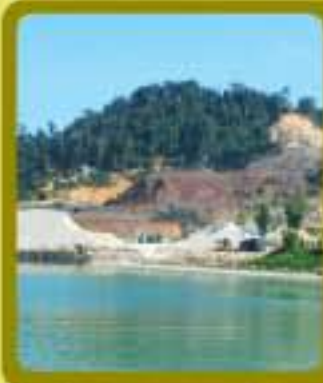
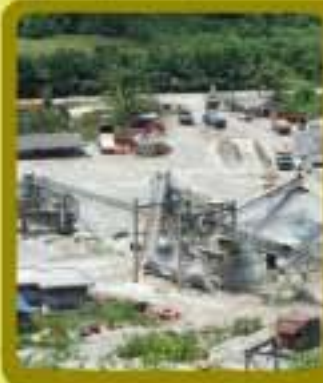




# Minetech Resources Berhad

(Company No. 575543-X)

(Incorporated in Malaysia under the Companies Act, 1965)



## 2009 ANNUAL REPORT



## **Minetech Resources Berhad**

(Company No. 575543-X)

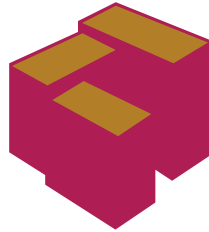
(Incorporated in Malaysia under the Companies Act, 1965)

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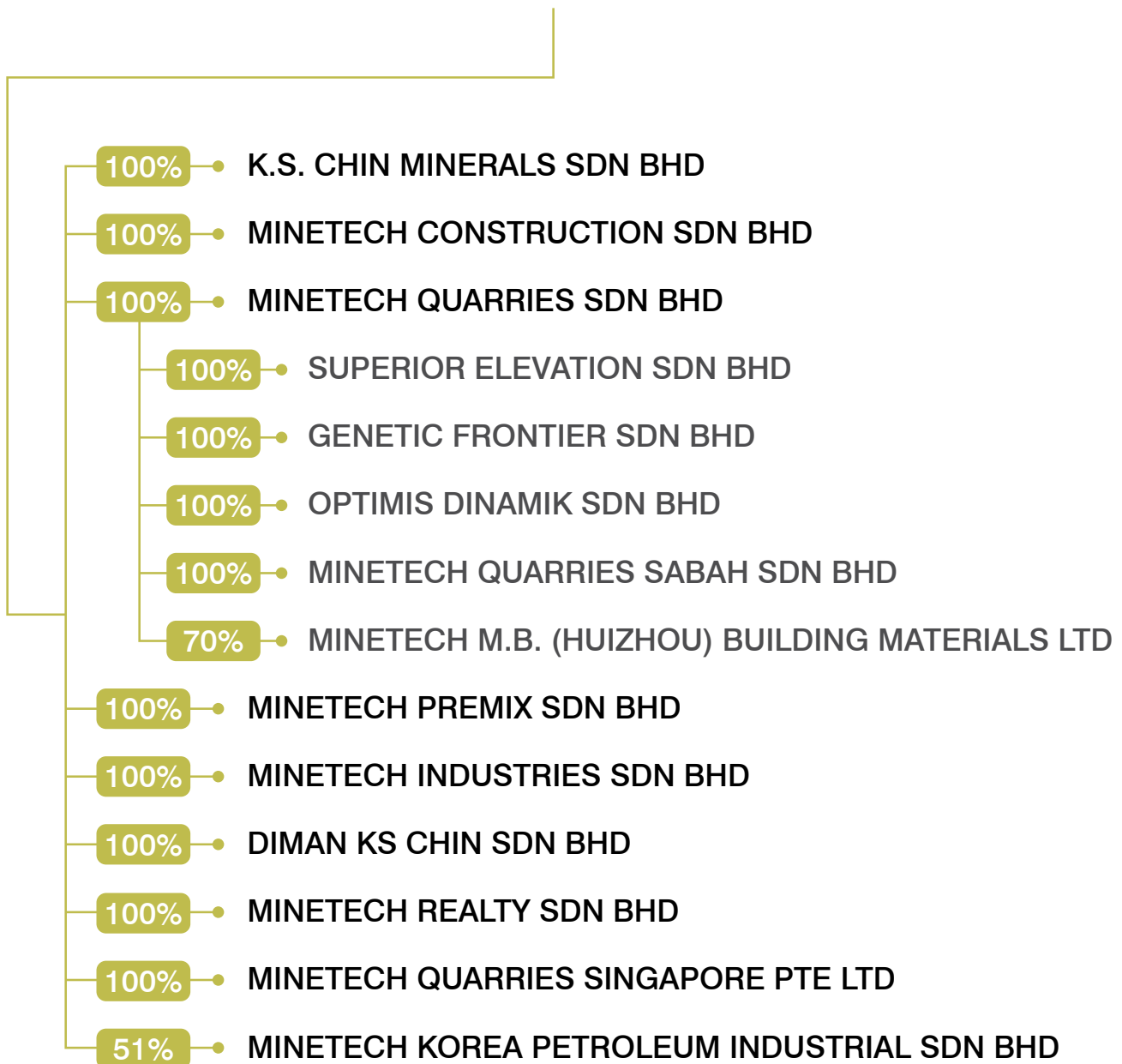
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# CORPORATE STRUCTURE

AS AT 7 MAY 2010



## Minetech Resources Berhad



# CORPORATE INFORMATION

## • BOARD OF DIRECTORS •

**Choy Sen @ Chin Kim Sang**  
*Executive Chairman*

**Loh Yee Kwan**  
*Group Managing Director*

**Low Choon Lan**  
*Non-Independent Non-Executive  
Director*

**Phoon Sow Cheng**  
*Independent Non-Executive  
Director*

**Chai Woon Chew**  
*Independent Non-Executive  
Director*

**Datuk Syed Tamim Ansari Bin  
Syed Mohamed**  
*Independent Non-Executive  
Director*

**Datuk Lye Ek Seang**  
*Non-Independent Non-Executive  
Director*

**Chin Leong Choy**  
*Non-Independent Executive  
Director*

**Chin Sheong Choy**  
*(Alternate Director to Loh Yee  
Kwan)*

**Chin Yee Teng**  
*(Alternate Director to Low Choon Lan)*

## • AUDIT COMMITTEE •

**Phoon Sow Cheng**  
*Chairperson*

**Chai Woon Chew**

**Datuk Syed Tamim Ansari Bin  
Syed Mohamed**

## • NOMINATION COMMITTEE •

**Chai Woon Chew**  
*Chairman*

**Phoon Sow Cheng**

## • REMUNERATION COMMITTEE •

**Chai Woon Chew**  
*Chairman*

**Phoon Sow Cheng**

**Choy Sen @ Chin Kim Sang**

## • COMPANY SECRETARIES •

**Lim Ming Toong**  
**(MAICSA 7000281)**

**Ng Lai Yee**  
**(MAICSA 7031768)**

## • REGISTERED OFFICE •

10th Floor Menara Hap Seng  
No. 1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur  
Wilayah Persekutuan  
Tel No.: 603-2382 4288  
Fax No.: 603-2382 4170/71/72

## • SHARE REGISTRAR •

**Tricor Investor Services Sdn Bhd**  
**(formerly known as Tenaga  
Koperat Sdn Bhd)**  
Level 17, The Gardens North Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel No.: 603-2264 3883  
Fax No.: 603-2282 1886

## • PRINCIPAL BANKERS •

**Malayan Banking Berhad**  
**(Company No. 3813-K)**

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

**Public Bank Berhad**  
**(Company No. 6463-H)**

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

## • AUDITORS •

**Messrs RSM Robert Teo,  
Kuan & Co.**  
**Chartered Accountants**  
1st Floor Wisma RKT  
Block A No. 2 Jalan Raja  
Abdullah  
Off Jalan Sultan Ismail  
50300 Kuala Lumpur  
Tel : 03-2610 2888  
Fax : 03-2691 7733

## • STOCK EXCHANGE LISTING •

Main Market of Bursa Malaysia  
Securities Berhad  
Stock Short Name: MINETEC  
Stock Code: 7219

# DIRECTORS' PROFILE



## **CHOY SEN @ CHIN KIM SANG** | *Executive Chairman, Aged 57*

**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 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 more than 31 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 in the Audited Financial Statements contained in this Annual Report.

## DIRECTORS' PROFILE (CONT'D)

### LOH YEE KWAN | *Group Managing Director, Aged 46*

**Loh Yee Kwan** was appointed as the Group Deputy Managing Director on 28 January 2005. On 1 January 2008, he was redesignated to Group Managing Director.

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.

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 MRB 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 MRB Group.



### LOW CHOON LAN | *Non-Independent Non-Executive Director, Aged 53*

**Low Choon Lan** was appointed as an Executive Director of the Company on 28 January 2005 and has been re-designated as a Non-Executive Director on 1 January 2010. 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 MRB Group.

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 in the Audited Financial Statements contained in this Annual Report.



## DIRECTORS' PROFILE (CONT'D)



### **PHOON SOW CHENG** | *Independent Non-Executive Director, Aged 56*

**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 of the Company.

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 MRB 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 52*

**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 1991, 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 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.

## DIRECTORS' PROFILE (CONT'D)

### **DATUK SYED TAMIM ANSARI BIN SYED MOHAMED** | *Independent Non-Executive Director, Aged 62*

**Datuk Syed Tamim Ansari Bin Syed Mohamed** was appointed as an Independent Non-Executive Director of the Company on 13 May 2009.

He holds a Bachelor of Economics degree (Honours) from the University of Malaya and Master of Business Administration from the University of Oregon, USA. He also attended the Harvard Business School Advanced Management Program, the Senior Management Program at Mt. Eliza, Australia and the Kankeiren Program.

Datuk Syed Tamim is presently the Principal Consultant of ST and H Consultancy Services Sendirian Berhad. He was previously a Director of various subsidiaries of Malayan Banking Berhad as well as serves in three important committees, namely Risk, Audit and Nomination Committees.

In the span of his 37 years of working life, he had served three organizations, namely the Government of Malaysia (1972-1981), a Government linked company (1982-1986) and the Sime Darby Group of Companies (1987-2007).

For the Government of Malaysia, he served two (2) organizations, namely the Prime Minister's Department and the Ministry of International Trade and Industry. In the following five (5) years, he served PERNAS, a government linked company, involved in trading and financial activities. In the Sime Darby Group of Companies, he held various managerial positions in several divisions as Director of Operations. These divisions were involved in trading, tourism industry, automobile manufacturing/assembly and trading, oil palm plantations, oil and fats refineries, health care services, quarry operations, engineering design and fabrication of oil and gas installations, golf course management and several other activities. Besides being a management committee member of Sime Darby Group of companies, he also held directorships in the other companies managed by him. Some of these companies were joint ventures with foreign investors, namely Japanese, Koreans, Americans, British, Germans, Indonesians and Thais.

He is currently a director of Cycle & Carriage Bintang Berhad and Integrax Berhad.

He has no material conflict of interest with the MRB Group.



## DIRECTORS' PROFILE (CONT'D)



### **DATUK LYE EK SEANG** | *Non-Independent Non-Executive Director, Aged 45*

**Datuk Lye Ek Seang** was appointed as a Non-Independent Non-Executive Director of the Company on 27 March 2008.

He holds a Bachelor of Science (Hons) degree in Mathematics from the University of Malaya. While in university, he was the founder and instructor of Persatuan Taekwando (WTF) University of Malaya. He joined Reserved Offices Training Unit (ROTU) & Commissioned as Second Lieutenant by DYMM Yang Dipertuan Agong in 1989.

He was the Non-Independent Non-Executive Director and Audit Committee member of Magna Prima Berhad from 16 July 2007 to 24 June 2009.

He was also the Non-Independent Non-Executive Director of Ho Hup Construction Company Berhad from August 2008 and redesignated as Deputy Executive Chairman from December 2008 till March 2010.

He did not hold any directorship in other public listed company but is a director in several private limited companies involved in manufacturing, television program production and distribution, biotechnology and property development.

Datuk Lye is a substantial shareholder of MRB. He has no material conflict of interest with the MRB Group.



### **CHIN LEONG CHOY** | *Executive Director, Aged 27*

**Chin Leong Choy** was appointed as a Director of the Company on 21 January 2010.

He was appointed as the Personal Assistant to Executive Chairman of MRB in January 2007. Apart from assisting the Executive Chairman on his daily schedule, he was assigned to assist in the setting up of the production plant and new business development under Minetech Korea Petroleum Industrial Sdn Bhd ("MKPI"). He was appointed as the Director of MKPI on 16 January 2008.

Upon completing his Japanese language course from Shukutoku Japanese Language School, Tokyo, Japan, he began his career in April 2003 as a technical clerk in Minetech Construction Sdn Bhd. Subsequently, he was promoted as a project supervisor for the project of control blasting and infrastructure at Emkay Damansara and other projects. In 2005, he was transferred to Minetech Quarries Sdn Bhd as Sales Executive. In 2006, he was transferred to K.S. Chin Minerals Sdn Bhd as Planning & Development Executive, assisting in new quarry setup and quarry operation.

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 MRB Group.

## DIRECTORS' PROFILE (CONT'D)

### CHIN SHEONG CHOY | *Alternate Director to Loh Yee Kwan, Aged 30*

**Chin Sheong Choy** was appointed as the Alternate Director to Mr Loh Yee Kwan on 19 December 2007.

He holds a Bachelor of Engineering in Civil Engineering from University of Nottingham Trent, United Kingdom.

Upon graduation, he began his career in February 2004 as a Project Engineer in Minetech Construction Sdn Bhd (a subsidiary of MRB). He was transferred to K.S. Chin Minerals Sdn Bhd in September 2004 as a Quarry Engineer. In May 2005, he was transferred to the head office as Senior Executive and seconded to Purchasing department to assist in purchasing function. Subsequently, he was promoted as Assistant Manager, Purchasing, responsible for the daily operation of the purchasing department. In March 2006, he was transferred to Corporate Office as the Assistant Manager to assist Group Deputy Managing Director, particularly in exploring China quarry projects.

He was promoted as Business Development Manager in January 2007, in charge of China operations of Minetech M.B. (Huizhou) Building Materials Ltd. He is overall responsible for all current and new business development under Minetech M.B. (Huizhou) Buildings Materials Ltd up to 31 December 2009.

He has no material conflict of interest with the MRB Group.



### CHIN YEE TENG | *Alternate Director to Low Choon Lan, Aged 29*

**Chin Yee Teng** was appointed as the Alternate Director to Madam Low Choon Lan on 21 January 2010.

She is the Head of Purchasing and Procurement Department in overseeing the Group's purchasing and procurement functions. She holds a Bachelor Degree in Business Management from Tokyo School of Business in Tokyo, Japan.

Upon graduation, she began her career as a Purchasing Officer in Minetech Construction Sdn Bhd since April 2006 and was transferred to Minetech Industries Sdn Bhd in January 2008. She had gained extensive experiences in purchasing and procurement functions for her to succeed to her current position. She held directorship in several private companies.

