

MINETECH RESOURCES BERHAD (575543-X)

(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS**Condensed Consolidated Statement Of Comprehensive Income****For the First Quarter Ended 31 March 2013****(The figures have not been audited)**

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter ended 31 Mar 2013 RM'000	Preceding Year Corr. Quarter ended 31 Mar 2012 RM'000	Current Year To Date ended 31 Mar 2013 RM'000	Preceding Year Corr. Period ended 31 Mar 2012 RM'000
Revenue	45,238	32,113	45,238	32,113
Cost of sales	(40,355)	(29,458)	(40,355)	(29,458)
Gross profit	4,883	2,655	4,883	2,655
Other operating income	133	25	133	25
Administrative expenses	(2,554)	(2,219)	(2,554)	(2,219)
Selling and marketing expenses	(247)	(172)	(247)	(172)
Finance costs	(595)	(748)	(595)	(748)
Profit/(Loss) before tax	1,620	(459)	1,620	(459)
Tax expense	-	-	-	-
Profit/(Loss) for the period	1,620	(459)	1,620	(459)
Other comprehensive income				
Foreign currency translation differences	40	21	40	21
Total comprehensive income	1,660	(438)	1,660	(438)
Profit attributable to:				
Owners of the company	1,178	(642)	1,178	(642)
Non-controlling interests	442	183	442	183
	1,620	(459)	1,620	(459)
Comprehensive income attributable to:				
Owners of the company	1,219	(626)	1,219	(626)
Non-controlling interests	441	188	441	188
	1,660	(438)	1,660	(438)
Earning per share (sen)				
- Basic	0.39	(0.21)	0.39	(0.21)
- Diluted	N/A	N/A	N/A	N/A

N/A - Not Applicable

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and the audited financial statements for financial year ended 31 December 2012.

MINETECH RESOURCES BERHAD (575543-X)

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INTERIM FINANCIAL STATEMENTS**Condensed Consolidated Statement Of Financial Position**

As at 31 March 2013

	Unaudited As At 31 Mar 2013 RM'000	Audited As At 31 Dec 2012 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	49,798	51,048
Investment properties	1,657	1,658
Quarry development expenditure	10,140	10,595
Goodwill arising on consolidation	3	3
	<u>61,598</u>	<u>63,305</u>
Current assets		
Inventories	11,797	11,597
Trade and other receivables	43,007	47,663
Current tax asset	191	196
Cash and bank balances	7,384	7,494
	<u>62,379</u>	<u>66,950</u>
TOTAL ASSETS	<u>123,977</u>	<u>130,255</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Group		
Share capital	60,494	60,494
Less:- Treasury shares, at cost	(48)	(48)
Reserves	(7,789)	(9,008)
	<u>52,657</u>	<u>51,439</u>
Non-controlling interests	1,270	829
Total equity	<u>53,927</u>	<u>52,268</u>
Non-current liabilities		
Borrowings	9,729	12,262
Deferred tax liabilities	6,133	6,133
	<u>15,862</u>	<u>18,395</u>
Current liabilities		
Trade and other payables	32,661	36,823
Borrowings	21,527	22,765
Taxation	-	4
	<u>54,188</u>	<u>59,592</u>
Total liabilities	<u>70,050</u>	<u>77,988</u>
TOTAL EQUITY AND LIABILITIES	<u>123,977</u>	<u>130,255</u>
Net assets per share (RM)	0.178	0.173

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and the audited financial statements for financial year ended 31 December 2012.

MINETECH RESOURCES BERHAD (575543-X)

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INTERIM FINANCIAL STATEMENTS**Condensed Consolidated Statements of Changes in Equity**

For the First Quarter Ended 31 Mar 2013

(The figures have not been audited)

