



## Minetech Resources Berhad

(Company No. 575543-X)  
(Incorporated in Malaysia under the Companies Act, 1965)

MINETECH RESOURCES BERHAD (575543-X)

ANNUAL REPORT 2006



# ANNUAL REPORT 2006

# contents

ANNUAL REPORT 2006 1

Corporate Structure	2
Corporate Information	3
Profile of Directors	4
Chairman's Statement	7
Audit Committee Report	9
Corporate Governance Statement	12
Statement on Internal Controls	16
Additional Compliance Information	17
Financial Statements	19
List of Properties	78
Analysis of Shareholdings	80
Notice of Annual General Meeting	83
Statement Accompanying Notice of Annual General Meeting	86
Proxy Form	



# corporate structure



**Minetech Resources Berhad**



## 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)

**Lee Wai Kim** (MAICSA 7036446)

## 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)

United Overseas Bank (Malaysia) Berhad  
(Company No. 271809K)

AmBank (Malaysia) Berhad  
(Company No. 8515-D)

HSBC Bank Malaysia Berhad  
(Company No. 127776-V)

## 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

## **Choy Sen @ Chin Kim Sang**

*Executive Chairman,  
Aged 54*

**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, 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 in 1994 to support the Group's operations in trading of industrial machinery spare parts. In 1998, Minetech Quarries 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 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 MRB 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 ("Bursa Securities") 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 is a substantial shareholder of MRB. He has no material conflict of interest with the Group other than that which has been disclosed to the Audited Financial Statements contained in this Annual Report.

## **Lee Kah Keng @ Lee Kah Heng**

*Group Managing Director,  
Aged 57*

**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 Securities and also the Executive Director of Rock Chemicals Industries Bhd, a company listed on the Second Board of Bursa Securities 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 Masters 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.

### **Loh Yee Kwan**

*Group Deputy Managing Director,  
Aged 44*

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 as the General Manager at Minetech Construction Sdn Bhd in 1994 and was later appointed as the 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 MRB, 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 to the Audited Financial Statements contained in this Annual Report.

**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 as the Executive Director of K.S. Chin Minerals Sdn Bhd in 1984, Minetech Construction Sdn Bhd in 1989 and Minetech Quarries 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.

### **Low Choon Lan**

*Executive Director,  
Aged 50*

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

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

**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.

### **Phoon Sow Cheng**

*Independent  
Non-Executive Director,  
Aged 53*

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 MRB, she is not a director of any other public company. She is a director in several private limited companies.

## **Datin Norhaliza Binti Abdullah**

*Non-Independent  
Non-Executive Director,  
Aged 51*

**Datin Norhaliza Binti Abdullah** was appointed as a Non-Independent Non-Executive Director of the Company on 28 January 2005. She is also a member of 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 to date.

She has no material conflict of interest with the Group.

Apart from MRB, 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 49*

**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 to 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 MRB Group other than that which has been disclosed in the Audited Financial Statements contained in this Annual Report.

### **Notes:**

1. All the Directors of Minetech Resources Berhad ("MRB") are Malaysian.
2. Save as otherwise disclosed, none of the Directors of MRB have any convictions for offences within the past ten (10) years other than traffic offences, if any.
3. All the Directors of MRB had attended all seven (7) Board Meetings of the Company that were held during the financial year ended 31 December 2006.
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 and substantial shareholder 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.



## Dear Shareholders,

On behalf of the Board of Directors of Minetech Resources Berhad, I am pleased to present the 2006 Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2006.

### Overview of Business Environment

The much anticipated implementation of the projects under the Ninth Malaysian Plan (9MP) did not quite meet the high expectation of the construction industry in 2006. Construction industry suffered a contraction due to the lack of new projects coupled with high raw materials prices in cement, steel and diesel.

Notwithstanding the above, the rolling out of certain projects under the 9MP towards the end of 2006 will spearhead the momentum for a speedy recovery in the construction sector. The Government has stressed on the importance of fast implementation of the projects under the 9MP as evidenced by the mega projects identified in growth areas like South Johore Economic Zone (now known as Iskandar Development Region), the

Northern Region and the Eastern Region. 2007 will see the construction sector staging a fast pace recovery, hyped up by the 9MP and in anticipation of the continuous rolling out of projects.

### Financial Review

The financial performance of the Group was impacted by the lower off take of quarry materials due to the slow implementation of the 9MP projects resulting in low demand for quarry materials. Higher energy and production costs also continued to impact on our bottom line. Exceptionally wet weather conditions across Peninsular Malaysia also contributed to the slow execution of our road projects.

For the year ended 31 December 2006, the Group recorded a higher turnover of RM118.6 million which is 25.8% higher than 2005 of RM94.3 million. However, net profit for the Group fell 51% to RM2.46 million compared to a net profit of RM5.04 million for 2005 due to the above mentioned adverse factors.

At the Company level, revenue recorded for the year 2006 was RM4.5 million as compared to RM3 million for 2005. Net profit of the Company achieved was RM0.66 million as compared to RM2.9 million for 2005. The net assets per share were RM1.26 (2005: RM1.23) while net earnings per share were 4.47 sen (2005: 10.18 sen).

### Review of Operations

#### Quarry Operation

Despite the challenging conditions faced by the industry in 2006, our quarry operation was able to sustain its revenue inspite of lower profit due to the high energy cost, in particular. Turnover was recorded at RM61.4 million as compared to RM61.6 million for 2005 while profit before tax achieved was RM3.03 million as compared to RM4.51 million for 2005.

The Group currently operates 17 quarries including 1 quarry in Karimun, Riau Island, Indonesia. The management is constantly on the look out for more

quarries at strategic locations and maintaining our position as the leading turnkey quarry operator in the country.

On the overseas front, the Group has set foot in Indonesia with the acquisition of quarry rights and assets from Batu Ayer Granite Pte Ltd, a company incorporated in Singapore in November 2006, for the operation of a quarry in Karimun, Riau Island including the marketing of the quarry products.

The quarry products will be mainly exported to Singapore to capitalise on its high demand of the quarry materials in anticipation of the launching of its two mega casino cum theme park projects.

#### Civil Engineering Works

Our construction company had recorded a higher revenue of RM36.0 million as compared to RM18.8 million for 2005 due to the commencement of new projects namely the 3rd lane road widening from Rawang to Slim River, Rawang By-Pass and Teluk Kumbar project, Penang. However, its revenue could have been higher if not due to the exceptionally long raining spell which invariably affected our progress of work.

Lower profit before tax of RM0.80 million (2005: RM2.78 million) was achieved mainly due to the additional and higher cost incurred in the delay of the progress and late completion of the projects.

With the implementation of the 9MP, there will be opportunities for the Group to secure projects synergistic to our core business in quarrying and road construction. However, the Group will be more prudent and selective in the participation in the projects that are to be rolled out from the 9MP.

#### Sales and Marketing

Sales and marketing activities recorded a revenue of RM22.4 million as compared to RM19.5 million for 2005. However, profit before tax achieved was RM0.14 million (2005: RM1.05 million) due to higher purchase price from K.S. Chin Minerals Sdn Bhd and the reclassification of certain expenses from



cost of sales to operating expenses resulting in lower profit margin.

The slow progress in the execution of our 3rd lane widening project from Rawang to Slim River and also delay in the commencement of two of our quarries had in a way mitigated our quarry sales.

### Premix Products

Premix operation recorded a higher revenue of RM9.5 million as compared to RM7.0 million for 2005. Profit before tax also increased to RM345,634 (2005: RM44,718).

The higher revenue achieved was partly due to the resumption of pavement works by the contractors resulted from the stabilisation of the bitumen price. Revenue and profit would have improved if not due to the slow progress in the pavement work of our 3rd lane widening project from Rawang to Slim River.

### Industrial Spare Parts

Revenue from Industrial Spare Parts division was mainly derived from inter-company sales and sales to subcontractors. Revenue for 2006 was RM2.2 million (2005: RM7.9 million) while incurring a small loss before tax of RM74,885 (2005: profit before tax stood at RM159,325).

### Manufacturing

A Joint Venture Agreement between Minetech Resources Berhad and Korea Petroleum Industrial Co. Ltd was signed on 27 June 2006 to form a joint venture company on a shareholding ratio of 51:49. The venture will spearhead the Group's

effort into synergistic manufacturing business and expand our business portfolio into the growth sectors like water and oil and gas sectors.

The joint venture company (Minetech Korea Petroleum Industrial Sdn Bhd) will initially manufacture and market bituminous compounds for the coating of water and gas pipes and subsequently expand its manufacturing into more value added products. The said venture will contribute positively to the Group from year 2007 onwards.

### Dividend

I am pleased to announce that the Board has recommended a first and final dividend of 2 sen less 27% tax per ordinary share of RM1.00 for your approval in the forthcoming Annual General Meeting.

### Corporate Developments

During the year, the Group had embarked on a fund raising exercise and successfully completed the issuance of Islamic Private Debt Securities by way of up to RM100 million Partially Underwritten Murabahah Notes Issuance Facility/Islamic Medium Term Notes Issuance Facility (MUNIF/MTN) in September 2006.

Rating Agency Malaysia (RAM) had assigned a respective long-term and short-term ratings of A2 and P2 to our MUNIF/MTN.

The fund raising exercise will enable the Group to tap into cheaper debt capital markets to meet our future cash flow requirements.

### Future Prospects and Outlook

The challenging conditions faced by the construction industry in the past 2 years are likely to be cushioned by the implementation of the 9MP. The construction sector is poised to stage a long awaited recovery for the next 3-5 years.

Our Prime Minister has stressed on the importance of the swift implementation of the projects under the plan and had since rolled out some mega projects at the end of 2006. Several growth areas have been identified such as the Iskandar Development Region (Johore), the Northern and Eastern Regions. We anticipate that the implementation of the said mega projects will create a huge demand of quarry materials and our Group will tend to gain from the demand.

Our new quarries, both in Peninsular Malaysia and overseas, together with our joint venture in the manufacturing sector will begin to contribute from the year 2007 onwards.

### Acknowledgement and Appreciation

On behalf of the Board of Directors, I would like to express again my appreciation to the management and staff of the Group for their dedication and contribution. To the shareholders, financials, customers, we thank you for your continuous support.

**Chin Kim Sang**  
*Executive Chairman*

## Members of the Audit Committee

Name	Attendance
<b>Madam Phoon Sow Cheng</b> (Chairman) Independent Non-Executive Director	5/5
<b>Mr Chai Woon Chew</b> Independent Non-Executive Director	5/5
<b>Mr Choy Sen @ Chin Kim Sang</b> Executive Chairman	5/5

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.

## **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 and the results of the audit findings arising therefrom, review the processes or investigations undertaken and whether or not appropriate actions are 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) Reviewed the unaudited quarterly financial results and the relevant announcements to the Bursa Securities prior to the consideration of the Board of Directors;
- (b) Reviewed and discussed with external auditors regarding the audit planning memorandum and issues arising from the statutory audit of the Group;
- (c) Reviewed the annual audited financial statements, external auditors' reports and their audit findings;
- (d) Reviewed the procedures for identification of related party transactions for compliance with the Listing Requirements of Bursa Securities and the related party transactions and conflict of interest situation that may arise within the Group;
- (e) Reviewed the Enterprise Risk Management report; and
- (f) Considered the re-appointment of external auditors and the audit fee.

## **Internal Audit Function**

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

The Board of Directors (“Board”) recognises 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 practices 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 duties and responsibilities to ensure the interests of the shareholders are protected.

Where appropriate, formal structures and committees are put 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 composition comprising seven (7) members, which complies with the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“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 utilisation of resources and standards of conduct.

Generally, the Executive Directors are responsible for carrying out the day to day operational functions as well as business development of the Group. The Independent Non-Executive Directors play the supporting role by contributing their knowledge and experience in the business strategic plans and offering their unbiased independent view, advice and judgment in the best interest of the Group.

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 financial year under review, the Board met seven (7) 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	7/7
Lee Kah Keng @ Lee Kah Heng	Group Managing Director	7/7
Loh Yee Kwan	Group Deputy Managing Director	7/7
Low Choon Lan	Executive Director	7/7
Datin Norhaliza Binti Abdullah	Non-Independent Non-Executive Director	7/7
Phoon Sow Cheng	Independent Non-Executive Director	7/7
Chai Woon Chew	Independent Non-Executive Director	7/7

## **Board of Directors** (continued)

### **D. Supply of Information**

The Directors whether as a full board or in their individual capacity, will have full and unrestricted access to all information of the Group's business and affairs to enable them to discharge their duties.

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 / or annual financial statements, corporate development, minutes of Board Committees, acquisition and disposal proposals, updates from Bursa Securities, list of directors' resolutions passed and summary on the directors' dealings in securities during the relevant financial period, if any.

All Directors 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 the 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 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 / or Board Committee members and assessment of the effectiveness of the Board as a whole, and the contribution of each individual Director. The Nomination Committee is responsible for reviewing the Board and / or Board Committees composition and balance as well as considering the Board's succession planning and making recommendations for new appointment of Directors and / or Board Committees. During the financial year under review, one meeting was held to review the Board balance and assess the effectiveness of the Board as a whole and individual Board members.

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 abstains from discussion of his/her own remuneration. During the financial year under review, one meeting was held to review the remuneration of the Directors.

