

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 30 JUNE 2011**

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 2010.

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 2010.

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 2010 except for the adoption of the following new Financial Reporting Standards ("FRSs") and Amendments to FRSs which are applicable for the Group's financial period beginning 1 January 2011.

FRS 3	Business Combination (Revised)
FRS 127	Consolidation and Separate Financial Statement (revised 2010)
FRS 2	Share-based Payment
FRS 5	Non-current Assets Held For Sale and Discontinued Operations
FRS 138	Intangible Assets
FRS 7	Improving Disclosure about Financial Instruments

Other than the new standards and amendments 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 in the period of initial application.

2. Preceding year's audit report

The annual audited financial statements for the financial year ended 31 December 2010 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 August. 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	PBT	Revenue	PBT
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Quarry Operations	20,062	49	37,478	288
Civil Engineering	6,699	333	12,301	749
Premix Products	3,064	(146)	4,158	(854)
Manufacturing	2,550	(46)	5,349	(114)
Others	1,527	(134)	3,017	(299)
Inter-segment elimination	(1,967)	-	(3,778)	-
Consolidation	<u>31,935</u>	<u>56</u>	<u>58,525</u>	<u>(230)</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 the reporting period which is likely to substantially affect the results of the operations of the Group other than the following:

(a) On 27 January 2011, K.S. Chin Minerals Sdn. Bhd. ("KSC") served a notice of termination to Batu Ayer Granite Pte. Ltd. ("BAG"), the quarry owner to terminate the Karimun Quarry Agreement and Asset Purchase Agreement both dated 14 December 2006 ("Agreements") and to claim for the refund and compensation amounting to RM10,292,422 (SGD4,313,853). On 23 February 2011, KSC received a written reply from BAG, requesting KSC to withdraw the letter of termination and allow an extension up to end of 2011 in order for them to pursue the quarry permit. The Karimun quarry permit was issued by Gubernur of Riau in 1998 and subsequently renewed and issued by Bupati Karimun in 2005. However, the Ministry of Forestry of Indonesia has suspended the quarry operations since November 2007 pending the approval of the Master Plan of Riau Province.

Subsequently, on 6 April 2011, BAG sent in a letter requesting KSC to settle the outstanding balance of the assets purchase consideration and other balances owing to BAG amounting to RM7,135,595 (SGD2,990,735), of which RM6,929,692 (SGD2,904,435) has been taken up in the books of KSC. KSC replied on 18 April 2011 mentioning that KSC does not admit the claim and is prepared to meet BAG's request to extend the time period until end of 2011 for BAG to pursue the quarry permit.

As at 31 December 2010, the net assets of the Group relating to this quarry amounted to RM5,168,806 (SGD2,166,396). The Directors are unable to estimate the fair value of these assets due to the following uncertainties:

(i) the quarry may resume operation as BAG's written reply stated that the approval of the whole Master Plan of Riau Province will be obtained in approximately 6 months time after it is rezoned and gazetted;

(ii) based on the provisions in the Agreements, KSC has served a notice of termination to BAG to claim for the refund and compensation amounting to RM10,292,422 (SGD4,313,853) if the Agreement is terminated. The amount claimed is sufficient to cover the carrying amount of the Group's net assets relating to the quarry;

(iii) both KSC and BAG are still in the middle of negotiations for a settlement. This matter has not yet been finalised as at the date of authorisation of these quarterly results.

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 on 5 January 2011 dismissed the said Appeal and disallowed the amendments since the same is not bona fide (i.e. not done in good faith) and the amendment denies MISB the statutory defence provided by Section 31 of the SESCO Act.

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 High Court heard this Appeal on 10 January 2011, however the Learned Judge was not in agreement with MISB's Solicitors that the matter can be dismissed pursuant to S.31 of the SOCSO Act. The Learned Judge allowed the appeal which means that this matter will now be litigated at the Sessions Court.

MISB's Solicitors on 2 February 2011 filed the Notice of Motion to seek leave of the COA for leave to appeal against the decision of the High Court delivered on 10 January 2011. Pursuant to the Motion being filed MISB's solicitors filed for a Stay of Proceedings at the Sessions Court. The Stay of Proceedings was heard on 20 July 2011 and the Sessions

Court Judge dismissed the said application. The Trial of the matter was fixed on 26 July 2011 at the Sessions Court.

The Court of Appeal on 22 July 2011 heard oral submissions of solicitors and allowed MISB's solicitors motion for leave to appeal to the Court of Appeal i.e. against the decision of the High Court made on 10 January 2011. MISB's solicitors have filed the Notice of Appeal and are currently preparing the Record Appeal.

In view of the decision of the Court of Appeal made on 22 July 2011 we filed the Notice of Appeal, Record of Appeal and the Summons in Chambers for Stay of Proceedings at the Sessions Court pending disposal of the appeal at the Court of Appeal with a Certificate of Urgency. The matter was heard on 26 July 2011 and after hearing submissions of solicitors the Honourable Judge granted a Stay of Proceedings of the Sessions Court trial pending disposal of the appeal at the Court of Appeal.

