeks.

The Plaintiff had also filed an appeal to the High Court against the decision of the Sessions Court in dismissing the Plaintiff's claim on 23 March 2009. The matter is now fixed for further mention on 16 November 2010 pending disposal of appeal at the Court of Appeal.

	RM'000
b) Bank guarantees issued in favour of third parties	110

13. Capital Commitments

Capital expenditure in respect of purchase of property, plant & equipment and motor vehicles:

	RM'000
Approved and contracted for	1,200
Approved but not contracted for	0

14. Related party transactions RM'000

Related party transactions of the Group for the 9 months ended 30 September 2010 are as follows:

Rental paid to Choy Sen @ Chin Kim Sang	45
Rental paid to Low Choon Lan	9
Land rental to a director related company - Choy Sen @ Chin Kim Sang	135

The Board of Directors, save for the interested directors are of the opinion that all business transactions between the Group and the interested Directors and interested substantial shareholders and/or persons connected to them are at 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's revenue for the 3rd quarter ended 30 September 2010 has reduced by 18.0% to RM28.9 million as compared to RM35.2 million in the previous year corresponding quarter. However, the Group's revenue for the 9 months ended 30 September 2010 has increased by 2.8% to RM93.2 million as compared to RM90.6 million in the previous year.

The Group suffered a loss before tax ("PBT") of RM1.1 million for the current quarter ended 30 September 2010 as compared to loss before tax ("LBT") of RM3.1 million suffered in the previous year corresponding quarter. The loss for the quarter was mainly due to the provision of loss for an oversea subsidiary. However, the Group loss before tax for the 9 months ended 30 September 2010 also reduced to RM0.6 million as compared to RM6.9 million in the previous year.

This was mainly due to the improved performance from the civil engineering division and lower operating expenses.

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

The Group's revenue for the 3rd quarter ended 30 September 2010 reduced to RM28.9 million as compared to RM32 million in preceding quarter ended 30 June 2010. This was mainly due to shorter production and trading days during the festive season.

The Group suffered a LBT of RM1.1 million for the current quarter as compared to PBT of RM0.4 million in the preceding quarter ended 30 June 2010. This was mainly due to the provision of loss for an oversea subsidiary.

17. Prospects

Subject to any unforeseen circumstances, the Board expects the Group to perform better in FY 2010 as compared to previous year.

However, the Group remains concern on the possible delay in the rolling-out of government planned projects and inflationary price pressure on oil and raw materials. We will continue to focus on operational consolidation strategies, review contract works that are not contributing to the bottom line of the Group as well as to mobilize resources within the Group for maximum utilisation.

18. Profit forecast/profit guarantee

Not applicable.

19. Tax expense

	Current Quarter ended 30 Sep 2010 RM'000	Current Quarter to Date 30 Sep 2010 RM'000
<u>Prior year</u>		
Income tax	18	18
Deferred tax	-	-

No provision for tax and deferred tax expense is recognized for the current quarter to date as the Group has sufficient unabsorbed capital allowances and unused tax losses, and unutilised reinvestment allowances to offset against the tax liabilities arose in the current quarter to date under review.

20. Sales of unquoted investments and /or properties

There were no disposal of unquoted investments and/or properties for the current financial period ended 30 September 2010:

21. Quoted securities

- a) There were no purchases or disposal of quoted securities for the current financial period ended 30 September 2010.
- b) There were no investments in quoted securities for the current financial period ended 30 September 2010.

22. Status of corporate proposals

There is no corporate proposal announced but not completed as at the date of this announcement.