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

## **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 Board 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**

During the year, the Directors have attended some training programmes as part of their continuous education. Among the programmes attended by the Board members were:

- (i) Finance for Non-Financial Personnel
- (ii) Investing with confidence in 2007
- (iii) Seminar on Practical GST Tips and Traps
- (iv) Advance Practice Management Estate Planning Advisory Practice in Securities Commission
- (v) National Tax Conference

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 law, regulations and the changing business environment and market.

### **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:

	<b>Fees RM'000</b>	<b>Salary RM'000</b>	<b>Bonus RM'000</b>	<b>Statutory Contribution RM'000</b>	<b>Benefits in Kind RM'000</b>	<b>Total RM'000</b>
Executive Directors	0	1,473	281	278	74	2,106
Non-Executive Directors	33	0	0	0	0	33
<b>Total</b>	<b>33</b>	<b>1,473</b>	<b>281</b>	<b>278</b>	<b>74</b>	<b>2,139</b>

<b>Remuneration Bands</b>	<b>Executive Directors</b>	<b>Non-Executive Directors</b>	<b>Total</b>
RM1 – RM50,000	0	3	3
RM300,000 – RM350,000	1	0	1
RM350,000 – RM400,000	1	0	1
RM600,000 – RM650,000	1	0	1
RM750,000 – RM800,000	1	0	1

## **Relationship with Shareholders and Investors**

The Annual General Meeting (“AGM”) remains the principal forum of dialogue with the shareholders. Notice of the AGM is issued 21 days before the date of meeting.

At the AGM, 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 reports, circulars to shareholders, press releases, quarterly financial results and various announcements made from time to time to Bursa Securities.

## **Accountability and Audit**

### **Financial Reporting**

In preparing 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 24 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 under review are set out in the Audit Committee Report on pages 9 to 11 of this Annual Report.

## **Directors’ Responsibilities Statement**

The Directors strive to ensure that financial statements for each financial year give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and the results for the year then ended. As required by the Companies Act, 1965 and the Listing Requirements, the financial statements have been prepared in accordance with applicable approved accounting standards in Malaysia.

In preparing the financial statements, the Directors have adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent estimates and judgements. The financial statements had been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records, which disclose with reasonable accuracy the financial position of the Group and of the Company. The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other such irregularities.

This Directors’ Responsibilities Statement is made in accordance with the resolution of the Board dated 11 April 2007.

# 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 the Listing Requirements of Bursa Malaysia Securities Berhad, 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 risks 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. During the year under review, the Company has appointed an external consultant to conduct and improve the risk management framework of the Group. The findings have been submitted to the Board of Directors for review and action. 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. A Risk management committee is entrusted with the overall responsibility to coordinate the risk management activities within the Group and develop a continuous on going process of identifying, evaluating, minimizing and managing of risk.

## **Internal Controls**

The Board has established the following key elements in ensuring the adequacy and integrity of the internal controls 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 with clear definition of authorisation procedure for major operating functions and transactions.
3. A standard policies & procedures which highlight the policies and procedures, terms and conditions of employment, benefits & compensation, disciplinary rules and regulations which are relevant across the Group's operations.
4. Key functions such as finance, tax, treasury, corporate and legal matters are controlled centrally.
5. 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. Actual performance compared with budget is reviewed quarterly by the Board with explanation of any major variances.
6. 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 each subsidiary company is reviewed periodically, and any significant variances 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.
7. 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 its 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. The Audit Committee is in the midst of appointing an external professional consulting firm to carry out the internal audit functions for the coming financial year.

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

The statement is made in accordance with a resolution of the Board dated 11 April 2007.

## Share Buybacks

During the financial year under review, the Company has repurchased 57,000 ordinary shares of RM1.00 each from the open market. There was no resale or cancellation of these shares. The shares are being held as treasury shares.

Month	No. of Shares	Consideration Paid RM	Lowest Price Paid RM	Highest Price Paid RM	Average Price Paid RM
January 2006	29,000	23,553.03	0.790	0.830	0.806
March 2006	26,000	22,999.72	0.875	0.885	0.878
July 2006	2,000	1,795.32	0.890	0.895	0.890
<b>Total</b>	<b>57,000</b>	<b>48,348.07</b>			

## 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

During the financial year, Mr Lee Kah Keng @ Lee Kah Heng, was imposed by the Securities Commission (“SC”) for a penalty of RM50,000. The SC imposed the monetary penalties on all directors of Hwa Tai Industries Berhad (“Hwa Tai”) who were in office at the time on the breach for their failure to give effect to Paragraph 6.02 of the Prospectus Guidelines – Abridged Prospectus for the Rights Issue with Warrants Exercise. However, he had resigned as director of Hwa Tai since 1 August 2005.

## Utilisation of Proceeds

On 21 July 2006, the Company proposed to undertake the issuance of up to RM100 million partially underwritten Murabahah Notes Issuance Facility/Islamic Medium Term Notes Facility (“MUNIF/IMTN”) (“Facility”). On 29 August 2006, the Securities Commission had approved the Facility vide its letter dated 25 August 2006.

The Company had on 5 October 2006 made its first issuance of the MUNIF with a nominal value of RM25 million. The proceeds from the drawdown have been utilised in the following manner:

	Proposed RM'000	Utilised RM'000
Repayment of the existing banking facilities of the Company	20,000	11,530
Future capital expenditure and / or investments of the Group in Malaysia	60,000	4,235
Fees and expenses in relation to the Facility	1,500	1,100
Working capital requirements of the Group in Malaysia	18,500	8,135
<b>Total</b>	<b>100,000</b>	<b>25,000</b>

## Non-Audit Fees

There were no non-audit fees paid to the external auditors by the Group for the financial year ended 31 December 2006.

## Material Contracts

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 2006 or since the end of the previous financial year ended 31 December 2005.

## Revaluation Policy on Landed Properties

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

## **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. At the Fourth Annual General Meeting of the Company held on 27 June 2006, the Company had obtained the approval for the shareholders' mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature, necessary for its day to day operations and in the ordinary course of business. The said mandate took effect on 27 June 2006. The aggregate value of the recurrent related party transactions of revenue nature for the financial year under review is set out in the table below:

<b>Related Party</b>	<b>Relationship with MRB Group</b>	<b>Nature of Transaction</b>	<b>Value RM'000</b>
Kuari Sungai Perangin Sdn Bhd ("KSPSB")	Ramelle Ashram Bin Tan Sri Ramli (a former substantial shareholder of MRB) is the managing director and a substantial shareholder of Raz Ekuiti Sdn Bhd, the holding company of KSPSB.	In consideration of KSPSB permitting K.S. Chin Minerals Sdn Bhd ("KSC") to carry out quarry operations to extract rock material 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.	828

Ramelle Ashram Bin Tan Sri Ramli ceased to be a substantial shareholder on 21 December 2005.

# financial statements

Directors' Report	20
Statement by Directors	24
Statutory Declaration	24
Report of the Auditors	25
Balance Sheets	26
Income Statements	28
Statements of Changes in Equity	29
Cash Flow Statements	32
Notes to the Financial Statements	34



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 2006.

## **Principal Activities**

The Company's principal activities are investment holding and provision of managerial services. The principal activities of the subsidiary companies are set out in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## **Results**

	<b>Group</b>	<b>Company</b>
	<b>RM</b>	<b>RM</b>
Profit for the financial year	<b>2,458,388</b>	<b>661,154</b>

## **Dividends**

Since the end of the previous financial year, the Company paid an interim tax exempt dividend of 3.00 sen per share and a final tax exempt dividend of 2.00 sen per share, amounting to RM1,650,000 and RM1,098,860 respectively in respect of the financial year ended 31 December 2005 on 10 January 2006 and 20 September 2006 respectively.

The Directors proposed a final dividend of 2.00 sen less tax per share, amounting to RM803,000 in respect of the financial year ended 31 December 2006.

## **Reserves and Provisions**

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

## **Issue of Shares and Debentures**

The Company has not issued any new shares or debentures during the financial year.

## **Treasury Shares**

During the financial year, the Company repurchased 57,000 of its issued share capital from the open market at an average of RM0.84 per share. The total consideration paid for the repurchase was RM47,990. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965. None of the treasury shares has been resold, cancelled or distributed as share dividends 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, Lee Kah Keng @ Lee Kah Heng, Low Choon Lan and Phoon Sow Cheng 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 2006 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, were as follows:

Shares in the Company	Number of Ordinary Shares of RM1.00 each			Balance as at 31.12.2006
	Balance as at 1.1.2006	Bought	Sold	
<b>Direct interests</b>				
Choy Sen @ Chin Kim Sang	17,129,702	–	–	<b>17,129,702</b>
Loh Yee Kwan	419,207	15,100	–	<b>434,307</b>
Low Choon Lan	5,704,552	–	–	<b>5,704,552</b>
Datin Norhaliza binti Abdullah	5,056,791	–	1,197,654	<b>3,859,137</b>
Phoon Sow Cheng	1,000	–	–	<b>1,000</b>
<b>Indirect interests</b>				
Choy Sen @ Chin Kim Sang*	5,704,552	–	–	<b>5,704,552</b>
Loh Yee Kwan*	523,010	–	–	<b>523,010</b>
Low Choon Lan*	17,129,702	–	–	<b>17,129,702</b>
Datin Norhaliza binti Abdullah*	158,583	–	–	<b>158,583</b>
Datin Norhaliza binti Abdullah	3,013,079	117,000	–	<b>3,130,079</b>

\* 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' 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 all known bad debts had been written off 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 render the amount written off for bad debts or the making 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.

### **Event Subsequent to Balance Sheet Date**

On 8 February 2007, one of the subsidiary company of the Company, Minetech Quarries Sdn. Bhd. ("MQSB") subscribed for 70% of the issued share capital of its subsidiary company, Minetech M.B. (Huizhou) Building Materials Ltd. ("MMBM") for a total cash consideration of USD420,000.

### **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

13 April 2007

# statement by directors

In the opinion of the Directors, the financial statements set out on pages 26 to 77 have been drawn up in accordance with applicable approved Financial Reporting 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 2006 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 2006.

On behalf of the Board,

**Choy Sen @ Chin Kim Sang**

Director

**Lee Kah Keng @ Lee Kah Heng**

Director

Kuala Lumpur

13 April 2007

# statutory declaration

I, Loh Poh Im, being the officer primarily responsible for the financial management of Minetech Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 26 to 77 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 13 April 2007

Before me:

**A.T. Velu** (No. W240)  
Commissioner for Oaths

We have audited the financial statements set out on pages 26 to 77.

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 Financial Reporting 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 2006 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 have considered the financial statements and auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 11 to the financial statements, being financial statements that are included in the consolidated financial statements.

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**

2562/07/08 (J)

Partner

Kuala Lumpur

13 April 2007

# balance sheets

AS AT 31 DECEMBER 2006

26 MINETECH RESOURCES BERHAD 575543-X

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	8	<b>65,256,028</b>	52,896,946	<b>142,396</b>	160,760
Investment properties	9	<b>4,239,489</b>	5,958,960	–	–
Quarry development expenditure	10	<b>6,011,333</b>	2,102,931	–	–
Investment in subsidiary companies	11	–	–	<b>45,000,151</b>	45,000,098
Investment in an associate company	12	–	–	<b>49</b>	–
		<b>75,506,850</b>	60,958,837	<b>45,142,596</b>	45,160,858
<b>Current assets</b>					
Inventories	13	<b>12,164,157</b>	10,793,922	–	–
Trade receivables	14	<b>33,707,054</b>	24,543,024	–	–
Other receivables, deposits and prepayments	15	<b>4,860,162</b>	9,307,878	<b>430,399</b>	3,962
Amount owing by customers for contract works	16	<b>19,802,569</b>	8,700,966	–	–
Amounts owing by subsidiary companies	17	–	–	<b>35,652,038</b>	13,955,136
Amount owing by an associate company	18	<b>958</b>	–	<b>958</b>	–
Tax recoverable		<b>1,349,533</b>	320,152	–	–
Fixed deposits with licensed banks	19	<b>1,052,389</b>	2,255,655	–	–
Cash and bank balances		<b>6,509,377</b>	3,240,784	<b>570,471</b>	8,824
		<b>79,446,199</b>	59,162,381	<b>36,653,866</b>	13,967,922
Non-current assets held for sale	20	<b>1,633,175</b>	–	–	–
		<b>81,079,374</b>	59,162,381	<b>36,653,866</b>	13,967,922
<b>TOTAL ASSETS</b>		<b>156,586,224</b>	120,121,218	<b>81,796,462</b>	59,128,780

