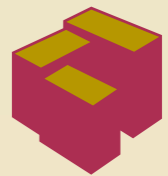


ANNUAL REPORT 2005



Minetech Resources Berhad

(Company No. 575543-X)

(Incorporated in Malaysia under the Companies Act, 1965)



ANNUAL REPORT 2005

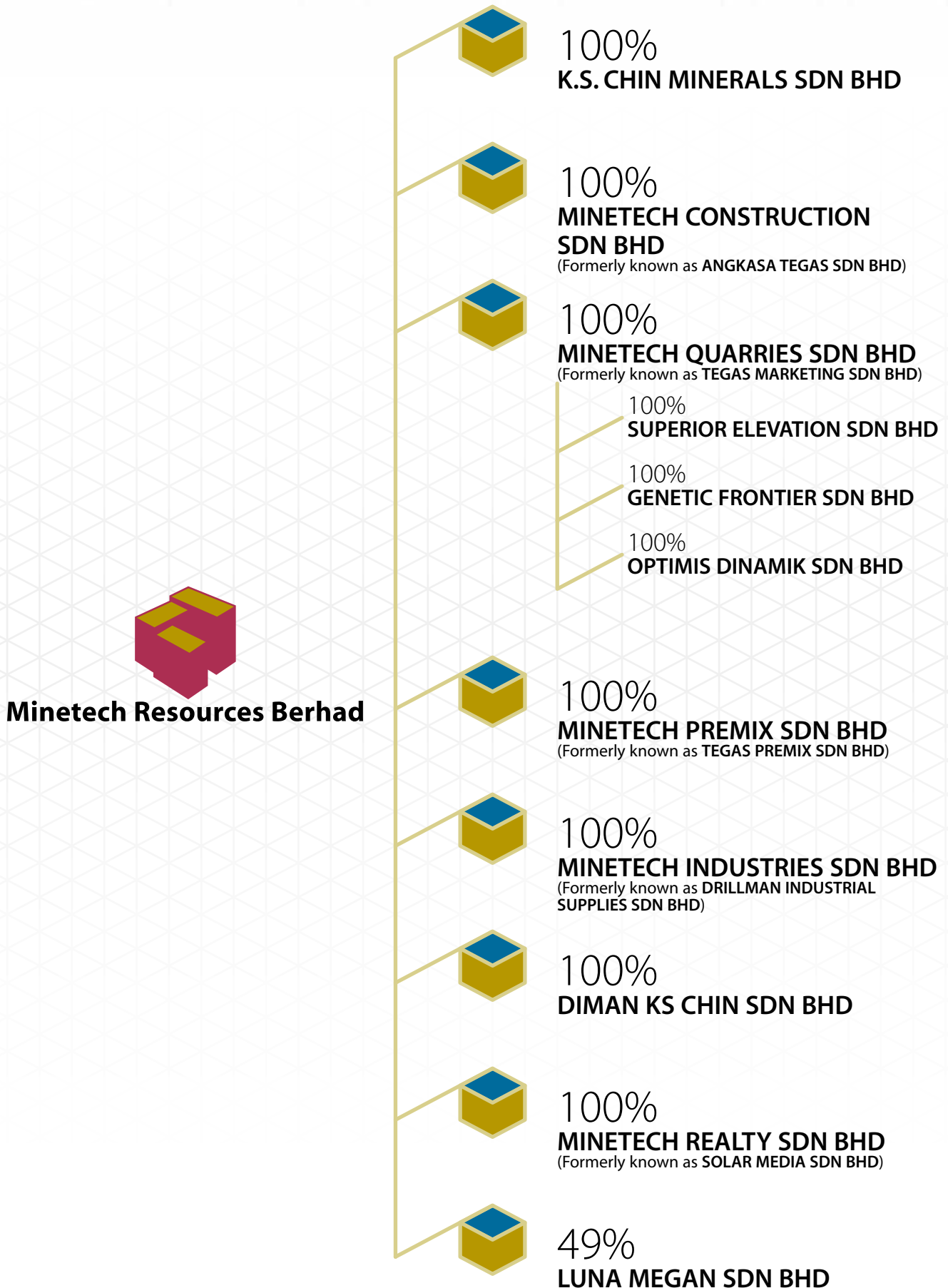
MINETECH RESOURCES BERHAD 575543-X



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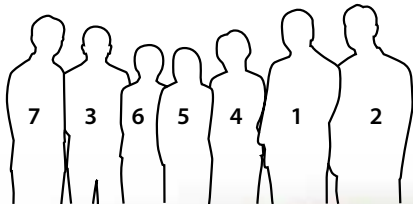
Corporate Structure



Corporate Information

Board of Directors

1. **Choy Sen @ Chin Kim Sang**
Executive Chairman
2. **Lee Kah Keng @ Lee Kah Heng**
Group Managing Director
3. **Loh Yee Kwan**
Group Deputy Managing Director
4. **Low Choon Lan**
Executive Director
5. **Datin Norhaliza Binti Abdullah**
Non-Independent Non-Executive Director
6. **Phoon Sow Cheng**
Independent Non-Executive Director
7. **Chai Woon Chew**
Independent Non-Executive Director



Audit Committee

- Phoon Sow Cheng**
Chairman
- Chai Woon Chew**
Choy Sen @ Chin Kim Sang

Nomination Committee

- Chai Woon Chew**
Chairman
- Phoon Sow Cheng**
Datin Norhaliza Binti Abdullah

Remuneration Committee

- Chai Woon Chew**
Chairman
- Phoon Sow Cheng**
Choy Sen @ Chin Kim Sang

Company Secretaries

- Mah Li Chen** (MAICSA 7022751)
Kim Yi Hwa (MAICSA 7029686)

Registered Office

C15-1, Level 15
Tower C, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Wilayah Persekutuan
Tel: 03-2166 2000
Fax: 03-2166 3000

Share Registrar

PFA Registration Services Sdn Bhd
(Company No. 19234-W)
Level 13, Uptown 1
No.1, Jalan SS21/58, Damansara Uptown
47400 Petaling Jaya, Selangor Darul Ehsan
Tel: 03-7725 4888
Fax: 03-7722 2311

Principal Bankers

Malayan Banking Berhad
(Company No. 3813-K)
Bumiputra-Commerce Bank Berhad
(Company No. 13491-P)
United Overseas Bank (Malaysia) Berhad
(Company No. 271809-K)

Auditors

Messrs BDO Binder
Chartered Accountants
12th Floor, Menara Uni.Asia
1008, Jalan Sultan Ismail
50250 Kuala Lumpur
Wilayah Persekutuan
Tel: 03-2616 2888
Fax: 03-2616 3190

Stock Exchange Listing

Second Board of the
Bursa Malaysia Securities Berhad
Stock Short Name: MINETEC
Stock Code: 7219



Profile of Directors

**Choy Sen @
Chin Kim Sang**
Executive Chairman, Aged 53

Choy Sen @ Chin Kim Sang was appointed as the Executive Chairman of the Company on 28 January 2005. He is also a member of the Audit Committee and the Remuneration Committee of the Company.

He has been the Managing Director of K.S Chin Minerals Sdn Bhd, a subsidiary of the Company since 1984. He is also the founder of the Minetech Resources Berhad ("MRB") Group. He has accumulated almost 30 years of experience in the provision of quarrying services and specialised services for the quarrying and civil engineering industries. He received his Masters in Business Administration from the Southern Pacific University, United States in 2004. He is also an Associate of the Institute of Quarrying Malaysia and a registered Shot-Firer with the Jabatan Mineral dan Geosains Malaysia and Polis Diraja Malaysia.

His career started in 1973 as a Clerk at Poh An, a sole proprietorship engaged in trading. He left and joined Ong Ah Kow Drilling & Blasting Contractor, a sole proprietorship, as a Site Clerk in 1975. In 1977, he left and established Chin Construction, a sole proprietorship focusing on drilling and blasting works. In 1984, he subsequently incorporated K.S. Chin Construction Sdn Bhd (now known as K.S. Chin Minerals Sdn Bhd) to take over the business operations of Chin Construction. In 1989, he expanded his business to incorporate Minetech Construction Sdn Bhd (formerly known as Angkasa Tegas Sdn Bhd), to provide specialised drilling and blasting, loading and haulage services focusing on rock excavation and infrastructure development projects. Subsequently, he established Minetech Industries Sdn Bhd (formerly known as Drillman Industrial Supplies Sdn Bhd) in 1994 to support the Group's operations in trading of industrial machinery spare parts. In 1998, Minetech Quarries Sdn Bhd (formerly known as Tegas Marketing Sdn Bhd) commenced operations focusing on the sales and marketing of aggregates. As part of his intentions to provide value-added products using aggregates, he established Minetech Premix Sdn Bhd (formerly known as Tegas Premix Sdn Bhd) to provide asphalt premix to the road construction and maintenance industry.

As the founder, he has been the main driving force behind the development, growth and expansion of the Minetech Resources Berhad Group. He is responsible for strategic planning of the business including the overall direction and vision of the Group. Some of his main contributions include the Group's strategic diversification into long-term quarry operations in 1991. The Group flourished under his leadership and was listed on the Second Board of the Bursa Malaysia Securities Berhad on 22 July 2005.

Apart from Minetech Resources Berhad, he is not a director of any other public company. He is a director in several private limited companies.

He has no material conflict of interest with the Group other than that which has been disclosed in the Audited Financial Statements contained in this Annual Report.

**LEE KAH KENG @
LEE KAH HENG**
Group Managing Director, Aged 56

Lee Kah Keng @ Lee Kah Heng was appointed as the Group Managing Director on 28 January 2005. He was the chief operating officer / director of Hwa Tai Industries Berhad ("Hwa Tai"), a company listed on the Second Board of Bursa Securities from 1998 to 2004. However, he had since resigned as director of Hwa Tai on 1 August 2005.

A graduate in mechanical engineering, he also holds a Masters of Business Administration from the University of Hull, United Kingdom.

He has extensive experience in the field of workshop management, solid waste management, ready mixed concrete and lime products, quarrying and general management.

Prior to his appointment as the chief operating officer of Hwa Tai, he was the managing director of Lime & Lime Products Sdn Bhd, a 100% owned subsidiary of Megafirst Corporation Berhad, a company listed on the Main Board of Bursa Malaysia Securities Berhad and also the Executive Director of Rock Chemicals Industries Bhd, a company listed on the Second Board of Bursa Malaysia Securities Berhad from 1995 to 1997.

He was also with IJM Corporation Bhd from 1989 – 1995 taking charge of its quarrying / premix as well as its ready mixed concrete business under the industries division.

He has no material conflict of interest with the Group. Currently, he does not hold any other directorships in other public companies.

Loh Yee Kwan was appointed as the Group Deputy Managing Director on 28 January 2005. He graduated from Universiti Teknologi Malaysia with an Honours Degree in Bachelor of Engineering (Civil) in 1987. In 1991, he obtained his Master of Business Administration (MBA) from the University of Strathclyde, United Kingdom. He is a Graduate Member of the Institute of Engineers of Malaysia and a Member of the Institute of Quarrying Malaysia.

He began his career in 1988 as an Engineer with Rukumus Sdn Bhd, where he was responsible for site planning and supervision. In 1988, he left and joined LP Consultants Sdn Bhd as an Engineer before leaving in 1989 to take up the position as a Civil Engineer with Engineering & Environmental Consultants Sdn Bhd. In 1992, he joined Job Builders Sdn Bhd, part of the Properties Division of the Lion Group, as Project Manager and was primarily responsible for the project management of various property development projects.

He was appointed General Manager at Minetech Construction Sdn Bhd (formerly known as Angkasa Tegas Sdn Bhd) in 1994 and was later appointed Deputy Managing Director at K.S. Chin Minerals Sdn Bhd in 2002. Currently, his main responsibilities include overseeing the operations and overall management of the various companies in the Group.

Apart from Minetech Resources Berhad, he is not a director of any other public company. He is a director in several private limited companies.

He has no material conflict of interest with the Group other than that which has been disclosed in the Audited Financial Statements contained in this Annual Report.

LOH YEE KWAN

*Group Deputy Managing Director,
Aged 43*

Low Choon Lan was appointed as the Executive Director of the Company on 28 January 2005. She received her Masters in Business Administration from the Southern Pacific University, United States in 2004. She was appointed the Executive Director of K.S. Chin Minerals Sdn Bhd in 1984 and Minetech Construction Sdn Bhd (formerly known as Angkasa Tegas Sdn Bhd) in 1989 and Minetech Quarries Sdn Bhd (formerly known as Tegas Marketing Sdn Bhd) in 1996 where she oversaw the human resources, administration and purchasing divisions of the group. Her present responsibilities include managing and overseeing the public relations activities of the Group.

Apart from Minetech Resources Berhad, she is not a director of any other public company. She is a director in several private limited companies.

She has no material conflict of interest with the Group other than that which has been disclosed in the Audited Financial Statements contained in this Annual Report.

LOW CHOON LAN

Executive Director, Aged 49

Phoon Sow Cheng was appointed as an Independent Non-Executive Director of the Company on 28 January 2005. She is also the Chairperson of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee.

She was an articled student pursuing accountancy training under an international firm of public accountants in Penang and subsequently in Kuala Lumpur.

She is a Member of the Malaysian Institute of Certified Public Accountants, the Malaysian Institute of Accountants, an Associate Member of the Financial Planning Association of Malaysia and a Fellow Member of the Malaysian Institute of Taxation.

She has no material conflict of interest with the Group.

Apart from Minetech Resources Berhad, she is not a director of any other public company. She is a director in several private limited companies.

PHOON SOW CHENG

*Independent Non-Executive Director,
Aged 52*

Profile of Directors

DATIN NORHALIZA BINTI ABDULLAH

*Non-Independent Non-Executive
Director, Aged 50*

Datin Norhaliza Bt Abdullah was appointed as a Non-Independent Non-Executive Director of the Company on 28 January 2005. She is also a member of the Audit Committee and the Nomination Committee of the Company.

She is a graduate of the City and East London University where she became a Fellow British Dispensing Optician in 1980. In 1999 she obtained a Masters in Business Administration from Charles Sturt University.

Datin Norhaliza began her working career as an assistant optician in 1977 and subsequently from 1980 to 1983 she was an optometrist with Standard Optician, Kuala Lumpur. She formed her own optometry business with Optician Norhaliza Sdn Bhd in which she became the executive chairperson, a position she continues to hold todate.

She has no material conflict of interest with the Group.

Apart from Minetech Resources Berhad, she is not a director of any other public company. She is a director in several private limited companies.

Chai Woon Chew

*Independent Non-Executive Director,
Aged 48*

Chai Woon Chew was appointed as an Independent Non-Executive Director of the Company on 28 January 2005. He is also the Chairman of the Nomination Committee and Remuneration Committee and a member of the Audit Committee of the Company.

He holds a Bachelor of Laws (Hons.) degree from the University of Buckingham, United Kingdom, Bachelor of Science (Hons.) degree from the University of Surrey, United Kingdom and is a Barrister at Law at Lincoln's Inn, United Kingdom.

In 1994, he was admitted into the High Court of Malaya as an Advocate and Solicitor. He is currently the chief executive partner of Messrs. Michael Chai & Co, a legal firm in Kuala Lumpur. He also gained experience in tin-mining, rubber, and oil palm plantation and property development before he began his career as a lawyer. He sits on the board of various other private companies and is a director of KKB Engineering Berhad, a public listed company.

He has no material conflict of interest with the Minetech Resources Berhad Group.

Notes:

1. All the Directors of Minetech Resources Berhad ("MRB") are Malaysian.
2. None of the Directors of MRB have any convictions for offences within the past ten (10) years.
3. All the Directors of MRB had attended all four (4) Board Meetings of the Company that were held during the financial year ended 31 December 2005 except for Madam Low Choon Lan and Datin Norhaliza Binti Abdullah who only attended three (3) Board Meetings.
4. None of the Directors of MRB have any family relationships with any other directors and/or substantial shareholders except as follows:
 - i) Madam Low Choon Lan is the spouse of Mr Choy Sen @ Chin Kim Sang, the Executive Chairman of MRB;
 - ii) Mr Loh Yee Kwan is the brother-in-law of Mr Choy Sen @ Chin Kim Sang and Madam Low Choon Lan, the Directors and substantial shareholders of MRB; and
 - iii) Datin Norhaliza Binti Abdullah is the spouse of Dato' Shamsudin Bin Mohd Dubi who is a substantial shareholder of MRB.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Minetech Resources Berhad, I am pleased to present the first Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2005.



Overview

Generally, the contraction of the infrastructure and construction sector owing to the declining domestic projects had a negative impact on the business of the Group. Based on the latest statistics issued by the Bank Negara Malaysia recently, the construction sector registered a negative growth of 1.6% for the last quarter of year 2005. In addition, the Economy Report 2005/2006 also reported that for 2005, the expansion of economy is reflected in growth in all sectors except for construction. The report also states, for the first seven months of 2005, a more pronounced and broad-based expansion was recorded in domestic-oriented industries with almost all, except construction-related industries, registering substantial growth.

Notwithstanding the above, the construction sector is set to gain from the much higher allocation of development funds from the 9th Malaysia Plan, with the introduction of large infrastructure projects to be carried out over the next five years. As a turnkey quarry operation service provider, Minetech Resources Berhad will benefit from the implementation of the plan, the effects of which will be seen from the second half of 2006.

Business Environment

2005 was a memorable year for Minetech Resources Berhad as the Company was listed on the 2nd Board of Bursa Malaysia on 22 July 2005. Indeed, the year 2005 was a very challenging year for the Group. The contraction of construction activities, project implementation delays coupled with high material cost especially diesel and bitumen had a negative effect on the business of the

Group. In spite of the various effort put in by the Group to mitigate the cost increase and cope with dwindling sales, we were not spared from the consequences and suffered from lower turnover and bottom-line.