She has no material conflict of interest with the MRB Group.



#### Notes:

1. All the Directors of 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. 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 cum 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 Executive Chairman and Non-Executive Director respectively cum the substantial shareholders of MRB;
  - iii) Mr Chin Sheong Choy, Mr Chin Leong Choy and Ms Chin Yee Teng are the children of Mr Choy Sen @ Chin Kim Sang and Madam Low Choon Lan, the Executive Chairman and Non-Executive Director respectively cum substantial shareholders of MRB; and
  - iv) Datuk Lye Ek Seang is the spouse of Datin Viannie Damit @ Undikai, a substantial shareholder of MRB.
4. The details of Directors' attendance of Board Meetings during the financial year ended 31 December 2009 are disclosed in page 16 of this Annual Report.

# CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors of Minetech Resources Berhad ("Minetech"), it is my pleasure once again to present the Annual Report and Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2009.

## OVERVIEW OF BUSINESS ENVIRONMENT

The year 2009 will be remembered as the global financial crisis that have started from the US subprime crisis and had subsequently spread to other parts of the world in just a glimpse. The freezing of the global credit markets especially in the US and European have forced the America and some European Governments to step in to bail out financial institutions and companies that were suffering from tremendous losses.

Malaysia was not spared from the negative impacts as the world is one global market and no one country is excluded from the shocks. Fortunately, our banking system remains well capitalised and not directly exposed to US subprime mortgage securities. The sound financial system and the two stimulus packages rolled out by the Malaysia Government have helped our domestic economy cushion the worst of the crisis. Nevertheless, the year 2009 began slowly with the domestic economy contracting by 6.2% in the first quarter and turned around strongly to a positive growth of 4.5% in the last quarter. For the whole year of 2009, the Malaysia economy still suffered a GDP contraction of 1.7%.

## FINANCIAL PERFORMANCE

Against the backdrop of the challenging economic conditions, the Group reported a revenue of RM126.40 million for the financial year ended 31 December 2009 vis-à-vis RM140.89 million recorded during the last financial year. This 10% decline in revenue was mainly due to lower contribution from quarry and premix operations caused by the dampening effect on the demand of construction material.

Meanwhile, the Group reported a net loss of RM7.86 million, compared with a net loss of RM5.57 million recorded in last financial year. There were several one off provisions attributing to the current year losses. We have made a provision of RM1.36 million for doubtful debt due from a contract customer as well as written off RM1.12 million pre-operating expenses from an overseas operation. In the year of 2009, we have drawn down a RM30 million term loan facility from MIDF Amanah Investment Bank Berhad and utilize the term loan to fully redeem the outstanding amount of MUNIF facility. In this process, loan expenses of RM0.3 million has been charged out and at the same time the balance of Bond expenses amounting to RM0.7 million have also been fully charged out.

## REVIEW OF CORE OPERATIONS

### Quarry Operations

The local aggregate sector had remained rather weak throughout the year 2009. The aggregate export sales to Singapore did not help either as the aggregate selling price to Singapore had tumbled from SGD21 per ton CIF in the beginning of the year to SGD13 per ton CIF at the end of the year. Overall, this division reported a 7% drop in revenue to RM90.76 million as compared to RM97.22 million previously.

Due to the sluggish domestic market, substantial quantity of stockpile has been built up in certain quarry sites, and this has further caused inefficiency in the operation and subsequently increased the production cost.

Nevertheless, we foresee the demand will be improving in the coming year when implementation of those projects under the stimulus packages is in full swing.

### Premix Products

The revenue contribution from premix operation has suffered a big setback in year 2009. The current financial year reported only RM13.19 million in

## CHAIRMAN'S STATEMENT (CONT'D)



revenue, down by nearly 62% as compared to RM34.40 million in the preceding financial year. The sales for premix products were severely affected in the current year due to the continuous higher selling price of bitumen, a major raw material used in the premix production. Many on going infrastructure and construction projects had halted or delayed due to the shortage of bitumen supply that had subsequently sustained a higher pricing throughout the year even though the crude oil prices had come down from its peak.

However, the premix operation was still profitable as most of the price hike from raw material had been transferred fully to customers.

We foresee the current high pricing of bitumen will be sustained and stagnant for the time being but we also expect the increasing demand for our premix products will be recovering very soon, as most contractors have incorporated the new bitumen pricing in their tender for the new projects.

### Bituminous Products

Minetech's 51% owned bituminous products manufacturing plant in Ulu Yam, Selangor had started contributing revenue to the group for

the full financial year in 2009. This subsidiary company registered a total revenue of RM12.84 million, an increase of 258% over the previous year revenue of RM4.99 million. 76 % of the revenue was contributed by the production and sale of bituminous coating enamel. In the financial year 2009, the company had supplied coating enamel to three major gas pipe coating projects in addition to the on going water pipe coating requirement for the water industry.

In 2009, we also saw the delay in the Restructuring of National Water Supply by the Government in certain states which had caused some dampening effect on the demand of coating enamel for water pipe projects. Consequently, the market of bituminous coating enamel become very competitive and the margin was being squeezed down.

Going forward, the company has set a strategy to produce more on other higher margin products, such as various grades of blown bitumen. At the same time, we will work towards achieving higher exports level to overseas customers, especially those in Singapore and Taiwan.

### Civil Engineering Works

For the civil engineering division, we

have been focusing on those niche sectors where we possess special expertise especially in the rock blasting work. The revenue contributed by this division was RM12.67 million, about 50% higher than last year's revenue of RM8.45 million.

In 2009, we have managed to secure a three years work contract for a gold mine project in Negeri Pahang and this project has started contributing positively to the Group since the third quarter of financial year in 2009. This gold mine work contract will continue to contribute positively to the group in the coming year and will help to alleviate the group from over dependence on the construction industry to a certain extent.

### FUTURE PROSPECTS AND OUTLOOK

The economic melt down that has started in US in late 2008 had spread around the world and prolonged to the last financial year in 2009. Towards the end of 2009, there were signs of improvements in which the global down trend has started to stabilize but in a pace which is expected to be fragile and slow.

For the coming year, prospects for the Malaysian economy are expected to be brighter. With the anticipation of

## CHAIRMAN'S STATEMENT (CONT'D)



gradual recovery of the global and regional economy coupled with the Government's stimulus packages which had started to take effect in the industry, we envisage that the quarry and construction industry will benefit accordingly.

The key challenges currently faced by the Group include the unexpected delay in the rolling-out of government planned projects and inflationary price pressure on oil and raw materials. However, the Group will remain vigilant in monitoring these concerns and will respond to any negative economic headwinds through diligent control of operational cost and cash flow management. We will continue to focus on operational consolidation strategies, discontinuing certain contract works that are not contributing to the bottom line of the Group as well as mobilization of resources within the Group for full utilization.

### CORPORATE GOVERNANCE

We have disclosed, in this Annual Report, the application of and compliance with the principles

and best practices as set out in the Malaysian Code on Corporate Governance. We have also included a "Statement on Internal Control" as required by Bursa Malaysia Securities Berhad's Listing Requirements.

The Board is fully committed to continuously improve the standard of corporate governance practice throughout the Group.

### ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my gratitude to all our loyal shareholders for your continued support; to our valued customers, suppliers, bankers and the relevant authorities for their support, trust and confidence in Minetech Group.

I would also like to express my appreciation and thanks to the management team and all staff of Minetech Resources Berhad and Group for all their invaluable sacrifices over this extremely challenging year. We look forward to their continued commitments to propel the group to greater heights. Last, but not least,

my sincere appreciation goes to my fellow Board members for their contributions, advice and guidance.

Thank you.

**Chin Kim Sang**  
Executive Chairman

# AUDIT COMMITTEE REPORT

## MEMBERS OF THE AUDIT COMMITTEE

Name	Attendance
Madam Phoon Sow Cheng (Chairperson) <i>Independent Non-Executive Director</i>	5/5
Mr. Chai Woon Chew <i>Independent Non-Executive Director</i>	5/5
Mr. Lee Kah Keng (resigned on 1 January 2010) <i>Non-Independent Non-Executive Director</i>	5/5
Datuk Syed Tamim Ansari Bin Syed Mohamed (appointed on 21 January 2010) <i>Independent Non-Executive Director</i>	N/A

Details of the members of the Audit Committee ("AC") are contained in the "Directors' Profile" as set out on pages 6 to 7 of this Annual Report.

## TERMS OF REFERENCE

The AC is governed by the following terms of reference:

### 1. Composition

The AC shall be appointed from amongst the Board and shall comprise no fewer than three (3) members. All the AC Members must be non-executive directors, with 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 Bursa Malaysia Securities Berhad ("Bursa Securities").

The AC shall be appointed by the board based on recommendation from the Nomination Committee.

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 AC 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 AC, shall be an independent director.

### 3. Secretary

The Company Secretary shall be the Secretary of the AC 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 AC and circulating them to the AC Members. The AC Members may inspect the minutes of the AC Meetings at the Registered Office or such other place as may be determined by the AC.

### 4. Meetings

The AC 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 AC may call for a meeting as and when required with reasonable notice as the AC Members deem fit. The AC Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

# AUDIT COMMITTEE REPORT (CONT'D)

## TERMS OF REFERENCE (CONTINUED)

### 4. Meetings (continued)

A resolution in writing signed by all the AC Members for the time being entitled to receive notice of and to attend at AC meetings shall be as valid and effective as if the same has been passed at the AC meeting duly called and constituted. Any such resolution may consist of several documents in like form each signed by one or more AC Members. Any such document, may be accepted as sufficiently signed by a AC Member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message purporting to include a signature of a AC Member.

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

The internal auditors and external auditors may be present at any meeting at the invitation of the AC and shall be present before the AC as and when requested by the AC. The internal auditors and external auditors may also request a meeting if they consider necessary.

### 5. Rights

The AC 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 internal auditors and external auditors, excluding the attendance of the other directors or employees of the Group, whenever deemed necessary;
- (g) promptly report to 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 of vote from the Committee and that the Chairman shall have the casting vote should an equality of votes arise;
- (i) meet as and when required within a reasonable notice period; and
- (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 on 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, competency, resources and set the standards of the internal audit function.
- (c) To assess the effectiveness of the system on internal control and risk management practices of the Group.
- (d) To review the internal audit programme, processes the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (e) To review with management:
  - audit reports and management letters issued by the external auditors and the implementation of audit recommendations;
  - interim financial information; and
  - the assistance given by the officers of the Company to external auditors.

# AUDIT COMMITTEE REPORT (CONT'D)

## TERMS OF REFERENCE (CONTINUED)

### 6. Duties (continued)

- (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 on normal commercial terms that are 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.
- (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 the internal and external auditors, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as auditors.

## SUMMARY OF ACTIVITIES OF THE AC

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

- (a) Reviewed the unaudited quarterly financial results and the relevant announcements to Bursa Securities prior to the consideration of the Board of Directors;
- (b) Reviewed and discussed with external auditors regarding the audit planning memorandum, audit review 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) Assessed and ensured the financial reports reflected a true & fair view of the Group's financial position and performance;
- (e) Ensured timely submission of the financial statements by management;
- (f) Reviewed and monitored compliance of related party transactions with the Main Market Listing Requirements of Bursa Securities and conflict of interest situation that may arise within the Group;
- (g) Assessed the risk & control environment of the Group through the quarterly Enterprise Risk Management reports;
- (h) Reviewed and discussed with the internal auditors regarding the internal audit process, internal audit findings and issues arising from the internal audit;
- (i) Considered the re-appointment of external and internal auditors & the audit fee;
- (j) Revised the Terms of Reference of the AC pursuant to the amendments of the Listing Requirements and Malaysian Code on Corporate Governance; and
- (k) Revised the Terms of Reference of the Risk Management Committee.

## INTERNAL AUDIT FUNCTION

Details on the internal audit function are set out in the Statement on Internal Control on page 22 of this Annual Report.

# CORPORATE GOVERNANCE STATEMENT

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

A number of formal structures and committees are put in place to assist the Board in carrying out its duties. The terms of reference of each committee were approved by the Board. All Board committees report to the Board.

### B. Composition and Board Balance

Currently, the Board comprises eight (8) members with the Executive Chairman heading the Board with two (2) Executive Directors, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. This composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and reflects the interests of the major shareholders, management and minority shareholders.

The profile of each Board member is entailed on pages 4 to 9 of this Annual Report.

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

Generally, the Executive Directors are responsible for carrying out the day-to-day operational functions as well as business development of the Group. The 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. The Board is of the view that it is not necessary to identify a senior, independent, non-executive director to whom other directors may bring their concerns to, as all Directors believes that they can freely express their views at Board Meeting.

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 to. During the financial year under review, the Board met five (5) times and the details of the attendance of the Board members are set out as follows:

Name of Director	Designation as at 31 December 2009	Total meetings attended
Choy Sen @ Chin Kim Sang	Executive Chairman	5/5
Loh Yee Kwan	Group Managing Director	5/5
Low Choon Lan	Executive Director	5/5
Lee Kah Keng @ Lee Kah Heng	Non-Independent Non-Executive Director	5/5
Phoon Sow Cheng	Independent Non-Executive Director	5/5
Chai Woon Chew	Independent Non-Executive Director	5/5
Datuk Lye Ek Seang	Non-Independent Non-Executive Director	4/5
Datuk Syed Tamim Ansari Bin Syed Mohamed	Independent Non-Executive Director	3/3

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 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 meetings, quarterly and/or annual financial statements, corporate development, minutes of Board Committees' meetings, acquisition and disposal proposals, updates from Bursa Securities, list of directors' resolutions passed and summary of directors' dealings in securities during the relevant financial period, if any. All proceedings of the board meetings are minuted and signed by the chairman of the meeting.

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 its duties.

## E. Board Committees

The Board has established the following Board Committees to assist the Board in discharging its duties:

- Audit Committee
- Nomination Committee
- Remuneration Committee

### Audit Committee

The Audit Committee review issues of accounting policies, works closely with the internal and external auditors and maintains a transparent professional relationship with them.

The report of the Audit Committee is on pages 13 to 15 of this Annual Report.

### Nomination Committee

The members of the Nomination Committee are:

- Chai Woon Chew – Chairman (*Independent Non-Executive Director*)
- Phoon Sow Cheng (*Independent Non-Executive Director*)
- Datin Norhaliza Binti Abdullah (*Independent Non-Executive Director*) (*Retired on 18 June 2009*)

The Nomination Committee is responsible 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 also responsible for reviewing the Board composition and balance as well as considering the Board's succession planning and making recommendations for new appointment of Directors and Board Committees. During the financial year under review, two (2) meetings were held to review the Board balance, assess the effectiveness of the Board as a whole and individual Board member and the appointment of new director.

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

### Remuneration Committee

The members of the 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*)

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## E. Board Committees (continued)

### Remuneration Committee (continued)

The Remuneration Committee is responsible 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 concern abstains from discussion of his/her own remuneration. The aggregate total of Directors' fee are subject to shareholders' approval at the Annual General Meeting. During the financial year under review, one (1) meeting was held to review the remuneration of the Directors and general remuneration policy of the Group.