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	21	<b>55,000,000</b>	55,000,000	<b>55,000,000</b>	55,000,000
Reserves	22	<b>14,129,435</b>	12,899,213	<b>1,812,597</b>	2,298,293
<b>Total equity</b>		<b>69,129,435</b>	67,899,213	<b>56,812,597</b>	57,298,293
<b>Non-current liabilities</b>					
Hire-purchase and lease creditors	23	<b>10,334,008</b>	10,972,687	<b>77,161</b>	108,744
Term loans – secured	24	<b>568,034</b>	1,057,261	–	–
Deferred tax	25	<b>7,246,700</b>	6,153,800	<b>7,700</b>	–
		<b>18,148,742</b>	18,183,748	<b>84,861</b>	108,744
<b>Current liabilities</b>					
Trade payables	26	<b>21,718,519</b>	13,481,504	–	–
Other payables, deposits and accruals	27	<b>10,782,604</b>	6,334,525	<b>504,046</b>	1,676,828
Hire-purchase and lease creditors	23	<b>5,534,295</b>	4,646,589	<b>31,583</b>	29,915
Amount owing to subsidiary companies	17	–	–	<b>10,642</b>	–
Short term borrowings – secured	28	<b>30,865,833</b>	8,418,538	<b>24,352,333</b>	–
Term loans – secured	24	<b>362,581</b>	1,000,039	–	–
Tax liabilities		<b>2,400</b>	157,062	<b>400</b>	15,000
		<b>69,266,232</b>	34,038,257	<b>24,899,004</b>	1,721,743
Liabilities attributable to non-current assets held for sale	20	<b>41,815</b>	–	–	–
		<b>69,308,047</b>	34,038,257	<b>24,899,004</b>	1,721,743
<b>Total liabilities</b>		<b>87,456,789</b>	52,222,005	<b>24,983,865</b>	1,830,487
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>156,586,224</b>	120,121,218	<b>81,796,462</b>	59,128,780

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

# income statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

28 MINETECH RESOURCES BERHAD 575543-X

	Note	Group		Company	
		2006 RM	2005 RM	2006 RM	2005 RM
Revenue	29	<b>118,571,052</b>	94,265,855	<b>4,522,022</b>	3,054,292
Cost of sales		<b>(102,457,476)</b>	(78,946,015)	-	-
Gross profit		<b>16,113,576</b>	15,319,840	<b>4,522,022</b>	3,054,292
Other income		<b>1,141,617</b>	3,166,116	-	29,880
Administrative expenses		<b>(10,164,299)</b>	(8,092,935)	<b>(3,390,252)</b>	(189,924)
Selling and marketing expenses		<b>(168,849)</b>	-	-	-
Operating Profit		<b>6,922,045</b>	10,393,021	<b>1,131,770</b>	2,894,248
Finance costs		<b>(3,076,115)</b>	(1,974,510)	<b>(455,815)</b>	(6,285)
Share of loss in an associate company		<b>(49)</b>	-	-	-
Profit before tax	30	<b>3,845,881</b>	8,418,511	<b>675,955</b>	2,887,963
Tax expense	31	<b>(1,387,493)</b>	(3,378,332)	<b>(14,801)</b>	(15,000)
Profit for the financial year		<b>2,458,388</b>	5,040,179	<b>661,154</b>	2,872,963
Attributable to:					
Equity holders of the Company		<b>2,458,437</b>	5,040,179	<b>661,154</b>	2,872,963
Minority interests		<b>(49)</b>	-	-	-
		<b>2,458,388</b>	5,040,179	<b>661,154</b>	2,872,963
Gross dividends per ordinary share (sen)					
- interim	32	-	3.00		
- proposed final	32	<b>2.00</b>	2.00		
Basic earnings per ordinary share (sen)	33	<b>4.47</b>	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 2006

ANNUAL REPORT 2006 **29**

	Attributable to Equity Holders of the Company							Total Equity RM
	Share Capital RM	Share Premium RM	Treasury Shares RM	Foreign Exchange Fluctuation Reserve RM	Reserve on Consolidation RM	Retained Earnings RM	Total RM	
<b>Group</b>								
At 31 December 2005								
As previously reported	55,000,000	1,087,884	-	-	8,433,704	3,377,625	67,899,213	67,899,213
Effect of adopting FRS 3 (Note 7.1)	-	-	-	-	(8,433,704)	8,433,704	-	-
At 1 January 2006 (restated)	55,000,000	1,087,884	-	-	-	11,811,329	67,899,213	67,899,213
Foreign currency translation	-	-	-	(81,365)	-	-	(81,365)	(81,365)
Net expense recognised directly in equity	-	-	-	(81,365)	-	-	(81,365)	(81,365)
Acquisition of subsidiary companies during the financial year	-	-	-	-	-	-	-	49
Net profit for the financial year	-	-	-	-	-	2,458,437	2,458,437	2,458,388
Final dividend (Note 32)	-	-	-	-	-	(1,098,860)	(1,098,860)	(1,098,860)
Repurchase of own shares	-	-	(47,990)	-	-	-	(47,990)	(47,990)
At 31 December 2006	<b>55,000,000</b>	<b>1,087,884</b>	<b>(47,990)</b>	<b>(81,365)</b>	<b>-</b>	<b>13,170,906</b>	<b>69,129,435</b>	<b>69,129,435</b>

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

# statements of changes in equity

		Attributable to Equity Holders of the Company							
		Share Capital	Share Premium	Treasury Shares	Foreign Exchange Fluctuation Reserve	Reserve on Consolidation	Retained Earnings/ (Accumulated Losses)	Minority Interests	Total Equity
		RM	RM	RM	RM	RM	RM	RM	RM
<b>Group</b>									
At 1 January 2005	2	-	-	-	-	-	(12,552)	-	(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 expenses recognised directly in equity		-	(1,912,116)	-	-	-	-	-	(1,912,116)
Acquisitions of subsidiary companies during the financial 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 32)		-	-	-	-	-	(1,650,000)	-	(1,650,000)
At 31 December 2005		55,000,000	1,087,884	-	-	8,433,704	3,377,625	-	67,899,213

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

	Share Capital RM	Share Premium RM	Treasury Shares RM	Retained Earnings/ Accumulated Losses) RM	Total RM
<b>Company</b>					
At 1 January 2006	55,000,000	1,087,884	-	1,210,409	57,298,293
Net profit for the financial year	-	-	-	661,154	661,154
Final dividend (Note 32)	-	-	-	(1,098,860)	(1,098,860)
Repurchase of own shares	-	-	(47,990)	-	(47,990)
<b>At 31 December 2006</b>	<b>55,000,000</b>	<b>1,087,884</b>	<b>(47,990)</b>	<b>772,703</b>	<b>56,812,597</b>
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 expenses recognised directly in equity	-	(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 32)	-	-	-	(1,650,000)	(1,650,000)
<b>At 31 December 2005</b>	<b>55,000,000</b>	<b>1,087,884</b>	<b>-</b>	<b>1,210,409</b>	<b>57,298,293</b>

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

# cash flow statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	<b>3,845,881</b>	8,418,511	<b>675,955</b>	2,887,963
Adjustments for:				
Allowance for doubtful debts	<b>22,961</b>	–	–	–
Allowance for doubtful debts no longer required	<b>(14,621)</b>	–	–	–
Bad debts written off	<b>51,411</b>	–	–	–
Depreciation of investment properties	<b>86,296</b>	86,296	–	–
Depreciation of property, plant and equipment	<b>7,896,916</b>	7,375,999	<b>34,967</b>	25,001
Dividend income	–	–	<b>(1,000,000)</b>	(3,000,000)
Gain on disposal of property, plant and equipment	–	(1,633,400)	–	–
Interest expense	<b>2,633,855</b>	1,850,996	<b>455,030</b>	5,839
Interest income	<b>(109,280)</b>	(122,318)	<b>(322,022)</b>	(54,292)
Loss on disposal of property, plant and equipment	<b>71,697</b>	–	–	–
Property, plant and equipment written off	<b>56,555</b>	20,857	–	–
Quarry development written off	<b>194,181</b>	–	–	–
Share of loss in associate company	<b>49</b>	–	–	–
Unrealised gain on foreign exchange	<b>(14,077)</b>	–	–	–
Unrealised loss on foreign exchange	<b>366</b>	–	–	–
Operating profit/(loss) before working capital changes	<b>14,722,190</b>	15,996,941	<b>(156,070)</b>	(135,489)
Increase in inventories	<b>(1,370,235)</b>	(1,312,098)	–	–
Increase in trade receivables	<b>(9,224,147)</b>	(5,847,566)	–	–
Decrease/(Increase) in other receivables, deposits and prepayments	<b>4,678,300</b>	(3,211,804)	<b>(195,853)</b>	566,697
Increase in amounts owing by customers for contract works	<b>(11,101,603)</b>	(5,003,647)	–	–
Increase in trade payables	<b>8,237,015</b>	2,276,707	–	–
Increase/(Decrease) in other payables, deposits and accruals	<b>6,153,971</b>	(1,014,570)	<b>477,218</b>	(183,769)
Decrease in amounts owing to Directors	–	(2,471,782)	–	(164,257)
Cash generated from/(used in) operations	<b>12,095,491</b>	(587,819)	<b>125,295</b>	83,182
Tax paid	<b>(1,478,636)</b>	(3,755,088)	<b>(21,701)</b>	–
Interest paid	<b>(624,643)</b>	(496,806)	–	–
Net cash from/(used in) operating activities	<b>9,992,212</b>	(4,839,713)	<b>103,594</b>	83,182

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of subsidiary companies, net of cash and cash equivalents acquired (Note 34)	49	(342,172)	(53)	(100)
Purchase of property, plant and equipment (Note 35)	(15,396,966)	(4,230,876)	(16,603)	(25,761)
Purchase of investment property (Note 9)	-	(1,473,469)	-	-
Proceeds from disposal of property, plant and equipment	140,370	4,555,577	-	-
Quarry development expenditure incurred	(3,351,837)	(200,083)	-	-
Dividend income	-	-	1,000,000	3,000,000
Acquisition of an associate company	(49)	-	(49)	-
Net cash (used in)/from investing activities	(18,608,433)	(1,691,023)	(983,295)	2,974,139
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interest paid	(2,009,212)	(1,354,190)	(455,030)	(5,839)
Interest received	109,280	122,318	322,022	54,292
Advances to an associate company	(958)	-	(958)	-
Net advances to subsidiary companies	-	-	(21,686,260)	(14,163,495)
Drawdown of short term borrowings	1,634,043	2,624,010	-	-
Repayment of term loans	(1,126,685)	(1,732,336)	-	-
Repayment of hire-purchase and lease liabilities	(5,629,373)	(4,498,118)	(29,915)	(21,341)
Withdrawal/(Placement) of fixed deposits	1,203,266	(904,872)	-	-
Proceeds from public issue	-	13,000,000	-	13,000,000
Proceeds from MUNIF Notes	24,121,749	-	24,121,749	-
Payment of share issue expenses	-	(1,912,116)	-	(1,912,116)
Dividend paid	(2,748,860)	-	(2,748,860)	-
Repurchase of own shares	(47,990)	-	(47,990)	-
Net cash from/(used in) financing activities	15,505,260	5,344,696	(525,242)	(3,048,499)
Net increase/(decrease) in cash and cash equivalents	6,889,039	(1,186,040)	561,647	8,822
Effect of foreign exchange rate changes	(81,365)	-	-	-
Cash and cash equivalents at beginning of financial year	(1,186,038)	2	8,824	2
Cash and cash equivalents at end of financial year (Note 36)	5,621,636	(1,186,038)	570,471	8,824

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

# notes to the financial statements

31 DECEMBER 2006

34 MINETECH RESOURCES BERHAD 575543-X

## **1. General Information**

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Second Board of the Bursa Malaysia Securities.

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 consolidated financial statements as at and for the financial year ended 31 December 2006 comprise the Company and its subsidiary companies (together referred to as the Group) and the Group's interest in an associate company.

The financial statements are presented in Ringgit Malaysia (RM), which is the functional currency of the Company.

## **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 currencies involved are primarily Singapore Dollar, Indonesia Rupiah and US Dollar. The Group monitors the movement in foreign currency exchange rates closely to ensure its exposures are minimised. The Group does not enter into any hedging contract to hedge this risk.

## **3. Principal Activities**

The Company's principal activities are investment holding and provision of managerial services. The principal activities of the subsidiary companies are set out in Note 11 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 Financial Reporting Standards (FRSs) in Malaysia and the provisions of the Companies Act, 1965. At the beginning of the current financial year, the Group adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described in Note 7.

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

The preparation of financial statements requires the Directors to make judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements are disclosed in Note 6.

## **5. Significant Accounting Policies**

### **5.1 Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiary companies are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group.

### **5.2 Business Combination**

The acquisition of subsidiary companies is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 3 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in income statement.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Following the initial recognition, goodwill is tested for impairment annually or more frequently when there is an evidence of impairment.

## 5. Significant Accounting Policies (continued)

### 5.3 Investments in Associate Company

An associate company is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate companies are incorporated in the consolidated financial statements using the equity method of accounting.

The associate company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Under the equity method, investments in associate companies are carried in the consolidated balance sheets at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate company, less any impairment in the value of individual investments. Losses of an associate company in excess of the Group's interest in that associate company (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate company) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate company recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in income statement.

Where a group entity transacts with an associate company of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate company.

### 5.4 Property, Plant and Equipment

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation on others 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:

Buildings	50 – 99 years
Plant and machinery	10%
Motor vehicles	20%
Office equipment	10%
Furniture and fittings	10%
Renovation	10%
Workshop cum site office	10% – 12%
Access road	7 – 9 years
Computer equipment and peripherals	10% – 20%
Security fixtures	20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income statement.