Financial Review

Despite the backdrop of challenging market conditions, the Group recorded a turnover and profit before tax of RM94.3 million and RM8.4 million respectively for the financial year ended 31 December 2005. The net assets per share is RM1.23 and the net earnings per share is 10.18 sen. At the Company level, revenue recorded for the year 2005 was RM3.0 million while achieving a net profit of RM2.9 million. The revenue was mainly derived from dividend and fixed interest income.

Review of Operations

Quarrying Operation

Generally, the contraction of infrastructure and construction sector in 2005 owing to declining domestic projects invariably impacted on the business of the Group. The Group's operation in provision of turnkey quarry operation services recorded a turnover of RM61.6 million and profit before tax of RM4.5 million. Currently the Group is operating sixteen (16) quarries located at various states in Peninsular Malaysia.

Civil Engineering Works

Civil engineering works contributed a total turnover of RM18.8 million mainly due to the various ongoing projects in Langkawi, Bertam and Bakun. Profit before tax was recorded at RM2.8 million.



Chairman's Statement

Sales & Marketing

Generally, lower sales were achieved due to the slowing down of construction activities aggravated by the swift rise of diesel and bitumen prices in the second half of 2005. The unexpected rise in the cost of raw materials had resulted in some projects being delayed. This to a certain extent has affected the sales of aggregates. Sales & Marketing recorded a turnover of RM19.5 million contributing a profit before tax of RM1.0 million.

Premix Products

Premix operation achieved a turnover of RM7.0 million and a profit before tax of RM44,718. Premix sales were badly affected by the abrupt increase in the bitumen price caused by sharp increase in oil price coupled with supply and demand situation. Road contractors were forced to either delay or slow down their activities to renegotiate over the increase in anticipated projects cost owing to the hike in fuel and bitumen cost.

Industrial Spare Parts

Industrial spare parts activities were mainly in-house sales and sales to third parties, e.g. subcontractors. Revenue for the year 2005 was RM7.9 million while profit before tax stood at RM159,325.

Dividend

During the year, the Company declared a first interim tax exempt dividend of 3 sen per share amounting to RM1.65 million in respect of financial year ended 31 December 2005 which was paid on 10 January 2006. The Board of Directors has recommended a final dividend of 2% (tax exempt) for your approval at the forthcoming Annual General Meeting.

Future Prospects and Outlook

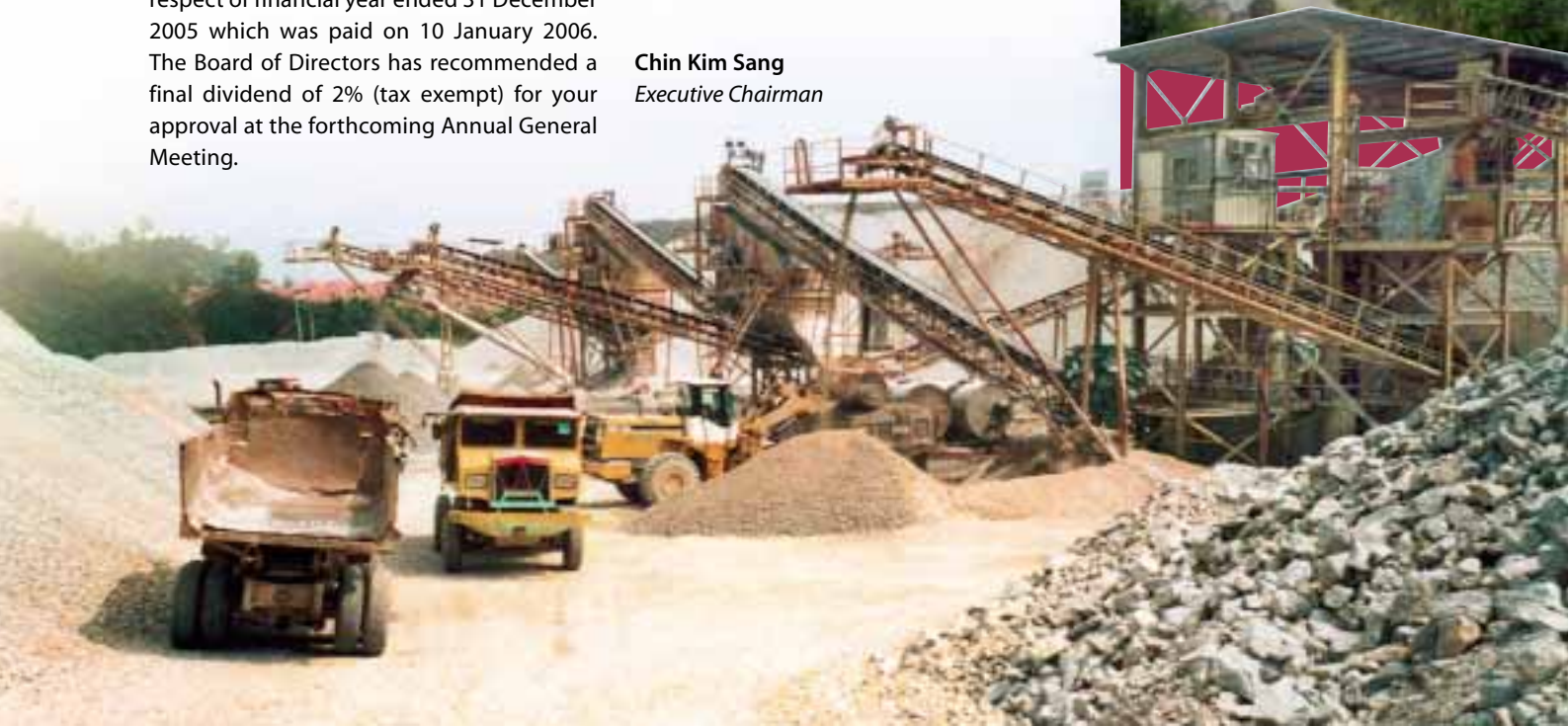
The Group expects a better year ahead with the recently secured road projects and new quarries. The Group is also optimistic that the construction sector, forecasted to achieve a 3% growth in year 2006 and the allocation of more development fund in the 9th Malaysia Plan tabled on 31 March 2006 will auger well for mid-sized construction related company like us.

Under the plan, the Government has allocated a total of RM46.8 billion for various infrastructure projects emphasising on enhancing accessibility to quality facilities in rural areas, promotion of efficient services and so on. Major allocations go to Road Projects (RM17.3 billion), Water Sector (RM8.2 billion), Ports (RM1.3 billion), Urban Transport (RM1.56 billion) and Flood Mitigation (RM 4 billion). The implementation of these projects will enhance the demand of quarry products and services. We will also continue to seek out more quarrying opportunities both here in Malaysia as well as overseas.

Acknowledgement and Appreciation

On behalf of the Board of Directors, I would like to express my appreciation to the management and staff for their dedication, commitment and contribution to the Company. To the shareholders, financiers, customers, suppliers and business associates, I thank you for your continuous support.

Chin Kim Sang
Executive Chairman



Audit Committee Report

The Audit Committee ("the Committee") was established on 28 January 2005. During the period under review from 22 July 2005, the Official Listing date of Minetech Resources Berhad to 31 December 2005, the Committee met three (3) times and the details of the attendance of the Committee members are set out as follows:

Composition of the Audit Committee

| Name | Attendance |
|---|------------|
| Madam Phoon Sow Cheng (Chairman) <i>Independent Non-Executive Director</i> | 3/3 |
| Mr Chai Woon Chew <i>Independent Non-Executive Director</i> | 3/3 |
| Mr Choy Sen @ Chin Kim Sang <i>Executive Chairman</i> | 3/3 |

Details of the members of the Committee are contained in the Profile of Directors as set out on pages 4 to 6 of this Annual Report.

Terms of Reference

The Committee is governed by the following terms of reference:

1. Composition

The Committee shall be appointed from amongst the Board and shall comprise no fewer than three (3) members, a majority of whom shall be independent directors and at least one (1) member must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved by the Bursa Malaysia Securities Berhad ("Bursa Securities").

In the event of any vacancy with the result that the number of members is reduced to below three (3), the vacancy shall be filled within two (2) months but in any case not later than three (3) months. Therefore a member of the Audit Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

2. Chairman

The Chairman, who shall be elected by the Committee, shall be an independent director.

3. Secretary

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee Members. The Committee Members may inspect the minutes of the Committee at the Registered Office or such other place as may be determined by the Committee.

4. Meetings

The Committee shall meet at least four (4) times in each financial year. The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

The Committee may call for a meeting as and when required with reasonable notice as the Committee Members deem fit.

All decisions at such meeting shall be decided on a show of hands on a majority of votes.

The external auditors may appear at any meeting at the invitation of the Committee and shall appear before the Committee when required to do so by the Committee. The external auditors may also request a meeting if they consider it necessary.

Audit Committee Report

Terms of Reference (continued)

5. Rights

The Committee shall:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) have the right to obtain independent professional or other advice at the Company's expense;
- (f) have the right to convene meetings with the external auditors, excluding the attendance of the executive members of the audit committee, whenever deemed necessary;
- (g) promptly report to the Bursa Securities, or such other name(s) as may be adopted by Bursa Securities, matters which have not been satisfactorily resolved by the Board of Directors resulting in a breach of the listing requirements;
- (h) have the right to pass resolutions by a simple majority vote from the Committee and that the Chairman shall have the casting vote should a tie arise;
- (i) meet as and when required on a reasonable notice;
- (j) the Chairman shall call for a meeting upon the request of the External Auditors.

6. Duties

- (a) To review with the external auditors on:
 - the audit plan, its scope and nature;
 - the audit report;
 - the results of their evaluation of the accounting policies and system of internal accounting controls within the Group; and
 - the assistance given by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit.
- (b) To review the adequacy of the scope, functions and resources and set the standards of the internal audit function.
- (c) To provide assurance to the Board of Directors on the effectiveness of the system of internal control and risk management practices of the Group.
- (d) To review the internal audit programme, processes the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (e) To review with management:
 - audit reports and management letters issued by the external auditors and the implementation of audit recommendations;
 - interim financial information; and
 - the assistance given by the officers of the Company to external auditors.
- (f) To monitor related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transactions annually to shareholders via the annual report, and to review conflicts of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

Terms of Reference (continued)

6. Duties (continued)

- (g) To review the quarterly reports on consolidated results and annual financial statements prior to submission to the Board of Directors, focusing particularly on:
 - changes in or implementation of major accounting policy and practices;
 - significant and / or unusual matters arising from the audit;
 - the going concern assumption;
 - compliance with accounting standards and other legal requirements; and
 - major areas.
- (h) To consider the appointment and / or re-appointment of auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.
- (i) To verify the allocation of employees' share options as being in compliance with the employees' share option scheme of the Company at the end of each financial year.

Summary of Activities of the Committee

During the financial year under review, the activities undertaken by the Committee include:

- (a) Reviewing the unaudited financial results and the relevant announcements to the Bursa Malaysia Securities Berhad prior to the consideration of the Board of Directors;
- (b) Reviewing the audit plan of the Group with the external auditors; and
- (c) Reviewing the procedures for identification of related party transactions for compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and the related party transactions and conflict of interest situation that may arise within the Group.

After the financial year ended 31 December 2005, the Committee had also reviewed the annual audited financial statements, external auditors' reports and their audit findings.

Internal Audit Function

Details on internal audit function are set out in the Statement on Internal Controls on page 16 of this Annual Report.

Statement of Corporate Governance

The Board of Directors ("Board") recognizes the importance of good corporate governance within the Group, as it is a fundamental part of discharging its responsibilities to protect and enhance shareholders value and the performance of the Group. The Board is committed to ensure the establishment and implementation of a proper framework and controls that are in line with the principles and best practice of the Malaysian Code on Corporate Governance.

Board of Directors

A. The Board

The Board retains full and effective control of the Group. The Board is bestowed with the duty and responsibility to ensure the interests of the shareholders are protected.

Where appropriate, formal structures and committees are in place to facilitate the Board in carrying out its duties. All Board committees report to the Board.

B. Composition and Board Balance

The Board has a balance of composition comprising seven (7) members, complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and reflects the interests of the major shareholders, management, and minority shareholders.

The Executive Chairman heads the Board with three (3) Executive Directors, one (1) Non-Independent Non-Executive Director and two (2) Independent Non-Executive Directors. The profile of each Board members is entailed on pages 4 to 6 of this Annual Report.

The Directors together bring a wide range of business, financial, industrial and legal experience to lead the Group in the area of business strategies, performance and utilization of resources and standards of conduct.

Generally, the Executive Directors are responsible for carrying out the day to day operational functions while the Non-Executive Directors play the supporting role by contributing their knowledge and experience in the business strategic plans.

Where areas of conflict of interest arise, the Director concerned will have to declare his/her interest and abstain from participating in the decision making process.

C. Board Meetings

The Board meets on a regular and scheduled basis, at least four (4) times a year with additional meetings held as and when urgent issues warrant matters to be attended. During the period under review from 22 July 2005, the Official Listing date of Minetech Resources Berhad to 31 December 2005, the Board met four (4) times and the details of the attendance of the Board members are set out as follows:

| Name of Director | Designation | Total meetings attended |
|------------------------------|--|-------------------------|
| Choy Sen @ Chin Kim Sang | Executive Chairman | 4/4 |
| Lee Kah Keng @ Lee Kah Heng | Group Managing Director | 4/4 |
| Loh Yee Kwan | Group Deputy Managing Director | 4/4 |
| Low Choon Lan | Executive Director | 3/4 |
| Datin Norhaliza Bt. Abdullah | Non-Independent Non-Executive Director | 3/4 |
| Phoon Sow Cheng | Independent Non-Executive Director | 4/4 |
| Chai Woon Chew | Independent Non-Executive Director | 4/4 |

Board of Directors (continued)

D. Supply of Information

All Directors are provided with an agenda and a set of Board papers prior to the Board meetings and sufficient notice is given to the Directors to review the papers and agenda for the meeting.

Generally, the Board papers circulated include minutes of the previous meeting, quarterly and annual financial statements, corporate development, minutes of Board Committees, acquisition and disposal proposals, updates from Bursa Malaysia Securities Berhad ("Bursa Securities"), list of directors' resolutions passed and report on the directors dealings in securities, if any.

The Directors' whether as a full board or in their individual capacity, will have access to all information of the Group and have direct access to the advice and services of the Company Secretary. Where considered necessary, the Board may also engage the service of professionals on specialized issues in furtherance of their duties.

E. Board Committees

The Board has established Board Committees to assist the Board in discharging their duties. These committees are as follows:

- Audit Committee
- Nomination Committee
- Remuneration Committee

Audit Committee

The Board has established the Audit Committee on 28 January 2005 to assist the Board in discharging its duties. The Audit Committee works closely with the external auditors and maintains a transparent professional relationship with them.

The report of the Audit Committee is set out on pages 9 to 11 of this Annual Report.

Nomination Committee

The members of Nomination Committee are:

- Chai Woon Chew – Chairman (*Independent Non-Executive Director*)
- Phoon Sow Cheng (*Independent Non-Executive Director*)
- Datin Norhaliza Binti Abdullah (*Non-Independent Non-Executive Director*)

The Nomination Committee was set up on 26 August 2005 to advise the Board on the nomination of new Board members and assess the effectiveness of the Board as a whole, and the contribution of each individual Director. The Nomination Committee is responsible for reviewing the Board composition and balance as well as considering the Board's succession planning and making recommendations for new appointment of Directors. During the financial year under review, one meeting was held.

The duties and responsibilities are spelt out in the Terms of Reference of the Nomination Committee.

Remuneration Committee

The members of Remuneration Committee are:

- Chai Woon Chew – Chairman (*Independent Non-Executive Director*)
- Choy Sen @ Chin Kim Sang (*Executive Chairman*)
- Phoon Sow Cheng (*Independent Non-Executive Director*)

The Remuneration Committee was set up on 26 August 2005 to review and recommend the general remuneration policy of the Group. The Remuneration Committee recommends to the Board the levels and elements of remuneration of Executive Directors and senior management. The Board as a whole determines the allowance of Non-Executive Directors. The individual concerned abstain from discussion of their own remuneration. During the financial year under review, two meetings were held.

The duties and responsibilities are spelt out in the Terms of Reference of the Remuneration Committee.

Statement of Corporate Governance

Board of Directors (continued)

F. Re-election

In accordance with the Company's Articles of Association, an election of Directors shall take place each year at an Annual General Meeting and one-third of the Directors are subject to retirement by rotation such that each Director shall retire from office once in every three (3) years. The Directors appointed by the Board are subject to retirement at the next Annual General Meeting held following their appointments in accordance with the Company's Articles of Association. All retiring Directors are eligible for re-election.

Directors' Training

All the members of the Board have attended and successfully completed the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities.

During the year, some of the Board members have also attended the following training programmes as part of their continuing education programmes:

- (i) Corporate Governance;
- (ii) Goods & Services Tax;
- (iii) Possible Influence of Overseas Market Trends on Malaysian Financial Planning;
- (iv) Financial Reporting Standards Forum; and
- (v) Seminar on Management Anti-Fraud Programmes and Control-Guidance to Help Prevent and Deter Fraud.

The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge and to keep abreast with relevant changes in laws, regulations and the business environment.

Directors' Remuneration

Generally, the remuneration package will be structured according to the skills, experience and performance of the Executive Directors to ensure the Group attracts and retains the Directors needed to run the Group successfully. The remuneration package of the Non-Executive Directors will depend on their contribution to the Group in terms of their knowledge and experience.

The details of the remuneration of Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies for the financial year under review are as follows:

| | Fees (RM'000) | Salaries (RM'000) | Allowances (RM'000) | Benefits in kind (RM'000) | Total (RM'000) |
|--------------------------|------------------|----------------------|------------------------|---------------------------------|-------------------|
| Executive Directors | – | 1,565 | – | 71 | 1,636 |
| Non- Executive Directors | – | – | 9 | – | 9 |
| Total | – | 1,565 | 9 | 71 | 1,645 |

| Remuneration Bands | Executive Directors | Non-Executive Directors | Total |
|-----------------------|------------------------|----------------------------|-------|
| RM1 – RM50,000 | – | 3 | 3 |
| RM250,000 – RM300,000 | 2 | – | 2 |
| RM450,000 – RM500,000 | 1 | – | 1 |
| RM550,000 – RM600,000 | 1 | – | 1 |

Details of individual Directors' remuneration are not disclosed as the Board is of the opinion that the above disclosures are sufficient to cater to the transparency and accountability aspects of the Malaysian Code on Corporate Governance.