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

## 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 ("AGM") and one-third (1/3) of the Directors are subject to retirement by rotation, in any event, 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 programs as part of their continuous education. Among the programs attended by the Board members were:

- (i) Economic Slowdown – Re-evaluating Company's Business Strategies
- (ii) Corporate Governance: Lessons from Hong Kong
- (iii) Construction Industry Research Achievement International Conference
- (iv) Corporate Governance and Media
- (v) Train the Trainer
- (vi) Deloitte Transfer Pricing Workshop
- (vii) 2010 Budget Talk
- (viii) Board Effectiveness: Redefining the Roles and Functions of An Independent Director

The Directors will continue to undergo other relevant training programs 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 that the Group attracts and retains the Directors needed to run the Group successfully. The remuneration package of the Non-Executive Directors will depend on their contribution to the Group in terms of their knowledge and experience.

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

	Fees (RM'000)	Salary (RM'000)	Bonus (RM'000)	Statutory Contribution (RM'000)	Benefits in Kind (RM'000)	Total (RM'000)
Executive Directors	0	1,101	0	192	57	1,350
Non-Executive Directors	68	0	-	-	-	68
<b>Total</b>	<b>68</b>	<b>1,101</b>	<b>0</b>	<b>192</b>	<b>57</b>	<b>1,418</b>

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## DIRECTORS' REMUNERATION (CONTINUED)

Remuneration Bands	Executive Directors	Non-Executive Directors	Total
RM1 – RM50,000	0	4	4
RM300,000 – RM350,000	2	0	2
RM650,000 – RM700,000	1	0	1

For security and confidential reasons, the details of individual Directors are not shown. The Board is of the opinion that the transparency and accountability aspects of corporate governance as applicable to Directors' remuneration are appropriately served by the disclosure made above.

## RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The AGM remains the principal forum of dialogue with the shareholders. Notice of the AGM is issued twenty one (21) days before the date of meeting.

At the AGM, shareholders are encouraged to raise any questions that they may have pertaining to any issues regarding the Group.

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

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

## ACCOUNTABILITY AND AUDIT

### Financial Reporting

In 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 91 of this Annual Report.

### Related Party Transactions

The Audit Committee reviews on quarterly basis all related party transactions and conflict of interests that may arise within the Group. The details of related party transactions are set out in Note 35 of the Audited Financial Statements on pages 87 to 88.

### Internal Control

The Statement on Internal Control set out on pages 22 to 23 of this Annual Report provides an overview of the state of internal control within the Group.

### Relationship With Auditors

The Board via the Audit Committee, maintains an appropriate and transparent relationship with the Group's external and internal auditors. During the financial year under review, the Audit Committee had met with the external auditors without the presence of the Executive Directors and the Management. A summary of the activities of the Audit Committee during the year under review are set out in the Audit Committee Report on page 15 of this Annual Report.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## STATEMENT ON DIRECTORS' RESPONSIBILITIES

The Board is required under Paragraph 15.26(a) of the Listing Requirements to issue a statement explaining its responsibility for preparing the annual audited financial statements.

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

The Board considers that, in preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2009 as set out herein on pages 24 to 93 of this Annual Report, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards in Malaysia have been followed and confirmed that the financial statements have been prepared on a going concern basis.

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

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

This Statement on Directors' Responsibilities is made in accordance with the resolution of the Board dated 22 April 2010.

## ADDITIONAL COMPLIANCE INFORMATION

### Share Buy-Back

As at 31 December 2009, the number of ordinary shares of RM0.20 each ("Shares") purchased by the Company which were held as treasury shares amounted to 285,000 Shares. These Shares were purchased in the previous financial years and the Company had not undertaken any share buy-back in the financial year under review.

These were also no resale or cancellation of Shares purchased in the prior years.

### Options And Warrants

The Company did not issue any options and warrants during the financial year under review.

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

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

### Sanctions And/Or Penalties

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

### Utilisation of Proceeds

There were no proceeds raised from corporate proposal during the financial year under review.

### Non-Audit Fees

There were no non-audit fees paid to the external auditors or a firm or company affiliated to the external auditors by the Group for the financial year ended 31 December 2009.

# CORPORATE GOVERNANCE STATEMENT (CONT'D)

## 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 2009 or since the end of the previous financial year ended 31 December 2008.

## Revaluation Policy on Landed Properties

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

## Profit Guarantee

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

## CORPORATE SOCIAL RESPONSIBILITY

Minetech Resources Berhad recognizes Corporate Social Responsibility as an open and transparent business practice that is based on ethical values and respect for Community, Workplace (employees), Environment and The Marketplace (shareholders, customers, suppliers and stakeholders).

The Group has for the immediate term identified the following factors as its key focus and priority areas as regards to the industry it is in and has committed to strive to achieve the following:

### Environment

Commitment to ensure control and monitoring improvement for environmental impact.

In this aspect, the Company will strive to implement stringent monitoring of water, noise and dust pollution in the quarries to ensure that they are within the allowable limits and meet the regulatory requirements.

To alleviate general public perception of the quarry industry as damaging and polluting the environment, we are committed to the concept of "Green Quarry" by planting various types of trees/plants to trap the dust, camouflage from the surrounding and to create a greener environment.

The Group encourages and supports the efforts to further enhance environmental protection through more efficient use of natural resources, minimizing the production of waste and to reuse and recycle materials whenever feasible.

### Workplace

The Group values human capital as its greatest asset. The Group continues to care for the welfare of all employees and employ the right people with right values, attitude and skills for the right job. The Group is also committed to continuous staff development by providing continuous training, education and development to upgrade their skills and advancement in their careers based on performance and academic qualification.

### Community

As a good and responsible corporate citizen, the Group believes in carrying out its duties with integrity, transparency and good governance and contributing towards the well-being of the society. The Group also provides industrial training and employment opportunities to graduates in disciplines that are relevant to the Group's operations.

# STATEMENT ON INTERNAL CONTROL

## INTRODUCTION

The Malaysian Code on Corporate Governance states that the Board of Directors of a listed company should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets. In accordance with paragraph 15.26 of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements"), the Board of Directors of Minetech Resources Berhad ("MRB") ("Board") is pleased to provide the following statement on the state of internal control of MRB Group for financial year ended 31 December 2009.

## BOARD RESPONSIBILITY

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

## RISK MANAGEMENT

The Board also recognises that risk management should be an integral part of the business operation and shall exercise due care to identify and manage such risk. The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by MRB Group and this process is regularly reviewed by the Board and accords with the guidelines for directors on internal control, the Statement on Internal Control: Guidance for Directors of Public Listed Companies. The Risk Management Units performed risk oversight and reviewed risk profiles. Practical action plans are recommended and carried out to address any potential weaknesses. These internal control measures and significant risk issues are monitored by the Risk Management Committee, chaired by Group Managing Director. The risk management reports recorded the changes in the risk profile and the corresponding action plans were reviewed and discussed in Audit Committee ("AC") Meeting on quarterly basis.

## INTERNAL AUDIT FUNCTION

The Internal Audit function is considered an integral part of the assurance framework to provide assurance on the adequacy and effectiveness of the risk, control and governance framework of the Group. For the financial year ended 31 December 2009, the AC has appointed KPMG Business Advisory Sdn Bhd, an external professional consulting firm, to independently assess the system of internal control established by the Management, its adequacy and integrity vis-a-vis the objectives served for selected area; and to make appropriate recommendations thereof. The internal auditor set up its audit strategies and plans for AC's approval. The selected areas for audit included financial, information, inventory, production and quality management of the Company. The internal auditors also conducted a follow up review on the preceding internal audit performed in FY2007 and FY2008. Internal audit reports, incorporating findings, recommendations, management comments and action plans with regards to the weaknesses in the systems and controls were submitted to AC for their attention and thereafter to the Board for further deliberation. The internal auditor also followed up with the Management on the implementation of the agreed recommendations and reported the status of implementation to the AC.

For the financial year ended 31 December 2009, the total costs incurred for the internal audit function amounted to RM60,000.00

## INTERNAL CONTROL

Apart from risk management and internal audit, the Board has established the following key elements in ensuring the adequacy and integrity of the internal control system of the MRB Group:

1. An organizational structure with defined lines of responsibilities, delegation of authorities and a process of hierarchical reporting.

# STATEMENT ON INTERNAL CONTROL (CONT'D)

## INTERNAL CONTROL (CONTINUED)

2. The existence of limits of approval by management and authorized signatories for major operating functions and transactions.
3. A standard policies and procedures which highlight the policies and procedures, terms and conditions of employment, benefits and compensation, disciplinary rules and regulations which are relevant across the MRB 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 management 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 performance, 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 variance against the business plan and budget are discussed and explained comprehensively. The senior management also regularly highlights the significant issues and changes in the business environment, major policy matters and external environment affecting the MRB 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 on significant findings and recommendations appropriate measures to ensure adequacy and effectiveness of the internal control and procedures. The Board reviews the minutes of the AC's meeting.

During the year under review and up to the date of issuance of the financial statements, there were no material losses, contingencies or uncertainties arising as a result of weaknesses in the internal control system which would require separate disclosures in this Annual Report.

Pursuant to paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this statement for inclusion in the 2009 Annual Report.

This statement is made in accordance with a resolution of the Board of Directors dated 22 April 2010.

# FINANCIAL STATEMENTS

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# DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and Company for the financial year ended 31 December 2009.

## PRINCIPAL ACTIVITIES

The Company's principal activities are investment holding and provision of managerial services. The principal activities of the subsidiaries are set out in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## FINANCIAL RESULTS

	Group RM	Company RM
Loss for the financial year	<u>(7,855,523)</u>	<u>(1,212,572)</u>
Attributable to:		
Equity holders of the Company	(7,493,689)	(1,212,572)
Minority interest	<u>(361,834)</u>	<u>-</u>
	<u>(7,855,523)</u>	<u>(1,212,572)</u>

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.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those stated in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

## TREASURY SHARES

The Company repurchased 57,000 ordinary shares of RM1.00 each of its issued share capital from the open market in the prior years at an average price of approximately RM0.84 per share. The total consideration paid for the shares repurchased was RM47,990. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965. These shares have been subsequently subdivided into 285,000 ordinary shares of RM0.20 each on 21 January 2008. None of the treasury shares has been resold, cancelled or distributed as share dividends during the financial year.

## DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend payment in respect of the financial year ended 31 December 2009.

## OPTION GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

# DIRECTORS' REPORT (CONT'D)

## DIRECTORS

The directors in office since the date of the last report are:-

Choy Sen @ Chin Kim Sang	
Loh Yee Kwan	
Low Choon Lan	
Phoon Sow Cheng	
Datuk Syed Tamim Ansari bin Syed Mohamed	(Appointed on 13.5.2009)
Chai Woon Chew	
Datuk Lye Ek Seang	
Chin Leong Choy	(Appointed on 21.1.2010 and resigned as Alternate Director to Low Choon Lan on 21.1.2010)
Chin Sheong Choy	(Alternate Director to Loh Yee Kwan)
Chin Yee Teng	(Appointed as Alternate Director to Low Choon Lan on 21.1.2010)
Datin Norhaliza binti Abdullah	(Retired on 18.6.2009)
Lee Kah Keng @ Lee Kah Heng	(Resigned on 1.1.2010)

During and at the end of the financial year, the Company was not a party to any arrangement whose object is to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interest in the ordinary shares of the Company and its related corporations during the financial year ended 31 December 2009 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 RM0.20 each			Balance as at 31.12.2009
	Balance as at 1.1.2009	Bought	Sold	
<b>Direct interests</b>				
Choy Sen @ Chin Kim Sang	88,148,510	-	-	88,148,510
Loh Yee Kwan	2,652,035	72,000	-	2,724,035
Low Choon Lan	28,522,760	-	-	28,522,760
Datin Norhaliza binti Abdullah	1,188,440	-	-	1,188,440
Phoon Sow Cheng	5,000	-	-	5,000
Datuk Lye Ek Seang	17,436,000	-	-	17,436,000
<b>Indirect interests</b>				
Choy Sen @ Chin Kim Sang ^	28,522,760	-	-	28,522,760
Loh Yee Kwan ^	2,615,050	-	-	2,615,050
Low Choon Lan ^	88,148,510	-	-	88,148,510
Datuk Lye Ek Seang ^	6,989,000	-	(97,500)	6,891,500

^ Deemed interested by virtue of shareholding held by spouse

By virtue of their interests in the ordinary shares of the Company, Choy Sen @ Chin Kim Sang and Low Choon Lan are also deemed to have interests in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

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

# DIRECTORS' REPORT (CONT'D)

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivables by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with a director or with a firm of which a director is a member or with a company in which the director has a substantial financial interest other than the following:-

- (i) remuneration received by certain Directors as directors/executives of the Company and subsidiaries; and
- (ii) rental expense paid to Directors.

## OTHER STATUTORY INFORMATION

(a) Before the Balance Sheet and Income Statement 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 had satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances:

- (i) which would require any write off for bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) which would render the value attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, there does not exist:

- (i) any charge 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; or
- (ii) any contingent liability in respect of the Group and of the Company which have arisen since the end of the financial year.

(d) In the opinion of the directors:

- (i) no contingent liability 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 its obligations as and when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group and of the Company for the current financial year.

# DIRECTORS' REPORT (CONT'D)

## AUDITORS

The auditors, Messrs RSM Robert Teo, Kuan & Co., have expressed their willingness to accept re-appointment.

