

**NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE QUARTER ENDED 31 MARCH 2012**

1. Basis of preparation

The interim financial reports are unaudited and have been prepared in accordance with MFRS 134: - Interim Financial Reporting issued by the Malaysia Accounting Standards Board ("MASB") 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 2011.

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 2011.

The new Malaysian Financial Reporting Standards ("MFRS") framework which is in line with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). This MFRS is effective for annual periods beginning on or after 1 January 2012.

2. Adoption of Revised Financial Reporting Standards

The adoption of the above standards, amendments and interpretations did not have any significant impact on the interim financial reports of the Group in the period of initial application.

The following MFRSs and IC Interpretations were issued but not yet effective and have not been applied by the Group:

		<u>Effective date</u>
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value measurement	1 January 2013
MFRS 119	Employee Benefits (as amended in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS101	Presentation of items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

3. Preceding year's audit report

The annual audited financial statements for the financial year ended 31 December 2011 were not subject to any qualification.

4. 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.

5. 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 current quarter under review.

6. 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.

7. 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.

8. Dividend payment

There were no dividends paid during the current financial quarter.

9. Segmental reporting

	Current Quarter		Cumulative Quarter	
	Revenue (RM'000)	PBT (RM'000)	Revenue (RM'000)	PBT (RM'000)
Quarry products	19,998	185	19,998	185
Civil engineering	4,278	(127)	4,278	(127)
Premix products	2,480	(687)	2,480	(687)
Bituminous products	5,641	375	5,641	375
Others	1,980	(205)	1,980	(205)
Inter-segment elimination	(2,264)	-	(2,264)	-
Consolidation	<u>32,113</u>	<u>(459)</u>	<u>32,113</u>	<u>(459)</u>

10. 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.

11. 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.

Bupati Karimun had via a letter dated 14 February 2012 mentioned that after taking into consideration the results of studies by the Kepala Dinas Pertanian dan Kehutanan Kabupaten Karimun (Agriculture and Forestry Office of the District of Karimun), it supports the investment in principle and may issue the quarry permit subject to the execution of certain statues to change the status (rezone) of the area from forest reserve land to quarry land.

As at 31 December 2011, the net assets of the Group relating to this quarry amounted to RM4,430,053 (SGD1,813,588). The Directors are of the opinion there is no impairment on the Group’s net assets relating to the quarry due to the following reasons:

- (i) the quarry may resume operation as BAG’s written correspondence date 23 February 2011 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; Bupati Karimun had indicated that it may issue the quarry permit subject to the execution of the change of the status of the forest reserve land for other use to facilitate quarry production;
- (ii) based on the provisions in the Agreements, KSC had on 27 January 2011 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; and
- (iii) both KSC and BAG are still in the middle of negotiations for a settlement but have agreed for an extension of the time period for BAG to pursue the quarry permit.

12. Changes in composition of the Group

There were no changes in the composition of the Group during the quarter under review except for Minetech Quarries Sdn. Bhd. ("MQSB") disposed 2 ordinary shares of RM1.00 each held in the capital of Minetech Quarries Sabah Sdn. Bhd. to Minetech Premix Sdn. Bhd. ("MPSB") for a total consideration of RM2.00 on 23rd February 2012. Both MQSB and MPSB are wholly owned subsidiary companies of Minetech Resources Berhad.

13. 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 Section 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 SOCSO 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 Section 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 the Record Appeal. MISB's

solicitors are currently awaiting for a hearing date for the said appeal from the Court of Appeal. The hearing of the Appeal is now fixed on 23 February 2012.

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.

The Court of Appeal heard MISB's appeal (in respect of the decision of the High Court dated 10 January 2011) on 23 February 2012 and allowed MISB's appeal to be struck off the Plaintiff's claim.

The decision of the High Court above was notified to the Sessions Court and in 5 April 2012 the file was closed i.e. the Plaintiff's claim is struck off.