Relationship with Shareholders and Investors

The Annual General Meeting is the principal forum of dialogue with the shareholders. Notice of the Annual General Meeting is issued 21 days before the date of meeting.

At the Annual General Meeting, shareholders are encouraged to raise any questions pertaining to any issues regarding the Group.

The Chairman, assisted by the Directors is available to answer any queries and discuss matters pertaining to the business activities of the Group.

To keep the shareholders and investors informed on the Group's latest business and corporate development, information is disseminated via annual report, circular to shareholders, press releases, quarterly financial results and various announcements made from time to time to Bursa Securities.

Accountability and Audit

Financial Reporting

In the annual financial statements and quarterly announcements, the Board aims to present a clear, balanced and understandable assessment of the Group's position and prospects. The Audit Committee assists the Board by reviewing the information to be disclosed, to ensure the completeness, accuracy and adequacy.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 27 of this Annual Report.

Internal Controls

The Statement on Internal Controls set out on page 16 of this Annual Report provides an overview of the state of internal controls within the Group.

Relationship with Auditors

The Board via the Audit Committee, maintains an appropriate and transparent relationship with the Group's external auditors. A summary of the activities of the Audit Committee during the year is set out in the Audit Committee Report on pages 9 to 11 of this Annual Report.

Statement on Directors' Responsibilities

The Board of Directors are required under Paragraph 15.27(a) of the Listing Requirements of the Bursa securities to issue a statement explaining their responsibility for preparing the annual audited financial statements.

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the financial year end and of the results and cashflows of the Company and of the Group for the financial year then ended.

The Directors consider that, in preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2005 as set out herein on pages 22 to 62 of this Annual Report, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable approved accounting standards in Malaysia have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965.

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement on Directors' Responsibility is made in accordance with the resolution of the Board dated 25 April 2006.

Statement on Internal Controls

Introduction

The Malaysian Code on Corporate Governance states that the Board of Directors of a listed company should maintain a sound system of internal controls to safeguard shareholders' investment and the company's assets. In accordance with paragraph 15.27 (b) of Bursa Malaysia Securities Berhad's Listing Requirements, the Board of Directors of Minetech Resources Berhad ("Board") is pleased to provide the following statement on the state of internal controls of the Group.

Board Responsibility

The Board acknowledges the importance of a sound system of internal controls and its overall responsibility for maintaining the Group's system of internal controls and risk management, as well as for reviewing the adequacy and integrity of the internal control system. However, due to limitations inherent in any system of internal controls, it is important to note that the system is designed to manage rather than eliminate risk of failure to achieve corporate objectives. Therefore, the system can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management

The Board also recognises that risk management should be an integral part of the business operation and shall exercise due care to identify and manage such risk. The Group will incorporate a process to conduct risk assessment and develop a continuous on going process of identifying, evaluating, minimizing and managing of risk. The senior management is responsible for creating risk awareness culture and building the necessary environment for effective risk management on a day to day basis. If deemed necessary, an external professional consultant will be appointed by the Board to improve the risk management framework of the Group.

Internal Controls

The Board has established the following key elements in ensuring the adequacy and integrity of the internal control system of the Group.

1. An organisational structure with clear lines of reporting, responsibilities and delegation of authorities.
2. The existence of limits of approval and authorized signatories where clear definition of authorisation procedure for major operating functions and transactions.
3. A standard policies & procedures which highlights the policies and procedures, terms and conditions of employment, benefits & compensation, disciplinary rules and regulations which are relevant across the Group's operations.
4. An annual budgeting and business planning process to establish plans and targets for each operating unit. The performance of each operating unit is being monitored through monthly reports.
5. Management meetings are carried out regularly to review the monthly reports, monitor the business development, discuss and resolve key operational and management issues. The financial performance of the subsidiary companies is reviewed periodically, and any significant variance against the business plan and budget are discussed and explained comprehensively. The senior management also regularly highlights the significant issues and changes in the business, major policy matters and external environment affecting the Group.
6. The Audit Committee reviews the quarterly financial results and yearly audited financial statements prior to the approval by the Board. The Audit Committee continuously reports to the Board significant findings and necessary recommendations in relation to adequacy and effectiveness of the internal controls and procedures.

Internal Audit

Currently, senior management staff are assisting the Audit Committee in discharging their duties and responsibilities. The Board and Audit Committee are of the opinion that the current control mechanism, procedures and policies are adequate for the current level of operations. The Board continues to take necessary steps to strengthen the control environment within the Group while considering the various proposals from external professional consulting firms to carry out the internal audit functions.

During the year, there were no material losses, contingencies or uncertainties which incurred as a result of weaknesses in the internal control system which would require separate disclosures in this annual report.

The statement is made in accordance with a resolution of the Board of Directors dated 25 April 2006.

Additional Compliance Information

Status of Utilisation of Proceeds

As at 31 December 2005, the gross proceeds derived from the Public Issue in conjunction with the listing of the Company on the Second Board of Bursa Securities has been fully utilised and the details of the utilisation are as follows:

| | Proposed Utilisation (RM'000) | Amount Utilised (RM'000) |
|-------------------------------|--|---|
| Repayment of bank borrowings | 3,500 | 3,500 |
| Purchase of plant & machinery | 4,900 | 4,900 |
| Working capital | 3,000 | 3,000 |
| Share issue expenses | 1,600 | 1,600 |
| Total | 13,000 | 13,000 |

Share Buybacks

During the financial year under review, the Company did not have a scheme to buy back its own shares.

However, the shareholders had during the Extraordinary General Meeting held on 11 January 2006 approved the proposed Shares Buy-Back to be undertaken by the Company.

Options and Warrants

The Company did not offer any options and warrants during the financial year.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The Company did not sponsor any ADR or GDR programme during the financial year.

Sanctions and/or Penalties

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by any regulatory bodies during the financial year.

Non-Audit Fees

The amount of non-audit fees paid and payable to the external auditors by the Group for the financial year ended 31 December 2005 amounted to RM50,000.

Material Contracts

Save as disclosed below, there were no material contracts entered into by the Company and its subsidiaries involving Directors and substantial shareholders either still subsisting as at 31 December 2005 or since the end of the previous financial year ended 31 December 2004.

K.S. Chin Minerals Sdn Bhd ("KSC") and Kuari Sungai Perangin Sdn Bhd ("KSPSB") had entered into agreements dated 16 April 2001 and 28 October 2003 whereby KSPSB had appointed KSC to carry out works on the quarry located on Lot 5453, Mukim of Hulu Bernam, District of Batang Padang, Perak. Pursuant to the agreements, KSC has the absolute right to market, distribute and sell the granites extracted from the said quarry which are processed to various sizes and gradings ("Products") for a period of ten (10) years from 1 April 2001 to 31 March 2011. In consideration thereof, KSC shall pay to KSPSB a monthly tribute equivalent to eight per centum (8%) and ten per centum (10%) of the value of the Products produced from 1 April 2001 until 31 March 2006 and 1 April 2006 until 31 March 2011 respectively, subject to a minimum tribute of RM25,000.00 only per month.

Ramelle Ashram Bin Tan Sri Ramli (a former substantial shareholder of Minetech Resources Berhad) is the Managing Director and a substantial shareholder of Raz Ekuiti Sdn Bhd, the holding company of KSPSB.

Revaluation Policy on Landed Properties

The Company and its subsidiary companies did not adopt any revaluation policy on landed properties during the financial year.

Additional Compliance Information

Variation in Results

| Financial year ended 31 December 2005 | Consolidated Profit Forecast in the Prospectus dated 30 June 2005 | Audited Financial Statements | Variance | |
|---------------------------------------|--|------------------------------------|----------|--------|
| | (RM'000) | (RM'000) | (RM'000) | (%) |
| Revenue | 115,547 | 94,266 | (21,281) | (18.4) |
| Profit Before Tax | 12,910 | 8,418 | (4,492) | (34.8) |
| Profit After Tax | 9,131 | 5,040 | (4,091) | (44.8) |
| Net Earnings Per Share (sen) | 16.60 | 10.18 | (6.42) | (38.7) |

The variance between the Audited Financial Statements as compared to the Consolidated Profit Forecast of the Group stated in the Prospectus dated 30 June 2005 for the financial year ended 31 December 2005 is mainly due to the following reasons:

1. Revenue

a. Market Conditions

Generally, the significantly tougher operating environment resulting from slowing down of construction activities, declining of government funded domestic jobs coupled with a spate of project delays due to the surging fuel price and unexpected sharp increase in bitumen price, contributed to the slower activity in construction and road works. This has resulted in the lower demand for quarry products and premix products.

b. Delay in Commencement of Quarry Operation

The delay in the commencement of two quarry operations arising from unforeseen delay in the approval of licenses and additional requirements from certain relevant authorities.

2. Profit Before Tax (PBT)

a. Increase in Diesel Price

It should be noted that the profit forecast was prepared based on the information available and conditions prevailing as of the date thereon. However, during the 2nd half of 2005, the diesel price has fluctuated and increased significantly and hit a highest price of RM1.96 per litre in the 4th quarter of 2005, resulting in an additional cost increase of approximately RM2.1 million to the Group for the financial year ended 2005.

b. Increase in Bitumen Price

The bitumen price has an unexpected surge during the 3rd quarter of 2005 and registered a highest price of RM968 per metric ton in the month of September 2005. This 35% increase in bitumen price has resulted in significant cost increase in the premix products, where bitumen constitutes an average of 74% of the total material cost. The Group was unable to pass on the increased cost of bitumen immediately to the customers. As a result, the premix operation suffered a significant variance in the gross margin and resulting in a lower PBT.

c. Fixed Overhead

Lower PBT which was in line with the decline in revenue is also attributed with certain fixed overhead remain unchanged despite decline in revenue.

3. Profit After Tax (PAT)

PAT was also affected by the under provision of prior year income tax and deferred tax of RM680,754.

Profit Guarantee

The Company did not make any arrangement during the financial year which requires profit guarantee.

Recurrent Related Party Transaction of a Revenue Nature

The list of significant related party transactions is disclosed in the Notes to the Financial Statements on page 59. A breakdown of the estimated aggregate value of the recurrent related party transactions of revenue nature for the period from 22 July 2005 to the date of the Annual General Meeting for which requires shareholders' ratification are set out in the table below:

| Related Party | Relationship with Minetech Resources Berhad Group | Nature of Transaction | Estimated Value (RM'000) |
|---|--|---|---------------------------------|
| Kuari Sungai Perangin Sdn Bhd ("KSPSB") | Ramelle Ashram Bin Tan Sri Ramli (a former substantial shareholder of Minetech Resources Berhad) is the Managing Director and a major shareholder of Raz Ekuiti Sdn Bhd, the holding company of KSPSB. | Payment of tribute. In consideration of KSPSB permits K. S. Chin Minerals Sdn Bhd ("KSC") to carry out quarry operations to extract rock materials from the quarry located at Lot 5453, Mukim of Hulu Bernam, District of Batang Padang, Perak, KSC shall pay tribute to KSPSB on monthly basis. KSC shall have the absolute right to market, distribute and sell the quarry products and the exclusive right to operate a premix plant and undertake premix operations at the said quarry site. | 822 |



Financial Statements

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Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

Principal Activities

The Company's principal activity is investment holding. The principal activities of the subsidiary companies are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

| | Group RM | Company RM |
|-----------------------------------|------------------|------------------|
| Net profit for the financial year | <u>5,040,179</u> | <u>2,872,963</u> |

Dividends

Since the end of the previous financial year, the Company paid an interim tax exempt dividend of 3.00 sen per share, amounting to RM1,650,000 in respect of the financial year ended 31 December 2005 on 10 January 2006.

The Directors proposed a final tax exempt dividend of 2.00 sen per share, amounting to RM1,100,000 in respect of the financial year ended 31 December 2005 subject to the approval of members at the forthcoming Annual General Meeting.

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year.

Issue of Shares and Debentures

In conjunction with the listing and quotation of the entire issued and paid-up share capital of the Company on the Second Board of Bursa Malaysia Securities Berhad, the Company had undertaken the following:

- (a) On 1 January 2005, the issued and paid-up share capital of the Company was increased by way of issuance of 44,999,998 ordinary shares of RM1.00 each as consideration for the acquisition of 100% of the issued and paid-up share capital of the following companies for a total purchase consideration of RM44,999,998:
 - (i) K.S. Chin Minerals Sdn Bhd ("KSC");
 - (ii) Minetech Construction Sdn Bhd ("MCSB") (formerly known as Angkasa Tegas Sdn Bhd);
 - (iii) Minetech Quarries Sdn Bhd ("MQSB") (formerly known as Tegas Marketing Sdn Bhd);
 - (iv) Minetech Premix Sdn Bhd ("MPSB") (formerly known as Tegas Premix Sdn Bhd);
 - (v) Minetech Industries Sdn Bhd ("MISB") (formerly known as Drillman Industrial Supplies Sdn Bhd); and
 - (vi) Minetech Realty Sdn Bhd ("MRSB") (formerly known as Solar Media Sdn Bhd).
- (b) On 18 July 2005, the Company made a public issue of 10,000,000 ordinary shares of RM1.00 each at an issue price of RM1.30 per ordinary share.

The above mentioned shares rank pari-passu in all respects with the then existing ordinary shares of the Company.

There was no issue of debentures during the financial year.

Directors

The Directors who held office since the date of the last report are as follows:

Choy Sen @ Chin Kim Sang

Lee Kah Keng @ Lee Kah Heng

Loh Yee Kwan

Low Choon Lan

Datin Norhaliza binti Abdullah

Phoon Sow Cheng

Chai Woon Chew

In accordance with Article 126 of the Company's Articles of Association, Choy Sen @ Chin Kim Sang and Datin Norhaliza binti Abdullah retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' Interests

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company during the financial year ended 31 December 2005 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, were as follows:

| | Number of Ordinary Shares of RM1.00 Each | | | Balance as at 31.12.2005 |
|---------------------------------|--|------------|-------------|--------------------------------|
| | Balance as at 1.1.2005 | Bought | Sold | |
| Shares in the Company | | | | |
| Direct Interests | | | | |
| Choy Sen @ Chin Kim Sang | – | 16,629,702 | (3,800,000) | 12,829,702 |
| Choy Sen @ Chin Kim Sang* | – | 4,300,000 | – | 4,300,000 |
| Loh Yee Kwan | – | 319,207 | – | 319,207 |
| Loh Yee Kwan* | – | 100,000 | – | 100,000 |
| Low Choon Lan | – | 6,204,552 | (500,000) | 5,704,552 |
| Datin Norhaliza binti Abdullah | – | 5,356,791 | (300,000) | 5,056,791 |
| Phoon Sow Cheng | – | 1,000 | – | 1,000 |
| Indirect Interests | | | | |
| Choy Sen @ Chin Kim Sang^ | – | 6,204,552 | (500,000) | 5,704,552 |
| Loh Yee Kwan^ | – | 823,010 | (300,000) | 523,010 |
| Low Choon Lan^ | – | 20,929,702 | (3,800,000) | 17,129,702 |
| Datin Norhaliza binti Abdullah^ | – | 158,583 | – | 158,583 |
| Datin Norhaliza binti Abdullah | – | 3,318,079 | (305,000) | 3,013,079 |

* *Held through nominee*

^ *Deemed interested by virtue of shareholding held by spouse*

By virtue of Section 6A of the Companies Act, 1965, Choy Sen @ Chin Kim Sang, Low Choon Lan and Datin Norhaliza binti Abdullah are also deemed to have interest in the shares of all the subsidiary companies to the extent that the Company has an interest.

None of the other Directors in office at the end of the financial year held any interest in the shares of the Company and its related corporations.

Directors' Report

Directors' Benefits

Since the end of the previous financial year, none of the Directors have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the remuneration received or due and receivable by certain Directors in their capacity as directors/officers of the subsidiary companies.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Other Statutory Information Regarding the Group and the Company

(I) As at the End of the Financial Year

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) From the End of the Financial Year to the Date of this Report

- (c) The Directors are not aware of any circumstances:
 - (i) which would necessitate the writing off of bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent; or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
 - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) As at the Date of this Report

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

Significant Events during the Financial Year

- (a) The Company had on 22 July 2005 been admitted to the Official List of Bursa Malaysia Securities Berhad and listed on the Second Board of Bursa Malaysia Securities Berhad. Pursuant to the listing exercise, the Company undertook a flotation scheme which had been approved by the Securities Commission on 17 November 2004. The flotation scheme involved the following:

(I) Acquisitions

The Company had on 15 June 2004, entered into several Shareholders Agreements to acquire the entire equity interest in the following companies for a total purchase consideration of RM44,999,998 satisfied by way of issuance of 44,999,998 new ordinary shares of RM1.00 each in the Company ("the Acquisitions"). The details of which are summarised as follows:

(i) KSC

Acquisition by the Company of the entire issued and paid-up share capital of KSC comprising 1,000,000 ordinary shares of RM1.00 each for a total consideration of RM31,716,626 satisfied by way of issuance of 31,716,626 new ordinary shares of RM1.00 each in the Company, credited as fully paid.

(ii) MCSB

Acquisition by the Company of the entire issued and paid-up share capital of MCSB comprising 1,000,000 ordinary shares of RM1.00 each for a total consideration of RM10,546,173 satisfied by way of issuance of 10,546,173 new ordinary shares of RM1.00 each in the Company, credited as fully paid.

(iii) MQSB

Acquisition by the Company of the entire issued and paid-up share capital of MQSB comprising 2 ordinary shares of RM1.00 each for a total consideration of RM1,054,406 satisfied by way of issuance of 1,054,406 new ordinary shares of RM1.00 each in the Company, credited as fully paid.