On behalf of the Board

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**CHOY SEN @ CHIN KIM SANG**

.....  
**LOH YEE KWAN**

Kuala Lumpur  
22 April 2010

# BALANCE SHEETS

## AS AT 31 DECEMBER 2009

	Note	GROUP		COMPANY	
		2009 RM	Restated 2008 RM	2009 RM	2008 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	72,691,840	81,008,312	300,514	410,863
Investment properties	7	1,954,303	2,143,962	-	-
Quarry development expenditure	8	15,897,974	15,952,714	-	-
Investment in subsidiaries	9	-	-	46,530,100	46,530,100
Investment in an associate	10	-	-	49	49
		90,544,117	99,104,988	46,830,663	46,941,012
<b>Current assets</b>					
Inventories	11	12,180,955	16,078,466	-	-
Trade and other receivables	12	60,227,880	66,684,645	56,242,070	55,876,540
Current tax assets		613,095	610,016	19,869	16,868
Fixed deposits with licensed banks	14	1,799,706	1,286,721	460,000	-
Cash and bank balances		3,678,273	2,972,332	259,641	49,146
		78,499,909	87,632,180	56,981,580	55,942,554
Non-current assets held for sale	15	-	1,473,469	-	-
		78,499,909	89,105,649	56,981,580	55,942,554
<b>TOTAL ASSETS</b>		<b>169,044,026</b>	<b>188,210,637</b>	<b>103,812,243</b>	<b>102,883,566</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	16	60,494,300	60,494,300	60,494,300	60,494,300
Less: Treasury shares, at cost	16(b)	(47,990)	(47,990)	(47,990)	(47,990)
Reserves	17	(3,004,955)	4,403,491	7,412,545	8,625,117
		57,441,355	64,849,801	67,858,855	69,071,427
<b>Minority interest</b>		<b>989,704</b>	<b>1,357,096</b>	<b>-</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>58,431,059</b>	<b>66,206,897</b>	<b>67,858,855</b>	<b>69,071,427</b>

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

# BALANCE SHEETS

## AS AT 31 DECEMBER 2009

### (CONTINUED)

	Note	GROUP		COMPANY	
		2009 RM	Restated 2008 RM	2009 RM	2008 RM
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	18	39,688,898	19,428,114	24,959,683	240,407
Deferred tax liabilities	21	5,162,585	5,508,353	-	-
		44,851,483	24,936,467	24,959,683	240,407
<b>Current liabilities</b>					
Trade and other payables	22	40,860,762	43,762,354	6,912,981	4,201,483
Borrowings	18	24,900,722	53,297,919	4,080,724	29,370,249
Current tax payable		-	7,000	-	-
		65,761,484	97,067,273	10,993,705	33,571,732
<b>TOTAL LIABILITIES</b>		110,612,967	122,003,740	35,953,388	33,812,139
<b>TOTAL EQUITY AND LIABILITIES</b>		169,044,026	188,210,637	103,812,243	102,883,566

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

# INCOME STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	Note	GROUP		COMPANY	
		2009 RM	2008 RM	2009 RM	2008 RM
<b>REVENUE</b>	23	126,400,433	140,885,493	5,048,294	6,230,297
<b>COST OF SALES</b>	24	(118,496,074)	(132,046,677)	-	-
<b>GROSS PROFIT</b>		7,904,359	8,838,816	5,048,294	6,230,297
<b>OTHER INCOME</b>		2,211,861	2,473,197	95	-
<b>ADMINISTRATIVE EXPENSES</b>		(12,625,768)	(11,461,360)	(4,416,329)	(4,078,013)
<b>SELLING AND MARKETING EXPENSES</b>		(999,377)	(614,926)	-	-
<b>FINANCE COSTS</b>	25	(4,631,299)	(5,061,929)	(1,819,550)	(2,235,979)
<b>LOSS BEFORE TAX</b>	26	(8,140,224)	(5,826,202)	(1,187,490)	(83,695)
<b>TAX INCOME/(EXPENSE)</b>	28	284,701	257,864	(25,082)	4,768
<b>NET LOSS FOR THE FINANCIAL YEAR</b>		<u>(7,855,523)</u>	<u>(5,568,338)</u>	<u>(1,212,572)</u>	<u>(78,927)</u>
<b>ATTRIBUTABLE TO:</b>					
Equity holders of the Company		(7,493,689)	(4,964,317)	(1,212,572)	(78,927)
Minority interest		(361,834)	(604,021)	-	-
Net loss for the financial year		<u>(7,855,523)</u>	<u>(5,568,338)</u>	<u>(1,212,572)</u>	<u>(78,927)</u>
Basic loss per ordinary share attributable to equity holders of the Company (sen)	30	<u>(2.48)</u>	<u>(1.64)</u>		

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

GROUP	Share capital RM	Share premium RM	Treasury shares RM	Exchange translation reserve RM	Retained earnings RM	Total RM	Minority interest RM	Total equity RM
Restated balance as at 1.1.2009	60,494,300	1,920,850	(47,990)	325,285	2,157,356	64,849,801	1,357,096	66,206,897
Foreign currency translation	-	-	-	85,243	-	85,243	(5,558)	79,685
Income recognised directly in equity	-	-	-	85,243	-	85,243	(5,558)	79,685
Net loss for the financial year	-	-	-	-	(7,493,689)	(7,493,689)	(361,834)	(7,855,523)
Total recognised income and expense for the financial year	-	-	-	85,243	(7,493,689)	(7,408,446)	(367,392)	(7,775,838)
Balance as at 31.12.2009	60,494,300	1,920,850	(47,990)	410,528	(5,336,333)	57,441,355	989,704	58,431,059
Balance as at 1.1.2008	60,494,300	1,920,850	(47,990)	(140,893)	6,631,673	68,857,940	902,062	69,760,002
Prior year adjustment (Note 29)	-	-	-	-	490,000	490,000	-	490,000
Restated balance as at 1.1.2008	60,494,300	1,920,850	(47,990)	(140,893)	7,121,673	69,347,940	902,062	70,250,002
Foreign currency translation	-	-	-	466,178	-	466,178	79,055	545,233
Income recognised directly in equity	-	-	-	466,178	-	466,178	79,055	545,233
Net loss for the financial year	-	-	-	-	(4,964,317)	(4,964,317)	(604,021)	(5,568,338)
Total recognised income and expense for the financial year	-	-	-	466,178	(4,964,317)	(4,498,139)	(524,966)	(5,023,105)
Ordinary shares contributed by a minority shareholder of a subsidiary	-	-	-	-	-	-	980,000	980,000
Restated balance as at 31.12.2008	60,494,300	1,920,850	(47,990)	325,285	2,157,356	64,849,801	1,357,096	66,206,897

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

### (CONTINUED)

	Share capital RM	Share premium RM	Treasury shares RM	Retained earnings RM	Total RM
<b>COMPANY</b>					
Balance as at 1.1.2009	60,494,300	1,920,850	(47,990)	6,704,267	69,071,427
Net loss for the financial year	-	-	-	(1,212,572)	(1,212,572)
Balance as at 31.12.2009	<u>60,494,300</u>	<u>1,920,850</u>	<u>(47,990)</u>	<u>5,491,695</u>	<u>67,858,855</u>
Balance as at 1.1.2008	60,494,300	1,920,850	(47,990)	6,783,194	69,150,354
Net loss for the financial year	-	-	-	(78,927)	(78,927)
Balance as at 31.12.2008	<u>60,494,300</u>	<u>1,920,850</u>	<u>(47,990)</u>	<u>6,704,267</u>	<u>69,071,427</u>

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

# CASH FLOW STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before tax	(8,140,224)	(5,826,202)	(1,187,490)	(83,695)
Adjustments for:				
Allowance for doubtful debts	1,372,771	59,998	-	-
Amortisation of quarry development	2,643,887	1,626,875	-	-
Deposits written off	38,920	-	-	-
Depreciation of investment properties	34,364	49,754	-	-
Depreciation of property, plant and equipment	10,648,809	10,456,351	110,349	110,349
(Gain)/Loss on disposal of:				
- property, plant and equipment	(1,184,482)	(1,390,370)	-	-
- non-current assets held for sale	(94,188)	-	-	-
- investment properties	17,195	(485,338)	-	-
Interest expenses	4,355,049	4,843,013	1,818,176	2,234,660
Interest income	(37,786)	(71,031)	(1,808,294)	(2,230,297)
Loss on disposal of property, plant and equipment	-	16,367	-	-
Property, plant and equipment written off	9,262	5,431	-	-
Provision for loss on amounts due from customers for contract works	-	3,060,123	-	-
Provision for loss on amounts due from customers for contract works no longer required	(21,092)	-	-	-
Unrealised gain on foreign exchange	-	(6,889)	-	-
<b>Operating profit/(loss) before working capital changes</b>	<b>9,642,485</b>	<b>12,338,082</b>	<b>(1,067,259)</b>	<b>31,017</b>
Decrease/(Increase) in inventories	3,897,511	(3,411,834)	-	-
Decrease in trade and other receivables	5,808,896	5,691,859	367,688	888,140
(Decrease)/Increase in trade and other payables	(2,911,104)	942,001	2,711,498	464,537
<b>Cash generated from operations</b>	<b>16,437,788</b>	<b>15,560,108</b>	<b>2,011,927</b>	<b>1,383,694</b>
Tax refunded	-	1,179,386	-	-
Tax paid	(71,146)	(169,418)	(28,083)	-
Interest paid	(521,578)	(854,841)	-	-
<b>Net cash from operating activities</b>	<b>15,845,064</b>	<b>15,715,235</b>	<b>1,983,844</b>	<b>1,383,694</b>

# CASH FLOW STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additional investment in a subsidiary	-	-	-	(1,020,000)
Purchase of property, plant and equipment (Note 6)	(1,441,315)	(1,886,640)	-	(47,040)
Purchase of investment properties	(226,900)	-	-	-
Proceeds from disposal of:				
- property, plant and equipment	3,803,055	4,567,027	-	-
- investment properties	365,000	1,350,000	-	-
- non-current assets held for sale	1,567,657	250,000	-	-
Quarry development expenditure incurred	(2,250,428)	(5,454,757)	-	-
<b>Net cash from/(used in) investing activities</b>	<b>1,817,069</b>	<b>(1,174,370)</b>	<b>-</b>	<b>(1,067,040)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interest paid	(3,833,471)	(3,988,172)	(1,818,176)	(2,234,660)
Interest received	37,786	37,436	1,808,294	2,230,297
Net repayment from subsidiaries	-	-	-	11,582,189
(Repayment)/Drawdown of short term borrowings	(3,051,795)	2,595,740	-	-
Drawdown of term loans	30,034,462	2,790,565	30,000,000	-
Repayment of term loans	(2,506,513)	(660,571)	(1,200,000)	-
Repayment of hire-purchase creditors	(6,980,753)	(6,512,816)	(103,467)	(93,287)
Increase in fixed deposit pledged	(52,985)	(324,644)	-	-
Ordinary shares contributed by minority shareholders of subsidiaries	-	980,000	-	-
Redemption of MUNIF Notes	(30,000,000)	(16,000,000)	(30,000,000)	(16,000,000)
<b>Net cash used in financing activities</b>	<b>(16,353,269)</b>	<b>(21,082,462)</b>	<b>(1,313,349)</b>	<b>(4,515,461)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,308,864</b>	<b>(6,541,597)</b>	<b>670,495</b>	<b>(4,198,807)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	<b>(32,290)</b>	<b>67,696</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	<b>1,846,062</b>	<b>8,319,963</b>	<b>49,146</b>	<b>4,247,953</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (NOTE 31)</b>	<b>3,122,636</b>	<b>1,846,062</b>	<b>719,641</b>	<b>49,146</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

## 1. PRINCIPAL ACTIVITIES

The Company's principal activities are investment holding and provision of managerial services. The principal activities of the subsidiaries are set out in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act 1965 and the applicable approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board (MASB).

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses. In addition, the Directors are also required to exercise their judgements in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

### 3.2 Basis of consolidation

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

Under the purchase method of accounting, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

At the acquisition date, the cost of business combination is allocated to identifiable assets, liabilities and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

- (a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
- (b) recognise immediately in income statement any excess remaining after that reassessment.

Subsidiaries are consolidated from the acquisition date, which is the date on which the Group effectively obtains control, until the date on which the Group ceases to control the subsidiaries. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Basis of consolidation (continued)

Intragroup balances, transactions and unrealised gains and losses on intragroup transactions are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

The gain or loss on disposal of a subsidiary, which is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the carrying amount of goodwill and the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated income statement.

Minority interests is that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group. It is measured at the minority's share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minority's share of changes in the subsidiaries' equity since that date.

Where losses applicable to the minority in a subsidiary exceed the minority's interest in the equity of that subsidiary, the excess and any further losses applicable to the minority are allocated against the Group's interest except to the extent that the minority has a binding obligation and is able to make additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

Minority interests is presented in the consolidated balance sheet within equity and is presented in the consolidated statement of changes in equity separately from equity attributable to equity holders of the Company.

Minority interests in the results of the Group is presented in the consolidated income statement as an allocation of the total profit or loss for the financial year between minority interests and equity holders of the Company.

#### 3.3 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 Property, plant and equipment (continued)

The principal depreciation periods and rates are as follows:

Buildings and improvements	50 - 99 years or 10%
Plant and machinery	10%
Motor vehicles	20%
Furniture, fittings and office equipment	10% - 20%
Workshop cum site office	2% - 4.46%
Access road	7 - 9 years

Freehold land is not depreciated. Capital work-in-progress represents machinery under installation and buildings under construction and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

At each balance sheet date, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 3.9 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the residual values, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

#### 3.4 Leases and hire-purchase

##### 3.4.1 Finance leases and hire-purchase

Assets acquired under finance leases and hire-purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire-purchase liabilities.

##### 3.4.2 Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.4 Leases and hire-purchase (continued)

##### 3.4.2 Operating leases (continued)

Lease payments under operating leases are recognised as an expense on a straight line basis over the lease term.

#### 3.5 Construction contracts

Contract costs comprise costs related directly to the specific contract and those that are attributable to the contract activity in general and can be allocated to the contract and such other costs that are specifically chargeable to the customer under the terms of the contract.

When the total costs incurred on construction contracts plus recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers for contract works. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers for contract works.

#### 3.6 Investment properties

Investment properties are properties which are held to earn rentals or for capital appreciation or for both and are not occupied by the Group. Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

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.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment properties is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

#### 3.7 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.

#### 3.8 Investments

##### 3.8.1 Subsidiaries

A subsidiary is an entity in which the Group and the Company has power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

An investment in subsidiary, which is eliminated on consolidation, is stated at the Company's separate financial statements at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.8 Investments (continued)

##### 3.8.2 Associates

An associate 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.

In the Company's separate financial statements, an investment in associate is stated at cost less impairment losses, if any.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated balance sheet is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the investment.

The interest in the associate is the carrying amount of the investment in the associate under the equity method together with any long-term interest that, in substance, form part of the Group's net interest in the associate.

The Group's share of the profit or loss of the associate during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognised directly in equity of the Group.

Unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in the associate equals or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. Where the reporting dates of the financial statements are not coterminous, the share of results is arrived at using the latest audited financial statements for which the difference in reporting dates is no more than three months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening period.

Upon disposal of an investment in associate, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

#### 3.9 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investment in subsidiaries and associate), inventories, assets arising from construction contract, deferred tax assets, non-current assets held for sale 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.

The recoverable amount of an asset is estimated for an individual asset. Where it is not probable to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.9 Impairment of non-financial assets (continued)

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in the income statement when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU.

The impairment loss is recognised in the profit or loss immediately. An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only 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. Such reversals are recognised as income immediately in the profit or loss.

#### 3.10 Inventories

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

Cost is determined using the first-in, first-out method. The cost of raw and packaging materials, spare parts and consumables comprise the original cost of purchase plus the cost of bringing the inventories to their present location and condition. The cost of inventories of quarry and bituminous products includes cost of raw materials, direct labour and production overheads.

Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

#### 3.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and losses and gains relating to a financial instrument or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument are debited directly to equity, net of any related tax effect. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.11 Financial instruments (continued)

##### 3.11.1 Financial instruments recognised on the balance sheet

###### (a) Receivables

Trade and other receivables, including amounts owing by related parties are classified as loans and receivables under FRS 132 *Financial Instruments: Disclosure and Presentation*.

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

Receivables are not held for trading purposes.