## **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 over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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 Quarry Development Expenditure**

Quarry development expenditure comprises direct cost of development, cost of site infrastructure and other related expenses. Quarry 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 reserve, which will be extracted during the duration of the quarry contract, so as to write off the quarry development expenditure. The quarry development expenditure is written off immediately to the income statement to the extent that the unamortised balance is no longer probable of being recovered.

### **5.7 Investment Properties**

Investment properties are properties which are held or owned to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the investment properties of 50 to 99 years.

### **5.8 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. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### **5.9 Construction Contracts**

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billing and recognised losses, if any. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract cost are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction work-in-progress is presented as amount due from customers in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as amount due to customers in the balance sheet.

## 5. Significant Accounting Policies (continued)

### 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 and associate company), 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. However, an impairment loss recognised for goodwill is not reversed in a subsequent period.

### 5.11 Non-current Assets Held for Sale

Non-current assets and disposal group that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

### 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. Significant Accounting Policies** (continued)

### **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**

#### **5.14.1 Foreign Currency Transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in income statement for the year.

#### **5.14.2 Foreign Operations**

For the purpose of consolidated financial statements, the results and financial position of each entity are expressed in Ringgit Malaysia, the functional currency of the Company, and the presentation currency for the consolidated financial statements.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Ringgit Malaysia using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in income statement in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at the balance sheet date.

## 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 the provision of turnkey quarry services is recognised in the income statement by reference to the quantity of stockpiles produced.

Revenue from 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 Group'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.

Management fees are recognised when services are rendered.

### 5.16 Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### (a) Receivables

Receivables are carried at anticipated realisable value. Known bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

#### (b) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### (c) Equity Instruments – Share Capital

Ordinary shares are classified as equity and are recorded at the proceeds received, net of direct issue costs. Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction from the proceeds.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of treasury shares.

When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised as equity.

Interim dividends are recorded in the financial year in which they are declared. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

#### (d) Interest Bearing Loans and Borrowings

All loans and borrowings are recognised at the fair value of the consideration received less directly attributable transaction costs.

#### (e) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

#### (f) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

## 6. Critical Accounting Estimates and Assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Construction Contracts

The Group recognises contract revenue to the extent of contract costs incurred where it is probable those costs will be recoverable or based on the stage of completion method. The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract.

Significant judgement is required in determining the stage of completion, the estimated total contract revenue and contract cost, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgement, the Group evaluates by relying on past experience and the work of specialists.

Based on the results of financial year ended 31 December 2006, a 2 % difference in the estimated total property development revenue or costs would result in approximately 1 % variance in the Group's revenue and 31% variance in the Group's profit before tax.

## 7. Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following new and revised FRSs that are mandatory for accounting periods beginning on or after 1 January 2006:

FRS 3	Business combination
FRS 5	Non-current assets held for sale and discontinued operations
FRS 101	Presentation of financial statements
FRS 102	Inventories
FRS 108	Accounting policies, changes in estimates and errors
FRS 110	Events after the balance sheet date
FRS 116	Property, plant and equipment
FRS 121	The effects of changes in foreign exchange rate
FRS 127	Consolidated and separate financial statements
FRS 128	Investments in associates
FRS 132	Financial instruments: disclosure and presentation
FRS 133	Earnings per share
FRS 136	Impairment of assets
FRS 138	Intangible assets
FRS 140	Investment property

In addition, the Group has elected to early adopt FRS 124: Related Party Disclosures which is effective for annual periods beginning on or after 1 October 2006. The Group has not early adopted FRS 117: Leases which is mandatory for financial period beginning on after 1 October 2006 and the deferred FRS 139: Financial Instrument – Recognition and Measurement.

By virtue of exemption in Para 103AB of FRS 139 and Para 67B of FRS 117, the impact of applying FRS 139 and FRS 117 as required by FRS 108 is not disclosed.

The following standards are mandatory for financial periods beginning on or after 1 January 2007:

- Amendment to FRS 119: Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosure
- FRS 6: Exploration for and Evaluation of Mineral Resources

The Amendment to FRS 119 and FRS 6 are not applicable to the Group and hence no further disclosure is warranted.

## 7. Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (continued)

The adoption of FRS 102, 108, 110, 121, 124, 127, 128, 132 and 133 does not result in significant changes in accounting policies of the Group. The effects of adopting the new and revised FRSs in 2006 are set out below:

### 7.1 FRS 3: Business Combination

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as reserve on consolidation).

Prior to 1 January 2006, reserve on consolidation was recognised in the balance sheet and as part of the shareholders' funds. FRS 3 requires that, after reassessment, any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in income statement. FRS 3 prohibits the recognition of reserve on consolidation in the balance sheet.

In accordance with the transitional rules of FRS 3, the Group has applied the revised accounting policy prospectively from 1 January 2006. Therefore, the change has had no impact on amounts reported for 2005 or prior periods. This change has no impact on the Company's financial statements.

The carrying amount of reserve on consolidation at 1 January 2006 has been derecognised at the transition date. Therefore, an adjustment of RM8,433,704 is made to opening retained earnings and reserve on consolidation at 1 January 2006.

### 7.2 FRS 140: Investment Property

Prior to 1 January 2006, investment properties were included in property, plant and equipment and were not classified separately. The Group has applied FRS 140 retrospectively. Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for "Property, Plant and Equipment" as stated in accounting policy Note 5.4. Following the adoption of FRS 140, investment properties amounted to RM4,239,489 are now classified separately. The comparatives have been re-presented.

### 7.3 FRS 5: Non-current Assets Held for Sale and Discontinued Operations

Prior to 1 January 2006, non-current assets held for sale were neither classified nor presented as current assets or liabilities. There were no differences in the measurement of non-current assets held for sale and those for continuing use. Upon the adoption of FRS 5, non-current assets held for sale are classified as current assets and are stated at the lower of carrying amount and fair value less costs to sell.

The Group has applied FRS 5 prospectively in accordance with the transitional provisions. During the financial year, assets amounted to RM1,633,175 are classified separately as non-current assets held for sale. The liabilities directly associated with assets classified as held for sale which amounted to RM41,815 are also classified separately.

### 7.4 FRS 101: Presentation of Financial Statements

The revised FRS 101 requires minority interests to be presented within total equity. In the consolidated income statements, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. FRS 101 requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests. The change has no significant impact on the presentation of the Group's financial statements.

## 7. Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (continued)

### 7.5 Summary of Effects of Adopting New and Revised FRSs

#### (i) Effect on Balance Sheets as at 31 December 2006

	Increase/(Decrease)			Total RM
	FRS 3 (Note 7.1) RM	FRS 140 (Note 7.2) RM	FRS 5 (Note 7.3) RM	
	<b>Group</b>			
Property, plant and equipment	-	(5,872,664)	-	(5,872,664)
Investment properties	-	5,872,664	(1,633,175)	4,239,489
Non-current assets held for sale	-	-	1,633,175	1,633,175
Other payable, deposits and accruals	-	-	(41,815)	(41,815)
Liabilities directly attributable to non-current assets held for sale	-	-	41,815	41,815
Reserves on consolidation	(8,433,704)	-	-	(8,433,704)
Retained earnings	8,433,704	-	-	8,433,704

#### (ii) Restatement of Comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

	Increase/(Decrease)		
	As Previously Reported RM	FRS 140 (Note 7.2) RM	As Restated Total RM
	<b>At 31 December 2005</b>		
<b>Group</b>			
Property, plant and equipment	58,855,906	(5,958,960)	52,896,946
Investment properties	-	5,958,960	5,958,960
	58,855,906	-	58,855,906

## 8. Property, Plant and Equipment

	Balance as at 1 January RM	Additions RM	Disposals RM	Written Off RM	Balance as at 31 December RM
<b>Group 2006</b>					
<b>Cost</b>					
Freehold land and buildings*	755,252	-	-	-	755,252
Leasehold buildings	1,336,810	-	-	-	1,336,810
Plant and machinery	77,576,268	12,229,670	(351,977)	(170,961)	89,283,000
Plant and machinery under construction	-	6,300,514	-	-	6,300,514
Motor vehicles	5,053,612	1,666,918	(140,642)	-	6,579,888
Office equipment	618,619	72,882	(6,932)	-	684,569
Furniture and fittings	125,814	19,701	-	-	145,515
Renovation	369,893	18,500	-	-	388,393
Workshop cum site office	76,103	232,250	-	-	308,353
Access road	218,009	401,792	-	-	619,801
Computer equipment and peripherals	670,837	223,139	(6,064)	(67,260)	820,652
Security fixtures	-	110,000	-	-	110,000
Construction work-in-progress	2,243,941	-	-	-	2,243,941
	<b>89,045,158</b>	<b>21,275,366</b>	<b>(505,615)</b>	<b>(238,221)</b>	<b>109,576,688</b>

	Balance as at 1 January RM	Charge for the Financial Year RM	Disposals RM	Written Off RM	Balance as at 31 December RM
<b>Accumulated Depreciation</b>					
Freehold land and buildings*	125,875	15,105	-	-	140,980
Leasehold buildings	109,582	13,913	-	-	123,495
Plant and machinery	32,331,120	7,451,769	(179,006)	(150,000)	39,453,883
Motor vehicles	2,537,916	907,069	(105,737)	-	3,339,248
Office equipment	395,495	29,701	(4,098)	-	421,098
Furniture and fittings	89,200	8,767	-	-	97,967
Renovation	212,881	37,761	-	-	250,642
Workshop cum site office	12,196	3,844	-	-	16,040
Access road	54,502	35,162	-	-	89,664
Computer equipment and peripherals	279,445	129,904	(4,707)	(31,666)	372,976
Security fixtures	-	14,667	-	-	14,667
	<b>36,148,212</b>	<b>8,647,662</b>	<b>(293,548)</b>	<b>(181,666)</b>	<b>44,320,660</b>

## 8. Property, Plant and Equipment (continued)

	Balance as at 1 January RM	Subsidiary Companies Acquired RM	Additions RM	Disposals RM	Written Off RM	Balance as at 31 December RM
<b>Group 2005</b>						
<b>Cost</b>						
Freehold land and buildings*	–	755,252	–	–	–	755,252
Leasehold buildings	–	1,295,327	41,483	–	–	1,336,810
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
	–	87,024,002	12,171,676	(10,086,620)	(63,900)	89,045,158

	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
<b>Accumulated Depreciation</b>						
Freehold land and buildings*	–	110,770	15,105	–	–	125,875
Leasehold buildings	–	95,946	13,636	–	–	109,582
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
	–	35,880,942	7,474,756	(7,164,443)	(43,043)	36,148,212

\* Freehold land and buildings are not separately disclosed as the relevant information is not available.

## 8. Property, Plant and Equipment (continued)

	Balance as at 1 January RM	Additions RM	Balance as at 31 December RM
<b>Company</b>			
<b>2006</b>			
<b>Cost</b>			
Motor vehicle	178,683	–	178,683
Office equipment	560	4,673	5,233
Furniture and fittings	578	–	578
Computer equipment and peripherals	5,940	11,930	17,870
	<b>185,761</b>	<b>16,603</b>	<b>202,364</b>

	Balance as at 1 January RM	Charge for the Financial Year RM	Balance as at 31 December RM
<b>Accumulated Depreciation</b>			
Motor vehicle	24,122	32,163	56,285
Office equipment	42	284	326
Furniture and fittings	35	52	87
Computer equipment and peripherals	802	2,468	3,270
	<b>25,001</b>	<b>34,967</b>	<b>59,968</b>

	Balance as at 1 January RM	Additions RM	Balance as at 31 December RM
<b>Company</b>			
<b>2005</b>			
<b>Cost</b>			
Motor vehicle	–	178,683	178,683
Office equipment	–	560	560
Furniture and fittings	–	578	578
Computer equipment and peripherals	–	5,940	5,940
	–	<b>185,761</b>	<b>185,761</b>

	Balance as at 1 January RM	Charge for the Financial Year RM	Balance as at 31 December RM
<b>Accumulated Depreciation</b>			
Motor vehicle	–	24,122	24,122
Office equipment	–	42	42
Furniture and fittings	–	35	35
Computer equipment and peripherals	–	802	802
	–	<b>25,001</b>	<b>25,001</b>

## 8. Property, Plant and Equipment (continued)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Net Book Value</b>				
Freehold land and buildings	<b>614,272</b>	629,377	-	-
Leasehold buildings	<b>1,213,315</b>	1,227,228	-	-
Plant and machinery	<b>49,829,117</b>	45,245,148	-	-
Plant and machinery under construction	<b>6,300,514</b>	-	-	-
Motor vehicles	<b>3,240,640</b>	2,515,696	<b>122,398</b>	154,561
Office equipment	<b>263,471</b>	223,124	<b>4,907</b>	518
Furniture and fittings	<b>47,548</b>	36,614	<b>491</b>	543
Renovation	<b>137,751</b>	157,012	-	-
Workshop cum site office	<b>292,313</b>	63,907	-	-
Access road	<b>530,137</b>	163,507	-	-
Computer equipment and peripherals	<b>447,676</b>	391,392	<b>14,600</b>	5,138
Security fixtures	<b>95,333</b>	-	-	-
Construction work-in-progress	<b>2,243,941</b>	2,243,941	-	-
	<b>65,256,028</b>	52,896,946	<b>142,396</b>	160,760

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	
	2006 RM	2005 RM	2006 RM	2005 RM
Plant and machinery	<b>25,223,468</b>	23,570,340	-	-
Motor vehicles	<b>2,743,155</b>	2,170,207	<b>122,398</b>	154,561
	<b>27,966,623</b>	25,740,547	<b>122,398</b>	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	
	2006 RM	2005 RM
Freehold land and buildings	<b>614,272</b>	629,377
Leasehold buildings	<b>1,173,215</b>	1,186,298
Plant and machinery	<b>3,170,145</b>	3,645,670
	<b>4,957,632</b>	5,461,345

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

## 9. Investment Properties

	Group	
	2006 RM	2005 RM
<b>Cost</b>		
Balance as at 1 January	6,643,021	–
Additions during the financial year	–	1,473,469
Additions from acquisition of subsidiary companies (Note 34)	–	5,169,552
Reclassified as non-current assets held for sale	(1,648,175)	–
	<b>4,994,846</b>	6,643,021
<b>Accumulated Depreciation</b>		
Balance as at 1 January	684,061	–
Additions from acquisition of subsidiary companies (Note 34)	–	597,765
Depreciation during the financial year	86,296	86,296
Reclassified as non-current assets held for sale	(15,000)	–
Balance as at 31 December	<b>755,357</b>	684,061
<b>Net book value</b>	<b>4,239,489</b>	5,958,960

The fair value of the investment properties of the Group was estimated by the Directors based on current price in an active market as at 31 December 2006 amounted to RM5.2 million.