(iv) MPSB

Acquisition by the Company of the entire issued and paid-up share capital of MPSB comprising 2 ordinary shares of RM1.00 each for a total consideration of RM638,412 satisfied by way of issuance of 638,412 new ordinary shares of RM1.00 each in the Company, credited as fully paid.

(v) MISB

Acquisition by the Company of the entire issued and paid-up share capital of MISB comprising 400,000 ordinary shares of RM1.00 each for a total consideration of RM1,044,379 satisfied by way of issuance of 1,044,379 new ordinary shares of RM1.00 each in the Company, credited as fully paid.

(vi) MRSB

Acquisition by the Company of the entire issued and paid-up share capital of MRSB comprising 2 ordinary shares of RM1.00 each for a total consideration of RM2 satisfied by way of issuance of 2 new ordinary shares of RM1.00 each in the Company, credited as fully paid.

The Acquisitions were completed on 1 January 2005.

(II) Public Issue

Public Issue of 10,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.30 per ordinary share.

(III) Offer for Sale

Offer for sale of 4,600,000 ordinary shares of RM1.00 each in the Company at an offer price of RM1.30 per ordinary share.

(IV) Listing on the Second Board of Bursa Malaysia Securities Berhad

Listing and quotation for the entire issued and paid-up share capital of the Company of RM55,000,000 comprising 55,000,000 ordinary shares of RM1.00 each, on the Second Board of Bursa Malaysia Securities Berhad.

Directors' Report

Significant Events during the Financial Year (continued)

- (b) On 25 March 2005, the Company subscribed for 99 subscribers' shares of RM1.00 each representing 99% of the issued and paid-up share capital of Diman KS Chin Sdn Bhd ("DKSC") for a total cash consideration of RM99.00.
- On 1 April 2005, the Company acquired an additional 1 ordinary share of RM1.00 each representing the remaining 1% of the issued and paid-up share capital of DKSC for a total cash consideration of RM1.00. Consequently, DKSC became a wholly-owned subsidiary company of the Company.
- (c) On 22 November 2005, a subsidiary company, MQSB acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Superior Elevation Sdn Bhd for a total cash consideration of RM2.00.
- (d) On 5 December 2005, a subsidiary company, MQSB acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Genetic Frontier Sdn Bhd for a total cash consideration of RM2.00.

Events Subsequent to the Balance Sheet Date

- (a) At an Extraordinary General Meeting held on 11 January 2006, the shareholders of the Company by an ordinary resolution, authorised the Directors of the Company to repurchase the Company's own shares based on the following terms:
- (i) The number of shares to be purchased shall not exceed 5,500,000 ordinary shares of RM1.00 each, representing 10% of the existing issued and paid-up share capital of the Company.
 - (ii) The repurchase of shares will be financed through internally generated funds. The maximum funds to be allocated by the Company for the repurchase of shares will be made wholly out of retained profits and/or share premium account. The amount to be utilised shall not exceed the total audited retained profits and share premium account of the Company as at 31 December 2005.
 - (iii) The Company may retain the shares so purchased as treasury shares, or to cancel the shares purchased or a combination of both as defined under Section 67A of the Companies Act, 1965. The purchased shares held as treasury shares may either be distributed as share dividends, resold on Bursa Malaysia Securities Berhad in accordance with the relevant rules of Bursa Malaysia Securities Berhad or subsequently cancelled. The distribution of treasury shares as share dividends may be applied as a reduction of retained profits or share premium account of the Company subject to applicable prevailing laws.

The Company has repurchased 55,000 ordinary shares of RM1.00 each at a total consideration of RM46,553 subsequent to the financial year.

- (b) On 14 February 2006, a subsidiary company, MQSB acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Optimis Dinamik Sdn Bhd for a total cash consideration of RM2.00.
- (c) On 1 March 2006, the Company increased its interest in its wholly-owned subsidiary company, MQSB, by an additional 499,998 ordinary shares of RM1.00 each by way of bonus issue at par, on the basis of 249,999 new ordinary shares for every 1 existing ordinary share held, through the capitalisation of retained profits.
- (d) On 1 March 2006, the Company increased its interest in its wholly-owned subsidiary company, MPSB, by an additional 499,998 ordinary shares of RM1.00 each by way of bonus issue at par, on the basis of 249,999 new ordinary shares for every 1 existing ordinary share held, through the capitalisation of retained profits.
- (e) On 12 April 2006, the Company acquired 49 ordinary shares of RM1.00 each representing 49% of the issued and paid-up share capital of Luna Megan Sdn Bhd for a total cash consideration of RM49.00.

Auditors

The auditors, BDO Binder, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

Choy Sen @ Chin Kim Sang

Director

Lee Kah Keng @ Lee Kah Heng

Director

Kuala Lumpur
26 April 2006

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 29 to 62 have been drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of:

- (i) the state of affairs of the Group and of the Company as at 31 December 2005 and of their results for the financial year then ended; and
- (ii) the cash flows of the Group and of the Company for the financial year ended 31 December 2005.

On behalf of the Board,

Choy Sen @ Chin Kim Sang
Director

Lee Kah Keng @ Lee Kah Heng
Director

Kuala Lumpur
26 April 2006

Statutory Declaration

I, **Lee Kah Keng @ Lee Kah Heng**, being the Director primarily responsible for the financial management of **Minetech Resources Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 29 to 62 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur this)
26 April 2006) **Lee Kah Keng @ Lee Kah Heng**

Before me:

P. Sethuraman (No. W217)
Commissioner for Oaths

Report of the Auditors

to the members of Minetech Resources Berhad

We have audited the financial statements set out on pages 29 to 62.

These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2005 and of their results and cash flows for the financial year then ended;

and

- (b) the accounting and other records and the registers required by the Act, to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiary companies that are consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Section 174(3) of the Act.

BDO Binder

AF: 0206

Chartered Accountants

Yong Kam Fei

2562/07/06 (J)

Partner

Kuala Lumpur

26 April 2006

Balance Sheets

as at 31 December 2005

| | | Group 2005 RM | Company 2005 RM | 2004 RM |
|---|----|---------------------|-----------------------|------------|
| ASSETS EMPLOYED | | | | |
| PROPERTY, PLANT AND EQUIPMENT | 6 | 58,855,906 | 160,760 | – |
| QUARRY DEVELOPMENT EXPENDITURE | 7 | 2,102,931 | – | – |
| INVESTMENT IN SUBSIDIARY COMPANIES | 8 | – | 45,000,098 | – |
| CURRENT ASSETS | | | | |
| Inventories | 9 | 10,793,922 | – | – |
| Trade receivables | 10 | 24,543,024 | – | – |
| Other receivables, deposits and prepayments | 11 | 9,307,878 | 3,962 | 570,659 |
| Amounts owing by customers for contract works | 12 | 8,700,966 | – | – |
| Amounts owing by subsidiary companies | 13 | – | 13,955,136 | – |
| Tax recoverable | | 320,152 | – | – |
| Fixed deposits with licensed banks | 14 | 2,255,655 | – | – |
| Cash and bank balances | | 3,240,784 | 8,824 | 2 |
| | | 59,162,381 | 13,967,922 | 570,661 |
| LESS: CURRENT LIABILITIES | | | | |
| Trade payables | 15 | 13,481,504 | – | – |
| Other payables, deposits and accruals | 16 | 6,334,525 | 1,676,828 | 210,597 |
| Hire-purchase and lease creditors | 17 | 4,646,589 | 29,915 | – |
| Amount owing to a Director | 18 | – | – | 164,257 |
| Amount owing to a subsidiary company | 13 | – | – | 208,359 |
| Short term borrowings – secured | 19 | 8,418,538 | – | – |
| Term loans – secured | 20 | 1,000,039 | – | – |
| Tax liabilities | | 157,062 | 15,000 | – |
| | | 34,038,257 | 1,721,743 | 583,213 |
| NET CURRENT ASSETS/(LIABILITIES) | | 25,124,124 | 12,246,179 | (12,552) |
| | | 86,082,961 | 57,407,037 | (12,552) |
| REPRESENTED BY | | | | |
| SHARE CAPITAL | 21 | 55,000,000 | 55,000,000 | 2 |
| RESERVES | 22 | 12,899,213 | 2,298,293 | (12,554) |
| SHAREHOLDERS' EQUITY/(CAPITAL DEFICIENCY) | | 67,899,213 | 57,298,293 | (12,552) |
| LONG TERM AND DEFERRED LIABILITIES | | | | |
| Hire-purchase and lease creditors | 17 | 10,972,687 | 108,744 | – |
| Term loans – secured | 20 | 1,057,261 | – | – |
| Deferred tax | 23 | 6,153,800 | – | – |
| | | 86,082,961 | 57,407,037 | (12,552) |

The attached notes form an integral part of the financial statements.

Income Statements

for the financial year ended 31 December 2005

| | | Group | Company | |
|--|-------------|---------------------|------------------|-------------|
| | | 2005 | 2005 | 2004 |
| | Note | RM | RM | RM |
| Revenue | 24 | 94,265,855 | 3,054,292 | – |
| Cost of sales | | (78,946,015) | – | – |
| Gross profit | | 15,319,840 | 3,054,292 | – |
| Other operating income | | 3,166,116 | 29,880 | – |
| Administration expenses | | (8,092,935) | (189,924) | (6,202) |
| Profit/(Loss) from operations | | 10,393,021 | 2,894,248 | (6,202) |
| Finance costs | | (1,974,510) | (6,285) | – |
| Profit/(Loss) before tax | 25 | 8,418,511 | 2,887,963 | (6,202) |
| Tax expense | 26 | (3,378,332) | (15,000) | – |
| Net profit/(loss) for the financial year | | 5,040,179 | 2,872,963 | (6,202) |
| Gross dividends per ordinary share (sen) | | | | |
| – interim | 27 | 3.00 | | |
| – proposed final | 27 | 2.00 | | |
| Basic earnings per ordinary share (sen) | 28 | 10.18 | | |

The attached notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2005

| | Share Capital RM | Share Premium RM | Reserve on Consolidation RM | Retained Profits/ (Accumulated Losses) RM | Total RM |
|---|------------------------|------------------------|--------------------------------------|---|-------------------|
| Group | | | | | |
| Balance as at 1 January 2005 | 2 | - | - | (12,554) | (12,552) |
| Issue of shares | 54,999,998 | - | - | - | 54,999,998 |
| Share premium | - | 3,000,000 | - | - | 3,000,000 |
| Share issue expenses | - | (1,912,116) | - | - | (1,912,116) |
| Net expense not recognised in the income statement | - | (1,912,116) | - | - | (1,912,116) |
| Acquisitions during the year | - | - | 8,433,704 | - | 8,433,704 |
| Net profit for the financial year | - | - | - | 5,040,179 | 5,040,179 |
| Interim dividend for the financial year (Note 27) | - | - | - | (1,650,000) | (1,650,000) |
| Balance as at 31 December 2005 | 55,000,000 | 1,087,884 | 8,433,704 | 3,377,625 | 67,899,213 |
| Company | | | | | |
| Balance as at 31 December 2003 | 2 | - | - | (6,352) | (6,350) |
| Net loss for the financial year | - | - | - | (6,202) | (6,202) |
| Balance as at 31 December 2004 | 2 | - | - | (12,554) | (12,552) |
| Issue of shares | 54,999,998 | - | - | - | 54,999,998 |
| Share premium | - | 3,000,000 | - | - | 3,000,000 |
| Share issue expenses | - | (1,912,116) | - | - | (1,912,116) |
| Net expense not recognised in the income statement | - | (1,912,116) | - | - | (1,912,116) |
| Net profit for the financial year | - | - | - | 2,872,963 | 2,872,963 |
| Interim dividend for the financial year (Note 27) | - | - | - | (1,650,000) | (1,650,000) |
| Balance as at 31 December 2005 | 55,000,000 | 1,087,884 | - | 1,210,409 | 57,298,293 |

The attached notes form an integral part of the financial statements.

Cash Flow Statements

for the financial year ended 31 December 2005

| | Group 2005 RM | Company 2005 RM | 2004 RM |
|--|---------------------|-----------------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(Loss) before tax | 8,418,511 | 2,887,963 | (6,202) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 7,462,295 | 25,001 | – |
| Dividend income | – | (3,000,000) | – |
| Gain on disposal of property, plant and equipment | (1,633,400) | – | – |
| Property, plant and equipment written off | 20,857 | – | – |
| Interest expense | 1,850,996 | 5,839 | – |
| Interest income | (122,318) | (54,292) | – |
| Operating profit/(loss) before working capital changes | 15,996,941 | (135,489) | (6,202) |
| Increase in inventories | (1,312,098) | – | – |
| Increase in trade receivables | (5,847,566) | – | – |
| (Increase)/Decrease in other receivables, deposits and prepayments | (3,211,804) | 566,697 | (392,967) |
| Increase in amounts owing by customers for contract works | (5,003,647) | – | – |
| Increase in trade payables | 2,276,707 | – | – |
| (Decrease)/Increase in other payables, deposits and accruals | (1,014,570) | (183,769) | 195,582 |
| (Decrease)/Increase in amounts owing to Directors | (2,471,782) | (164,257) | 164,257 |
| Cash (used in)/generated from operations | (587,819) | 83,182 | (39,330) |
| Tax paid | (3,755,088) | – | – |
| Interest paid | (496,806) | – | – |
| Net cash (used in)/from operating activities | (4,839,713) | 83,182 | (39,330) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of subsidiary companies, net of cash and cash equivalents acquired (Note 29) | (342,172) | (100) | – |
| Purchase of property, plant and equipment (Note 30) | (5,704,345) | (25,761) | – |
| Proceeds from disposal of property, plant and equipment | 4,555,577 | – | – |
| Quarry development expenditure incurred | (200,083) | – | – |
| Dividend income | – | 3,000,000 | – |
| Net cash (used in)/from investing activities | (1,691,023) | 2,974,139 | – |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Interest paid | (1,354,190) | (5,839) | – |
| Interest received | 122,318 | 54,292 | – |
| Net advances (to)/from subsidiary companies | – | (14,163,495) | 39,330 |
| Drawdown of short term borrowings | 2,624,010 | – | – |
| Repayment of term loans | (1,732,336) | – | – |
| Repayment of hire-purchase and lease liabilities | (4,498,118) | (21,341) | – |
| Placement of fixed deposits | (904,872) | – | – |
| Proceeds from public issue | 13,000,000 | 13,000,000 | – |
| Payment of share issue expenses | (1,912,116) | (1,912,116) | – |
| Net cash from/(used in) financing activities | 5,344,696 | (3,048,499) | 39,330 |
| Net (decrease)/increase in cash and cash equivalents | (1,186,040) | 8,822 | – |
| Cash and cash equivalents at beginning of financial year | 2 | 2 | 2 |
| Cash and cash equivalents at end of financial year (Note 31) | (1,186,038) | 8,824 | 2 |

The attached notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2005

1. General Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

On 22 July 2005, the Company was listed on the Second Board of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at C15-1, Level 15, Tower C, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur.

The principal place of business of the Company is located at G12, Ground Floor, FAS Business Avenue, Jalan Perbandaran, 47301 Petaling Jaya, Selangor Darul Ehsan.

The financial statements are presented in Ringgit Malaysia.

2. Financial Risk Management Objectives and Policies

The Board of Directors recognises the importance of financial risk management in the overall management of the Group's business. A sound risk management system will not only mitigate financial risk but will be able to create opportunities if risk elements are properly managed.

The Group's overall financial risk management objective is to ensure the Group creates value for its shareholders while minimising potential adverse effects on the performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies set out as follows:

Liquidity and Cash Flow Risks

The Group actively manages its operating cash flows and debt maturity profile so as to ensure all commitments and funding needs are met. As part of the overall liquidity management, it is the Group's policy to ensure continuity in servicing its future cash obligations by forecasting its cash commitments and maintaining sufficient level of cash and cash equivalents to meet its working capital requirements. In addition, the Group maintains sufficient banking facilities to meet its operational needs.

Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rate. Interest rate risk exposure arises from the Group's borrowings. The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates through the use of fixed and floating rates debts. The Group does not use derivative financial instruments to hedge this risk.

Credit Risk

Credit risk, which is the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit evaluations are performed on customers requiring credit exceeding a certain amount and by limiting the Group's business association to parties with high credit worthiness. Trade receivables are monitored on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

Foreign Currency Exchange Risk

The Group is exposed to currency exchange risk as a result of the foreign currency denominated transactions entered into by the Group during the course of business. The currency involved is primarily Singapore Dollar. As the effects to the currency risk are immaterial, the Group does not enter into any hedging contract.

3. Principal Activities

The Company's principal activity is investment holding. The principal activities of the subsidiary companies are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

4. Basis of Preparation of Financial Statements

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Notes to the Financial Statements

5. Significant Accounting Policies

5.1 Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

The preparation of financial statements in conformity with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5.2 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to the end of the financial year using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of are included from the effective date of acquisition or up to the effective date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The differences between the cost of acquisition and the fair value of the Group's share of the subsidiary companies' identifiable net assets at the date of acquisition is reflected as goodwill or reserve on consolidation.

Goodwill on consolidation is stated at cost less impairment losses, if any. Reserve on consolidation is not recognised as income and is presented as a separate item in the balance sheet.

Inter-company transactions and balances are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

5.3 Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation on assets under construction commence when the assets are ready for their intended use.

Depreciation on other property, plant and equipment is calculated to write off the costs of the assets on a straight-line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

| | |
|------------------------------------|-----------|
| Freehold land and buildings | 2% |
| Leasehold land and buildings | 99 years |
| Plant and machinery | 10% |
| Motor vehicles | 20% |
| Office equipment | 10% |
| Furniture and fittings | 10% |
| Renovation | 10% |
| Workshop cum site office | 10% |
| Access road | 7 years |
| Computer equipment and peripherals | 10% – 20% |

5.4 Quarry Development Expenditure

Quarry development expenditure comprises direct cost of development, cost of site infrastructure and other related expenses. The development expenditure is amortised upon commencement of rock extraction activities. Amortisation is calculated by reference to the output for the year over the total estimated reserves, which will be extracted during the duration of the lease, so as to write off the quarry development expenditure.