23. Group borrowings

The Group's borrowings are as follows:-

	As at 30 Sep 2010 <u>Total (RM'000)</u>
<u>Current liabilities – secured</u>	
Hire purchase creditors	5,468
Term loans	5,430
Trade financing/short term borrowings	5,190
Sub total	<u>16,088</u>
<u>Current liabilities-unsecured</u>	
Bank overdrafts	1,380
Trade financing/ short term borrowings	3,236
	<u>4,616</u>
Total	<u><u>20,704</u></u>
 <u>Non-current liabilities-secured</u>	
Hire purchase creditors	8,441
Term loans	23,509
Total	<u><u>31,950</u></u>
 Grand Total	 <u><u>52,654</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:-

a) Alor Setar High Court Originating Summons No: 24-709-2006

An Originating Summons 24-709-2006 was filed at the Alor Setar High Court by Awang @ Harun bin Ismail and 6 others against the State Government of Kedah and 5 others and received by the Company's Management on 10 May 2006. The 6th Defendant in the Originating Summons is KSC. The Plaintiffs were seeking an injunction to stop the quarry works and declarations to inter-alia nullify the approvals of the Kedah State Government and other relevant authorities to carry out the quarry work. In addition, the Plaintiffs have prayed for damages for pollution and losses suffered and for the leaseholder Kemelong & Sankojaya Construction Sdn Bhd ("5th Defendant") and KSC to rectify damage caused principally to Sungai Singkir. However, all the 6 Defendants filed separate applications to strike out the Originating Summons. On 12 December 2006, the Learned Judge struck out the Originating Summons filed by the plaintiffs. The plaintiffs have filed an appeal to the Court of Appeal on 24 December 2006.

On 14 October 2008, the Court of Appeal decided that the Originating Summons should not have been dismissed on the preliminary objections. KSC and the 5th Defendant filed a Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal but leave to appeal was refused on 24 February 2009.

The matter is pending for hearing at the Alor Setar High Court. KSC and other Defendants particularly the 5th Defendant moved the High Court to decide on the issue of the Plaintiffs Locus Standi to commence this suit as they were not the registered owner or ratepayers of the land on which they purport to claim and the said land is not an adjoining land to the Quarry land as to cloth the Plaintiffs with Locus Standi to initiate this action. Nevertheless the Honourable High Court Judge on 9 November 2009 had made a decision that the

Plaintiffs have the necessary Locus Standi to pursue this action.

All the Defendants except the 3rd Defendant filed an appeal to the COA against the decision delivered on 9 November 2009. A motion was filed recently to consolidate the appeals and be heard together which was allowed by the COA on 26 January 2010.

On 6 April 2010, KSC and the 5th Defendant filed a Notice of Motion at the Court of Appeal for a Stay of Proceedings since the High Court Judge did not grant a Stay of Proceedings. On 19 April 2010, upon hearing submissions of the parties the Court of Appeal dismissed the said Notice of Motion with cost.

KSC's solicitors filed a Summons In Chambers for a Stay of Proceedings pending outcome of the appeal against the decision of 9 November 2009. On 29 March 2010, the High Court Judge dismissed the said application with cost.

On 28 September 2010, the Honourable Judge had dismissed the plaintiffs Originating Summons with cost. The Honourable Judge found that there is no issue of illegality as alleged by the Plaintiffs. The Plaintiffs have lodged an appeal to the Court of Appeal against the decision dated 28 September 2010.

b) Macronamic Sdn Bhd ("Macronamic")

MCSB has filed a claim on 24 April 2008 for work done:

- i) amount certified RM1,043,562.66
- ii) amount not certified RM2,164,885.95
- iii) Retention sum RM314,619.41

Macronamic filed a reply and a "purported" counter-claim for RM1,691,373.30 or for at least RM345,040.97 and for damages. MCSB has denied Macronamic's Counter-Claim by filing a reply to the same.

MCSB has filed the Summon in Chambers for Summary Judgment and has filed 2 affidavits, while Macronamic has filed one affidavit to oppose the Summary Judgment application.

MCSB has been notified that Macronamic is wound-up by Ann Joo Trading Sdn Bhd on 23 April 2009. MCSB's solicitors have obtained confirmation that an appeal to the Court of Appeal is lodged by Macronamic against the Winding-Up Order. The official Receiver is now required to update the High Court the status of the appeal at the COA. The matter is now fixed for further mention on 26 November 2010.