Included in the above are:

	Group	
	2006 RM	2005 RM
Freehold land and buildings*	2,820,649	2,889,504
Leasehold buildings	1,418,840	3,069,456
	<b>4,239,489</b>	5,958,960

\* Freehold land and buildings are not separately disclosed as the relevant information is not available.

Investment properties with an aggregate carrying value of RM3,287,384 (2005: RM4,485,491) are charged for financial institutions for credit facilities granted to the Group.

## 10. Quarry Development Expenditure

	Group	
	2006 RM	2005 RM
<b>At cost</b>		
At 1 January	2,102,931	–
Arising from acquisition of subsidiary companies (Note 34)	–	1,804,091
Additions during the financial year	4,102,583	298,840
Written off	(194,181)	–
At 31 December	<b>6,011,333</b>	2,102,931

Included in the quarry development expenditure is an amount of RM750,746 (2005: RM98,757) arising from depreciation of property, plant and equipment capitalised during the financial year.

## 11. Investment in Subsidiary Companies

	Company	
	2006 RM	2005 RM
Unquoted shares – at cost	<b>45,000,151</b>	45,000,098

The details of the subsidiary companies are as follows:

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activities
		2006	2005	
<b>Direct Subsidiary Companies</b>				
K.S. Chin Minerals Sdn Bhd ("KSC")	Malaysia	<b>100%</b>	100%	Provision of turnkey and specialised quarry services and rental of machinery
Minetech Construction Sdn Bhd ("MCSB")	Malaysia	<b>100%</b>	100%	Provision of specialised civil engineering services and rental of machinery
Minetech Quarries Sdn Bhd ("MQSB")	Malaysia	<b>100%</b>	100%	Sales and marketing of aggregates
Minetech Premix Sdn Bhd ("MPSB")	Malaysia	<b>100%</b>	100%	Manufacturing and trading of premix products
Minetech Industries Sdn Bhd ("MISB")	Malaysia	<b>100%</b>	100%	Trading of industrial machinery spare parts
Minetech Realty Sdn Bhd ("MRSB")	Malaysia	<b>100%</b>	100%	Property investment holding
Diman KS Chin Sdn Bhd ("DKSC")	Malaysia	<b>100%</b>	100%	Sales and marketing of aggregates
*Minetech Quarries Singapore Pte Ltd ("MQS")	Singapore	<b>100%</b>	–	Inactive
*Minetech Korea Petroleum Industrial Sdn Bhd ("MKPI")	Malaysia	<b>51%</b>	–	Inactive
<b>Subsidiary Companies of MQSB</b>				
Superior Elevation Sdn Bhd ("SESB")	Malaysia	<b>100%</b>	100%	Sales and marketing of aggregates
Genetic Frontier Sdn Bhd ("GFSB")	Malaysia	<b>100%</b>	100%	Inactive
Optimis Dinamik Sdn Bhd ("ODSB")	Malaysia	<b>100%</b>	–	Inactive
*Minetech M.B. (Huizhou) Building Materials Ltd ("MMBM")	People's Republic of China	<b>70%</b>	–	Inactive

\* Subsidiary companies not audited by BDO Binder.

## 11. Investment in Subsidiary Companies (continued)

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

- (a) On 14 February 2006, MQSB acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of ODSB for a total consideration of RM2.00;
- (b) On 20 September 2006, the Company subscribed for 51 subscribers shares of RM1.00 each representing 51% of the issued and paid-up share capital of MKPI for a total cash consideration of RM51.00;
- (c) On 18 October 2006, MQSB and Huizhou Daya Bay M.B. Industrial Co Ltd, a company established in People's Republic of China, established a joint venture company in Republic of China, namely MMBM. MQSB holds an equity interest of 70% in MMBM; and
- (d) On 27 October 2006, the Company subscribed for 1 ordinary share of SGD1 each representing 100% of the issued and paid-up share capital of MQS for a total cash consideration of SGD1.

In the previous financial year, the Group acquired the following subsidiary companies:

- (a) On 1 January 2005, the Company completed the acquisition of the following subsidiary companies for a total purchase consideration of RM44,999,998 satisfied by way of issuance of new ordinary shares of RM1.00 each in the Company. The details of which were summarised as follows:

Subsidiary Companies	Equity Interest	Ordinary Shares Acquired		Issuance of New Shares	
		Number	RM	Number	RM
KSC	100%	1,000,000	1,000,000	31,716,626	31,716,626
MCSB	100%	1,000,000	1,000,000	10,546,173	10,546,173
MQSB	100%	2	2	1,054,406	1,054,406
MPSB	100%	2	2	638,412	638,412
MISB	100%	400,000	400,000	1,044,379	1,044,379
MRSB	100%	2	2	2	2

- (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, 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, 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.

## 12. Investment in an Associate Company

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unquoted shares, at cost	49	–	49	–
Share of loss in an associate company	(49)	–	–	–
	–	–	49	–

The details of the associate company, which was incorporated in Malaysia, are as follows:

Name of Company	Interest in Equity Held by Group		Principal Activity
	2006	2005	
Luna Megan Sdn Bhd*	49%	–	Dormant

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 (“LMSB”) for a cash consideration of RM49.00.

\* Not audited by BDO Binder.

## 13. Inventories

	Group	
	2006 RM	2005 RM
<b>At cost</b>		
Quarry products	9,559,211	8,224,637
Bitumen, filler and diesel	495,419	381,094
Spare parts and consumables	2,109,527	2,188,191
	<b>12,164,157</b>	10,793,922

## 14. Trade Receivables

	Group	
	2006 RM	2005 RM
Trade receivables	33,731,887	24,559,517
Less: Allowance for doubtful debts	(24,833)	(16,493)
	<b>33,707,054</b>	24,543,024

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

## 15. Other Receivables, Deposits and Prepayments

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other receivables	1,422,018	5,585,243	220	–
Deposits	1,047,246	2,644,580	1,200	1,950
Prepayments	2,390,898	1,078,055	428,979	2,012
	<b>4,860,162</b>	9,307,878	<b>430,399</b>	3,962

## 16. Amounts Owing by Customers for Contract Works

	Group	
	2006 RM	2005 RM
Accumulated cost incurred to date	54,124,857	27,471,982
Attributable profits	9,202,897	3,773,244
	<b>63,327,754</b>	31,245,226
Less: Progress billings	(43,525,185)	(22,544,260)
Amounts owing by customers for contract works	<b>19,802,569</b>	8,700,966
Retention sum included in progress billings	<b>3,134,701</b>	1,418,620

## 17. Amounts Owing by/(to) Subsidiary Companies

### Company

Amounts owing by/(to) subsidiary companies represent advances and payments on behalf which are unsecured and repayable on demand. Amounts owing by subsidiary companies bear interest at rate of 5.58% (2005: Nil) while amounts owing to subsidiary companies are interest-free.

## 18. Amounts Owing by an Associate Company

Amounts owing by an associate company represent advances and payments on behalf which are unsecured, interest-free and repayable on demand.

## 19. Fixed Deposits with Licensed Banks

### Group

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

## 20. Non-Current Assets Held for Sale

The assets and liabilities of the Group classified as held for sale as at 31 December 2006 are as follows:

	Carrying Amounts Immediately before Classification	Allocation of Remeasurement	Carrying Amounts as at 31.12.2006
	RM	RM	RM
<b>Assets</b>			
Investment properties (Note 9)	1,633,175	–	1,633,175
<b>Liabilities</b>			
Liabilities attributable to non-current assets held for sales	41,815	–	41,815

The above properties are intended to be disposed to earn capital appreciation and the sales are expected to complete within one year from the balance sheet date.

## 21. Share Capital

	Group and Company			
	2006		2005	
	Number of Shares	RM	Number of Shares	RM
Ordinary shares of RM1.00 each:				
Authorised	<b>100,000,000</b>	<b>100,000,000</b>	100,000,000	100,000,000
Issued and fully paid:				
Balance as at 1 January	<b>55,000,000</b>	<b>55,000,000</b>	2	2
Issued during the year	–	–	54,999,998	54,999,998
Balance as at 31 December	<b>55,000,000</b>	<b>55,000,000</b>	55,000,000	55,000,000

In 2005, 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 11 to the financial statements.
- 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 existing ordinary shares of the Company.

## 22. Reserves

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Non-distributable</b>				
Share premium	<b>1,087,884</b>	1,087,884	<b>1,087,884</b>	1,087,884
Reserve on consolidation	–	8,433,704	–	–
Treasury shares, at cost	<b>(47,990)</b>	–	<b>(47,990)</b>	–
Foreign exchange reserve	<b>(81,365)</b>	–	–	–
	<b>958,529</b>	9,521,588	<b>1,039,894</b>	1,087,884
<b>Distributable</b>				
Retained earnings	<b>13,170,906</b>	3,377,625	<b>772,703</b>	1,210,409
	<b>14,129,435</b>	12,899,213	<b>1,812,597</b>	2,298,293

Subject to the agreement from the Malaysia Inland Revenue Board, the Company has sufficient tax credit under Section 108 of the Malaysian Income Tax Act, 1967 and tax exempt account balance of RM1,250,000 (2005: RM1,350,000) to frank its entire retained earnings in full by way of dividend without incurring additional tax liability.

The shareholders of the Company, by an ordinary resolution passed in an extraordinary general meeting held on 11 January 2006, approved the Company's plan to repurchase up to 10% of the issued and paid-up share capital of the Company which comprises ordinary shares with par value of RM1.00 each ("Repurchase of Own Shares"). The authority granted by the shareholders was subsequently renewed during the previous Annual General Meeting of the Company on 28 June 2006.

The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the Repurchase of Own Shares can be applied in the best interests of the Company and its shareholders.

## 22. Reserves (continued)

During the financial year, the Company bought back its issued shares from the open market as follows:

	Number of Shares	Cost RM	← Purchase Price per Share →		
			Average RM	Highest RM	Lowest RM
<b>2006</b>					
Purchases during the financial year					
– January 2006	29,000	23,378	0.81	0.83	0.79
– March 2006	26,000	22,831	0.88	0.88	0.88
– July 2006	2,000	1,781	0.89	0.90	0.89
Total	<b>57,000</b>	<b>47,990</b>	<b>0.84</b>		

The Repurchase of Own Shares is financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with the provision of Section 67A of the Companies Act, 1965.

## 23. Hire-Purchase and Lease Creditors

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Minimum hire-purchase and lease payments:				
– not later than one year	6,604,153	5,945,430	36,240	36,240
– later than one year and not later than five years	11,414,156	12,105,354	81,540	117,780
	<b>18,018,309</b>	18,050,784	<b>117,780</b>	154,020
Less: Future interest charges	<b>(2,150,006)</b>	(2,431,508)	<b>(9,036)</b>	(15,361)
Present value of hire-purchase and lease liabilities	<b>15,868,303</b>	15,619,276	<b>108,744</b>	138,659
Repayable as follows:				
Current liabilities:				
– not later than one year	5,534,295	4,646,589	31,583	29,915
Non-current liabilities:				
– later than one year and not later than five years	10,334,008	10,972,687	77,161	108,744
	<b>15,868,303</b>	15,619,276	<b>108,744</b>	138,659

## 24. Term Loans – Secured

	Group	
	2006 RM	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	<b>34,023</b>	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	<b>36,967</b>	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	<b>859,625</b>	1,193,856
	<b>930,615</b>	2,057,300
Repayable as follows:		
Current liabilities:		
– within one year	<b>362,581</b>	1,000,039
Non-current liabilities:		
– later than one year and not later than five years	<b>568,034</b>	1,056,111
– later than five years	–	1,150
	<b>568,034</b>	1,057,261
	<b>930,615</b>	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 in the previous financial year.

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.