The development expenditure is written off immediately to the income statement to the extent that the unamortised balance is no longer probable of being recovered.

5. Significant Accounting Policies (continued)

5.5 Assets Acquired under Hire-Purchase and Lease Agreements

Assets acquired under hire-purchase and lease arrangements which transfer substantially all the risks and rewards of ownership to the Group and the Company are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

Finance charges are allocated to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining hire-purchase and lease liabilities.

5.6 Investment in Subsidiary Companies

A subsidiary company is a company in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies which are eliminated on consolidation are stated at cost less impairment losses, if any.

5.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Inventories of spare parts, consumables and fuel (bitumen, filler and diesel) comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition.

Inventories of quarry products are stated at cost which includes raw materials, direct labour and production overheads.

5.8 Amounts Owning by/(to) Customers for Contract Works

The amounts owing by customers for contract works represent contract expenditure incurred plus attributable profits less foreseeable losses and progress billings received and receivable. The excess of progress billings over the contract expenditure incurred plus attributable profits less foreseeable losses is shown as amounts owing to customers for contract works.

5.9 Receivables

Receivables are carried at anticipated realisable value. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

5.10 Impairment of Assets

The carrying amounts of the Group's and the Company's assets, other than financial assets (other than investment in subsidiary companies), inventories, amounts owing by customers for contract works and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The impairment loss is recognised in the income statement immediately.

An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of an impairment loss are recognised as income immediately in the income statement.

5.11 Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

Notes to the Financial Statements

5. Significant Accounting Policies (continued)

5.12 Employee Benefits

5.12.1 Short Term Employee Benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees rendered services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

5.12.2 Defined Contribution Plans

The Company and subsidiary companies incorporated in Malaysia make contributions to a statutory provident fund and recognise the contributions payable:

- (a) after deducting contributions already paid as liability; and
- (b) as expense in the financial year in which the employees render their services.

5.13 Income tax

Income tax in the financial statements for the financial year comprises current tax expense and deferred tax.

5.13.1 Current Tax Expense

Current tax expense includes all taxes which are based on taxable profits.

5.13.2 Deferred Tax

Deferred tax, which includes deferred tax liabilities and assets, is provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to the same taxation authority.

5.14 Foreign Currency Transactions and Translations

5.14.1 Transactions and Balances in Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at the approximate rates of exchange at the balance sheet date.

All gains or losses from currency transactions and from translating foreign monetary assets and liabilities are taken up in the income statement.

5.14.2 Principal Closing Rate

The principal closing rate used in the translation of foreign currency amounts is as follows:

| | |
|--------------------------|--------------|
| | Group |
| | 2005 |
| | RM |
| 1 Singapore Dollar (SGD) | 2.271 |

5. Significant Accounting Policies (continued)

5.15 Revenue Recognition

Revenue from sale of goods is recognised in the income statement when significant risks and rewards of ownership have been transferred to the customers.

Revenue from civil contract works is recognised in the income statement based on the stage of completion. The stage of completion is determined based on the proportion that contract costs incurred for the work performed to date bear to the estimated total contract costs.

Revenue from rental of machinery is recognised on accrual basis unless collectibility is in doubt.

Dividend income is recognised when the shareholder's right to receive payment is established.

Interest income is recognised on a time proportion basis taking into account the effective yield of the assets.

5.16 Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short term, highly liquid investments which are readily convertible to cash and which are subject to insignificant risk of changes in value.

5.17 Segment Information

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting segment information is in respect of business segments as the Group's risk and returns are affected predominantly by differences in the products it produces. No geographical segment is presented as the Group principally operates in Malaysia.

A segment with a majority of operating income earned from providing product or services to external clients and whose operating income, results or assets are 10 percent or more of all the segments is reported separately.

Segment results, assets and liabilities include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that is expected to be used for more than one period.

5.18 Financial Instruments

5.18.1 Financial Instruments Recognised on the Balance Sheets

(a) Ordinary Shares

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of share issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of shares are accounted for as a deduction from share premium. Otherwise, they are charged to the income statement.

Dividends to shareholders are recognised in equity in the period in which they are declared.

(b) Interest Bearing Borrowings

Interest bearing borrowings are recorded at the amount of proceeds received, net of transaction cost.

(c) Other Financial Instruments

The accounting policies for other financial instruments recognised on the balance sheets are disclosed in the individual policy associated with each item.

5.18.2 Financial Instruments not Recognised on the Balance Sheets

There are no financial instruments not recognised on the balance sheets.

5.19 Borrowing Costs

Interest, dividends, losses and gains relating to a financial instrument, or a component part classified as a financial liability is reported as finance cost in the income statement.

Notes to the Financial Statements

6. Property, Plant and Equipment

| | Balance as at 1 January RM | Subsidiary Companies Acquired RM | Additions RM | Disposals RM | Written Off RM | Balance as at 31 December RM |
|--|-------------------------------------|---|-----------------|-----------------|----------------------|---------------------------------------|
| Group 2005 | | | | | | |
| Cost | | | | | | |
| Freehold land and buildings | - | 4,198,006 | - | - | - | 4,198,006 |
| Leasehold land and buildings | - | 3,022,125 | 1,514,952 | - | - | 4,537,077 |
| Plant and machinery | - | 74,884,028 | 10,538,590 | (7,846,350) | - | 77,576,268 |
| Motor vehicles | - | 5,963,714 | 1,326,250 | (2,236,352) | - | 5,053,612 |
| Office equipment | - | 566,658 | 62,569 | (2,668) | (7,940) | 618,619 |
| Furniture and fittings | - | 120,301 | 5,513 | - | - | 125,814 |
| Renovation | - | 365,314 | 4,579 | - | - | 369,893 |
| Workshop cum site office | - | 76,103 | - | - | - | 76,103 |
| Access road | - | 218,009 | - | - | - | 218,009 |
| Computer equipment and peripherals | - | 535,355 | 192,692 | (1,250) | (55,960) | 670,837 |
| Construction work-in- progress | - | 2,243,941 | - | - | - | 2,243,941 |
| | - | 92,193,554 | 13,645,145 | (10,086,620) | (63,900) | 95,688,179 |

6. Property, Plant and Equipment (continued)

| | Balance as at 1 January RM | Subsidiary Companies Acquired RM | Charge for the Financial Year RM | Disposals RM | Written Off RM | Balance as at 31 December RM |
|--|-------------------------------------|---|--|-----------------|----------------------|---------------------------------------|
| Group 2005 | | | | | | |
| Accumulated Depreciation | | | | | | |
| Freehold land and buildings | - | 595,165 | 83,960 | - | - | 679,125 |
| Leasehold land and buildings | - | 209,316 | 31,077 | - | - | 240,393 |
| Plant and machinery | - | 31,216,250 | 6,511,964 | (5,397,094) | - | 32,331,120 |
| Motor vehicles | - | 3,566,408 | 736,549 | (1,765,041) | - | 2,537,916 |
| Office equipment | - | 355,536 | 47,053 | (2,090) | (5,004) | 395,495 |
| Furniture and fittings | - | 79,412 | 9,788 | - | - | 89,200 |
| Renovation | - | 176,083 | 36,798 | - | - | 212,881 |
| Workshop cum site office | - | 10,674 | 1,522 | - | - | 12,196 |
| Access road | - | 23,358 | 31,144 | - | - | 54,502 |
| Computer equipment and peripherals | - | 246,505 | 71,197 | (218) | (38,039) | 279,445 |
| | - | 36,478,707 | 7,561,052 | (7,164,443) | (43,043) | 36,832,273 |

Notes to the Financial Statements

6. Property, Plant and Equipment (continued)

| | Balance as at 1 January RM | Additions RM | Balance as at 31 December RM |
|------------------------------------|-------------------------------------|--|---------------------------------------|
| Company | | | |
| 2005 | | | |
| Cost | | | |
| Motor vehicle | – | 178,683 | 178,683 |
| Office equipment | – | 560 | 560 |
| Furniture and fittings | – | 578 | 578 |
| Computer equipment and peripherals | – | 5,940 | 5,940 |
| | – | 185,761 | 185,761 |
| | Balance as at 1 January RM | Charge for the Financial Year RM | Balance as at 31 December RM |
| Accumulated Depreciation | | | |
| Motor vehicle | – | 24,122 | 24,122 |
| Office equipment | – | 42 | 42 |
| Furniture and fittings | – | 35 | 35 |
| Computer equipment and peripherals | – | 802 | 802 |
| | – | 25,001 | 25,001 |
| | Group 2005 RM | Company 2005 RM | 2004 RM |
| Net Book Value | | | |
| Freehold land and buildings | 3,518,881 | – | – |
| Leasehold land and buildings | 4,296,684 | – | – |
| Plant and machinery | 45,245,148 | – | – |
| Motor vehicles | 2,515,696 | 154,561 | – |
| Office equipment | 223,124 | 518 | – |
| Furniture and fittings | 36,614 | 543 | – |
| Renovation | 157,012 | – | – |
| Workshop cum site office | 63,907 | – | – |
| Access road | 163,507 | – | – |
| Computer equipment and peripherals | 391,392 | 5,138 | – |
| Construction work-in-progress | 2,243,941 | – | – |
| | 58,855,906 | 160,760 | – |

6. Property, Plant and Equipment (continued)

The net book value of the property, plant and equipment which have been acquired by way of hire-purchase and lease arrangements are as follows:

| | Group | Company | |
|---------------------|-------------------|----------------|-------------|
| | 2005 | 2005 | 2004 |
| | RM | RM | RM |
| Plant and machinery | 23,570,340 | – | – |
| Motor vehicles | 2,170,207 | 154,561 | – |
| | 25,740,547 | 154,561 | – |

The net book value of the property, plant and equipment which have been charged to licensed financial institutions for credit facilities granted to the Group are as follows:

| | Group |
|------------------------------|------------------|
| | 2005 |
| | RM |
| Freehold land and buildings | 3,518,880 |
| Leasehold land and buildings | 2,782,285 |
| Plant and machinery | 3,645,670 |
| | 9,946,835 |

Certain title deeds of the freehold and leasehold land and buildings are in the process of being transferred to certain subsidiary companies.

7. Quarry Development Expenditure

| | Group |
|--|------------------|
| | 2005 |
| | RM |
| At Cost | |
| Balance as at 1 January | – |
| Arising from acquisition of subsidiary companies (Note 29) | 1,804,091 |
| Addition | 298,840 |
| Balance as at 31 December | 2,102,931 |

Included in the quarry development expenditure is an amount of RM98,757 arising from depreciation of property, plant and equipment capitalised during the financial year.

Notes to the Financial Statements

8. Investment in Subsidiary Companies

| | Company | |
|---------------------------|-------------------|------------|
| | 2005 RM | 2004 RM |
| Unquoted shares – at cost | 45,000,098 | – |

The details of the subsidiary companies are as follows:

| Name of Company | Country of Incorporation | Effective Equity Interest | | Principal Activities |
|---|--------------------------|---------------------------|-----------|--|
| | | 2005 % | 2004 % | |
| Direct Subsidiary Companies | | | | |
| K.S. Chin Minerals Sdn Bhd (“KSC”) | Malaysia | 100 | – | Provision of turnkey and specialised quarry services and rental of machinery |
| Minetech Construction Sdn Bhd (“MCSB”) (formerly known as Angkasa Tegas Sdn Bhd) | Malaysia | 100 | – | Provision of specialised civil engineering services and rental of machinery |
| Minetech Quarries Sdn Bhd (“MQSB”) (formerly known as Tegas Marketing Sdn Bhd) | Malaysia | 100 | – | Sales and marketing of aggregates |
| Minetech Premix Sdn Bhd (“MPSB”) (formerly known as Tegas Premix Sdn Bhd) | Malaysia | 100 | – | Manufacturing and trading of premix products |
| Minetech Industries Sdn Bhd (“MISB”) (formerly known as Drillman Industrial Supplies Sdn Bhd) | Malaysia | 100 | – | Trading of industrial machinery spare parts |
| Minetech Realty Sdn Bhd (“MRSB”) (formerly known as Solar Media Sdn Bhd) | Malaysia | 100 | – | Property investment holding |
| Diman KS Chin Sdn Bhd (“DKSC”) | Malaysia | 100 | – | Sales and marketing of aggregates |
| Subsidiary Companies of MQSB | | | | |
| Superior Elevation Sdn Bhd (“SESB”) | Malaysia | 100 | – | Dormant |
| Genetic Frontier Sdn Bhd (“GFSB”) | Malaysia | 100 | – | Dormant |

All the subsidiary companies are audited by BDO Binder.

The shares in the subsidiary companies were acquired during the financial year. The details of acquisitions are disclosed in Note 37 to the financial statements.

9. Inventories

| | Group 2005 RM |
|-----------------------------|---------------------|
| At Cost | |
| Quarry products | 8,224,637 |
| Bitumen, filler and diesel | 381,094 |
| Spare parts and consumables | 2,188,191 |
| | <u>10,793,922</u> |

10. Trade Receivables

| | Group 2005 RM |
|------------------------------------|---------------------|
| Trade receivables | 24,559,517 |
| Less: Allowance for doubtful debts | (16,493) |
| | <u>24,543,024</u> |

The credit terms of trade receivables range from 30 to 180 days from date of invoice.

11. Other Receivables, Deposits and Prepayments

| | Group 2005 RM | Company 2005 RM | 2004 RM |
|-------------------|---------------------|-----------------------|------------|
| Other receivables | 5,585,243 | - | - |
| Deposits | 2,644,580 | 1,950 | - |
| Prepayments | 1,078,055 | 2,012 | 570,659 |
| | <u>9,307,878</u> | <u>3,962</u> | 570,659 |

12. Amounts Owing by Customers for Contract Works

| | Group 2005 RM |
|---|---------------------|
| Accumulated cost incurred todate | 27,471,982 |
| Attributable profits | 3,773,244 |
| | <u>31,245,226</u> |
| Less: Progress billings | (22,544,260) |
| Amounts owing by customers for contract works | <u>8,700,966</u> |
| Retention sum included in progress billings | <u>1,418,620</u> |

Notes to the Financial Statements

13. Amounts Owning by/(to) Subsidiary Companies

Company

Amounts owing by/(to) subsidiary companies represent advances and payments on behalf which are unsecured, interest-free and repayable on demand.

14. Fixed Deposits with Licensed Banks

Group

The fixed deposits have been pledged as security for banking facilities granted to the Group.

15. Trade Payables

The credit terms of trade payables range from 30 to 150 days from date of invoice.

The currency exposures of trade payables are as follows:

| | Group 2005 RM |
|------------------|---------------------|
| Ringgit Malaysia | 13,465,140 |
| Singapore Dollar | 16,364 |
| | <u>13,481,504</u> |

16. Other Payables, Deposits and Accruals

| | Group 2005 RM | Company 2005 RM | 2004 RM |
|-------------------|---------------------|-----------------------|------------|
| Other payables | 563,588 | 3,828 | 209,667 |
| Dividend payable | 1,650,000 | 1,650,000 | - |
| Deposits received | 69,365 | - | - |
| Accruals | 4,051,572 | 23,000 | 930 |
| | <u>6,334,525</u> | <u>1,676,828</u> | 210,597 |

17. Hire-Purchase and Lease Creditors

| | Group 2005 RM | Company 2005 RM | 2004 RM |
|--|---------------------|-----------------------|------------|
| Minimum hire-purchase and lease payments: | | | |
| - not later than one year | 5,945,430 | 36,240 | - |
| - later than one year and not later than five years | 12,105,354 | 117,780 | - |
| | <u>18,050,784</u> | <u>154,020</u> | - |
| Less: Future interest charges | (2,431,508) | (15,361) | - |
| Present value of hire-purchase and lease liabilities | <u>15,619,276</u> | <u>138,659</u> | - |
| Repayable as follows: | | | |
| Current liabilities: | | | |
| - not later than one year | 4,646,589 | 29,915 | - |
| Long term liabilities: | | | |
| - later than one year and not later than five years | 10,972,687 | 108,744 | - |
| | <u>15,619,276</u> | <u>138,659</u> | - |

18. Amount Owing to a Director

Company

The amount owing to a Director in 2004 was payments made on behalf and advances which are unsecured, interest-free and repayable on demand.

19. Short Term Borrowings – Secured

| | Group 2005 RM |
|---------------------------|------------------------------|
| Bank overdrafts (Note 31) | 4,426,822 |
| Bankers' acceptance | 3,739,970 |
| Short term advance | 251,746 |
| | <hr/> 8,418,538 <hr/> |

- (a) The bank overdrafts bear interest at rates ranging from 1.50% to 2.00% per annum above the base lending rates of the banks. The bank overdrafts are secured by the following:
- (i) First fixed charge over the freehold and leasehold land and buildings of certain subsidiary companies;
 - (ii) A third party second fixed charge over certain properties of a subsidiary company and a company in which certain Directors have substantial financial interests;
 - (iii) Fixed deposits with a licensed bank of certain subsidiary companies and fixed deposits in the name of certain Directors of the Group;
 - (iv) Joint and several guarantee by certain Directors of the Group; and
 - (v) Corporate guarantee by the Company.
- (b) The bankers' acceptance and short term advance are secured by means of the following:
- (i) First fixed charge over certain properties of a company in which certain Directors have substantial financial interests;
 - (ii) Fixed deposits with a licensed bank of certain subsidiary companies;
 - (iii) Joint and several guarantee by certain Directors of the Group; and
 - (iv) Corporate guarantee by the Company.