- c) Huizhou City ZhongGong HeChen Shi Ye Co., Ltd (“the Defendant”)

Minetech M.B. (Huizhou) Building Materials Ltd (“MMB”), a subsidiary company of Minetech Quarries Sdn Bhd, which is in turn a wholly-owned subsidiary of MRB, had on 16 September 2009 received a notice dated 14 September 2009 from the People’s High Court of HuiZhou Province in the People’s Republic of China, on the letter’s acceptance of a suit filed by MMB against HuiZhou City ZhongGong HeChen Shi Ye Co., Ltd (“the Defendant”) (“Suit”).

The suit relates to a lease agreement (“Lease Agreement”) between MMB with the Defendant to lease the complete factory building and land, office, equipment, machineries and all ancillary facilities for the production of Autoclaved Aerated Concrete Blocks, subject to the terms and conditions as stipulated in the Lease Agreement.

Subsequently, the Defendant could not fulfilled certain terms and conditions as stipulated in the Lease Agreement. Therefore, MMB has decided to terminate the Lease Agreement & seeking the remittance of a deposit of RMB2,000,000.00 (Chinese RenMinBi Two Million) only and compensation amounting to RMB3,300,000.00 (Chinese RenMinBi Three Million and Three Hundred Thousand) only from the defendant.

On 27 October 2009, MMB received a court notice that the Defendant had on 20 October 2009 filed to the People’s High Court of HuiZhou Province in the People’s Republic of China (“High Court”) a Counter-Suit against the Suit by MMB..

The Defendant had requested for a termination of the Lease Agreement entered into between MMB and the Defendant and had requested MMB to hand over the complete factory building and land, office, equipment, machineries and all ancillary facilities upon the terms and conditions of the lease agreement, to the Defendant immediately; The defendant also requested MMB to settle the outstanding deposit still owing of RMB1,000,000 (Chinese RenMinBi One Million) & the outstanding rental for the factory and ancillary facilities of RMB3,083,300 (Chinese RenMinBi Three Million Eighty Three Thousand and Three Hundred) only and the interest payment for the period from 1 January 2009 to 1 November 2009 of RMB1,850,000 (Chinese RenMinBi One Million Eight Hundred and Fifty Thousand) only and the subsequent rental and interest payment until the factory and ancillary facilities are being handed over back to them.

MINETECH RESOURCES BERHAD (575543-X)
Incorporated in Malaysia

The People's High Court of HuiZhou Province in the People's Republic of China has made the following decision on 17 April 2010:

1. The lease agreement dated 9 September 2008 shall be terminated accordingly;
2. The Defendant shall refund RMB2 million deposit to MMB;
3. MMB shall pay rental of RMB1,338,082 to the Defendant;
4. In view of the contra of amount in item 2 & 3 above, The Defendant shall pay MMB RMB661,918 within 10 days from the date of the court decision;
5. MMB shall bear court fee of RMB36,800; and
6. The Defendant shall bear court fee of RMB39,167.

On 6 May 2010, MMB has submitted an Appeal to the People's High Court of HuiZhou Province in the People's Republic of China against the above judgement.

However, on 25 October 2010, we have received the court judgement from the People's Intermediate Court of HuiZhou Province in the People's Republic of China. MMB shall pay full rental amounting to RMB2.23 million. The expenses have been fully provided in 3rd quarter of 2010.

26. Dividend

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

27. Earnings Per Share

	<u>Individual Quarter</u> Current Quarter ended 30 Sep 2010	<u>Cumulative Quarter</u> Current period YTD ended 30 Sep 2010
Basic Earnings Per Share		
Net profit/(loss) for the period (RM'000)	(1,090)	(571)
Weighted average no of ordinary share of RM0.20 each ('000)	302,472	302,472
Basic earnings/(loss) per share (sen)	(0.22)	0.04

- 28.** This Quarterly Results for the financial period ended 30 September 2010 has been seen and approved by the Board of Directors of MRB on 18 November 2010 for release to the Bursa Securities.

By Order of the Board
Lim Ming Toong(MAICSA 7000281)
Company Secretary
18 November 2010