###### (b) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, bank overdraft, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

###### (c) Payables

Liabilities for trade and other amounts payable, including amounts owing to related parties are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity. Payables are initially recognised at fair value of the consideration to be paid in the future for goods and services received, and subsequently measured at amortised costs.

###### (d) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

###### (e) Equity instruments

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to the income statement.

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

If the Company reacquires its own equity instruments, the consideration paid, including any attributable transaction costs is deducted from equity as treasury shares until they are cancelled. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation on the Company's own equity instruments. Where such shares are issued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.11 Financial instruments (continued)

##### 3.11.2 Financial instruments not recognised on the balance sheets

###### Unsecured guarantees

The Company has provided unsecured guarantees in respect of banking facilities granted to subsidiaries which represent obligations existing at the balance sheet date but are not recognised in the financial statements at inception because it is not probable that an outflow of economic benefits will be required to settle the obligations.

#### 3.12 Borrowing costs

Borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to the income statement. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing cost are recognised in income statement in the period in which they are incurred.

#### 3.13 Income tax

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes such as withholding taxes which are payable by foreign subsidiaries and associate on distribution to the Group and Company and real property gains taxes payable on disposal of properties, if any.

Taxes in the income statements comprise current tax and deferred tax.

##### 3.13.1 Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the balance sheet date.

##### 3.13.2 Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.13 Income tax (continued)

##### 3.13.2 Deferred tax (continued)

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, unused tax losses and unused tax credits 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 income taxes relate to the same taxation authority.

Deferred tax will be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

#### 3.14 Employee benefits

##### 3.14.1 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 period 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.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

##### 3.14.2 Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and the foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.15 Foreign currencies

##### 3.15.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

##### 3.15.2 Foreign currency transactions and translations

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date unless hedged by forward foreign exchange contracts, in which case the rates specified in such a forward contracts are used. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

##### 3.15.3 Foreign operation

Financial statements of foreign operations are translated at financial year end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the balance sheet date.

#### 3.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

##### (a) Turnkey quarry services

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

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.16 Revenue recognition (continued)

**(b) Sales of goods**

Revenue from sales of goods is recognised in the income statement when significant risks and rewards of ownership have been transferred to the customers and where the Group retains neither continuing managerial involvement over the goods, which coincides with delivery of goods and acceptance by customers.

**(c) Construction contracts**

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as an expense 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.

**(d) Rental income**

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

**(e) Interest income**

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

**(f) Management fees**

Management fees are recognised when services are rendered.

**(g) Dividend income**

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

#### 3.17 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the non-current assets are measured in accordance with applicable FRSs. On initial classification as held for sale, non-current assets are measured at the lower of carrying amounts immediately before the initial classification as held for sale and fair value less costs to sell. The differences, if any, are recognised in profit or loss as impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.17 Non-current assets held for sale (continued)

Non-current assets held for sale are classified as current assets (and current liabilities directly attributable to non-current assets held for sale) on the face of the balance sheets and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expenses recognised directly in equity relating to the non-current asset classified as held for sale is presented separately.

If the Group has classified an asset as held for sale but subsequently the criteria for classification is no longer met, the Group ceases to classify the asset as held for sale. The Group measures a non-current asset that ceases to be classified as held for sale at the lower of:

- (a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale; and
- (b) its recoverable amount at the date of the subsequent decision not to sell.

#### 3.18 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

#### 3.19 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a probable asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.20 Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between Group enterprises within a single element.

### 4. ADOPTION OF NEW FRS AND AMENDMENT TO FRS

#### 4.1 New FRSs and Amendment to FRSs not adopted

- (a) FRS 8 Operating Segments and the consequential amendments resulting from FRS 8 are mandatory for annual financial periods beginning on or after 1 July 2009.

FRS 8 sets out the requirements for disclosure of information on an entity's operating segments, products and services, the geographical areas in which it operates and its customers.

The requirements of this Standard are based on the information about the components of the entity that management uses to make decisions about operating matters. This Standard requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

This Standard also requires the amount reported for each operating segment item to be the measure reported to the chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance. Segment information for prior years that is reported as comparative information for the initial year of application would be restated to conform to the requirements of this Standard.

The Group does not expect any impact on the adoption of this standard.

- (b) FRS 4 Insurance Contracts and the consequential amendments resulting from FRS 4 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 4 replaces the existing FRS 202<sub>2004</sub> General Insurance Business and FRS 203<sub>2004</sub> Life Insurance Business.

This Standard applies to all insurance contracts, including reinsurance contracts that an entity issues and to reinsurance contracts that it holds. This Standard prohibits provisions for potential claims under contracts that are not in existence at the reporting date, and requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets. The standard also requires an insurer to keep insurance liabilities in its balance sheet until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting them against related reinsurance assets.

FRS 4 is not relevant to the Group's operations.

- (c) FRS 7 Financial Instruments: Disclosures and the consequential amendments resulting from FRS 7 are mandatory for annual financial periods beginning on or after 1 January 2010. FRS 7 replaces the disclosure requirements of the existing FRS 132 Financial Instruments: Disclosure and Presentation.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 4. ADOPTION OF NEW FRS AND AMENDMENT TO FRS (CONTINUED)

##### 4.1 New FRSs and Amendment to FRSs not adopted (continued)

- (c) This Standard applies to all risks arising from a wide array of financial instruments and requires the disclosure of the significance of financial instruments for an entity's financial position and performance.

This Standard requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe the management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information on the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

By virtue of the exemption provided under paragraph 44AB of FRS 7, the impact of applying FRS 7 on its consolidated financial statements upon first adoption of the standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Change in Accounting Estimates and Errors is not disclosed.

- (d) FRS 123 Borrowing Costs and the consequential amendments resulting from FRS 123 are mandatory for annual financial periods beginning on or after 1 January 2010.

This Standard removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. However, capitalisation of borrowing costs is not required for assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they taken a substantial period of time to get ready for use or sale.

The Group does not expect any impact on the consolidated financial statements arising from the adoption of this Standard.

- (e) FRS 139 Financial Instruments: Recognition and Measurement and the consequential amendments resulting from FRS 139 are mandatory for annual financial periods beginning on or after 1 January 2010.

This Standard establishes the principles for the recognition and measurement of financial assets and financial liabilities including circumstances under which hedge accounting is permitted. By virtue of the exemption provided under paragraph 103AB of FRS 139, the impact of applying FRS 139 on the consolidated financial statements upon first adoption of the FRS as required by paragraph 30(b) of FRS 108 Accounting Policies, Change in Accounting Estimates and Errors is not disclosed.

- (f) Amendments to FRS 2 *Share-based Payment: Vesting Conditions and Cancellations* are mandatory for annual financial periods beginning on or after 1 January 2010.

These amendments clarify that vesting conditions comprise service conditions and performance conditions only. Cancellations by parties other than the Group are accounted for in the same manner as cancellations by the Group itself and features of a share-based payment that are non-vesting conditions are included in the grant date fair value of the share-based payment.

FRS 2 is not applicable to the Group.

- (g) Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* is mandatory for annual financial periods beginning on or after 1 January 2010.

These amendments allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The cost method of accounting for an investment has also been removed pursuant to these amendments.

The Group does not expect any impact on the consolidated financial statements arising from the adoption of these amendments.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 4. ADOPTION OF NEW FRS AND AMENDMENT TO FRS (CONTINUED)

##### 4.1 New FRSs and Amendment to FRSs not adopted (continued)

- (h) IC Interpretation 9 Reassessment of Embedded Derivatives is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the subsequent reassessment of embedded derivatives unless there is a change in the terms of the host contract that significantly modifies the cash flows that would otherwise be required by the host contract.

The Group does not expect any impact on the consolidated financial statements arising from the adoption of this Interpretation.

- (i) IC Interpretation 10 Interim Financial Reporting and Impairment is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

The Group does not expect any impact on the consolidated financial statements arising from the adoption of this Interpretation.

- (j) IC Interpretation 11 FRS 2 - *Group and Treasury Share Transactions* is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation requires share-based payment transactions in which the Group receives services from employees as consideration for its own equity instruments to be accounted for as equity-settled, regardless of the manner of satisfying the obligations to the employees.

If the Group grants rights to its equity instruments to the employees of its subsidiaries, this Interpretation requires the Company to recognise the equity reserve for the obligation to deliver the equity instruments when needed whilst the subsidiaries shall recognise the remuneration expense for the services received from employees.

If the subsidiaries grant rights to equity instruments of the Group to its employees, this Interpretation requires the Group to account for the transaction as cash-settled, regardless of the manner the subsidiaries obtain the equity instruments to satisfy its obligations.

This IC Interpretation is not applicable to the Group.

- (k) IC Interpretation 13 *Customer Loyalty Programmes* is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation requires the separation of award credits as a separately identifiable component of sales transactions involving the award of free or discounted goods or services in the future. The fair value of the consideration received or receivable from the initial sale shall be allocated between the award credits and the other components of the sale.

If the Group supplies the awards itself, the consideration allocated to the award credits shall only be recognised as revenue when the award credits are redeemed. If a third party supplies the awards, the Group shall assess whether it is acting as a principal or agent in the transaction.

If the Group is acting as the principal in the transaction, it shall measure its revenue as the gross consideration allocated to the award credits. If the Group is acting as an agent, it shall measure its revenue as the net amount retained on its own account, and recognise the net amount as revenue when the third party becomes obliged to supply the awards and entitled to receive the consideration for doing so.

This IC Interpretation is not applicable to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 4. ADOPTION OF NEW FRS AND AMENDMENT TO FRS (CONTINUED)

##### 4.1 New FRSs and Amendment to FRSs not adopted (continued)

- (l) IC Interpretation 14 FRS - 119 *The limit on a Defined Benefits Asset, Minimum Funding Requirements and their Interaction* is mandatory for annual financial periods beginning on or after 1 January 2010.

This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits. This Interpretation clarifies that an economic benefits is available if the Group can realise it at some point during the life of the plan or when the plan liabilities are settled, and that it does not depend on how the Group intends to use the surplus.

A right to refund is available to the Group in stipulated circumstances and the economic benefit available shall be measure as the amount of the surplus at the balance sheet date less any associated costs. If there are no minimum funding requirements, the economic benefit available shall be determined as a reduction in future contributions as the lower of the surplus in the plan and the present value of the future service cost to the Group. If there is a minimum funding requirement for contributions relating to the future accrual of benefits, the economic benefit available shall be determined as a reduction in future contributions at the present value of the estimate future service cost less the estimated minimum funding required in each financial year.

The Group does not expect any impact on the consolidated financial statements arising from the adoption of this Interpretation.

#### 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

##### 5.1 Critical judgements made in applying accounting policies

The following are judgements made by the management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in these financial statements.

###### (a) Non-current assets held for sale

Certain non-current assets have been classified as assets held for sale as the management has committed to a plan to sell the assets as at the balance sheet date.

###### (b) Contingent liabilities

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

##### 5.2 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

###### (a) Recognition of revenue from construction contracts

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

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and costs, 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 relies on past experience and the work of specialists.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

##### 5.2 Key sources of estimation uncertainty (continued)

###### (b) Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated using the straight-line method to write off the cost of assets to its estimated residual values over its estimated useful lives as disclosed in Note 3.3 to the financial statements.

The estimates of the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

###### (c) Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

###### (d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profits will be available against which the losses and capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

###### (e) Impairment of assets

When the recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash generating unit ("CGU") to which the asset is allocated, the Directors and management are required to make an estimate of the expected future cash flows from the CGU and also to apply a suitable discount rate in order to determine the present value of those cash flows. The quarry of the Group which is located in Indonesia had its operations temporarily suspended due to regulatory issues. The carrying amount of the quarry's plant and machinery amounted to RM7,319,547 as at 31 December 2009. Management is of the opinion that the regulatory issue can be resolved and the quarry operations can be resumed in foreseeable future. Furthermore, the management believes that the carrying value of the quarry plant and machinery can be substantially recovered from the vendor in the event that the quarry operation fails to resume. Therefore, the management is of the view that no impairment loss needs to be recognised.

###### (f) Fair value of borrowings

The fair values of borrowings disclosed in the financial statements are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

##### 5.2 Key sources of estimation uncertainty (continued)

###### (g) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories.

Reviews are made periodically by management on damaged, obsolete and slow moving inventories. These reviews require judgement and estimates. The quarry of the Group which is located in Indonesia had its operations temporarily suspended due to regulatory issue. The carrying amount of the inventories at this quarry as at 31 December 2009 amounted to RM1,496,246. The Directors and the management are of the opinion that the regulatory issue can be resolved and the quarry operations can be resumed in foreseeable future and the Group will be able to realise the quarry products above its carrying amount and hence write down is not required. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

###### (h) Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Directors and management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of allowance for doubtful debts. Where expectations differ from the original estimates, the differences will impact the carrying amount of receivables.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 6. PROPERTY, PLANT AND EQUIPMENT

##### Group

	Freehold land RM	Buildings and improvements RM	Plant and machinery RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Workshop cum site office RM	Access road RM	Capital work-in- progress RM	Total RM
Net book value as at 1.1.2009	1,793,698	3,735,567	64,452,311	2,681,532	789,490	318,204	382,382	6,855,128	81,008,312
Additions	-	110,998	4,930,305	-	56,420	15,000	-	74,192	5,186,915
Disposal	-	-	(2,281,598)	(336,974)	-	-	-	-	(2,618,572)
Written off	-	-	(6,833)	(900)	(1,529)	-	-	-	(9,262)
Depreciation	-	(100,727)	(9,797,925)	(774,766)	(230,657)	(5,173)	(70,074)	-	(10,979,322)
Translation adjustments	-	-	49,661	(1,892)	(319)	2,482	4,295	49,542	103,769
Reclassification	-	-	1,082,728	-	-	-	-	(1,082,728)	-
Net book value as at 31.12.2009	1,793,698	3,745,838	58,428,649	1,567,000	613,405	330,513	316,603	5,896,134	72,691,840
As at 31.12.2008									
Cost	1,793,698	4,361,766	117,754,363	7,310,918	2,143,129	396,025	631,831	6,855,128	141,246,858
Accumulated depreciation	-	(626,199)	(53,302,052)	(4,629,386)	(1,353,639)	(77,821)	(249,449)	-	(60,238,546)
Net book value	1,793,698	3,735,567	64,452,311	2,681,532	789,490	318,204	382,382	6,855,128	81,008,312
As at 31.12.2009									
Cost	1,793,698	4,472,764	116,388,073	6,472,923	2,194,584	414,335	640,145	5,896,134	138,272,656
Accumulated depreciation	-	(726,926)	(57,959,424)	(4,905,923)	(1,581,179)	(83,822)	(323,542)	-	(65,580,816)
Net book value	1,793,698	3,745,838	58,428,649	1,567,000	613,405	330,513	316,603	5,896,134	72,691,840