Notes to the Financial Statements

20. Term Loans – Secured

| | Group 2005 RM |
|---|---------------------|
| Term loan I at interest rate of 7.5% per annum repayable over a period of ten years in equal monthly instalments of RM6,446 each commencing in 1996 | 102,375 |
| Term loan II at interest rate of 4.6% per annum repayable over a period of five years in equal monthly instalments of RM18,655 each commencing in 2002 | 249,162 |
| Term loan III at interest rate of 7.5% per annum repayable over a period of seven years in equal monthly instalments of RM2,310 each commencing in 2004 | 116,072 |
| Term loan IV at interest rate of 4.0% per annum repayable over a period of three years in equal monthly instalments of RM45,044 each commencing in 2003 | 395,835 |
| Term loan V at interest rate of 4.0% per annum repayable over a period of six years in equal monthly instalments of RM28,614 each commencing in 2003 | 1,193,856 |
| | 2,057,300 |
| Repayable as follows: | |
| Current liabilities: | |
| – within one year | 1,000,039 |
| Long term liabilities: | |
| – later than one year and not later than five years | 1,056,111 |
| – later than five years | 1,150 |
| | 1,057,261 |
| | 2,057,300 |

Term loan I is secured by means of a first fixed charge over the freehold land and buildings of a subsidiary company and guaranteed by the Company.

Term loan II is secured by means of a fixed charge over certain plant and machinery and guaranteed jointly and severally by certain Directors of the Group.

Term loan III is secured by means of first fixed charge over the freehold land and buildings of a subsidiary company and guaranteed jointly and severally by certain Directors of the Group.

Term loan IV and V are secured by means of a first fixed charge over the plant and equipment of a subsidiary company, third parties deed of assignment over the properties of Directors' related companies and guaranteed by the Company.

21. Share Capital

| | Group and Company 2005 | | Company 2004 | |
|---------------------------------|---------------------------|--------------------|---------------------|-------------|
| | Number of shares | RM | Number of shares | RM |
| Ordinary shares of RM1.00 each: | | | | |
| Authorised: | | | | |
| Balance as at 1 January | 100,000,000 | 100,000,000 | 100,000 | 100,000 |
| Created during the year | - | - | 99,900,000 | 99,900,000 |
| Balance as at 31 December | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |
| Issued and fully paid: | | | | |
| Balance as at 1 January | 2 | 2 | 2 | 2 |
| Issued during the year | 54,999,998 | 54,999,998 | - | - |
| Balance as at 31 December | 55,000,000 | 55,000,000 | 2 | 2 |

In conjunction with the listing and quotation of the entire issued and paid-up share capital of the Company on the Second Board of Bursa Malaysia Securities Berhad, the Company had undertaken the following:

- On 1 January 2005, the issued and paid-up share capital of the Company was increased by way of issuance of 44,999,998 ordinary shares of RM1.00 each as consideration for the acquisition of subsidiary companies as disclosed in Note 37.
- On 18 July 2005, the Company made a public issue of 10,000,000 ordinary shares of RM1.00 each at an issue price of RM1.30 per ordinary share.

The above mentioned shares rank pari-passu in all respects with the then existing ordinary shares of the Company.

22. Reserves

| | Group | Company | |
|---------------------------------------|-------------------|------------------|----------|
| | 2005 | 2005 | 2004 |
| | RM | RM | RM |
| Non-distributable: | | | |
| Share premium | 1,087,884 | 1,087,884 | - |
| Reserve on consolidation | 8,433,704 | - | - |
| | 9,521,588 | 1,087,884 | - |
| Distributable: | | | |
| Retained profits/(Accumulated losses) | 3,377,625 | 1,210,409 | (12,554) |
| | 12,899,213 | 2,298,293 | (12,554) |

The Company has tax exempt account amounting to approximately RM1,350,000 available for distribution of tax exempt dividends.

Notes to the Financial Statements

23. Deferred Tax

- (a) The deferred tax is made up of the following:

| | Group 2005 RM |
|--|---------------------|
| Balance as at 1 January | – |
| Arising from acquisition of subsidiary companies (Note 29) | 5,706,900 |
| Recognised in the income statements (Note 26) | |
| – current year | 388,078 |
| – prior years | 58,822 |
| | 446,900 |
| Balance as at 31 December | 6,153,800 |
| Presented after appropriate offsetting: | |
| Deferred tax asset | (15,000) |
| Deferred tax liabilities | 6,168,800 |
| | 6,153,800 |

- (b) The movements of deferred tax asset and liabilities during the financial year prior to offsetting are as follows:

| | Group 2005 RM |
|--|---------------------|
| Deferred Tax Asset | |
| Balance as at 1 January | – |
| Recognised in the income statements | |
| – Unabsorbed capital allowances | 15,000 |
| Balance as at 31 December | 15,000 |
| Deferred Tax Liabilities | |
| Balance as at 1 January | – |
| Arising from acquisition of subsidiary companies | 5,706,900 |
| Recognised in the income statements | |
| – Excess of capital allowances over corresponding depreciation | 214,900 |
| – Quarry development expenditure | 247,000 |
| | 461,900 |
| Balance as at 31 December | 6,168,800 |

- (c) The components of deferred tax asset and liabilities as at the end of the financial year comprise tax effect of:

| | Group 2005 RM |
|--|---------------------|
| Deferred Tax Asset | |
| Unabsorbed capital allowances | 15,000 |
| Deferred Tax Liabilities | |
| Excess of capital allowances over corresponding depreciation | 5,921,800 |
| Quarry development expenditure | 247,000 |
| | 6,168,800 |

24. Revenue

| | Group | Company | |
|----------------------|-------------------|------------------|------|
| | 2005 | 2005 | 2004 |
| | RM | RM | RM |
| Sale of goods | 74,495,534 | – | – |
| Rental of machinery | 904,056 | – | – |
| Civil contract works | 18,811,973 | – | – |
| Dividend income | – | 3,000,000 | – |
| Interest income | 54,292 | 54,292 | – |
| | 94,265,855 | 3,054,292 | – |

25. Profit/(Loss) Before Tax

| | Group | Company | |
|--|------------|-----------|------|
| | 2005 | 2005 | 2004 |
| | RM | RM | RM |
| Profit/(Loss) before tax is arrived at after charging: | | | |
| Auditors' remuneration | | | |
| – current year | 70,410 | 18,000 | 750 |
| – underprovision in prior years | 500 | – | – |
| Contract cost recognised | 11,652,627 | – | – |
| Depreciation of property, plant and equipment | 7,462,295 | 25,001 | – |
| Directors' emoluments other than fees | 1,797,009 | 9,000 | – |
| Interest expense on: | | | |
| – bank overdrafts | 283,414 | – | – |
| – term loans | 149,170 | – | – |
| – hire-purchase and lease | 1,163,356 | 5,839 | – |
| – bankers' acceptance | 213,392 | – | – |
| – others | 41,664 | – | – |
| Property, plant and equipment written off | 20,857 | – | – |
| Rental expense: | | | |
| – plant and machinery | 676,579 | – | – |
| – land | 96,000 | – | – |
| – office | 33,600 | – | – |
| – workshop | 108,000 | – | – |
| Realised loss on foreign exchange | 8,336 | – | – |
| And crediting: | | | |
| Dividends received from subsidiary companies | – | 3,000,000 | – |
| Gain on disposal of property, plant and equipment | 1,633,400 | – | – |
| Interest income | 122,318 | 54,292 | – |
| Rental income: | | | |
| – equipment | 144,906 | – | – |
| – premises | 263,293 | – | – |

The estimated monetary value of benefit-in-kind received by the Directors otherwise than in cash from the Group amounted to RM76,967.

Notes to the Financial Statements

26. Tax Expense

| | Group | Company | |
|--------------------------|------------------|----------------|-------------|
| | 2005 | 2005 | 2004 |
| | RM | RM | RM |
| Current year | | | |
| – Income tax | 2,309,500 | 15,000 | – |
| – Deferred tax (Note 23) | 388,078 | – | – |
| | 2,697,578 | 15,000 | – |
| Prior years | | | |
| – Income tax | 621,932 | – | – |
| – Deferred tax (Note 23) | 58,822 | – | – |
| | 3,378,332 | 15,000 | – |

The numerical reconciliation between the average effective tax rate and the applicable tax rate of the Group and of the Company are as follows:

| | Group | Company | |
|--|---------------|----------------|-------------|
| | 2005 | 2005 | 2004 |
| | % | % | % |
| Applicable tax rate | 28.00 | 28.00 | (28.00) |
| Tax effects in respect of: | | | |
| Non-allowable expenses | 7.91 | 1.61 | 28.00 |
| Non-taxable income | (2.31) | – | – |
| Tax exempt income | – | (29.09) | – |
| Reduction in tax rate on first RM500,000 chargeable income of certain subsidiary companies | (1.56) | – | – |
| | 32.04 | 0.52 | – |
| Income tax – prior years | 7.39 | – | – |
| Deferred tax – prior years | 0.70 | – | – |
| Average effective tax rate | 40.13 | 0.52 | – |

Subject to the agreement of the Inland Revenue Board, a subsidiary company has unutilised capital allowances amounting to approximately RM55,000 available for set-off against future taxable income.

27. Dividends

| | Group | Company | |
|--|------------------|------------------|-------------|
| | 2005 | 2005 | 2004 |
| | RM | RM | RM |
| Tax exempt interim dividend of 3.00 sen per share in respect of financial year ended 31 December 2005, paid on 10 January 2006 | 1,650,000 | 1,650,000 | – |

A final tax exempt dividend in respect of the financial year ended 31 December 2005 of 2.00 sen per ordinary share, amounting to RM1,100,000 has been proposed by the Directors after the balance sheet date for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by shareholders, will be accounted for as appropriation of retained profits in the financial year ending 31 December 2006.

28. Earnings per Ordinary Share

Basic Earnings per Ordinary Share

The basic earnings per ordinary share for the financial year has been calculated based on the consolidated profit after tax for the financial year divided by the weighted average number of ordinary shares outstanding during the financial year.

| | Group 2005 |
|---|-----------------------|
| Consolidated profit after tax for the financial year (RM) | 5,040,179 |
| Weighted average number of ordinary shares outstanding | 49,520,548 |
| Basic earnings per ordinary share (sen) | 10.18 |

Diluted Earnings per Ordinary Share

The Company does not have any dilutive potential ordinary share.

29. Acquisition of Subsidiary Companies

During the financial year, the Group acquired the following subsidiary companies:

| | Cash Outflow Net of Cash and Cash Equivalents Acquired RM | Acquired by |
|--|--|----------------------|
| (a) KSC, MCSB, MQSB, MPSB, MISB and MRSB | (342,172) | The Company |
| (b) DKSC, SESB and GFSB | – | The Company/ MQSB |
| | (342,172) | |

Notes to the Financial Statements

29. Acquisition of Subsidiary Companies (continued)

(a) Acquisitions of KSC, MCSB, QSB, MPSB, MISB and MRSB

On 1 January 2005, the Company completed the acquisitions of various companies as disclosed in Note 37, for a total consideration of RM49,999,998.

Details of the net assets acquired and cash flow arising from the acquisitions of these subsidiary companies are as follows:

| | Group RM |
|--|---------------------|
| Property, plant and equipment | 55,714,847 |
| Quarry development expenditure (Note 7) | 1,804,091 |
| Inventories | 9,481,824 |
| Receivables | 27,918,192 |
| Tax recoverable | 258,875 |
| Fixed deposits with licensed banks | 1,350,783 |
| Cash and bank balances | 3,796,777 |
| Payables | (16,484,936) |
| Hire-purchase and lease creditors | (12,176,593) |
| Amounts owing to Directors | (2,307,525) |
| Term loans | (3,789,636) |
| Short term borrowings | (5,506,656) |
| Tax liabilities | (919,441) |
| Deferred tax (Note 23) | (5,706,900) |
| Net assets acquired | 53,433,702 |
| Reserve on consolidation | (8,433,704) |
| Total purchase consideration in subsidiary companies | 44,999,998 |
| Discharged by issue of shares | (44,999,998) |
| Total purchase consideration discharged by cash | - |
| Less: Cash and cash equivalents of the subsidiary companies acquired | (342,172) |
| Cash outflow on acquisition, net of cash and cash equivalents acquired | (342,172) |

The effect of the above acquisitions on the financial results of the Group during the financial year is as follows:

| | Group 2005 RM |
|--|------------------------------|
| Revenue | 92,626,100 |
| Operating costs | (87,256,639) |
| Other operating income | 3,136,234 |
| Profit before tax | 8,505,695 |
| Tax expense | (3,355,832) |
| Increase in Group's net profit after tax | 5,149,863 |

29. Acquisition of Subsidiary Companies (continued)

(a) Acquisitions of KSC, MCSB, MQSB, MPSB, MISB and MRSB (continued)

The effect of the above acquisitions on the financial position of the Group at the end of the financial year is as follows:

| | Group 2005 RM |
|------------------------------------|------------------------------|
| Property, plant and equipment | 58,601,850 |
| Quarry development expenditure | 2,102,931 |
| Inventories | 10,793,922 |
| Receivables | 41,995,760 |
| Tax recoverable | 315,652 |
| Fixed deposits with licensed banks | 2,255,655 |
| Cash and bank balances | 3,125,270 |
| Payables | (18,120,113) |
| Hire-purchase and lease creditors | (15,480,617) |
| Term loans | (2,057,300) |
| Short term borrowings | (8,418,538) |
| Tax liabilities | (142,062) |
| Deferred tax | (6,146,300) |
| Increase in Group's net assets | <u>68,826,110</u> |

(b) Acquisitions of DKSC, SESB and GFSB

DKSC

On 25 March 2005, the Company subscribed for 99 subscribers' shares of RM1.00 each representing 99% of the issued and paid-up share capital of DKSC for a total cash consideration of RM99.00.

On 1 April 2005, the Company acquired an additional 1 ordinary share of RM1.00 each representing the remaining 1% of the issued and paid-up share capital of DKSC for a total cash consideration of RM1.00. Consequently, DKSC became a wholly-owned subsidiary company of the Company.

SESB

On 22 November 2005, a subsidiary company, MQSB acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of SESB for a total cash consideration of RM2.00.

GFSB

On 5 December 2005, a subsidiary company, MQSB acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of GFSB for a total cash consideration of RM2.00.

Details of the net assets acquired and cash flow arising from the acquisitions of these subsidiary companies are as follows:

| | Group RM |
|---|---------------------|
| Net asset acquired – Cash in hand | 104 |
| Total purchase consideration in subsidiary companies discharged by cash | 104 |
| Less: Cash and cash equivalents of the subsidiary companies acquired | (104) |
| Cash inflow on acquisition, net of cash and cash equivalents acquired | <u>–</u> |

Notes to the Financial Statements

29. Acquisition of Subsidiary Companies (continued)

(b) Acquisitions of DKSC, SESB and GFSB (continued)

The effect of the above acquisitions on the financial results of the Group during the financial year is as follows:

| | Group 2005 RM |
|--|------------------------------|
| Revenue | 1,585,463 |
| Operating costs | (1,560,612) |
| Other operating income | 2 |
| Profit before tax | <u>24,853</u> |
| Tax expense | (7,500) |
| Increase in Group's net profit after tax | <u>17,353</u> |

The effect of the above acquisitions on the financial position of the Group at the end of the financial year is as follows:

| | Group 2005 RM |
|--------------------------------|------------------------------|
| Property, plant and equipment | 93,296 |
| Receivables | 552,146 |
| Tax recoverable | 4,500 |
| Cash and bank balances | 106,690 |
| Payables | (19,088) |
| Deferred tax | (7,500) |
| Increase in Group's net assets | <u>730,044</u> |

30. Purchase of Property, Plant and Equipment

During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

| | Group 2005 RM | Company 2005 RM | 2004 RM |
|--|------------------------------|--------------------------------|--------------------|
| Purchase of property, plant and equipment (Note 6) | 13,645,145 | 185,761 | - |
| Financed by hire-purchase arrangements | (7,940,800) | (160,000) | - |
| Cash payments on purchase of property, plant and equipment | <u>5,704,345</u> | <u>25,761</u> | - |

31. Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

| | Group | Company | |
|--|--------------------|----------------|-------------|
| | 2005 | 2005 | 2004 |
| | RM | RM | RM |
| Fixed deposits with licensed banks | 2,255,655 | – | – |
| Cash and bank balances | 3,240,784 | 8,824 | 2 |
| Bank overdrafts – secured (Note 19) | (4,426,822) | – | – |
| | 1,069,617 | 8,824 | 2 |
| Less: Fixed deposits pledged to licensed banks | (2,255,655) | – | – |
| | (1,186,038) | 8,824 | 2 |

32. Segmental Reporting

(a) Business Segments

The Group's operations comprise the following business segments:

| | |
|------------------------|--|
| Quarrying | : Turnkey quarry operations |
| Civil engineering | : Specialised civil engineering works |
| Sales and marketing | : Sales and marketing of quarry products |
| Premix products | : Manufacturing and trading of premix products |
| Industrial spare parts | : Trading of industrial machinery spare parts |
| Others | : Investment holding and rental of machinery |

Notes to the Financial Statements

32. Segmental Reporting (continued)

(a) Business Segments (continued)

| 2005 | Quarrying RM | Civil Engineering RM | Sales and Marketing RM | Premix Products RM | Industrial Spare Parts RM | Others RM | Elimination RM | Consolidation RM |
|---|-------------------|----------------------------|------------------------------|--------------------------|---------------------------------|------------------|---------------------|---------------------|
| Revenue | | | | | | | | |
| External sales | 46,995,997 | 18,811,973 | 19,532,805 | 6,955,111 | 1,011,621 | 958,348 | - | 94,265,855 |
| Inter-segment sales | 14,641,873 | - | - | - | 6,886,173 | 6,337,974 | (27,866,020) | - |
| | 61,637,870 | 18,811,973 | 19,532,805 | 6,955,111 | 7,897,794 | 7,296,322 | (27,866,020) | 94,265,855 |
| Results | | | | | | | | |
| Profit before tax | 4,507,489 | 2,776,117 | 1,047,338 | 44,718 | 159,325 | 2,883,524 | (3,000,000) | 8,418,511 |
| Tax expense | | | | | | | | (3,378,332) |
| Net profit for the financial year | | | | | | | | 5,040,179 |
| Other Information | | | | | | | | |
| Segment assets | 80,292,872 | 31,926,082 | 5,321,464 | 3,658,940 | 3,212,565 | 62,846,192 | (67,136,897) | 120,121,218 |
| Segment liabilities | 42,954,569 | 19,395,932 | 2,625,865 | 2,083,186 | 1,742,155 | 5,557,093 | (22,136,795) | 52,222,005 |
| Capital expenditure | 10,070,555 | 1,760,708 | 128,124 | 21,000 | 5,528 | 1,659,230 | - | 13,645,145 |
| Depreciation | 5,743,375 | 1,601,695 | 49,307 | 118,717 | 22,957 | 25,001 | - | 7,561,052 |
| Non-cash expenses other than depreciation | 17,041 | 3,116 | 700 | - | - | - | - | 20,857 |

(b) Geographical Segments

No geographical segment is presented as the Group principally operates in Malaysia.