	----- Attributable to equity holders of the parent -----							
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Forex Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interest RM'000	Total Equity RM'000
At 1 Jan 2012	60,494	1,921	(48)	(22)	(1,953)	60,392	225	60,617
Total comprehensive income	-	-	-	16	(642)	(626)	188	(438)
Balance as at 31 Mar 2012	<u>60,494</u>	<u>1,921</u>	<u>(48)</u>	<u>(6)</u>	<u>(2,595)</u>	<u>59,766</u>	<u>413</u>	<u>60,179</u>
At 1 Jan 2013	60,494	1,921	(48)	225	(11,154)	51,438	829	52,267
Total comprehensive income	-	-	-	41	1,178	1,219	441	1,660
Balance as at 31 Mar 2013	<u>60,494</u>	<u>1,921</u>	<u>(48)</u>	<u>266</u>	<u>(9,976)</u>	<u>52,657</u>	<u>1,270</u>	<u>53,927</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and the audited financial statements for financial year ended 31 December 2012.

MINETECH RESOURCES BERHAD (575543-X)

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INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Statement Of Cash Flows

For the First Quarter Ended 31 March 2013

(The figures have not been audited)

	Current Year To Date ended 31 Mar 2013 RM'000	Preceding Year To Date ended 31 Mar 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,620	(459)
Adjustments for:-		
Depreciation and amortisation	2,208	2,364
Gain on disposal of PPE	(49)	-
Interest expenses	535	688
Interest income	(12)	-
Other non-cash items	-	(96)
Operating profit before changes in working capital	4,302	2,497
Changes in working capital		
(Increase)/Decrease in inventories	(200)	-
Decrease in current assets	4,657	3,044
Decrease in current liabilities	(4,162)	(1,008)
Net cash flow from operations	4,597	4,533
(Tax refunded)/ Tax paid	5	(3)
Interest paid	(114)	(107)
Net cash flow from operating activities	4,488	4,423
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(558)	(823)
Proceeds from disposal of property, plant & equipment	-	204
Proceeds from disposal of investment properties	105	-
Quarry development expenditure incurred	(1,122)	-
Net cash flow (used in)/ generated from investing activities	(1,575)	(619)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(421)	(581)
Interest received	12	21
Net Drawdown/ (Repayment) of short term borrowings	(1,108)	(777)
Repayment of term loans	(1,924)	(1,616)
Repayment of hire-purchase and lease creditors	(1,387)	(1,741)
Net cash flow used in financing activities	(4,828)	(4,694)
Net Change in Cash & Cash Equivalents	(1,915)	(890)
Cash and Cash Equivalents at beginning of period	7,231	8,651
Effect on foreign exchange rate changes	1,157	27
Cash and Cash Equivalents at end of period	6,473	7,788
	Note	
Note	RM'000	RM'000
Fixed deposit with licensed banks	3,618	2,837
Cash and bank balances	3,766	4,951
Bank overdrafts	(911)	-
	6,473	7,788
Less: Fixed deposits pledged to a licensed bank	-	-
	6,473	7,788

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and the audited financial statements and the audited financial statements for financial year ended 31 December 2012.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

A. EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD 134 (FRS 134): INTERIM FINANCIAL REPORTING

1. Basis of preparation

The interim financial statements 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 audited financial statements of the Group for the financial year ended 31 December 2012.

These explanatory notes attached to the interim financial reports provide an explanation of events and transactions 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 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 MFRs 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 Jan 2015
MFRS 10	Consolidated Financial Statements	1 Jan 2013
MFRS 11	Joint Arrangements	1 Jan 2013
MFRS 12	Disclosure of Interests in Other Entities	1 Jan 2013
MFRS 13	Fair Value measurement	1 Jan 2013
MFRS 119	Employee Benefits (as amended in June 2011)	1 Jan 2013
MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)	1 Jan 2013
MFRS 128	Investments in Associates and Joint Ventures (As Amended by IASB in May 2011)	1 Jan 2013
Amendments to MFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities	1 Jan 2013
Amendments to MFRS 101	Presentation of items of Other Comprehensive Income	1 Jan 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 Jan 2014
IC interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 Jan 2013

3. Preceding year's audit report

The annual audited financial statements for the financial year ended 31 December 2012 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 other than the following:

Optimis Dinamik Sdn Bhd ("ODSB"), a wholly owned subsidiary of MRB Group, received a letter dated 20 December 2012 from Sri Manjung Granite Quarry Sdn Bhd ("SMGQ"), the owner of quarry sites located at Mukim Pengkalan Baru, Daerah Manjung, Perak ("Quarry Site") on 24 December 2012, giving 60 days' notice to cease any remaining operation or activity on the Quarry Site and to dismantle and remove all plant and machinery and vacate all buildings and structures at the Quarry Sites and return the Quarry Sites to SMGQ.