## 25. Deferred Tax

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Balance as at 1 January	6,153,800	–	–	–
Arising from acquisition of subsidiary companies (Note 34)	–	5,706,900	–	–
Recognised in the income statements (Note 31)				
– current year	936,560	388,078	3,900	–
– prior years	156,340	58,822	3,800	–
	1,092,900	446,900	7,700	–
Balance as at 31 December	7,246,700	6,153,800	7,700	–
Presented after appropriate offsetting:				
Deferred tax asset	(10,800)	(15,000)	–	–
Deferred tax liabilities	7,257,500	6,168,800	7,700	–
	7,246,700	6,153,800	7,700	–

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Deferred tax asset</b>				
Balance as at 1 January	15,000	–	–	–
Recognised in the income statements:				
Unabsorbed capital allowances	6,100	15,000	–	–
Unabsorbed business loss	4,700	–	–	–
Reversal of unabsorbed capital allowances in prior year	(15,000)	–	–	–
Balance as at 31 December	10,800	15,000	–	–
<b>Deferred tax liabilities</b>				
Balance as at 1 January	6,168,800	–	–	–
Arising from acquisition of subsidiary companies	–	5,706,900	–	–
Recognised in the income statements:				
Excess of capital allowances over corresponding depreciation	383,700	214,900	7,700	–
Quarry development expenditure	705,000	247,000	–	–
	1,088,700	461,900	7,700	–
Balance as at 31 December	7,257,500	6,168,800	7,700	–

**25. Deferred Tax** (continued)

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Deferred tax asset</b>				
Unabsorbed business loss	<b>4,700</b>	–	–	–
Unabsorbed capital allowances	<b>6,100</b>	15,000	–	–
	<b>10,800</b>	15,000	–	–
<b>Deferred tax liabilities</b>				
Excess of capital allowances over corresponding depreciation	<b>6,058,500</b>	5,921,800	<b>7,700</b>	–
Quarry development expenditure	<b>1,199,000</b>	247,000	–	–
	<b>7,257,500</b>	6,168,800	<b>7,700</b>	–

(d) The amount of temporary differences for which no deferred tax assets have been recognised in the balance sheet is as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Unabsorbed tax losses	<b>4,048</b>	–	–	–

Deferred tax assets have not been recognised in respect of the above item as it is not probable that taxable profit of a subsidiary company will be available against which the deductible temporary differences can be utilised.

**26. Trade Payables**

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

**27. Other Payables, Deposits and Accruals**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Other payables	<b>7,909,700</b>	563,588	<b>159,753</b>	3,828
Dividend payable	<b>6,962</b>	1,650,000	<b>6,962</b>	1,650,000
Deposits received	<b>76,565</b>	69,365	–	–
Accruals	<b>2,789,377</b>	4,051,572	<b>337,331</b>	23,000
	<b>10,782,604</b>	6,334,525	<b>504,046</b>	1,676,828

## 28. Short Term Borrowings – Secured

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Bank overdrafts (Note 36)	887,741	4,426,822	–	–
Bankers' acceptance	5,228,223	3,739,970	–	–
Short term advance	397,536	251,746	–	–
MUNIF Notes	24,352,333	–	24,352,333	–
	<b>30,865,833</b>	8,418,538	<b>24,352,333</b>	–

- (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:
- First fixed charge over the freehold and leasehold land and buildings of certain subsidiary companies;
  - A third party second fixed charge over certain properties of a subsidiary company and a company in which certain Directors have substantial financial interests;
  - Fixed deposits with a licensed bank of certain subsidiary companies;
  - Joint and several guarantee by certain Directors of the Group; and
  - Corporate guarantee by the Company.
- (b) The bankers' acceptance and short term advance are secured by the following:
- First fixed charge over certain properties of a company in which certain Directors have substantial financial interests;
  - Fixed deposits with a licensed bank of certain subsidiary companies;
  - Joint and several guarantee by certain Directors of the Group; and
  - Corporate guarantee by the Company.
- (c) During the financial year, the Company entered into a RM100,000,000 Murabahah Underwritten/Islamic Medium Term Notes ("MUNIF/IMTN Notes") Issuance Facilities with a financial institution. The facility has an availability period of seven years during which the Company may issue MUNIF/IMTN Notes up to a maximum outstanding amount of RM100,000,000. The effective yield is determined on issuance and calculated from the days when the issuer confirms the acceptance of the placement.

On 5 October 2006, the Company issued RM25,000,000 MUNIF Notes at discount to face value with a maturity period of four months. The MUNIF Notes bear interest at an effective rate of 5.35% per annum.

The MUNIF Notes are secured by an assignment by the Company and its subsidiary companies of certain Ringgit Malaysia proceeds of the quarry operation services and assignment or charge over certain bank balances of certain subsidiary companies (Designated Accounts) and monies standing to the credit of the Designated Accounts including the permitted investments from the Designated Accounts.

## 29. Revenue

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Turnkey quarry services	61,444,488	61,637,870	–	–
Sale of goods	19,455,700	12,857,664	–	–
Civil engineering	36,750,693	18,811,973	–	–
Rental of machinery	882,615	904,056	–	–
Interest income	37,556	54,292	322,022	54,292
Management fees	–	–	3,200,000	–
Dividend income	–	–	1,000,000	3,000,000
	<b>118,571,052</b>	94,265,855	<b>4,522,022</b>	3,054,292

**30. Profit before Tax**

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Profit before tax is arrived at after charging:				
Allowance for doubtful debts	<b>22,961</b>	–	–	–
Auditors' remuneration				
– current year	<b>79,250</b>	70,410	<b>18,000</b>	18,000
– under provision in prior years	<b>340</b>	500	–	–
Bad debts written off	<b>51,411</b>	–	–	–
Contract cost recognised	<b>27,589,919</b>	11,652,627	–	–
Depreciation of investment properties	<b>86,296</b>	86,296	–	–
Depreciation of property, plant and equipment	<b>7,896,916</b>	7,375,999	<b>34,967</b>	25,001
Directors' emoluments other than fees	<b>2,314,443</b>	1,797,009	<b>2,031,797</b>	9,000
Directors' fees	<b>33,000</b>	–	<b>33,000</b>	–
Interest expense on:				
– bank overdrafts	<b>355,651</b>	283,414	–	–
– term loans	<b>90,174</b>	149,170	–	–
– hire-purchase and lease	<b>1,464,820</b>	1,163,356	<b>6,325</b>	5,839
– bankers' acceptance and short term advance	<b>268,993</b>	213,392	–	–
– MUNIF Notes	<b>448,705</b>	–	<b>448,705</b>	–
– others	<b>5,512</b>	41,664	–	–
Loss on disposal of property, plant and equipment	<b>71,697</b>	–	–	–
Property, plant and equipment written off	<b>56,555</b>	20,857	–	–
Quarry development expenditure written off	<b>194,181</b>	–	–	–
Realised loss on foreign exchange	<b>14,132</b>	8,336	–	–
Rental expense:				
– plant and machinery	<b>2,113,316</b>	676,579	–	–
– land	<b>105,500</b>	96,000	–	–
– office	<b>13,500</b>	33,600	–	–
– workshop	<b>97,000</b>	108,000	–	–
Unrealised loss on foreign exchange	<b>366</b>	–	–	–
And crediting:				
Allowance for doubtful debts no longer required	<b>14,621</b>	–	–	–
Unrealised gain on foreign exchange	<b>14,077</b>	–	–	–
Dividends received from subsidiary companies	–	–	<b>1,000,000</b>	3,000,000
Gain on disposal of property, plant and equipment	–	1,633,400	–	–
Interest income	<b>109,280</b>	122,318	<b>322,022</b>	54,292
Rental income:				
– equipment	<b>109,016</b>	144,906	–	–
– premises	<b>285,348</b>	263,293	–	–

The estimated monetary value of benefit-in-kind received by the Directors otherwise than in cash from the Group and Company amounted to RM80,075 (2005: RM76,967) and RM74,475 (2005: Nil) respectively.

## 31. Tax Expense

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current year				
– Income tax	<b>346,400</b>	2,309,500	<b>400</b>	15,000
– Deferred tax (Note 25)	<b>936,560</b>	388,078	<b>3,900</b>	–
	<b>1,282,960</b>	2,697,578	<b>4,300</b>	15,000
Prior years				
– Income tax	<b>(51,807)</b>	621,932	<b>6,701</b>	–
– Deferred tax (Note 25)	<b>156,340</b>	58,822	<b>3,800</b>	–
	<b>1,387,493</b>	3,378,332	<b>14,801</b>	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	
	2006 %	2005 %	2006 %	2005 %
Applicable tax rate	<b>28.00</b>	28.00	<b>28.00</b>	28.00
Tax effects in respect of:				
Non-allowable expenses	<b>9.57</b>	7.91	<b>14.06</b>	1.61
Non-taxable income	<b>(1.74)</b>	(2.31)	–	–
Tax exempt income	–	–	<b>(41.42)</b>	(29.09)
Deferred tax assets not recognised	<b>0.10</b>	–	–	–
Reduction in tax rate on first RM500,000 chargeable income of certain subsidiary companies	<b>(2.57)</b>	(1.56)	–	–
	<b>33.36</b>	32.04	<b>0.64</b>	0.52
Income tax – prior years	<b>(1.35)</b>	7.39	<b>0.99</b>	–
Deferred tax – prior years	<b>4.07</b>	0.70	<b>0.56</b>	–
Average effective tax rate	<b>36.08</b>	40.13	<b>2.19</b>	0.52

Subject to the agreement from the Malaysian Inland Revenue Board, a subsidiary company has unutilised capital allowances and unabsorbed tax losses amounted to approximately RM21,000 and RM41,000 respectively which are available for set-off against future taxable income.

### 32. Dividends

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 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 of 2.00 sen per share in respect of financial year ended 31 December 2005 paid on 20 September 2006	<b>1,098,860</b>	-	<b>1,098,860</b>	-
	<b>1,098,860</b>	1,650,000	<b>1,098,860</b>	1,650,000

The Directors proposed a final dividend of 2.00 sen less tax per share, amounting to RM803,000 in respect of the financial year ended 31 December 2006.

### 33. 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	
	2006	2005
Consolidated profit after tax for the financial year (RM)	<b>2,458,388</b>	5,040,179
Weighted average number of ordinary shares outstanding	<b>55,000,000</b>	49,520,548
Basic earnings per ordinary share (sen)	<b>4.47</b>	10.18

#### Diluted earnings per ordinary share:

The Company does not have any dilutive potential ordinary shares.

## 34. Acquisition of Subsidiary Companies

- (a) During the current financial year, the Group acquired ODSB, MKPI, MQS and MMBM for a total cash consideration of RM55.00.

### (i) Acquisition of ODSB, MKPI, MQS and MMBM

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
– Minority interest	(49)
	<hr/>
Total purchase consideration in subsidiary companies discharged by cash	55
Less: Cash and cash equivalents of the subsidiary companies acquired	(104)
	<hr/>
Cash inflow on acquisition, net of cash and cash equivalents acquired	49
	<hr/>

### (ii) Acquisition of ODSB, MKPI, MQS and MMBM

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

	Group
	RM
Revenue	–
Operating costs	(90,791)
Other income	797
	<hr/>
Loss before tax	(89,994)
Tax expenses	–
	<hr/>
Increase in Group's net profit after tax	(89,994)
	<hr/>

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

	Group
	RM
Property, plant and equipment	7,471
Receivables	983,363
Cash and bank balances	1,445,286
Payables	(3,513)
	<hr/>
Increase in Group's net assets	2,432,607
	<hr/>

**34. Acquisition of Subsidiary Companies** (continued)

(b) In the previous financial year, the Group acquired the following subsidiary companies:

	<b>Cash Outflow, Net of Cash and Cash Equivalents Acquired RM</b>	<b>Acquired by</b>
(i) KSC, MCSB, MQSB, MPSB, MISB and MRSB	(342,172)	The Company
(ii) DKSC, SESB and GFSB	–	The Company/ MQSB
	<u>(342,172)</u>	

**(i) Acquisitions of KSC, MCSB, MQSB, MPSB, MISB and MRSB**

On 1 January 2005, the Company completed the acquisitions of various companies as disclosed in Note 11, 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 were as follows:

	<b>Group RM</b>
Property, plant and equipment	<b>51,143,060</b>
Investment properties	<b>4,571,787</b>
Quarry development expenditure (Note 10)	<b>1,804,091</b>
Inventories	<b>9,481,824</b>
Receivables	<b>27,918,192</b>
Tax recoverable	<b>258,875</b>
Fixed deposits with licensed banks	<b>1,350,783</b>
Cash and bank balances	<b>3,796,777</b>
Payables	<b>(16,484,936)</b>
Hire-purchase and lease creditors	<b>(12,176,593)</b>
Amounts owing to Directors	<b>(2,307,525)</b>
Term loans	<b>(3,789,636)</b>
Short term borrowings	<b>(5,506,656)</b>
Tax liabilities	<b>(919,441)</b>
Deferred tax (Note 25)	<b>(5,706,900)</b>
Net assets acquired	<b>53,433,702</b>
Reserve on consolidation	<b>(8,433,704)</b>
Total purchase consideration in subsidiary companies	<b>44,999,998</b>
Discharged by issue of shares	<b>(44,999,998)</b>
Total purchase consideration discharged by cash	<b>–</b>
Less: Cash and cash equivalents of the subsidiary companies acquired	<b>(342,172)</b>
Cash outflow on acquisition, net of cash and cash equivalents acquired	<b>(342,172)</b>