	RM'000
b) Bank guarantees issued in favour of third parties	1,523

13. Capital Commitments

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

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

14. Related party transactions RM'000

Related party transactions of the Group for the 3 months ended 30 June 2011 are as follows:

Rental paid to Choy Sen @ Chin Kim Sang	30
Rental paid to Low Choon Lan	6
Land rental paid to a director related company - Choy Sen @ Chin Kim Sang	90

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 2nd quarter ended 30 June 2011 was RM31.935 million as compared to RM31.951 million in the previous year corresponding quarter.

The Group recorded a profit before tax ("PBT") of RM 56,000 for the current quarter ended 30 June 2011 as compared to PBT of RM400,000 in the previous year corresponding quarter. Lower profit for the quarter was mainly due to higher other income in the previous year corresponding quarter.

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 2nd quarter ended 30 June 2011 increased by 20% to RM31.9 million as compared to RM26.6 million in preceding quarter ended 31 March 2011. This was mainly due to improved revenue from quarry, premix and civil engineering division.

The Group recorded a PBT of RM56,000 for the current quarter as compared to loss before tax of RM286,000 in the preceding quarter ended 31 March 2011. This was mainly due to improved revenue in the current quarter.

17. Prospects

The Malaysian economy is expected to grow in 2011. We foresee the demand will be improving in the coming months with the Government's implementation of Economic Transformation Programme which focuses on 12 New Key Economic Areas of growth which have a positive effect on the Malaysian Economy. The notable new projects, namely The Mass Rapid Transit, Kuantan Port expansion and West coast highway augur well for the Group.

Barring from any unforeseen circumstances, the Board is optimistic that the Group will continue to contribute positively for FY2011.

However, the Group remains concern on the competitive business environment and inflationary price pressure on oil and raw materials. We will continue to focus on operational consolidation strategies, review contract works as well as to mobilize resources within the Group to enhance the future earnings of the Group.

18. Realised and unrealised profit/losses

Bursa Malaysia Securities Berhad has on 25 March 2010 and 20 December 2010 issued directives requiring all listed issuers to disclose a breakdown of unappropriated profits or accumulated losses into realised and unrealised profits or losses in quarterly reports and annual audited financial statements based on the Guidance on Special Matter no.1 issued by Malaysian Institute of Accountants on 20 December 2010.

The breakdown of the retained profits/(accumulated losses) of the Group are as follows:

	Accumulated quarter ended 30.6.2011 (RM'000)	Accumulated quarter ended 31.12.2010 (RM'000)
Total retained profit/ (accumulated losses) of the Company and its subsidiaries:		
Realised	2,682	2,882
Unrealised	(5,971)	(5,991)
Total Group accumulated losses	(3,289)	(3,109)

19. Profit forecast/profit guarantee

Not applicable.

20. Tax expense

	Current Quarter ended 30 June 2011 RM'000	Current Quarter to Date 30 June 2011 RM'000
<u>Current tax</u> <u>expense</u>		
Income tax	11	11
Deferred tax	-	-
<u>Under/(Over)</u> <u>provision in</u> <u>Prior year</u>		
Income tax	(16)	(16)
Deferred tax	-	-

The Malaysia income tax is calculated at statutory rate of 25% of the estimated taxable profit for the fiscal year.

21. Sales of unquoted investments and /or properties

There were no disposal of unquoted investments and/or properties for the current financial period ended 30 June 2011.

22. Quoted securities

- a) There were no purchases or disposal of quoted securities for the current financial period ended 30 June 2011.
- b) There were no investments in quoted securities for the current financial period ended 30 June 2011.

23. Status of corporate proposals

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

24. Group borrowings

The Group's borrowings are as follows:-

	As at 30 June 2011
<u>Current liabilities – secured</u>	<u>Total (RM'000)</u>
Hire purchase creditors	5,870
Term loans	6,496
Trade financing/short term borrowings	1,964
Sub total	<u>14,330</u>
<u>Current liabilities-unsecured</u>	
Bank overdrafts	-
Trade financing/ short term borrowings	7,445
	<u>7,445</u>
Total	<u>21,775</u>
<u>Non-current liabilities-secured</u>	
Hire purchase creditors	7,071
Term loans	17,931
Total	<u>25,002</u>
Grand Total	<u>46,777</u>

25. Off balance sheet financial instruments

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

26. 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:-

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

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Incorporated in Malaysia

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.

The appeal against the decision dated 9 November 2009 and the appeal against the decision dated 28 September is now fixed for Case Management on 20 September 2011 at the Court of Appeal.

27. Dividend

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

28. Earnings Per Share

	<u>Individual Quarter</u> Current Quarter ended 30 June 2011	<u>Cumulative Quarter</u> Current period YTD ended 30 June 2011
Basic Earnings Per Share		
Net profit/(loss) for the period (RM'000)	74	(180)
Weighted average no of ordinary share of RM0.20 each ('000)	302,472	302,472
Basic earning/(loss) per share (sen)	0.02	(0.06)

29. This Quarterly Results for the financial period ended 30 June 2011 has been seen and approved by the Board of Directors of MRB on 25 August 2011 for release to the Bursa Securities.

By Order of the Board
Lim Ming Toong(MAICSA 7000281)
Company Secretary
25 August 2011