33. Capital Commitments

| | Group 2005 RM |
|--|---------------------|
| Capital expenditure in respect of purchase of property, plant and equipment – contracted but not provided for | <u>8,452,202</u> |

34. Contingent Liabilities

| | Group 2005 RM | Company 2005 RM | 2004 RM |
|---|---------------------|-----------------------|------------|
| Secured | | | |
| Bank guarantees issued in favour of third parties by certain subsidiary companies | 196,138 | – | – |
| Unsecured | | | |
| Corporate guarantee given to financial institutions for credit facilities granted to subsidiary companies | – | 15,616,529 | – |
| Corporate guarantee given to suppliers of subsidiary companies for credit facilities granted to subsidiary companies | – | 1,599,328 | – |
| | <u>196,138</u> | <u>17,215,857</u> | – |

A former employee of a subsidiary company, MISB has filed a claim against MISB for a sum of RM70,000 for liquidated damages and for general damages to be assessed by the Court pursuant to injury arising from a personal accident during working hours. The Court had directed that the application to amend the Statement of Claim be disposed prior to the decision of the Striking Out Application. The outcome of this case is still pending.

The Board of Directors, based on legal defending advice, is of the opinion that the Group has valid grounds to succeed in defending this litigation.

Notes to the Financial Statements

35. Financial Instruments

(a) Interest Rate Risk

The effective annual interest rates of the financial asset and liabilities of the Group and of the Company are as follows:

| | Group | Company | |
|------------------------------------|--------------|----------------|-------------|
| | 2005 | 2005 | 2004 |
| | % | % | % |
| Financial asset | | | |
| Fixed deposits with licensed banks | 2.00 – 3.70 | 2.00 – 3.00 | – |
| Financial liabilities | | | |
| Bank overdrafts | 7.50 – 8.00 | – | – |
| Bankers' acceptance | 3.20 – 3.90 | – | – |
| Short term advance | 7.50 | – | – |
| Hire-purchase and lease creditors | 4.73 – 11.70 | 5.01 | – |
| Term loans | 4.65 – 8.80 | – | – |

(b) Credit Risk

The Group has no major concentration of credit risk as at 31 December 2005 except for an amount of RM3,461,089 included in trade receivables which has been outstanding exceeding the Group's normal credit period.

The Group's past experience in collection of trade receivables falls within the recorded allowances. The Directors believe that no additional credit risk amounts for collection losses is inherent to the trade receivables.

In respect of the deposits, cash and bank balances placed with major financial institutions in Malaysia, the Directors believe that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

(c) Fair Values

The carrying amounts of the financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values except as set out below:

| | Group | | Company | |
|-------------------------------|-----------------|--------------|-----------------|--------------|
| | Carrying | Fair | Carrying | Fair |
| | Amount | Value | Amount | Value |
| | RM | RM | RM | RM |
| As at 31 December 2005 | | | | |
| Term loans | 2,057,300 | 2,016,295 | – | – |

The following methods and assumptions are used to determine the fair value of financial instruments:

- (i) The carrying amounts of financial assets and liabilities maturing within 12 months approximate their fair values due to the relatively short term maturity of these financial instruments.
- (ii) The fair values of term loan is estimated by discounting future contractual cash flows at the current market interest available to the Group for similar financial instruments.

36. Related Party Disclosures

(a) Identities of Related Parties

The Company has controlling related party relationships with its direct and indirect subsidiary companies.

The Group also has related party relationships with the following parties:

| Related parties | Relationships |
|---|---|
| Angkasa Risk Management Sdn Bhd ("ARMSB") | Related by common Directors and substantial shareholders, namely Choy Sen @ Chin Kim Sang and Loh Yee Kwan |
| Kuari Sungai Perangin Sdn Bhd ("KSPSB") | Related by a former substantial shareholder of the Company, namely Ramelle Ashram Bin Tan Sri Ramli, who is the managing director and substantial shareholder of Raz Ekuiti Sdn Bhd, the holding company of KSPSB |
| SH Tan Management Services ("STMS") | Related by a former Director of the Company, namely Tan Swee Huat, who is the sole proprietor of STMS |
| Choy Sen @ Chin Kim Sang | A Director and substantial shareholder of the Company and the spouse of Low Choon Lan |
| Low Choon Lan | A Director and substantial shareholder of the Company and the spouse of Choy Sen @ Chin Kim Sang |
| Ng Soong Hee | Related by connected person – mother of Choy Sen @ Chin Kim Sang |
| Ramelle Ashram Bin Tan Sri Ramli | A former substantial shareholder |

(b) Significant Related Party Transactions

In the normal course of business, the Group undertakes transactions with certain of its related parties listed above. Set out below are the significant related party transactions for the financial year. The related party transactions described below were carried out on terms and conditions not materially different from those obtainable in transactions with unrelated parties.

| | Group 2005 RM |
|--|---------------------|
| Workshop rental paid to Choy Sen @ Chin Kim Sang | 96,000 |
| Workshop rental paid to Low Choon Lan | 12,000 |
| Staff quarter rental paid to Ng Soong Hee | 12,000 |
| Insurance premium paid/payable to ARMSB | 583,385 |
| Management fee received/receivable from ARMSB | 12,000 |
| Office and equipment rental received/receivable from ARMSB | 11,000 |
| Tribute paid to KSPSB | 760,690 |
| Consultancy fee paid to Ramelle Ashram Bin Tan Sri Ramli | 114,000 |
| Consultancy and accounting fee paid to STMS | 45,000 |

(c) Significant Related Party Balances

At the end of the financial year, amounts owing by/(to) ARMSB in respect of related party transactions during the financial year are as follows:

| | Group 2005 RM |
|--|---------------------|
| Office and equipment rental receivable by a subsidiary company | 2,700 |
| Insurance premium payable by certain subsidiary companies | (47,340) |

Notes to the Financial Statements

37. Significant Events During the Financial Year

- (a) The Company had on 22 July 2005 been admitted to the Official List of Bursa Malaysia Securities Berhad and listed on the Second Board of Bursa Malaysia Securities Berhad. Pursuant to the listing exercise, the Company undertook a flotation scheme which had been approved by the Securities Commission on 17 November 2004. The flotation scheme involved the following:

(I) Acquisitions

The Company had on 15 June 2004, entered into several Shareholders Agreements to acquire the entire equity interest in the following companies for a total purchase consideration of RM44,999,998 satisfied by way of issuance of 44,999,998 new ordinary shares of RM1.00 each in the Company ("the Acquisitions"). The details of which are summarised as follows:

(i) KSC

Acquisition by the Company of the entire issued and paid-up share capital of KSC comprising 1,000,000 ordinary shares of RM1.00 each for a total consideration of RM31,716,626 satisfied by way of issuance of 31,716,626 new ordinary shares of RM1.00 each in the Company, credited as fully paid.

(ii) MCSB

Acquisition by the Company of the entire issued and paid-up share capital of MCSB comprising 1,000,000 ordinary shares of RM1.00 each for a total consideration of RM10,546,173 satisfied by way of issuance of 10,546,173 new ordinary shares of RM1.00 each in the Company, credited as fully paid.

(iii) MQSB

Acquisition by the Company of the entire issued and paid-up share capital of MQSB comprising 2 ordinary shares of RM1.00 each for a total consideration of RM1,054,406 satisfied by way of issuance of 1,054,406 new ordinary shares of RM1.00 each in the Company, credited as fully paid.

(iv) MPSB

Acquisition by the Company of the entire issued and paid-up share capital of MPSB comprising 2 ordinary shares of RM1.00 each for a total consideration of RM638,412 satisfied by way of issuance of 638,412 new ordinary shares of RM1.00 each in the Company, credited as fully paid.

(v) MISB

Acquisition by the Company of the entire issued and paid-up share capital of MISB comprising 400,000 ordinary shares of RM1.00 each for a total consideration of RM1,044,379 satisfied by way of issuance of 1,044,379 new ordinary shares of RM1.00 each in the Company, credited as fully paid.

(vi) MRSB

Acquisition by the Company of the entire issued and paid-up share capital of MRSB comprising 2 ordinary shares of RM1.00 each for a total consideration of RM2 satisfied by way of issuance of 2 new ordinary shares of RM1.00 each in the Company, credited as fully paid.

The Acquisitions were completed on 1 January 2005.

(II) Public Issue

Public Issue of 10,000,000 new ordinary shares of RM1.00 each at an issue price of RM1.30 per ordinary share.

(III) Offer for Sale

Offer for sale of 4,600,000 ordinary shares of RM1.00 each in the Company at an offer price of RM1.30 per ordinary share.

(IV) Listing on the Second Board of Bursa Malaysia Securities Berhad

Listing and quotation for the entire issued and paid-up share capital of the Company of RM55,000,000 comprising 55,000,000 ordinary shares of RM1.00 each, on the Second Board of Bursa Malaysia Securities Berhad.

37. Significant Events During the Financial Year (continued)

- (b) On 25 March 2005, the Company subscribed for 99 subscribers' shares of RM1.00 each representing 99% of the issued and paid-up share capital of DKSC for a total cash consideration of RM99.00.

On 1 April 2005, the Company acquired an additional 1 ordinary share of RM1.00 each representing the remaining 1% of the issued and paid-up share capital of DKSC for a total cash consideration of RM1.00. Consequently, DKSC became a wholly-owned subsidiary company of the Company.
- (c) On 22 November 2005, a subsidiary company, MQSB acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of SESB for a total cash consideration of RM2.00.
- (d) On 5 December 2005, a subsidiary company, MQSB acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of GFSB for a total cash consideration of RM2.00.

38. Events Subsequent to the Balance Sheet Date

- (a) At an Extraordinary General Meeting held on 11 January 2006, the shareholders of the Company by an ordinary resolution, authorised the Directors of the Company to repurchase the Company's own shares based on the following terms:
 - (i) The number of shares to be purchased shall not exceed 5,500,000 ordinary shares of RM1.00 each, representing 10% of the existing issued and paid-up share capital of the Company.
 - (ii) The repurchase of shares will be financed through internally generated funds. The maximum funds to be allocated by the Company for the repurchase of shares will be made wholly out of retained profits and/or share premium account. The amount to be utilised shall not exceed the total audited retained profits and share premium account of the Company as at 31 December 2005.
 - (iii) The Company may retain the shares so purchased as treasury shares, or to cancel the shares purchased or a combination of both as defined under Section 67A of the Companies Act, 1965. The purchased shares held as treasury shares may either be distributed as share dividends, resold on Bursa Malaysia Securities Berhad in accordance with the relevant rules of Bursa Malaysia Securities Berhad or subsequently cancelled. The distribution of treasury shares as share dividends may be applied as a reduction of retained profits or share premium account of the Company subject to applicable prevailing laws.

The Company has repurchased 55,000 ordinary shares of RM1.00 each at a total consideration of RM46,553 subsequent to the financial year.

- (b) On 14 February 2006, a subsidiary company, MQSB acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Optimis Dinamik Sdn Bhd for a total cash consideration of RM2.00.
- (c) On 1 March 2006, the Company increased its interest in its wholly-owned subsidiary company, MQSB, by an additional 499,998 ordinary shares of RM1.00 each by way of bonus issue at par, on the basis of 249,999 new ordinary shares for every 1 existing ordinary share held, through the capitalisation of retained profits.
- (d) On 1 March 2006, the Company increased its interest in its wholly-owned subsidiary company, MPSB, by an additional 499,998 ordinary shares of RM1.00 each by way of bonus issue at par, on the basis of 249,999 new ordinary shares for every 1 existing ordinary share held, through the capitalisation of retained profits.
- (e) On 12 April 2006, the Company acquired 49 ordinary shares of RM1.00 each representing 49% of the issued and paid-up share capital of Luna Megan Sdn Bhd for a total cash consideration of RM49.00.

Notes to the Financial Statements

39. Number of Employees and Staff Costs

| | Group 2005 | Company 2005 | 2004 |
|---|-----------------------|-------------------------|-------------|
| Number of employees, including Executive Directors, at the end of the financial year | 391 | - | - |

The total staff costs recognised in the income statements are as follows:

| | Group 2005 RM | Company 2005 RM | 2004 RM |
|---------------------------|------------------------------|--------------------------------|--------------------|
| Wages and salaries | 11,110,771 | - | - |
| Defined contribution plan | 1,178,671 | - | - |
| Other employee benefits | 589,793 | - | - |
| | 12,879,235 | - | - |

40. Comparative Figures

Group

There are no comparative figures for the Group as this is the first set of consolidated financial statements for the Group.

Company

The following comparative figures have been restated to conform with the presentation of the current financial year:

| | As Previously Reported RM | Reclassifi- cation RM | As Restated RM |
|---------------------------------------|--|--------------------------------------|-------------------------------|
| Balance Sheet | | | |
| Other payables, deposits and accruals | (418,956) | 208,359 | (210,597) |
| Amount owing to a subsidiary company | - | (208,359) | (208,359) |

41. Authorisation for Issue of Financial Statements

These financial statements were authorised for issue by the Board of Directors on 26 April 2006.

List of Properties

as at 31 December 2005

| No | Name of Registered Owner/ Postal Address / Title Identification | Approximate Age of Building/ Tenure/ Date of Expiry of Lease | Description and Existing Use/ Date of Acquisition | Land Area/ Built up Area (square meters) | Net Book Value @ 31 December 2005 (RM) |
|--------------------------------------|--|---|---|--|--|
| Minetech Construction Sdn Bhd | | | | | |
| 1. | Lot 7430, Jalan BBN 9/3F Desa Anggerik Bandar Baru Nilai, 71800 Nilai Negeri Sembilan HS(D) 86946 PT 7430 Mukim Setul , Daerah Seremban | 8 years/Freehold | Building, double storey terrace house, currently vacant/ 5 May 1998 | 298.5/ approximately 104 | 176,146 |
| 2. | Lot 5734, Jalan BBN 9/2K Desa Anggerik Bandar Baru Nilai, 71800 Nilai Negeri Sembilan HS(D) 85290 PT 5734 Mukim Setul , Daerah Seremban | 8 years/Freehold | Building, double storey terrace house, currently vacant/ 5 May 1998 | 334.9/ approximately 104 | 186,410 |
| 3. | Lot 5738, Jalan BBN 9/1A Desa Anggerik Bandar Baru Nilai, 71800 Nilai Negeri Sembilan HS(D) 85294 PT 5738 Mukim Setul , Daerah Seremban | 8 years/Freehold | Building, double storey terrace house, currently vacant/ 17 August 1998 | 153.3/ approximately 104 | 125,942 |
| 4. | Lot 7241, Jalan BBN 1/2A Putra Point Phase 1 Bandar Baru Nilai, 71800 Nilai Negeri Sembilan HS(D) 79062 PT 7241 Mukim Labu , Daerah Seremban* | 11 years/Freehold | 3 storey shophouse building 1 storey – staff quarter 2 storey – vacant/ 28 July 1998 | 167.2/ approximately 446 | 442,967 |
| 5. | Unit 123 – 523, Unit 223A – 523A, FAS Business Avenue, Jalan Perbandaran 47301 Petaling Jaya Selangor Darul Ehsan Unit 12A-12I, HS (D) 85220 PT14532, Mukim Damansara Daerah Petaling* | 8 years/99 years leasehold/ Expiring on 6 December 2092 | 9 units 5 storey commercial shophot currently used as the group's offices/ 22 November 1994 | N/A/ approximately 720 | 1,186,298 |
| 6. | Unit A6-1 to A6-10 Plaza Dwitasik No. 21, Jalan 5/106 Bandar Seri Permaisuri 56000 Kuala Lumpur Phase 1, Level 6, Unit No. 13.1, 13.2, 14.1, 14.2, 15.1, 15.2, 16.1, 16.2, 17.1, 17.2, Storey Level 6, Block A Plaza Dwitasik, PN 27024 Lot 51975 Mukim Kuala Lumpur Daerah Kuala Lumpur* | 4 years/ 99 years leasehold/ Expiring on 11 January 2095 | 10 commercial office units currently rented to third parties/ 18 January 1996 | N/A/ approximately 879 | 1,595,987 |

List of Properties

| No | Name of Registered Owner/ Postal Address / Title Identification | Approximate Age of Building/ Tenure/ Date of Expiry of Lease | Description and Existing Use/ Date of Acquisition | Land Area/ Built up Area (square meters) | Net Book Value @ 31 December 2005 (RM) |
|---------------------------------|--|--|---|--|--|
| KS Chin Minerals Sdn Bhd | | | | | |
| 1. | Unit 101, Block B Phileo Damansara II 46350 Petaling Jaya Selangor Darul Ehsan GM 106 Lot 905 Mukim Sungai Buluh Jalan Batu Damansara Daerah Petaling* | 5 years/Freehold | 1 unit commercial shoptlot currently rented to third parties/ 5 May 1995 | N/A/ approximately 192 | 975,332 |
| 2. | 29-1 to 29-6, Block E1 Jalan PJU 1/45, Dataran Prima 47301 Petaling Jaya Selangor Darul Ehsan GRN 46496 Lot 42440 Pekan Cempaka, Daerah Petaling* | 5 years/ Freehold | 6 units commercial shoptlots currently rented to third parties/ 31 January 1996 | N/A/ approximately 927 | 1,612,083 |
| Minetech Realty Sdn Bhd | | | | | |
| 1. | SA-0113, SA-0114, SA-SM23, SA-SG17, SA-SG23, SA-SG25, SA-SG26, SA-SG29 Ukay Perdana HS(M) 12614 PT 643 and HS(M) 12615 PT 644 both in Bandar Ulu Kelang, Tempat Batu 7 Ulu Kelang (Ukay Perdana) Daerah Gombak, Negeri Selangor* | Under construction/ 99 years leasehold/ Expiring on 4 October 2100 | 8 units commercial shoptlots/ 30 April 2004 (except for SA-SG26 which was acquired on 10 May 2004) | N/A/ approximately 731 | 2,243,941 |
| 2. | No 15, Jalan Kasturi 1, Plaza Kasturi, Off Jalan Balakong , Batu 11, 43200 Cheras, Selangor Darul Ehsan Under master title No HS(D) 52944 PTNo. 26352 Bandar Cheras Daerah Hulu Langat Selangor Darul Ehsan | 3 years/ 99 years leasehold/ Expiring on 27 October 2093 | 4 storey commercial shoptlot, currently vacant/ 31 March 2005 | N/A/ approximately 1,192 | 1,473,469 |
| Grand Total | | | | | 10,018,575 |

Note:

* The land title particulars disclosed are the particulars of the master titles registered under the names of the respective developers. The respective strata titles to the individual commercial shoptlots have yet to be issued.