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

##### Company

	Motor vehicles RM	Furniture, fittings and office equipment RM	Total RM
Net book value as at 1.1.2009	391,845	19,018	410,863
Depreciation	(105,430)	(4,919)	(110,349)
Net book value as at 31.12.2009	<u>286,415</u>	<u>14,099</u>	<u>300,514</u>
As at 31.12.2008			
Cost	585,723	31,401	617,124
Accumulated depreciation	(193,878)	(12,383)	(206,261)
Net book value	<u>391,845</u>	<u>19,018</u>	<u>410,863</u>
As at 31.12.2009			
Cost	585,723	31,401	617,124
Accumulated depreciation	(299,308)	(17,302)	(316,610)
Net book value	<u>286,415</u>	<u>14,099</u>	<u>300,514</u>

- (a) Included in freehold land, building and improvements for the Group was an amount of interest expense capitalised during the previous financial year amounted to RM17,030.
- (b) The carrying amount of the property, plant and equipment which have been acquired by way of hire-purchase arrangements are as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Plant and machinery	29,094,253	30,959,587	-	-
Motor vehicles	848,450	2,145,649	286,415	391,845
	<u>29,942,703</u>	<u>33,105,236</u>	<u>286,415</u>	<u>391,845</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

##### Company (continued)

- (c) The carrying amount 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	
	2009 RM	2008 RM
Freehold land	1,793,698	1,793,698
Buildings and improvements	1,919,027	1,912,698
Plant and machinery	5,136,528	7,257,194
	<u>8,849,253</u>	<u>10,963,590</u>

- (d) Certain title deeds of the properties of RM1,133,966 (2008: RM1,147,049) are in the process of being transferred and registered in the subsidiaries' name.
- (e) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Purchase of property, plant and equipment	5,186,915	17,191,440	-	407,040
Financed by hire-purchase arrangements	(3,745,600)	(15,304,800)	-	(360,000)
Cash payments on purchase of property, plant and equipment	<u>1,441,315</u>	<u>1,886,640</u>	<u>-</u>	<u>47,040</u>

#### 7. INVESTMENT PROPERTIES

Group	Balance as at			Depreciation charge for the financial year	Balance as at 31 December
	1 January RM	Addition RM	Disposals RM		
<b>2009</b>					
Carrying amount					
Buildings	2,143,962	226,900	(382,195)	(34,364)	1,954,303
<b>2008</b>					
Carrying amount					
Buildings	3,058,378	-	(864,662)	(49,754)	2,143,962

The buildings consist of commercial shophots and residential properties. The fair value of the investment properties of the Group estimated by the Directors based on current price in an active market as at 31 December 2009 amounted to RM2.82 million (2008: RM2.82 million).

Certain title deeds of the investment properties with carrying amount of RM1,840,452 (2008: RM2,027,088) are in the process of being transferred and registered in the subsidiaries' names.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 8. QUARRY DEVELOPMENT EXPENDITURE

Group 2009	Balance as at 1 January RM	Additions RM	Translation adjustment RM	Balance as at 31 December RM
<b>Cost</b>				
Quarry development expenditure	17,747,309	2,580,941	8,206	20,336,456

	Balance as at 1 January RM	Charge for the financial year RM	Translation adjustment RM	Balance as at 31 December RM
<b>Accumulated amortisation</b>				
Quarry development expenditure	1,794,595	2,643,887	-	4,438,482

Group 2008	Balance as at 1 January RM	Additions RM	Translation adjustment RM	Balance as at 31 December RM
<b>Cost</b>				
Quarry development expenditure	11,975,390	5,743,858	28,061	17,747,309

	Balance as at 1 January RM	Charge for the financial year RM	Translation adjustment RM	Balance as at 31 December RM
<b>Accumulated amortisation</b>				
Quarry development expenditure	167,720	1,626,875	-	1,794,595

	Group	
	2009 RM	2008 RM
<b>Carrying amount</b>		
Quarry development expenditure	15,897,974	15,952,714

Included in quarry development expenditure is an amount of RM330,513 (2008: RM289,101) arising from depreciation of property, plant and equipment capitalised during the financial year.

#### 9. INVESTMENT IN SUBSIDIARIES

	Company	
	2009 RM	2008 RM
Unquoted equity shares – at cost	46,530,100	46,530,100

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 9. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective equity interest		Principal activities
		2009 %	2008 %	
<u>Direct subsidiaries</u>				
K.S. Chin Minerals Sdn. Bhd. ("KSC")	Malaysia	100	100	Provision of turnkey and specialised quarry services and rental of machinery
Minetech Construction Sdn. Bhd. ("MCSB")	Malaysia	100	100	Provision of specialised civil engineering services and rental of machinery
Minetech Quarries Sdn. Bhd. ("MQSB")	Malaysia	100	100	Sales and marketing of quarry products
Minetech Premix Sdn. Bhd. ("MPSB")	Malaysia	100	100	Manufacturing and trading of premix products
Minetech Industries Sdn. Bhd. ("MISB")	Malaysia	100	100	Trading of industrial machinery spare parts
Minetech Realty Sdn. Bhd. ("MRSB")	Malaysia	100	100	Property investment holding
Diman KS Chin Sdn. Bhd. ("DKSC")	Malaysia	100	100	Sales and marketing of quarry and premix products
*Minetech Quarries Singapore Pte. Ltd. ("MQS")	Singapore	100	100	Sales and marketing of quarry products
Minetech Korea Petroleum Industrial Sdn. Bhd. ("MKPI")	Malaysia	51	51	Manufacturing and trading of bituminous products
<u>Subsidiaries of MQSB</u>				
Superior Elevation Sdn. Bhd. ("SESB")	Malaysia	100	100	Inactive
Genetic Frontier Sdn. Bhd. ("GFSB")	Malaysia	100	100	Sales and marketing of quarry products
Optimis Dinamik Sdn. Bhd. ("ODSB")	Malaysia	100	100	Sales and marketing of quarry products
*Minetech M.B. (Huizhou) Building Materials Ltd. ("MMBM")	People's Republic of China	70	70	Inactive
Minetech Quarries Sabah Sdn. Bhd. ("MQSS")	Malaysia	100	100	Inactive

\* Subsidiaries not audited by RSM Robert Teo, Kuan & Co., Malaysia

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 10. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Unquoted equity shares, at cost	49	49	49	49
Share of post acquisition reserves, net of dividends received	(49)	(49)	-	-
	<u>-</u>	<u>-</u>	<u>49</u>	<u>49</u>

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

Name of company	Effective equity interest		Principal activity
	2009 %	2008 %	
*Luna Megan Sdn. Bhd.	49	49	Dormant

\* Not audited by RSM Robert Teo, Kuan & Co., Malaysia

The summarised financial information of the associate is as follows:

	2009 RM	2008 RM
<b>Assets and liabilities</b>		
Current assets	<u>165</u>	<u>100</u>
Current liabilities	<u>11,064</u>	<u>8,394</u>
<b>Results</b>		
Revenue	-	-
Loss for the financial year	<u>(1,855)</u>	<u>(1,520)</u>

#### 11. INVENTORIES

	Group	
	2009 RM	2008 RM
<b>At cost</b>		
Raw and packaging materials	500,557	636,528
Spare parts and consumables	3,634,900	3,870,769
Quarry and bituminous products	8,045,498	11,571,169
	<u>12,180,955</u>	<u>16,078,466</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Trade receivables</b>				
Trade receivables	49,053,193	48,336,817	-	-
Amounts due from customers for contract works (Note 13)	7,717,880	7,978,767	-	-
	56,771,073	56,315,584	-	-
Less: Allowance for doubtful debts	(1,455,730)	(82,959)	-	-
	55,315,343	56,232,625	-	-
<b>Other receivables</b>				
Other receivables	905,748	4,829,517	-	5,867
Deposits	2,402,849	1,076,654	2,000	1,300
Prepayments	1,602,982	4,544,891	4,856	761,740
Amounts owing by subsidiaries	-	-	56,234,256	55,106,675
Amount owing by an associate	958	958	958	958
	4,912,537	10,452,020	56,242,070	55,876,540
	60,227,880	66,684,645	56,242,070	55,876,540

(a) Trade receivables are non-interest bearing and the normal credit terms offered by the Group range from 30 to 180 days from the date of invoices.

(b) Included in trade receivables of the Group are retention sums for contract works amounting to RM6,811,595 (2008: RM6,105,104).

The retention sums are unsecured, interest-free and are expected to be collected as follows:

	Group	
	2009 RM	2008 RM
Within one (1) year	706,491	2,003,787
Within two (2) years	6,105,104	4,101,317
	6,811,595	6,105,104

(c) Amounts owing by subsidiaries represent advances and payments on behalf which are unsecured, interest-free and repayable on demand, except for advances amounting to RM28.8 million (2008: RM30 million), which represents the proceeds from term loan (2008: MUNIF Notes) drawdown on behalf by the Company, bearing interest at rate of 6.25% (2008: 5.99%) per annum.

(d) Amount owing by an associate represents advances and payments on behalf which are unsecured, interest-free and repayable on demand.

(e) Information on financial risks of trade and other receivables are disclosed in Note 34 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 13. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	Group	
	2009 RM	2008 RM
Aggregate costs incurred to date	90,501,164	83,689,511
Add: Attributable profits	8,322,975	7,472,286
Less: Provision for foreseeable losses, net of losses crystallised of RM77,696 (2008: RM3,433,684)	-	(77,696)
	<u>98,824,139</u>	<u>91,084,101</u>
Less: Progress billings	(88,067,229)	(80,045,211)
	<u>10,756,910</u>	<u>11,038,890</u>
Less: Provision for loss	(3,039,030)	(3,060,123)
	<u>7,717,880</u>	<u>7,978,767</u>

#### 14. FIXED DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Fixed deposits with licensed banks	<u>1,799,706</u>	<u>1,286,721</u>	<u>460,000</u>	<u>-</u>

- (a) Included in the fixed deposits of the Group is an amount of RM1,339,706 (2008: RM1,286,721) pledged as security for credit facilities granted to a subsidiary.
- (b) Information on financial risks of fixed deposits are disclosed in Note 34 to the financial statements.

#### 15. NON-CURRENT ASSETS HELD FOR SALE

Certain property, plant and equipment and investment properties are presented as non-current assets held for sale following the Group's commitment to realise these assets. Effort to sell the non-current assets have commenced and sales are expected to complete within one year from the balance sheet date. The assets included in the non-current assets are as follows:

Group	Balance as at 1 January RM	Disposals RM	Balance as at 31 December RM
<b>2009</b>			
<b>Carrying amount</b>			
Investment properties	1,473,469	(1,473,469)	-
<b>2008</b>			
<b>Carrying amount</b>			
Property, plant and equipment	130,000	(130,000)	-
Investment properties	1,593,469	(120,000)	1,473,469
	<u>1,723,469</u>	<u>(250,000)</u>	<u>1,473,469</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 16. SHARE CAPITAL

	Group and Company					
	← Number of shares	2009 Par value RM	→ RM	← Number of shares	2008 Par value RM	→ RM
Authorised:						
Balance as at 1 January	500,000,000	0.20	100,000,000	100,000,000	1.00	100,000,000
Subdivision 1:5	-		-	400,000,000		-
Balance as at 31 December	<u>500,000,000</u>	0.20	<u>100,000,000</u>	<u>500,000,000</u>	0.20	<u>100,000,000</u>
Issued and fully paid:						
<b>Before share split</b>						
Balance as at 1 January	302,471,500	0.20	60,494,300	60,494,300	1.00	60,494,300
<b>After share split</b>						
Subdivision 1:5	-		-	241,977,200		-
Balance as at 31 December	<u>302,471,500</u>	0.20	<u>60,494,300</u>	<u>302,471,500</u>	0.20	<u>60,494,300</u>

- (a) On 21 January 2008, the issued and paid-up share capital of the Company of RM60,494,300 comprising 60,494,300 ordinary shares of RM1.00 each, have been subdivided into 302,471,500 shares of RM0.20 each.

The ordinary shares of RM1.00 each were subdivided into five (5) ordinary shares of RM0.20 each on 21 January 2008 with the listing and quotation of the new shares on the Second Board of Bursa Malaysia Securities Berhad on 22 January 2008.

- (b) As at 31 December 2009, a total of 285,000 (2008: 285,000) shares at cost of RM47,990 (2008: RM47,990) are held as treasury shares by the Company. The number of outstanding ordinary shares of RM0.20 (2008: RM0.20) each in issue after deducting the treasury shares is 302,186,500 (2008: 302,186,500) as at 31 December 2009.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 17. RESERVES

	Group		Company	
	2009 RM	Restated 2008 RM	2009 RM	2008 RM
<b>Non-distributable</b>				
Share premium	1,920,850	1,920,850	1,920,850	1,920,850
Exchange translation reserve	410,528	325,285	-	-
	<u>2,331,378</u>	<u>2,246,135</u>	<u>1,920,850</u>	<u>1,920,850</u>
<b>Distributable</b>				
(Accumulated losses)/Retained earnings	<u>(5,336,333)</u>	<u>2,157,356</u>	<u>5,491,695</u>	<u>6,704,267</u>
	<u><u>(3,004,955)</u></u>	<u><u>4,403,491</u></u>	<u><u>7,412,545</u></u>	<u><u>8,625,117</u></u>

(a) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(b) Retained earnings

Effective 1 January 2008, the Company is given the option to make an irrevocable election to move to a single tier system or continue to use its tax credit under Section 108 of the Income Tax Act 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest by 31 December 2013.

The Company has decided not to make this election and has sufficient tax credit under Section 108 of the Malaysian Income Tax Act 1967 and balance in the tax exempt account of RM1,250,000 (2008: RM1,250,000) to frank the payment of dividends out of its entire retained earnings without incurring additional tax liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 18. BORROWINGS

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
<b>Non-current liabilities</b>				
<u>Secured</u>				
Hire-purchase creditors	12,253,237	15,716,094	159,683	240,407
Term loans	27,435,661	3,712,020	24,800,000	-
	39,688,898	19,428,114	24,959,683	240,407
<b>Current liabilities</b>				
<u>Secured</u>				
Bank overdrafts	-	1,126,270	-	-
Bankers' acceptances	7,176,143	4,432,003	-	-
Trust receipts	-	99,987	-	-
MUNIF Notes	-	29,266,782	-	29,266,782
Hire-purchase creditors	6,900,267	6,672,562	80,724	103,467
Term loans	5,101,659	1,297,351	4,000,000	-
	19,178,069	42,894,955	4,080,724	29,370,249
<u>Unsecured</u>				
Bank overdrafts	1,015,637	-	-	-
Bankers' acceptances	2,888,000	10,041,612	-	-
Trust receipts	1,819,016	361,352	-	-
	5,722,653	10,402,964	-	-
	24,900,722	53,297,919	4,080,724	29,370,249
	64,589,620	72,726,033	29,040,407	29,610,656
<b>Total borrowings</b>				
Bank overdrafts (Note 31)	1,015,637	1,126,270	-	-
Bankers' acceptances	10,064,143	14,473,615	-	-
Trust receipts	1,819,016	461,339	-	-
MUNIF Notes	-	29,266,782	-	29,266,782
Hire-purchase creditors (Note 19)	19,153,504	22,388,656	240,407	343,874
Term loans (Note 20)	32,537,320	5,009,371	28,800,000	-
	64,589,620	72,726,033	29,040,407	29,610,656

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 18. BORROWINGS (CONTINUED)

- (a) In year 2006, 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 (7) 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. The Company had issued and fully redeemed the following MUNIF Notes:

	Group and Company	
	2009 RM	2008 RM
Balance as at 1 January	30,000,000	46,000,000
Redeemed during the year	(30,000,000)	(16,000,000)
Balance as at 31 December	-	30,000,000

The maturity period of MUNIF Notes range from four (4) to nine (9) months and bear interest at an effective rate of nil (2008: 5.99%) per annum.