Based on the advice given by our legal counsels, we are strongly contesting the purported termination as it is wrongful and without any valid basis.

ODSB has served the Writ of Summons to SMGQ on 1 April 2013. Details of which please refer to Note 24 of this report.

The notice of demand of estimated losses was derived upon the estimated loss of profit of the remaining 9 years of the Agreement and the net book value of the Fixed Assets for Manjung Quarry.

As at 31 March 2013, the Quarry Development Expenditure capitalised is RM2,097,249. Should the quarry operations be terminated permanently, this amount shall be written off.

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.

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9. Segmental information

Operating Segment	Revenue		Operating Results	
	3 months ended 31 Mar 2013 RM'000	3 months ended 31 Mar 2012 RM'000	3 months ended 31 Mar 2013 RM'000	3 months ended 31 Mar 2012 RM'000
Quarry Products	14,266	19,998	(1,127)	656
Civil Engineering	12,170	4,278	1,125	47
Premix Products	8,679	2,480	532	(642)
Bituminous Products	10,640	5,641	1,495	430
Others	1,252	1,980	421	141
Eliminations	(1,769)	(2,264)	(231)	(343)
Group	<u>45,238</u>	<u>32,113</u>	2,215	(289)
Less: Finance Cost			(595)	(748)
Profit Before Tax			<u>1,620</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.

12. Changes in composition of the Group

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

13. Contingent liabilities

The changes in contingent liabilities are as follows:

	As at 31 Mar 2013 RM'000	As at 31 Mar 2012 RM'000
Bank guarantee issued in favour of third parties by certain subsidiaries	3,328	971

14. Capital commitments

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

	As at 31 Mar 2013 RM'000	As at 31 Mar 2012 RM'000
Approved and contracted for	3,211	4,755
Approved but not contracted for	195	2,500
	<u>3,406</u>	<u>7,255</u>

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15. Related party transactions

	As at 31 Mar 2013 RM'000	As at 31 Mar 2012 RM'000
Rental paid to Choy Sen @ Chin Kim Sang	40	40
Rental paid to Low Choon Lan	13	13
Land rental paid to a director related company - Choy Sen @ Chin Kim Sang	45	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 2013 has increased by 40.9% to RM45.2 million as compared to RM32.1 million in the previous year corresponding quarter. This was mainly due to the growth in revenue from Premix Products, Bituminous Products and Civil Engineering segments.

The Group recorded a profit before tax ("PBT") of RM1.6 million for the current quarter ended 31 March 2013 as compared to loss before tax ("LBT") of RM459k in the previous year corresponding quarter. This significant increase mainly in tandem to increase revenue from its Premix Products and Civil Engineering coupled with improved margin for its Bituminous Products segment.

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 2013 decreased marginally to RM45.2 million as compared to RM48.8 million in preceding quarter ended 31 December 2012.

The Group recorded a PBT of RM1.6 million for the current quarter as compared to LBT of RM3.7 million in the preceding quarter ended 31 December 2012. The preceding quarter LBT was mainly due to the recognition of loss for the net assets of Karimun Quarry from Quarry Products segment.

18. Prospects

Going forward, the Group will continue with its on-going expansion plan to collaborate with other industry expert to improve the existing asphalt products and to expand the range of asphalt products to other regions in Malaysia and other countries.

The Group has been actively participating in the tendering of projects in Malaysia to further improve its revenue and earnings base.

The Group expects growth to be sustained for the financial year ending 2013 on the back of its remaining jobs in hand and more projects to be rolled out under the on-going implementation of infrastructure project from the Government's Economic Transformation Programme (ETP) throughout Malaysia.

While there is still instability in the euro zone and volatility of global raw material prices as well as bitumen prices continue to pose as a challenge to the Group's profitability, the Board remains cautiously optimistic of achieving a favourable set of results in 2013, barring any unforeseen circumstances.