## 34. Acquisition of Subsidiary Companies (continued)

(b) In the previous financial year, the Group acquired the following subsidiary companies: (continued)

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

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

	<b>Group</b>
	<b>2005</b>
	<b>RM</b>
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

The effect of the above acquisitions on the financial position of the Group as at 31 December 2005 was as follows:

	<b>Group</b>
	<b>2005</b>
	<b>RM</b>
Property, plant and equipment	54,116,359
Investment properties	4,485,491
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	68,826,110

### (ii) 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.

**34. Acquisition of Subsidiary Companies** (continued)

(b) In the previous financial year, the Group acquired the following subsidiary companies: (continued)

**(ii) Acquisitions of DKSC, SESB and GFSB** (continued)**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 were as follows:

	<b>Group</b>
	<b>RM</b>
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	–

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

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

The effect of the above acquisitions on the financial position of the Group as at 31 December 2005 was as follows:

	<b>Group</b>
	<b>2005</b>
	<b>RM</b>
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	730,044

## 35. 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		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Purchase of property, plant and equipment (Note 8)	<b>21,275,366</b>	12,171,676	<b>16,603</b>	185,761
Financed by hire-purchase arrangements	<b>(5,878,400)</b>	(7,940,800)	-	(160,000)
Cash payments on purchase of property, plant and equipment	<b>15,396,966</b>	4,230,876	<b>16,603</b>	25,761

## 36. Cash and Cash Equivalents

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Fixed deposits with licensed banks (Note 19)	<b>1,052,389</b>	2,255,655	-	-
Cash and bank balances	<b>6,509,377</b>	3,240,784	<b>570,471</b>	8,824
Bank overdrafts (Note 28)	<b>(887,741)</b>	(4,426,822)	-	-
	<b>6,674,025</b>	1,069,617	<b>570,471</b>	8,824
Less: Fixed deposits pledged to licensed banks	<b>(1,052,389)</b>	(2,255,655)	-	-
	<b>5,621,636</b>	(1,186,038)	<b>570,471</b>	8,824

## 37. Segmental Reporting

### (a) Business Segments

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.

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 year to acquire segment assets that is expected to be used for more than one period.

The Group's operations comprise the following business segments:

Turnkey quarry services : Provision of turnkey and specialised quarry services

Civil engineering : Specialised civil engineering works

Quarry products : Sales and marketing of quarry products

Premix products : Manufacturing and trading of premix products

Others : Investment holding, provision of managerial services, rental of machinery and trading of industrial machinery spare parts

### 37. Segmental Reporting (continued)

#### (a) Business Segments (continued)

	Turnkey Quarry Services RM	Civil Engineering RM	Quarry Products RM	Premix Products RM	Others RM	Elimination RM	Consolidation RM
<b>2006</b>							
<b>Revenue</b>							
External sales	48,981,161	36,750,693	22,355,973	9,507,534	975,691	-	118,571,052
Inter-segment sales	12,463,327	(771,814)	81,390	1,076	8,851,692	(20,625,671)	-
	61,444,488	35,978,879	22,437,363	9,508,610	9,827,383	(20,625,671)	118,571,052
<b>Results</b>							
Segment results	3,033,949	804,410	137,385	345,634	524,552	(1,000,000)	3,845,930
Share of loss in an associate company							(49)
Profit before tax							3,845,881
Tax expense							(1,387,493)
Net profit for the financial year							2,458,388
<b>Other information</b>							
Segment assets	94,697,518	47,767,006	10,758,187	4,732,440	90,027,458	(91,396,385)	156,586,224
Segment liabilities	56,325,620	34,694,502	7,985,114	2,896,550	31,900,969	(46,345,966)	87,456,789
Capital expenditure	17,922,719	3,239,282	68,068	-	45,297	-	21,275,366
Depreciation	6,583,058	1,947,316	31,308	118,717	53,559	-	8,733,958
Non-cash expenses other than depreciation	295,869	26,564	23,327	51,411	-	-	397,171

## 37. Segmental Reporting (continued)

### (a) Business Segments (continued)

	Turnkey Quarry Services RM	Civil Engineering RM	Quarry Products RM	Premix Products RM	Others RM	Elimination RM	Consolidation RM
<b>2005</b>							
<b>Revenue</b>							
External sales	46,995,997	18,811,973	19,532,805	6,955,111	1,969,969	–	94,265,855
Inter-segment sales	14,641,873	–	–	–	13,224,147	(27,866,020)	–
	61,637,870	18,811,973	19,532,805	6,955,111	15,194,116	(27,866,020)	94,265,855
<b>Results</b>							
Profit before tax	4,507,489	2,776,117	1,047,338	44,718	3,042,849	(3,000,000)	8,418,511
Tax expense							(3,378,332)
Net profit for the financial year							5,040,179
<b>Other information</b>							
Segment assets	80,292,872	31,926,082	5,321,464	3,658,940	66,058,757	(67,136,897)	120,121,218
Segment liabilities	42,954,569	19,395,932	2,625,865	2,083,186	7,299,248	(22,136,795)	52,222,005
Capital expenditure	10,070,555	1,760,708	128,124	21,000	1,664,758	–	13,645,145
Depreciation	5,743,375	1,601,695	49,307	118,717	47,958	–	7,561,052
Non-cash expenses other than depreciation	17,041	3,116	(13,921)	–	(14,077)	–	(7,841)

### (b) Geographical Segments

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

### 38. Capital Commitments

	Group	
	2006 RM	2005 RM
Capital expenditure in respect of purchase of property, plant and equipment		
– contracted but not provided for	<b>7,406,828</b>	8,452,202
– approved and not contracted for	<b>994,402</b>	–
	<b>8,401,230</b>	8,452,202

### 39. Contingent Liabilities

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
<b>Secured</b>				
Bank guarantees issued in favour of third parties by certain subsidiary companies	<b>5,568,138</b>	196,138	–	–
<b>Unsecured</b>				
Corporate guarantee given to financial institutions for credit facilities granted to subsidiary companies	–	–	<b>22,827,848</b>	15,616,529
Corporate guarantee given to suppliers of subsidiary companies for credit facilities granted to subsidiary companies	–	–	<b>1,704,167</b>	1,599,328
	<b>5,568,138</b>	196,138	<b>24,532,015</b>	17,215,857

A former employee of 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 personal accident during working hours. The Session Judge had allowed the plaintiff's application to amend the Statement of Claim to state that KSC and not MISB was the former employee's Employer on 3 August 2006. Hence, the application by MISB for striking out based on Section 31 of the SOCSO Act became academic. An appeal has been filed with the High Court as there is substantial evidence that MISB and not KSC was the Plaintiff's employer. MISB's appeal is now fixed for hearing at the High Court on 19 June 2007. The matter is scheduled to proceed before the Session Court on the basis that KSC and not MISB is the former employee's employer which is strongly opposed by the Company's solicitor.

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

## 40. Financial Instruments

### (a) Foreign Currency Risk

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

	Net Financial Assets/(Liabilities) Held in Non-functional Currencies		
	Singapore Dollar RM	US Dollar RM	Total RM
<b>Functional Currencies At 31 December 2006</b>			
<b>Cash and bank</b>			
Chinese Renminbi	-	519,819	519,819
<b>Trade payables</b>			
Ringgit Malaysia	(308,595)	-	(308,595)
<b>Functional Currencies At 31 December 2005</b>			
<b>Trade payables</b>			
Ringgit Malaysia	(16,364)	-	(16,364)

#### 40. Financial Instruments (continued)

##### (b) Interest Rate Risk

The following table sets out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	WAEIR %	Within 1 Year RM	1 - 2 Years RM	2 - 3 Years RM	3 - 4 Years RM	4 - 5 Years RM	More than 5 Years RM	Total RM
<b>As at 31 December 2006</b>								
<b>Group</b>								
<b>Fixed rate</b>								
Hire-purchase and lease liabilities	8.33	5,534,295	4,494,310	3,194,824	2,415,843	229,031	-	15,868,303
<b>Floating rate</b>								
Bank overdrafts	8.50	887,741	-	-	-	-	-	887,741
Bankers' acceptance	3.90	5,228,223	-	-	-	-	-	5,228,223
Fixed deposits with licensed banks	3.00	1,052,389	-	-	-	-	-	1,052,389
Short term advance	8.25	397,536	-	-	-	-	-	397,536
Term loans	8.60	362,581	298,648	269,386	-	-	-	930,615
MUNIF Notes	5.35	24,352,333	-	-	-	-	-	24,352,333
<b>Company</b>								
<b>Fixed rate</b>								
Hire-purchase liability	5.01	31,583	33,252	34,919	8,990	-	-	108,744

**40. Financial Instruments** (continued)

**(b) Interest Rate Risk** (continued)

The following table sets out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	WAEIR %	Within 1 Year RM	1 - 2 Years RM	2 - 3 Years RM	3 - 4 Years RM	4 - 5 Years RM	More than 5 Years RM	Total RM
<b>As at 31 December 2005</b>								
<b>Group</b>								
<b>Fixed rate</b>								
Hire-purchase and lease liabilities	8.61	4,646,589	4,412,491	3,267,934	1,997,022	1,295,240	-	15,619,276
<b>Floating rate</b>								
Bank overdrafts	7.75	4,426,822	-	-	-	-	-	4,426,822
Bankers' acceptance	3.55	3,739,970	-	-	-	-	-	3,739,970
Fixed deposits with licensed banks	3.20	2,255,655	-	-	-	-	-	2,255,655
Short term advance	7.50	251,746	-	-	-	-	-	251,746
Term loans	7.00	1,000,039	402,687	348,988	277,893	26,543	1,150	2,057,300
<b>Company</b>								
<b>Fixed rate</b>								
Hire-purchase liability	5.01	29,915	31,584	33,251	34,919	8,990	-	138,659

**40. Financial Instruments** (continued)**(c) Credit Risk**

The Group has no major concentration of credit risk as at 31 December 2006 except for an amount of RM10,399,499 (2005: 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.

**(d) 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 Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<b>As at 31 December 2006</b>				
Term loans	930,615	929,218	-	-
Hire-purchase and lease liabilities	15,868,303	16,403,705	108,744	106,144
<b>As at 31 December 2005</b>				
Term loans	2,057,300	2,016,295	-	-
Hire-purchase and lease liabilities	15,619,276	16,312,012	138,659	128,505

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; and
- (ii) The fair values of term loans and hire-purchases and lease are estimated by discounting future contractual cash flows at the current market interest available to the Group for types of lending and borrowing arrangements and of the same remaining maturities.

## 40. Financial Instruments (continued)

### (e) Call Options

On 27 June 2006, the Company entered into a call option agreement with Korea Petroleum Industrial Co. Ltd. ("KPI") which granted KPI the right to exercise call option to acquire 2% of the equity interest in a 51% - subsidiary company of the Company namely, MKPI. The 2% equity interest represents 2 ordinary shares of RM1.00 each in MKPI as at 31 December 2006. KPI holds an equity interest of 49% in MKPI as at 31 December 2006. The exercise price of the call option shall be determined by the Company based on the net tangible value per share as stated in the management account of MKPI at the time of notice of exercise and subject to a minimum price of par value of each ordinary share payable by KPI to the Company for purchase of each call share upon exercise of the call option.

Call Option Granted by	Number of Shares Under the Call Option	Exercise Period
The Company	2	KPI shall only be entitled to exercise the call option within two years from the commencement date of the call option agreement dated 27 June 2006

On 12 February 2007, the paid-up share capital of MKPI increased by RM999,900 from RM100 to RM1 million. The Company has then subscribed for 509,949 ordinary shares of RM1.00 each in MKPI for a total cash consideration of RM509,949. Consequently, the Company holds 510,000 ordinary shares of RM1.00 each in MKPI representing 51% of the total share capital of MKPI.

## 41. Related Party Disclosures

### (a) Identity of Related Parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individual or other entities.

The Group has a related party relationship with its subsidiary companies, associate company, Directors and key management personnel.

#### Transaction with Key Management Personnel

Key management personnel compensation is disclosed in Note 41(c) to the financial statements.

**41. Related Party Disclosures** (continued)**(a) Identity of Related Parties** (continued)**Transaction with Key Management Personnel Other Than Compensation**

A number of key management personnel transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. All the transactions are due and payable under normal payment terms.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence are as follows:

Group			Transaction Value		Balance Outstanding	
			Year Ended 31 December		as at 31 December	
Transaction	Director	Note	2006 RM	2005 RM	2006 RM	2005 RM
Workshop rental	Choy Sen @ Chin Kim Sang	(a)	<b>90,000</b>	96,000	–	–
Staff quarter rental	Choy Sen @ Chin Kim Sang	(b)	<b>4,000</b>	12,000	–	–
Staff quarter rental	Choy Sen @ Chin Kim Sang Loh Yee Kwan	(c)	<b>11,000</b>	–	–	–
Workshop rental	Low Choon Lan	(d)	<b>12,000</b>	12,000	–	–
Legal fee	Chai Woon Chew	(e)	<b>13,500</b>	–	–	–

**Note a**

The Group rented a workshop from Choy Sen @ Chin Kim Sang for the storage of tools and spare parts and for repairing of plant and machinery.