Analysis of Shareholdings

as at 3 May 2006

Shareholdings Structure

| | |
|----------------------------------|---|
| Authorised Capital | : RM100,000,000.00 divided into – 100,000,000 ordinary shares of RM1.00 each |
| Issued and Fully Paid-up Capital | : RM55,000,000.00 divided into – 55,000,000 ordinary shares of RM1.00 each |
| Class of Shares | : Ordinary shares of RM1.00 each |
| Voting Rights by Show of Hand | : One vote for every shareholder |
| Voting Rights by Poll | : One vote for every ordinary share held |

Analysis of Shareholdings

| Size of Shareholdings | No. of Shareholders | % | No. of Shareholdings | % |
|---|---------------------|---------------|----------------------|---------------|
| 1 – 99 | 1 | 0.10 | 50 | 0.00 |
| 100 – 1,000 | 490 | 48.42 | 239,800 | 0.44 |
| 1,001 – 10,000 | 340 | 33.60 | 1,642,050 | 2.99 |
| 10,001 – 100,000 | 147 | 14.52 | 5,380,968 | 9.79 |
| 100,001 – 6,021,444 (less than 5% of issued shares) | 28 | 2.77 | 16,132,607 | 29.36 |
| 6,021,445 (5% of issued shares) and above | 6 | 0.59 | 31,549,525 | 57.42 |
| | 1,012 | 100.00 | 54,945,000* | 100.00 |

* The number of 54,945,000 ordinary shares was arrived at after deducting 55,000 treasury shares retained by the Company from the issued and paid-up share capital of 55,000,000 ordinary shares.

Analysis of Shareholdings

Thirty Largest Shareholders

| No. | Name | No. of Shares Held | % |
|--------------|---|--------------------|--------------|
| 1 | Choy Sen @ Chin Kim Sang | 12,657,015 | 23.04 |
| 2 | CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB for Choy Sen @ Chin Kim Sang</i> | 4,000,000 | 7.28 |
| 3 | Low Choon Lan | 3,998,451 | 7.28 |
| 4 | Wan Zaki Bin Wan Muda | 3,973,731 | 7.23 |
| 5 | Norhaliza Binti Abdullah | 3,807,249 | 6.93 |
| 6 | Kerjaya E-Khidmat Sdn Bhd | 3,113,079 | 5.67 |
| 7 | Ramelle Ashram Bin Ramli | 2,500,000 | 4.55 |
| 8 | Low Choon Lan | 1,576,101 | 2.87 |
| 9 | EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Lai Chan Heng</i> | 1,431,200 | 2.60 |
| 10 | EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Yeoh Kok Siong</i> | 1,291,200 | 2.35 |
| 11 | EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Lee Kwan Ming</i> | 1,233,900 | 2.25 |
| 12 | RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Meoy Kock Haw</i> | 1,034,300 | 1.88 |
| 13 | Meoy Kock Haw | 930,000 | 1.69 |
| 14 | RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chin Fah</i> | 878,900 | 1.60 |
| 15 | Shang Kwai Voon | 600,000 | 1.09 |
| 16 | Chai Koo Pheng | 597,654 | 1.09 |
| 17 | Low Choon Yen | 418,010 | 0.76 |
| 18 | Pang Hwee Peng | 399,665 | 0.73 |
| 19 | Loh Yee Kwan | 319,207 | 0.58 |
| 20 | EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Choy Sen @ Chin Kim Sang</i> | 300,000 | 0.55 |
| 21 | Koh Kin Lip | 300,000 | 0.55 |
| 22 | Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Khoo Ban Sean Benny</i> | 294,900 | 0.54 |
| 23 | Khoo Siong Kee | 235,100 | 0.43 |
| 24 | AllianceGroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Beng Guan</i> | 224,600 | 0.41 |
| 25 | Fun Yoon Fah | 205,000 | 0.37 |
| 26 | Chung Kam Seng @ Cheong Kam Seng | 200,000 | 0.36 |
| 27 | EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Hong Foh Nyok</i> | 197,400 | 0.36 |
| 28 | Choy Sen @ Chin Kim Sang | 172,687 | 0.31 |
| 29 | Shamsudin Bin Md Dubi | 158,583 | 0.29 |
| 30 | EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Choo Kang Ngee</i> | 140,000 | 0.25 |
| Total | | 47,187,932 | 85.89 |

Substantial Shareholders

| No. | Name | Direct | | Indirect | |
|-----|---------------------------|--------------------|-------|--------------------|-------|
| | | No. of Shares Held | % | No. of Shares Held | % |
| 1 | Choy Sen @ Chin Kim Sang | 17,129,702 | 31.18 | 5,704,552* | 10.38 |
| 2 | Low Choon Lan | 5,704,552 | 10.38 | 17,129,702* | 31.18 |
| 3 | Wan Zaki Bin Wan Muda | 3,973,731 | 7.23 | – | – |
| 4 | Kerjaya E-Khidmat Sdn Bhd | 3,113,079 | 5.67 | – | – |
| 5 | Norhaliza Binti Abdullah | 3,859,137 | 7.02 | 3,271,662** | 5.95 |
| 6 | Shamsudin Bin Md Dubi | 158,583 | 0.29 | 6,972,216** | 12.69 |

Notes:

* Deemed to have an indirect interest through his/her spouse's shareholdings in Minetech Resources Berhad.

** Deemed to have an indirect interest through his/her spouse's and Kerjaya E-Khidmat Sdn Bhd's shareholdings in Minetech Resources Berhad.

Directors' Shareholdings

| No. | Name | Direct | | Indirect | |
|-----|-----------------------------|--------------------|-------|--------------------|-------|
| | | No. of Shares Held | % | No. of Shares Held | % |
| 1 | Choy Sen @ Chin Kim Sang | 17,129,702 | 31.18 | 5,704,552* | 10.38 |
| 2 | Low Choon Lan | 5,704,552 | 10.38 | 17,129,702* | 31.18 |
| 3 | Lee Kah Keng @ Lee Kah Heng | – | – | – | – |
| 4 | Loh Yee Kwan | 419,207 | 0.76 | 523,010 | 0.95 |
| 5 | Norhaliza Binti Abdullah | 3,859,137 | 7.02 | 3,271,662** | 5.95 |
| 6 | Phoon Sow Cheng | 1,000 | 0.00 | – | – |
| 7 | Chai Woon Chew | – | – | – | – |

Notes:

* Deemed to have an indirect interest through his /her spouse's shareholdings in Minetech Resources Berhad.

** Deemed to have an indirect interest through her spouse's and Kerjaya E-Khidmat Sdn Bhd's shareholdings in Minetech Resources Berhad.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of Minetech Resources Berhad will be held at Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Tuesday, 27 June 2006 at 10.00 a.m., for the purpose of considering the following businesses:

Agenda

Ordinary Business

- | | |
|---|--|
| 1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2005 together with the Reports of the Directors and the Auditors thereon. | Ordinary Resolution 1 |
| 2. To approve the payment of Directors' fees of RM33,000.00 for the financial year ended 31 December 2005. | Ordinary Resolution 2 |
| 3. To declare a final tax-exempt dividend of 2 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2005 as recommended by the Directors and to authorise the Directors to determine the dividend entitlement and payment dates. | Ordinary Resolution 3 |
| 4. To re-elect the following Directors who are retiring by rotation pursuant to Article 126 of the Company's Articles of Association, and being eligible, offering themselves for re-election: (i) Choy Sen @ Chin Kim Sang (ii) Datin Norhaliza Binti Abdullah | Ordinary Resolution 4 Ordinary Resolution 5 |
| 5. To re-appoint Messrs BDO Binder as Auditors of the Company and authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |

Special Business

To consider and if thought fit, pass the following resolutions:

- | | |
|--|------------------------------|
| 6. Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature Entered into by Kuari Sungai Perangin Sdn Bhd from 22 July 2005 up to and Including the Date of the Annual General Meeting | Ordinary Resolution 7 |
|--|------------------------------|

"THAT those Recurrent Related Party Transactions of a revenue or trading nature which have been entered into between the Company and Kuari Sungai Perangin Sdn Bhd as detailed in Section 2.1.2 of the Circular to Shareholders dated 5 June 2006 for the period from 22 July 2005 up to and including the date of the Annual General Meeting, which were necessary for the day to day operations of the Company and which were conducted in the ordinary course of business on terms which are not more favourable to the Related Parties than those generally available to the public and on terms not to the detriment of shareholders, be and are hereby ratified and approved."

7. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** **Ordinary Resolution 8**

"THAT subject to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions ("RRPTs") of a revenue or trading nature as stated in Section 2.1.3 of the Circular to Shareholders dated 5 June 2006, provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) in the ordinary course of business and are at arm's length basis and on terms not more favourable to the related parties than those generally available to the public; and
- (iv) not to the detriment of the minority shareholders of the Company.

("Shareholders' Mandate")

AND THAT the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless renewed by a resolution passed by the shareholders of the Company in a general meeting;
- (ii) the expiry of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier.

AND THAT the aggregate value of the transactions conducted pursuant to the Shareholders' Mandate during a financial year will be disclosed in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad in the annual report of the Company for the said financial year.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the RRPTs contemplated and/or authorised by this Ordinary Resolution."

Notice of Annual General Meeting

8. Proposed Renewal of Authority to Directors on Purchase of the Company's Own Shares

Ordinary Resolution 9

"THAT subject to Section 67A of the Companies Act, 1965 (the "Act") and Part IIIA of the Companies Regulations, 1966, provisions of the Company's Articles of Association and the requirements of Bursa Malaysia Securities Berhad and any other relevant authority, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up share capital through the Bursa Malaysia Securities Berhad subject further to the following:

- (i) the maximum number of shares which may be purchased and/or held by the Company shall be equivalent to ten per-centum (10%) of the issued and paid-up share capital of the Company ("Shares") for the time being;
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the Shares shall not exceed the aggregate of the retained profits of the Company. As of 31 December 2005, the audited retained profits of the Company were RM1,210,409.00.
- (iii) the authority conferred by this resolution will commence immediately upon passing of this resolution and will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company, unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting or the expiration of the period within which the next AGM after that date is required by the law to be held, whichever occurs first, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by the Bursa Malaysia Securities Berhad or any other relevant authority; and
- (iv) upon completion of the purchase(s) of the Shares by the Company, the Directors of the Company be and are hereby authorised to deal with the Shares in the following manner:
 - (a) cancel the Shares so purchased; or
 - (b) retain the Shares so purchased as treasury shares; or
 - (c) retain part of the Shares so purchased as treasury shares and cancel the remainder; or
 - (d) distribute the treasury shares as dividends to shareholders and/or resell on the Bursa Malaysia Securities Berhad and/or cancel all or part of them; or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Bursa Malaysia Securities Berhad and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the Shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

9. **Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965** **Ordinary Resolution 10**

“THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue and allot shares in the Company, at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued does not exceed 10% of the issued capital of the Company at the time of issue and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued, subject to the Companies Act, 1965, the Articles of Association of the Company and approval from the Bursa Malaysia Securities Berhad and other relevant bodies where such approval is necessary.”

By Order of the Board

Mah Li Chen (MAICSA 7022751)

Kim Yi Hwa (MAICSA 7029686)

Company Secretaries

Kuala Lumpur

5 June 2006

Notes :

1. Every member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote for him/her. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
2. A member shall be entitled to appoint up to two (2) proxies to vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at C15-1 Level 15, Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
5. Upon passing of Ordinary Resolution 3, the Directors will inform the members separately by way of an announcement via the Bursa Link, the date of entitlement and payment of the final tax-exempt dividend which payment shall be no later than 3 months from the date of the AGM on 27 June 2006.
6. Explanatory Notes on Special Business

(a) Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature Entered into by Kuari Sungai Perangin Sdn Bhd from 22 July 2005 up to and Including the Date of the Annual General Meeting

The ratification of Recurrent Related Party Transactions under Ordinary Resolution 7 is intended to ratify the transactions which were carried out in the normal course of business of Minetech Resources Berhad and its subsidiaries with the related party, which are on arm's length basis and on normal commercial terms and which are not detrimental to the minority shareholders of the Company from 22 July 2005 up to and including the date of the Annual General Meeting.

Detailed information on the Proposed Shareholders' Ratification for Recurrent Related Party Transactions of a Revenue or Trading Nature is set out in the Circular to Shareholders dated 5 June 2006 which is despatched together with this Annual Report.

(b) Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Shareholders' Mandate under Ordinary Resolution 8 is intended to facilitate transactions in the normal course of business of the Company which are transacted from time to time with the related parties, provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on normal commercial terms which are not detrimental to the minority shareholders of the Company.

By obtaining the Shareholders' Mandate on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such Recurrent Related Party Transactions occur would not arise. This would reduce substantial administrative time, inconvenience and expenses associated with the convening of such meetings.

Detailed information on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature is set out in the Circular to Shareholder dated 5 June 2006 which is despatched together with this Annual Report.

(c) Proposed Renewal of Authority to Directors on Purchase of the Company's Own Shares

The proposed Ordinary Resolution 9, if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the issued and paid-up share capital of the Company. This authority unless revoked or varied by the Company at a General Meeting will expire at the next Annual General Meeting.

Please refer to the Circular dated 5 June 2006 which is despatched together with this Annual Report for further information.

(d) Authority to Issue and Allot Shares pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 10, if passed, will give flexibility to the Directors of the Company to issue shares and allot up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such allotment and issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Statement Accompanying Notice of Annual General Meeting

1. Directors who are standing for re-election at the Fourth Annual General Meeting of the Company to be held at Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Tuesday, 27 June 2006 at 10.00 a.m. are as follows:
 - (i) Choy Sen @ Chin Kim Sang
 - (ii) Datin Norhaliza Binti Abdullah

Further details of the Directors standing for re-election are set out in the Profile of Directors appearing on pages 4 to 6 of the Annual Report.

2. During the financial year ended 31 December 2005, four (4) Board meetings were held. Details of attendance of each Director are set out in the Statement on Corporate Governance appearing on page 12 of the Annual Report.

Proxy Form



I/We _____
(full name in block letters)

of _____
(full address)

being a member of **Minetech Resources Berhad**, hereby appoint *THE CHAIRMAN OF THE MEETING or failing him/her

| Name | Address | NRIC/Passport No. | Proportion of Shareholdings (%) |
|------|---------|-------------------|---------------------------------|
|------|---------|-------------------|---------------------------------|

1.

**And/or (delete as appropriate)*

2.

as my/our proxy/proxies, to vote for me/us on my/our behalf at the Fourth Annual General Meeting of Minetech Resources Berhad ("MRB") to be held at Kuala Lumpur Golf and Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Tuesday, 27 June 2006 at 10.00 a.m., or at any adjournment thereof.

* If you wish to appoint other person/persons to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting or failing him" and insert the name/names of the person/persons desired.

My/our proxy/proxies is/are to vote as indicated below:

| Resolutions | For | Against |
|--|-----|---------|
| Ordinary Business | | |
| 1. Adoption of Audited Financial Statements for the financial year ended 31 December 2005 and the Reports of the Directors and Auditors thereon | | |
| 2. Approval of payment of Directors' Fees | | |
| 3. Approval of the declaration of a final tax-exempt dividend of 2 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2005 | | |
| 4. Re-election of Choy Sen @ Chin Kim Sang as Director | | |
| 5. Re-election of Datin Norhaliza Binti Abdullah as Director | | |
| 6. Re-appointment of Messrs BDO Binder as Auditors | | |
| Special Business | | |
| 7. Ratification of the Recurrent Related Party Transactions of A Revenue or Trading Nature | | |
| 8. Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature | | |
| 9. Renewal of Authority to Directors on Purchase of the Company's own Shares | | |
| 10. Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965 | | |

(Please indicate with a cross (X) in the space provided, how you wish your vote to be cast in respect of the above resolutions. If you do not do so, the proxy may vote or abstain at his/her discretion.)

Signed this _____ day of _____ 2006

| Number of shares held |
|-----------------------|
| |

Signature/Common Seal of Shareholder

Notes :

- Every member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote for him/her. A proxy may but need not be a member of the Company. If the proxy is not a member, the proxy need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.
- A member shall be entitled to appoint up to two (2) proxies to vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- The instrument appointing a proxy shall be in writing executed by or on behalf of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at C15-1 Level 15, Tower C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

Stamp

The Company Secretaries

MINETECH RESOURCES BERHAD (575543-X)

C15-1, Level 15

Tower C, Megan Avenue II

12, Jalan Yap Kwan Seng

50450 Kuala Lumpur

Wilayah Persekutuan

Malaysia