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19. Realised and unrealised profits/losses

The breakdown of the accumulated losses of the Group is as follows:

	As at 31 Mar 2013 RM'000	As at 31 Dec 2012 RM'000
Total accumulated losses of the Company and its subsidiaries		
Realised	(4,107)	(5,236)
Unrealised	<u>(5,869)</u>	<u>(5,918)</u>
Total Group accumulated losses	<u>(9,976)</u>	<u>(11,154)</u>

20. Profit forecast/profit guarantee

Not applicable.

21. Tax expense

No deferred tax expense and provision for tax is recognised 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 except for the following:

On 10 May 2013, TA Securities Holdings Berhad ("TA Securities") on behalf of the Board, announced that Minetech Resources Berhad ("MRB") proposed to undertake a proposed private placement of up to 30,218,000 new ordinary shares of RM0.20 each in MRB, representing not more than 10% of the issued and paid-up share capital of the Company (excluding treasury shares) ("Proposed Private Placement"). The proceeds to be raised from the Proposed Private Placement shall be utilised to finance the leasing, development, operation and maintenance of potential new quarry site(s).

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23. Group borrowings

The Group's borrowings are as follows:-

	As at 31 Mar 2013 RM'000	As at 31 Dec 2012 RM'000
<u>Current liabilities- secured</u>		
Hire purchase creditors	3,376	3,940
Term loans	7,900	8,114
Trade financing/short term borrowings	1,233	1,448
<u>Current liabilities- unsecured</u>		
Trade financing/short term borrowings	9,017	9,263
<u>Non-current liabilities- secured</u>		
Hire purchase creditors	5,307	6,130
Term loans	4,423	6,132
Total borrowings	31,256	35,027

24. Material litigation

The Group is not engaged in any material litigation as at the date of this report other than the following:

Status update on the Writ of Summons dated 1 April 2013 served by the Company's wholly owned subsidiary, Optimis Dinamik Sdn Bhd ("ODSB") to Sri Manjung Granite Quarry Sdn Bhd ("SMGQ"):-

On 1 April 2013, the Company through its Advocates, Messrs CK Oon & Co. served on the Defendant, Sri Manjung Granite Quarry Sdn Bhd, through its Advocates, Messrs Gan Partnership, and submitted to the Arbitrator and the High Court of Kuala Lumpur, Commercial Division for Arbitration its Statement of Claim for the sum of RM43,397,367 being the loss of profit calculated from 2013 to 2021 and sum of RM14,818,447 being the NBV for fixed assets.

The learned judge has fixed the Case Management on 16 April 2013.

On 16 April 2013, the Company has been served a Defence and Counterclaim by the Defendant, SMGQ. The Defendant contends that the Company violated the conditions of license by the Forest Office by using lorries with unregistered sub-licenses and gave the Company a period of 60 days to vacate the quarry and return the quarry to the Defendant via Defendant's solicitors' letter dated 20 Dec 2012. In addition, the Defendant counter claim for the tribute of RM256,300.24 for the months of October and November 2012, respectively for RM169,095.35 and RM87,204.89 and the forwarding agency fee for materials shipped to Singapore for the months of September, October and November 2012 in the sum of RM24,623.50.

The learned judge has fixed another Case Management on 15 May 2013.

The legal opinion given by the Company's lawyers is that the Defendant's termination is unlawful and the claim is without basis.

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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 Year Quarter ended 31 Mar 2013	<u>Cumulative Quarter</u> Current Year To Date ended 31 Mar 2013
Net Profit attributable to the owners of the company (RM'000)	1,178	1,178
Weighted average number of ordinary share of RM0.20 each ('000)	302,472	302,472
Basic earnings per share (sen)	0.39	0.39

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. Authorised for issue

The interim financial statements for financial period ended 31 March 2013 has been seen and approved by the Board of Directors of MRB on 17 May 2013 for release to the Bursa Securities.

By Order of the Board
Soo Shiow Fang (MAICSA 7044946)
Company Secretary
17 May 2013