**Note b**

The Group rented a staff quarter from Ng Soong Hee who is mother of Choy Sen @ Chin Kim Sang.

**Note c**

The Group rented a staff quarter owned by Sierra Dynamic Sdn Bhd (SDSB), a company of which Choy Sen @ Chin Kim Sang and Loh Yee Kwan are substantial shareholders. Choy Sen @ Chin Kim Sang and Loh Yee Kwan were Directors of SDSB in 2005.

**Note d**

The Group rented a workshop from Low Choon Lan for the storage of tools and spare parts and for repairing of plant and machinery.

**Note e**

The Group used the legal services from Chai Woon Chew in relation to the legal matters of the Group's operations.

## 41. Related Party Disclosures (continued)

### (b) Other Related Party Transactions

	Transaction Value for Year Ended 31 December		Balance Outstanding as at 31 December	
	2006 RM	2005 RM	2006 RM	2005 RM

#### Group and Company

##### Expenses

Associate company	958	–	958	–
-------------------	-----	---	-----	---

	Transaction Value for Year Ended 31 December	
	2006 RM	2005 RM

#### Company

Management fees from subsidiary companies	3,200,000	–
Interest income from subsidiary companies	284,466	–

All outstanding balances with these related parties are priced on an arm's length basis and are due and payable under normal payment terms. None of the balance is secured.

### (c) Compensation of Key Management Personnel

The compensation of key management personnel who are also the Executive Directors of the Group during the financial year is as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Remuneration	2,005,500	1,557,000	1,754,250	9,000
Defined contribution plan	305,844	236,160	275,688	–
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	83,174	80,816	76,334	–
	<b>2,394,518</b>	<b>1,873,976</b>	<b>2,106,272</b>	<b>9,000</b>

## **42. Event Subsequent to Balance Sheet Date**

On 8 February 2007, one of the subsidiary company of the Company, Minetech Quarries Sdn Bhd subscribed for 70% of the issued share capital of its subsidiary company, Minetech M.B. (Huizhou) Building Materials Ltd. for a total cash consideration of USD420,000.

## **43. Staff Costs**

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Wages and salaries	<b>14,187,443</b>	11,110,771	<b>2,320,730</b>	–
Defined contribution plan	<b>1,467,241</b>	1,178,671	<b>339,825</b>	–
Other employee benefits	<b>906,358</b>	589,793	<b>56,835</b>	–
	<b>16,561,042</b>	12,879,235	<b>2,717,390</b>	–

## **44. Authorisation for Issue of Financial Statements**

These financial statements were authorised for issue by the Board of Directors on 13 April 2007.

# list of properties

AS AT 31 DECEMBER 2006

78 MINETECH RESOURCES BERHAD 575543-X

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 2006 (RM)
<b>Minetech Construction Sdn Bhd</b>					
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	9 years/Freehold	Building, double storey terrace house, currently vacant/ 5 May 1998	298.5/ approximately 104	171,919
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	9 years/Freehold	Building, double storey terrace house, currently vacant/ 5 May 1998	334.9/ approximately 104	181,936
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	9 years/Freehold	Building, double storey terrace house, currently vacant/ 17 August 1998	153.3/ approximately 104	122,919
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*	12 years/Freehold	3 storey shophouse building: 1 storey – staff quarter 2 storey – vacant/ 28 July 1998	167.2/ approximately 446	432,336
5.	Unit 123 – 523 Unit 223A – 523A, FAS Business Avenue Jalan Perbandaran 47301 Petaling Jaya Selangor Darul Ehsan Unit 12A-12I, HS (D) 85220 PT 14532, Mukim Damansara Daerah Petaling*	9 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	1,173,216
6.	Unit A6-1 to A6-10 Plaza Dwtasik 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 Dwtasik PN 27024, Lot 51975 Mukim Kuala Lumpur Daerah Kuala Lumpur*	5 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	1,578,547

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 2006 (RM)
<b>K.S. Chin Minerals Sdn Bhd</b>					
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*	6 years/Freehold	1 unit commercial shoplot currently rented to third parties/ 5 May 1995	N/A/ approximately 192	952,110
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*	6 years/Freehold	6 units commercial shoplots currently rented to third parties/ 31 January 1996	N/A/ approximately 927	1,573,701
<b>Minitech Realty Sdn Bhd</b>					
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 shoplots/ 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 PT No. 26352 Bandar Cheras Daerah Hulu Langat Selangor Darul Ehsan	4 years/ 99 years leasehold/ Expiring on 27 October 2093	4 storey commercial shoplot, currently vacant/ 31 March 2005	N/A/ approximately 1,192	1,473,469
<b>Grand Total</b>					<b>9,904,094</b>

**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 shoplots have yet to be issued.

# analysis of shareholdings

AS AT 10 MAY 2007

## 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 (excluding shares held as treasury shares)	:	RM54,943,000.00 divided into – 54,943,000 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	564	54.70	214,900	0.39
1,001 – 10,000	301	29.20	1,455,450	2.65
10,001 – 100,000	126	12.22	4,260,362	7.75
100,001 – 2,747,149 (less than 5% of issued shares)	34	3.30	21,243,862	38.67
2,747,150 (5% of issued shares) and above	5	0.48	27,768,376	50.54
	<b>1,031</b>	<b>100.00</b>	<b>54,943,000</b>	<b>100.00</b>

### Thirty Largest Shareholders

No.	Name	No. of Shares Held	%
1.	Choy Sen @ Chin Kim Sang	8,657,015	15.76
2.	Cimsec Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Choy Sen @ Chin Kim Sang (Retail Banking)</i>	8,000,000	14.56
3.	Low Choon Lan	3,998,451	7.28
4.	Wan Zaki Bin Wan Muda	3,973,731	7.23
5.	Kerjaya E-Khidmat Sdn Bhd	3,139,179	5.71
6.	Norhaliza Binti Abdullah	2,402,200	4.37
7.	Ramelle Ashram Bin Ramli	2,315,000	4.21
8.	Low Choon Lan	1,576,101	2.87
9.	EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Lai Chan Heng (SFC)</i>	1,435,200	2.61
10.	Norhaliza Binti Abdullah	1,405,049	2.56
11.	EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Yeoh Kok Siong (SFC)</i>	1,316,200	2.40
12.	EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Lee Kwan Ming (SFC)</i>	1,247,000	2.27
13.	EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Shang Kwai Voon (SFC)</i>	1,156,300	2.10
14.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Meoy Kock Haw (CEB)</i>	1,050,200	1.91
15.	Meoy Kock Haw	930,000	1.69
16.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chin Fah (CEB)</i>	878,900	1.60
17.	Chai Koo Pheng	597,654	1.09
18.	Pang Hwee Peng	480,465	0.87
19.	Low Choon Yen	418,010	0.76
20.	Loh Yee Kwan	334,307	0.61
21.	Khoo Siong Kee	314,100	0.57
22.	EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Choy Sen @ Chin Kim Sang (SS2-SFC)</i>	300,000	0.55
23.	Koh Kin Lip	300,000	0.55
24.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Khoo Ban Sean Benny (E-IMO/JYK)</i>	294,900	0.54
25.	Chew Siow Geok	246,000	0.45
26.	Choo Kang Ngee	212,006	0.39
27.	Hong Foh Nyok	207,400	0.38
28.	Chung Kam Seng @ Cheong Kam Seng	200,000	0.36
29.	Amsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ong Teik Kooi</i>	197,000	0.36
30.	Alliancegroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Beng Guan (100402)</i>	190,400	0.35
<b>Total</b>		<b>47,772,768</b>	<b>86.95</b>

## List of Substantial Shareholders

The substantial shareholders of the ordinary shares of RM1.00 each as per the Register of Substantial Shareholders:

Name	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%
Choy Sen @ Chin Kim Sang	17,129,702	31.18	5,704,552*	10.38
Low Choon Lan	5,704,552	10.38	17,129,702*	31.18
Dato' Haji Wan Zaki Bin Haji Wan Muda	3,973,731	7.23	–	–
Kerjaya E-Khidmat Sdn Bhd	3,139,179	5.71	–	–
Datin Norhaliza Binti Abdullah	3,859,137	7.02	3,297,762**	6.00
Dato' Shamsudin Bin Mohd Dubi	158,583	0.29	6,998,316**	12.74

### 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.

## List of Directors' Shareholdings

The Directors' shareholdings of the ordinary shares of RM1.00 each as per the Register of Directors' Shareholdings:

Name	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%
Choy Sen @ Chin Kim Sang	17,129,702	31.18	5,704,552*	10.38
Low Choon Lan	5,704,552	10.38	17,129,702*	31.18
Lee Kah Keng @ Lee Kah Heng	–	–	–	–
Loh Yee Kwan	434,307	0.79	523,010*	0.95
Datin Norhaliza Binti Abdullah	3,859,137	7.02	3,297,762**	6.00
Phoon Sow Cheng	1,000	0.00	–	–
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 IS HEREBY GIVEN** that the Fifth Annual General Meeting of Minetech Resources Berhad will be held at East VIP Lounge, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 27 June 2007 at 10.00 a.m., for the purpose of considering the following businesses:

## **Agenda**

### **Ordinary Business**

- Ordinary Resolution 1**.....1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2006 together with the Reports of the Directors and the Auditors thereon.
- Ordinary Resolution 2**.....2. To approve the payment of Directors' fees of RM54,000.00 for the financial year ended 31 December 2006.
- Ordinary Resolution 3**.....3. To declare a final dividend of 2 sen less 27% tax per ordinary share of RM1.00 in respect of the financial year ended 31 December 2006 as recommended by the Directors and to authorise the Directors to determine the dividend entitlement and payment dates.
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:
- Ordinary Resolution 4**..... (i) Lee Kah Keng @ Lee Kah Heng
- Ordinary Resolution 5**..... (ii) Low Choon Lan
- Ordinary Resolution 6**..... (iii) Phoon Sow Cheng
- Ordinary Resolution 7**.....5. To re-appoint Messrs BDO Binder as Auditors of the Company and authorise the Directors to fix their remuneration.

## Special Business

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

### Ordinary Resolution 8..... 6. **Proposed Renewal of Authority to Directors on Purchase of the Company's own Shares**

"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 2006, the audited retained profits of the Company were RM772,703.00;
- (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; orin 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."

**Ordinary Resolution 9** ..... 7. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

"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 ("RRPT") of a revenue or trading nature as stated in Section 2.2.3 of the Circular to Shareholders dated 5 June 2007, 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.

("Proposed 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 Proposed 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 RRPT contemplated and / or authorised by this Ordinary Resolution."

**Ordinary Resolution 10** ..... 8. **Authority to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965**

"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."

# notice of annual general meeting

## Special Resolution 1 ..... 9. Proposed Amendments to the Articles of Association of the Company

That the Articles of Association of the Company be amended as per Appendix I of the Circular to Shareholders dated 5 June 2007.

By Order of the Board

**Mah Li Chen** (MAICSA 7022751)  
**Lee Wai Kim** (MAICSA 7036446)  
Company Secretaries

Kuala Lumpur  
5 June 2007

### 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 dividend which payment shall be no later than 3 months from the date of the AGM on 27 June 2007.
6. Explanatory Notes on Special Business

#### (a) Proposed Renewal of Authority to Directors on Purchase of the Company's own Shares

The proposed Ordinary Resolution 8, 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 2007 which is dispatched together with this Annual Report for further information.

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

The proposed Ordinary Resolution 9, if passed, will empower the Company and its subsidiaries ("MRB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for MRB Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

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 2007 which is dispatched together with this Annual Report.

#### (c) 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.

#### (d) Proposed Amendments to the Articles of Association of the Company

The proposed Special Resolution 1, if passed, will give effect to the proposed amendments to the Articles of Association ("the Articles") as stated in Appendix I of the Circular to Shareholders dated 5 June 2007 and render the Articles consistent to the amendments to Chapter 7 of the Listing Requirements of the Bursa Securities.

---

## statement accompanying notice of annual general meeting

1. Further details of the Directors standing for re-election or re-appointment are set out in the Profile of Directors appearing on pages 4 to 6 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 Fifth Annual General Meeting of Minetech Resources Berhad ("MRB") to be held at East VIP Lounge, Kuala Lumpur Golf and Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 27 June 2007 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
<b>Ordinary Business</b>		
1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2006 together with the Reports of the Directors and the Auditors thereon.		
2. To approve the payment of Directors' fees.		
3. To declare a final dividend of 2 sen less 27% tax in respect of the financial year ended 31 December 2006 as recommended by the Directors and to authorise the Directors to determine the dividend entitlement and payment dates.		
4. To re-elect Mr Lee Kah Keng @ Lee Kah Heng as Director.		
5. To re-elect Madam Low Choon Lan as Director.		
6. To re-elect Madam Phoon Sow Cheng as Director.		
7. To re-appoint Messrs BDO Binder as Auditors.		
<b>Special Business</b>		
8. To approve the Proposed Renewal of Authority to Directors on Purchase of the Company's own Shares.		
9. To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
10. To authorise the Directors to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965.		
<b>Special Resolution 1</b>		
11. To approve the Proposed Amendments to the Articles of Association of the Company.		

(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 \_\_\_\_\_ 2007

**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

---