	RM'000
b) Bank guarantees issued in favour of third parties	971

14. Capital Commitments

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

	RM'000
Approved and contracted for	4,755
Approved but not contracted for	2,500

15. Related party transactions

Related party transactions of the Group for the year ended 31 March 2012 are as follows:

	RM'000
Rental paid to Choy Sen @ Chin Kim Sang	40
Rental paid to Low Choon Lan	13
Land rental paid to a director related company - Choy Sen @ Chin Kim Sang	45

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

16. Review of the performance of the Company and its principal Subsidiary

The Group's revenue for the 1st quarter ended 31 March 2012 has increased by 21% to RM32.1 million as compared to RM26.5 million in the previous year corresponding quarter. This was mainly due to the growth in revenue from the Quarry, Premix and Bituminous divisions. The revenue for Bituminous division has

increased to RM5.6 million as compared to RM2.8 million in the previous year corresponding quarter.

The Group suffered a loss before tax (“LBT”) of RM456k for the current quarter ended 31 March 2012 as compared to LBT of RM286k in the previous year corresponding quarter. This was mainly due to lower margins from Civil Engineering as most of the projects completed in year 2011.

17. 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 1st quarter ended 31 March 2012 increased marginally RM32.1 million as compared to RM31.4 million in preceding quarter ended 31 December 2011.

However, the Group suffered a LBT of RM456k for the current quarter as compared to PBT tax of RM955k in the preceding quarter ended 31 December 2011. This was mainly due to lower margins from the Quarry and Premix division

18. Prospects

For FY2012, the global economic outlook remains fluid. The construction sector in Malaysia is still very much domestic driven and expected to grow 7%. The major driver for growth is the government’s Economic Transformation Program (ETP). The projects identified include Mass Rapid Transport (MRT), East Coast Highway and West Coast Highway etc. The projects augur well with the Group’s business.

Barring from any unforeseen circumstances, the Board is optimistic that the Group will contribute positively for FY2012.

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.

19. Realised and unrealised profit/losses

Bursa Malaysia Securities Berhad has on 25 March 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.

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

	Accumulated quarter ended 31.03.2012 (RM'000)	Accumulated quarter ended 31.12.2011 (RM'000)
Total retained profit/ (accumulated losses) of the Company and its subsidiaries:		
Realised	3,376	4,017
Unrealised	(5,971)	(5,971)
Total Group accumulated losses	(2,595)	(1,953)

20. Profit forecast/profit guarantee

Not applicable.

21. Tax expense

No provision for tax and deferred tax expense is recognized for the current quarter 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 under review.

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 31 Mar 2012 Total (RM'000)
<u>Current liabilities – secured</u>	
Hire purchase creditors	5,473
Term loans	7,183
Trade financing/short term borrowings	796
Sub total	13,452
<u>Current liabilities-unsecured</u>	
Trade financing/short term borrowings	8,050
Total	21,502
<u>Non-current liabilities-secured</u>	
Hire purchase creditors	4,930
Term loans	12,317
Total	17,247
Grand Total	38,749

24. 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 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 2010, was fixed for hearing on 7 May 2012 and

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is now fixed for continued hearing on 29 June 2012 since the Honourable Judges of the Court of Appeal require clarification from the High Court Judge in respect of the decision made on 28 September 2010.

25. Dividend

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

26. Earnings Per Share

	<u>Individual Quarter</u> Current Quarter ended 31 Mar 2012	<u>Cumulative Quarter</u> Current period YTD ended 31 Mar 2012
Basic Earnings Per Share		
Net loss for the period (RM'000)	(642)	(642)
Weighted average no of ordinary share of RM0.20 each ('000)	302,472	302,472
Basic loss per share (sen)	(0.21)	(0.21)

The Group has no dilution in its earnings per ordinary share in the current quarter and the preceding year as there are no dilutive potential ordinary shares.

27. This Quarterly Results for the financial period ended 31 March 2012 has been seen and approved by the Board of Directors of MRB on 30 May 2012 for release to the Bursa Securities.

By Order of the Board
Pang Chia Tyng (MAICSA 7034545)
Company Secretary
30 May 2012