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

As at 31 December 2009, the MUNIF Notes have been fully redeemed and the facility has been cancelled.

- (b) The bank overdrafts bear interest at rates ranging from 1.25% to 3.00% per annum above the base lending rates of the banks.
- (c) The bank overdrafts, bankers' acceptances and trust receipts are secured by the following:
- (i) Fixed and floating charge over certain property, plant and equipment of subsidiaries (Note 6);
  - (ii) Fixed deposits with a licensed bank of a subsidiary (Note 14); and
  - (iii) Corporate guarantee provided by the Company.
- (d) Information on financial risks of borrowings and its remaining maturity is disclosed in Note 34 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 19. HIRE PURCHASE CREDITORS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Minimum hire-purchase payments:				
- not later than one (1) year	8,170,261	8,239,641	89,160	116,340
- later than one (1) year and not later than five (5) years	13,431,837	17,527,925	166,875	256,035
	<u>21,602,098</u>	<u>25,767,566</u>	<u>256,035</u>	<u>372,375</u>
Less: Future interest charges	(2,448,594)	(3,378,910)	(15,628)	(28,501)
Present value of hire-purchase liabilities	<u>19,153,504</u>	<u>22,388,656</u>	<u>240,407</u>	<u>343,874</u>
Repayable as follows:				
Current liabilities:				
- not later than one (1) year	6,900,267	6,672,562	80,724	103,467
Non-current liabilities:				
- later than one (1) year and not later than five (5) years	12,253,237	15,716,094	159,683	240,407
	<u>19,153,504</u>	<u>22,388,656</u>	<u>240,407</u>	<u>343,874</u>

The hire-purchase liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

#### 20. TERM LOANS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Term loan I repayable over a period of six (6) years in equal monthly instalment of RM28,614 each commencing in 2003	-	282,065	-	-
Term loan II repayable by monthly instalment of varying amounts over a period of eight (8) years commencing in 2008	980,455	1,130,545	-	-
Term loan III repayable by monthly instalment of varying amounts over a period of eight (8) years commencing in 2008	743,308	855,042	-	-
Term loan IV repayable by monthly instalment of varying amounts over a period of eight (8) years commencing in 2008	650,925	758,396	-	-
Term loan V repayable over a period of three (3) years in equal monthly instalment of RM46,797 each commencing in 2008	990,260	1,441,066	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 20. TERM LOANS (CONTINUED)

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Term loan VI repayable over a period of three (3) years in equal monthly instalment of RM17,743 each commencing in 2008	372,372	542,257	-	-
Term loan VII repayable over a period of five (5) years commencing in 2009 and is repayable in monthly instalments as follows:				
(i) First year RM300,000 per instalment				
(ii) Second year RM400,000 per instalment				
(iii) Third year RM500,000 per instalment				
(iv) Fourth year RM600,000 per instalment				
(v) Fifth year RM700,000 per instalment	28,800,000	-	28,800,000	-
	<u>32,537,320</u>	<u>5,009,371</u>	<u>28,800,000</u>	<u>-</u>
Repayable as follows:				
Current liabilities:				
- not later than one (1) year	5,101,659	1,297,351	4,000,000	-
Non-current liabilities:				
- later than one (1) year and not later than five (5) years	27,332,565	3,144,650	24,800,000	-
- later than five (5) years	103,096	567,370	-	-
	<u>27,435,661</u>	<u>3,712,020</u>	<u>24,800,000</u>	<u>-</u>
	<u>32,537,320</u>	<u>5,009,371</u>	<u>28,800,000</u>	<u>-</u>

- (a) Term loan I bears interest at rate of 4.00% per annum and is secured by means of a first fixed charge over the plant and machinery of a subsidiary, third parties' deed of assignment over certain properties of the Directors' related companies and corporate guarantee provided by the Company.
- (b) Term loan II, III and IV bear interest at rate of 3.99% per annum for the first year, 5.00% for the second year and thereafter 0.80% per annum above the bank's base lending rate ("BLR"). Term loan V and VI bear interest at rate of 2.00% per annum above the bank's BLR. Term loans II to VI are secured by the following:
- Fixed and floating charge over certain property, plant and equipment of subsidiaries (Note 6); and
  - Corporate guarantee provided by the Company.
- (c) Term loan VII bear interest at rate of 1.25% above the bank's cost of fund ("COF") per annum for the first year, 1.50% above the bank's COF for the second and third year and thereafter 1.75% per annum above the bank's COF. Term loan VII is secured by the following:
- Assignment by the Company or its subsidiaries of certain Ringgit proceeds of its quarry operation service; and
  - Assignment over a sinking fund account.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 21. DEFERRED TAX LIABILITIES

(a) The deferred tax assets and liabilities are made up of the following:

	Group		Company	
	2009 RM	Restated 2008 RM	2009 RM	2008 RM
Balance as at 1 January	5,508,353	5,842,200	-	-
Recognised in the income statements (Note 28)	(345,768)	(333,847)	-	-
Balance as at 31 December	<u>5,162,585</u>	<u>5,508,353</u>	-	-
Presented after appropriate offsetting:				
Deferred tax assets	(4,431,687)	(4,778,391)	(8,730)	(6,800)
Deferred tax liabilities	9,594,272	10,286,744	8,730	6,800
	<u>5,162,585</u>	<u>5,508,353</u>	-	-

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

	Unabsorbed capital allowances RM	Unused tax losses RM	Total RM
<b>Deferred tax assets</b>			
<b>Group</b>			
At 1 January 2009	4,267,688	510,703	4,778,391
Recognised in the income statements	151,669	(498,373)	(346,704)
At 31 December 2009	<u>4,419,357</u>	<u>12,330</u>	<u>4,431,687</u>
At 1 January 2008	2,751,770	905,810	3,657,580
Recognised in the income statements	1,515,918	(395,107)	1,120,811
At 31 December 2008	<u>4,267,688</u>	<u>510,703</u>	<u>4,778,391</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 21. DEFERRED TAX LIABILITIES (CONTINUED)

	Property, plant and equipment RM	Quarry development expenditure RM	Total RM
<b>Deferred tax liabilities</b>			
<b>Group</b>			
At 1 January 2009	6,951,861	3,334,883	10,286,744
Recognised in the income statements	(794,780)	102,308	(692,472)
At 31 December 2009	6,157,081	3,437,191	9,594,272
At 1 January 2008	7,227,780	2,272,000	9,499,780
Recognised in the income statements	(275,919)	1,062,883	786,964
At 31 December 2008	6,951,861	3,334,883	10,286,744

	Unabsorbed capital allowances RM	Unused tax losses RM	Total RM
<b>Deferred tax assets</b>			
<b>Company</b>			
At 1 January 2009	6,800	-	6,800
Recognised in the income statements	(3,300)	5,230	1,930
At 31 December 2009	3,500	5,230	8,730
At 1 January 2008	6,800	-	6,800
Recognised in the income statements	-	-	-
At 31 December 2008	6,800	-	6,800

	Property, plant and equipment RM
<b>Deferred tax liabilities</b>	
<b>Company</b>	
At 1 January 2009	6,800
Recognised in the income statements	1,930
At 31 December 2009	8,730
At 1 January 2008	6,800
Recognised in the income statements	-
At 31 December 2008	6,800

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 21. DEFERRED TAX LIABILITIES (CONTINUED)

(c) The amounts of temporary differences for which no deferred tax assets have been recognised in the balance sheet are as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Unabsorbed capital allowances	598,400	154,000	-	-
Unused tax losses	13,003,994	8,678,800	67,170	-
	<u>13,602,394</u>	<u>8,832,800</u>	<u>67,170</u>	<u>-</u>

Deferred tax assets have not been recognised in respect of the above items as it is not probable that taxable profit of the Company and certain subsidiaries will be available against which the deductible temporary differences can be utilised.

#### 22. TRADE AND OTHER PAYABLES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
<b>Trade payables</b>				
Third parties	31,307,778	32,653,452	-	-
<b>Other payables</b>				
Other payables	5,305,301	6,802,508	78,795	614,510
Dividend payable	832	832	832	832
Deposits received	32,070	48,915	-	-
Accruals	4,214,781	4,256,647	457,176	393,590
Amounts owing to subsidiaries	-	-	6,376,178	3,192,551
	<u>9,552,984</u>	<u>11,108,902</u>	<u>6,912,981</u>	<u>4,201,483</u>
	<u>40,860,762</u>	<u>43,762,354</u>	<u>6,912,981</u>	<u>4,201,483</u>

- (a) Trade payables are non-interest bearing and normal credit terms granted to the Group ranges from 30 to 150 days from date of invoices.
- (b) Amounts owing to subsidiaries represent advances and payments on behalf which are unsecured, interest-free and repayable on demand.
- (c) Information on financial risks of trade and other payables are disclosed in Note 34 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 23. REVENUE

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Turnkey quarry services	40,985,745	51,398,783	-	-
Sale of goods	73,825,028	80,678,994	-	-
Contract revenue	11,458,306	8,450,787	-	-
Rental income	128,363	344,914	-	-
Interest income	2,991	12,015	1,808,294	2,230,297
Management fees	-	-	3,240,000	4,000,000
	<u>126,400,433</u>	<u>140,885,493</u>	<u>5,048,294</u>	<u>6,230,297</u>

#### 24. COST OF SALES

	Group	
	2009 RM	2008 RM
Inventories sold	108,404,723	119,904,881
Contract works	10,091,351	12,141,796
	<u>118,496,074</u>	<u>132,046,677</u>

#### 25. FINANCE COSTS

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Bank charges	276,250	218,916	1,374	1,289
Interest expenses on:				
- bank overdrafts	76,814	76,330	-	-
- bankers' acceptances/trust receipts	444,764	778,511	-	-
- MUNIF Notes	1,129,019	2,218,282	1,129,019	2,218,282
- hire-purchase creditors	1,675,055	1,576,095	12,873	16,378
- term loans	974,721	137,695	676,284	-
- others	54,676	56,100	-	30
	<u>4,631,299</u>	<u>5,061,929</u>	<u>1,819,550</u>	<u>2,235,979</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 26. LOSS BEFORE TAX

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Loss before tax is arrived at after charging:				
Allowance for doubtful debts	1,372,771	59,998	-	-
Amortisation of quarry development expenditure	2,643,887	1,626,875	-	-
Auditors' remuneration				
- current year	87,802	94,032	15,000	18,000
- under provision in prior years	6,000	4,700	4,000	4,000
Depreciation of investment properties	34,364	49,754	-	-
Depreciation of property, plant and equipment	10,648,809	10,456,351	110,349	110,349
Direct operating expenses of investment properties				
- generating rental income	45,500	106,338	-	-
- not generating rental income	-	328	-	-
Directors' remuneration paid to the Directors of the Company:				
- fees paid by the Company	67,500	54,000	67,500	54,000
- other emoluments paid by the Company	1,452,309	1,564,201	1,452,309	1,564,201
Interest expenses	4,355,049	4,843,013	1,818,176	2,234,660
Loss on disposal of property, plant and equipment	-	16,367	-	-
Loss on disposal of investment properties	17,195	-	-	-
Property, plant and equipment written off	9,262	5,431	-	-
Provision for loss on amounts due from customers for contract works	-	3,060,123	-	-
Realised loss on foreign exchange	43,780	11,369	542	-
Rental expenses:				
- motor vehicles, plant and machinery	1,246,284	948,324	-	-
- land	232,500	73,500	-	-
- access road	-	34,450	-	-
- premises	144,882	206,984	-	-
And crediting:				
Bad debts recovered	657,181	36,916	-	-
Unrealised gain on foreign exchange	-	6,889	-	-
Gain on disposal of:				
- property, plant and equipment	1,200,208	1,390,370	-	-
- investment properties	-	485,338	-	-
- non-current assets held for sale	9,704	-	-	-
Interest income				
- subsidiaries	-	-	1,805,303	2,230,297
- others	37,786	71,031	2,991	-
Provision for loss on amounts due from customers for contract works no longer required	21,092	-	-	-
Realised gain on foreign exchange	169	877	-	-
Rental income:				
- equipment	128,363	399,064	-	-
- investment properties	-	172,292	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 27. EMPLOYEE BENEFITS

The total employee benefits recognised in the income statements are as follows:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Wages, salaries and bonus	12,718,128	14,345,558	2,089,125	2,223,250
Defined contribution plan	1,263,735	1,448,950	293,586	303,747
Other employee benefits	450,052	580,165	55,575	83,840
	<u>14,431,915</u>	<u>16,374,673</u>	<u>2,438,286</u>	<u>2,610,837</u>

Included in employee benefits are Executive Directors' remuneration of the Group and of the Company amounting to RM1,961,607 (2008: RM2,094,654) and RM1,452,309 (2008: RM1,564,201) respectively.

#### 28. TAX (INCOME)/EXPENSE

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Current tax expense based on profit for the financial year				
- income tax	25,500	76,000	-	3,000
- deferred tax	50,288	(93,621)	-	-
	75,788	(17,621)	-	3,000
Under/(Over) provision in prior years				
- income tax	35,567	(17)	25,082	(7,768)
- deferred tax	(396,056)	(240,226)	-	-
	(360,489)	(240,243)	25,082	(7,768)
	<u>(284,701)</u>	<u>(257,864)</u>	<u>25,082</u>	<u>(4,768)</u>

The Malaysian income tax is calculated at the statutory tax rate of 25% (2008: 26%) of the estimated taxable profit for the fiscal year. The Malaysian statutory tax rate has been reduced to 25% from the previous year's rate of 26% for the fiscal year of assessment 2008 and to 25% for the fiscal year of assessment 2009 onwards. The computation of deferred tax as at 31 December 2009 has reflected these changes.

Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 28. TAX (INCOME)/EXPENSE (CONTINUED)

The reconciliation of income tax expenses on loss before tax with the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Loss before tax	(8,140,224)	(5,826,202)	(1,187,490)	(83,695)
Income tax at tax rate of 25% (2008: 26%)	(2,035,056)	(1,514,812)	(296,873)	(21,761)
<b>Tax effects in respect of:</b>				
Non-allowable expenses	1,379,940	1,186,056	269,121	57,250
Non-taxable income	(23,624)	(168,960)	-	(2,749)
Reduction in deferred taxes resulting from reduction in tax rate	-	(240,040)	-	-
Different tax rate in foreign jurisdiction	110,439	(5,826)	-	-
Reinvestment allowance incentives	-	(354,816)	-	-
Unused tax losses and unabsorbed capital allowances not recognised	644,089	1,133,779	27,752	-
Utilisation of previously unrecognised tax losses	-	(30,879)	-	(29,740)
Reduction in tax rate on first RM500,000 chargeable income of certain subsidiaries	-	(22,140)	-	-
	75,788	(17,638)	-	3,000
<b>Under/(Over) provision in prior years</b>				
Income tax	35,567	-	25,082	(7,768)
Deferred tax	(396,056)	(240,226)	-	-
Tax (income)/expenses	(284,701)	(257,864)	25,082	(4,768)
Tax savings are as follows:				
Arising from utilisation of previously unrecognised capital allowance and tax losses	-	36,577	-	36,577

Subject to the agreement from the Malaysian Inland Revenue Board and provisions of tax laws applicable to foreign subsidiary, the Group has unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowance amounting to approximately RM12,834,000 (2008: RM10,593,000), RM3,382,500 (2008: RM4,239,000) and RM1,176,000 (2008: RM497,000) respectively, which are available for set-off against future taxable income.

The Company has unused tax losses and unabsorbed capital allowances of approximately RM88,000 (2008: Nil) and RM14,000 (2008: Nil) respectively which are available to set-off against future taxable income.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 29. PRIOR YEAR ADJUSTMENT

In prior financial years, the Group has not recognised the deferred tax assets of RM490,000 resulting from the difference between the carrying amounts of the assets in the balance sheet as compared to the tax base. As required under FRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, comparative information for the prior financial year has to be restated.

##### (a) Effects on Balance Sheet, Income Statement and Cash Flow Statement

Accordingly, the comparative figures for the adjusted balance sheet, adjusted income statement and adjusted cash flow statement for the financial year ended 31 December 2008, are as follows:

	As previously reported RM	Adjustment RM	As restated RM
<b>Group</b>			
<b>Balance Sheet</b>			
Reserves	3,913,491	490,000	4,403,491
Deferred tax liabilities	5,998,353	(490,000)	5,508,353
<b>Income Statement</b>			
Taxation	257,864	-	257,864
Net loss for the financial year	(5,568,338)	-	(5,568,338)
<b>Cash Flow Statement</b>			
Loss before tax	(5,826,202)	-	(5,826,202)

##### (b) Effect on loss per ordinary share

There are no effects on loss per ordinary share for the financial year ended 31 December 2008 arising from the prior year adjustment.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 30. LOSS PER ORDINARY SHARE

##### Basic loss per ordinary share:

Basic loss per ordinary share for the financial year is calculated by dividing the loss for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2009	2008
Loss attributable to equity holders of the Company (RM)	(7,493,689)	(4,964,317)
Weighted average number of ordinary shares of RM1.00 each in issue	302,471,500	60,494,300
Adjustment for subdivision of every 1 existing ordinary share into 5 new ordinary shares completed on 21 January 2008	-	241,977,200
	<u>302,471,500</u>	<u>302,471,500</u>
Basic loss per ordinary share (sen)	<u>(2.48)</u>	<u>(1.64)</u>

##### Diluted earnings per ordinary share:

The Company does not have any dilutive potential ordinary shares.

#### 31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following balance sheet amounts:

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Fixed deposits with licensed banks	1,799,706	1,286,721	460,000	-
Cash and bank balances	3,678,273	2,972,332	259,641	49,146
Bank overdrafts (Note 18)	5,477,979 (1,015,637)	4,259,053 (1,126,270)	719,641 -	49,146 -
	4,462,342	3,132,783	719,641	49,146
Less: Fixed deposit pledged to a licensed bank (Note 14)	(1,339,706)	(1,286,721)	-	-
	<u>3,122,636</u>	<u>1,846,062</u>	<u>719,641</u>	<u>49,146</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 32. SEGMENTAL REPORTING

##### (a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and returns are affected predominantly by differences in the products and services it produces.

Secondary information is reported geographically.

##### (b) Business segments

The Group comprises the following main business segments:

Quarry products : Provision of turnkey and specialised quarry services and sales and marketing of quarry products

Civil engineering : Specialised civil engineering works

Premix products : Manufacturing and trading of premix products

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

##### (c) Geographical segments

The Group operates mainly in Malaysia, Indonesia and has sales office in Singapore. The revenue disclosed in geographical segments are based on the geographical location of its customers. Segment assets and capital expenditure are based on the geographical location of assets. The composition of each geographical segment is as follows:

Malaysia : Provision of turnkey and specialised quarry services and sales and marketing of quarry products, specialised civil engineering works, manufacturing and trading of premix and bituminous products.

Indonesia : Provision of turnkey and specialised quarry services

Singapore : Sales and marketing of quarry products

##### (d) Allocation basis and inter-segment pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfer between business segments. These segments are eliminated on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 32. SEGMENTAL REPORTING (CONTINUED)

##### Business segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

2009	Quarry products RM	Civil engineering RM	Premix products RM	Others RM	Elimination RM	Consolidation RM
<b>Revenue</b>						
Sales to external customers	88,830,989	11,507,056	13,194,743	12,867,645	-	126,400,433
Inter-segment sales	1,925,796	1,161,794	-	7,904,344	(10,991,934)	-
	90,756,785	12,668,850	13,194,743	20,771,989	(10,991,934)	126,400,433
<b>Results</b>						
Segment results	(1,789,405)	95,091	386,938	(396,246)	(1,805,303)	(3,508,925)
Finance costs						(4,631,299)
Loss before tax						(8,140,224)
Tax income						284,701
Loss for the financial year						(7,855,523)
<b>Assets</b>						
Segment assets	141,687,860	32,989,704	11,170,474	115,430,568	(132,847,675)	168,430,931
Investment in an associate	-	-	-	49	(49)	-
Unallocated assets						
- Current tax asset						613,095
Total assets						169,044,026
<b>Liabilities</b>						
Segment liabilities	76,371,023	34,380,658	4,584,466	10,044,848	(84,520,233)	40,860,762
Unallocated liabilities						69,752,205
- Current tax payable						-
- Borrowings						64,589,620
- Deferred tax liabilities						5,162,585
Total liabilities						110,612,967
<b>Other segment information</b>						
Capital expenditure	4,821,411	238,310	32,010	322,084	-	5,413,815
Amortisation of quarry development expenditure	2,643,887	-	-	-	-	2,643,887
Depreciation of investment properties	16,400	17,964	-	-	-	34,364
Depreciation of property, plant and equipment	8,167,881	1,420,167	512,374	548,387	-	10,648,809
Non-cash expenses other than depreciation and amortisation	58,516	1,379,632	-	-	-	1,438,148

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 32. SEGMENTAL REPORTING (CONTINUED)

#### Business segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

2008	Quarry products RM	Civil engineering RM	Premix products RM	Others RM	Elimination RM	Consolidation RM
<b>Revenue</b>						
Sales to external customers	92,564,465	8,450,787	34,021,474	5,848,767	-	140,885,493
Inter-segment sales	4,656,062	-	375,894	10,358,144	(15,390,100)	-
	<u>97,220,527</u>	<u>8,450,787</u>	<u>34,397,368</u>	<u>16,206,911</u>	<u>(15,390,100)</u>	<u>140,885,493</u>
<b>Results</b>						
Segment results	3,381,330	(4,922,599)	1,763,184	1,232,094	(2,218,282)	(764,273)
Finance costs						(5,061,929)
Loss before tax						(5,826,202)
Tax income						257,864
Loss for the financial year						<u>(5,568,338)</u>
<b>Assets</b>						
Segment assets	149,030,826	37,624,066	11,146,257	116,897,185	(128,571,182)	186,127,152
Non-current assets held for sale	-	-	-	1,473,469	-	1,473,469
Investment in an associate	-	-	-	49	(49)	-
Unallocated assets						610,016
- Current tax asset						
Total assets						<u>188,210,637</u>
<b>Liabilities</b>						
Segment liabilities	74,902,235	33,542,627	5,869,932	8,418,285	(78,970,725)	43,762,354
Liabilities attributable to non-current assets held for sale	-	-	-	1,306,226	(1,306,226)	-
Unallocated liabilities						78,241,386
- Current tax payable						7,000
- Borrowings						72,726,033
- Deferred tax liabilities (restated)						5,508,353
Total liabilities						<u>122,003,740</u>
<b>Other segment information</b>						
Capital expenditure	13,876,766	-	1,955,842	1,358,832	-	17,191,440
Amortisation of quarry development expenditure	1,626,875	-	-	-	-	1,626,875
Depreciation of investment properties	31,055	18,699	-	-	-	49,754
Depreciation of property, plant and equipment	7,853,468	1,795,581	417,957	389,345	-	10,456,351
Non-cash expenses other than depreciation and amortisation	64,349	3,061,203	15,267	1,100	-	3,141,919

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

### 32. SEGMENTAL REPORTING (CONTINUED)

#### Geographical segments

The following table provides an analysis of the Group's revenue, segment assets and capital expenditure by geographical segments:

	Revenue RM	Segment assets RM	Capital expenditure RM
<b>2009</b>			
Malaysia	106,703,665	151,891,023	5,413,815
Indonesia	-	8,507,007	-
Singapore	19,696,768	7,038,819	-
China	-	1,607,177	-
	<u>126,400,433</u>	<u>169,044,026</u>	<u>5,413,815</u>
<b>2008</b>			
Malaysia	125,030,129	169,378,882	16,989,191
Indonesia	-	8,507,007	151,861
Singapore	15,855,364	7,880,491	5,430
China	-	2,444,257	44,958
	<u>140,885,493</u>	<u>188,210,637</u>	<u>17,191,440</u>

### 33. CONTINGENT LIABILITIES

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
<u>Secured</u>				
Bank guarantee issued in favour of third parties by certain subsidiaries	469,634	5,762,634	469,634	-
<u>Unsecured</u>				
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries	-	-	26,993,000	21,421,617
Corporate guarantee given to suppliers of subsidiaries for credit terms granted to subsidiaries	-	-	19,641,000	20,300,000
	<u>469,634</u>	<u>5,762,634</u>	<u>47,103,634</u>	<u>41,721,617</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 33. CONTINGENT LIABILITIES (CONTINUED)

A former employee of a subsidiary, Minetech Industries Sdn. Bhd. ("MISB") has filed a claim against MISB for a sum of approximately RM70,000.00 for liquidated damages, special and general damages to be assessed by the court pursuant to injury arising from a personal accident during working hours. The Sessions Judge had allowed the plaintiff's application to amend the Statement of Claim to state that K.S. Chin Minerals Sdn. Bhd. ("KSC") and not MISB was the former employee's employer on 3 August 2006. Hence, the application by MISB for striking out based on Sec.31 of the SOCSO Act became academic. An appeal was filed with the High Court against the Session Judges order allowing the amendment to the Statement of Claim as there is substantial evidence that MISB was the plaintiff's employer. MISB re-filed the application to strike out the plaintiff's claim based on Section 31 of the SOCSO Act was allowed with cost by the Session Court on 23 March 2009. The effect of the decision puts an end to the plaintiff's claim.

However, the plaintiff has filed a Notice of Motion to seek leave from the Court of Appeal ("COA") to appeal the decision of the High Court in allowing MISB's appeal against the amendment to the Statement of Claim. The COA granted leave to appeal and MISB is waiting for the appeal date from the COA. The Appellant has filed a further Motion at the COA seeking an Extension of Time to file their Record of Appeal. On 6 April 2010, the COA allowed this Motion and directed them to file the Record of Appeal within three weeks.

The plaintiff had also filed an appeal to the High Court against the decision of the Sessions Court in dismissing the plaintiff's claim on 23 March 2009. The matter is now fixed for mention on 26 April 2010 since the High Court Judge wants to await the outcome of the decision at the COA.

#### 34. FINANCIAL INSTRUMENTS

##### (a) Financial risk management objectives and policies

The Group's financial risk management objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to foreign currency risk, liquidity risk, interest rate risk and credit risk. Information on the management of the related exposures are detailed below.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 34. FINANCIAL INSTRUMENTS (CONTINUED))

##### (a) Financial risk management objectives and policies (continued)

##### (i) Foreign currency 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 and Chinese Renminbi. In addition, subsidiaries operating in Singapore, Indonesia and China have assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposure.

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.

The net unhedged financial assets and financial liabilities of the Group and the Company 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	Chinese Renminbi RM	Total RM
<b>Group</b>				
<b>Functional currencies</b>				
<b>At 31 December 2009</b>				
<u>Cash and bank</u>				
Chinese Renminbi	-	-	30,427	30,427
Ringgit Malaysia	24,401	-	-	24,401
<u>Trade receivables</u>				
Ringgit Malaysia	2,449,292	-	-	2,449,292
<u>Trade payables</u>				
Ringgit Malaysia	(229,618)	-	-	(229,618)

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 34. FINANCIAL INSTRUMENTS (CONTINUED)

##### (a) Financial risk management objectives and policies (continued)

##### (i) Foreign currency risk (continued)

	Net financial assets/(liabilities) held in non-functional currencies			
	Singapore Dollar RM	US Dollar RM	Chinese Renminbi RM	Total RM
<b>Group</b>				
<b>At 31 December 2008</b>				
<u>Cash and bank</u>				
Chinese Renminbi	-	1,495	-	1,495
Ringgit Malaysia	24,070	-	-	24,070
<u>Trade receivables</u>				
Ringgit Malaysia	131,192	-	-	131,192
<u>Trade payables</u>				
Ringgit Malaysia	(1,250,461)	-	-	(1,250,461)

	Net financial assets held in non-functional currencies	
	Singapore Dollar RM	Singapore Dollar RM
<b>Company</b>		
<b>Functional currencies</b>		
<b>At 31 December 2009</b>		
<u>Amount owing by a subsidiary</u>		
Ringgit Malaysia		3,770,605
<b>At 31 December 2008</b>		
<u>Amount owing by a subsidiary</u>		
Ringgit Malaysia		2,206,050

##### (ii) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities. In addition, the Group maintains sufficient banking facilities to meet its operational needs.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 34. FINANCIAL INSTRUMENTS (CONTINUED)

##### (a) Financial risk management objectives and policies (continued)

##### (iii) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one (1) month, extending up to three months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group has no major concentration of credit risk as at 31 December 2009 except for an amount of RM880,965 owing by a customer. This customer is currently disputing the amount owing to the Group and legal action has been taken to recover the amount. However, the Directors, based on legal advice, are of the opinion that the Group has a strong ground to obtain a favorable judgement and subsequently recover the amounts in full.

The Group's historical experience in collection of trade receivables falls within the recorded allowances. Due to these factors, the Directors believe that no additional credit risk beyond amounts provided for doubtful debts is inherent in the Group's trade receivables.

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

##### (iv) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 34. FINANCIAL INSTRUMENTS (CONTINUED)

##### (a) Financial risk management objectives and policies (continued)

##### (iv) 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 2009</b>								
<b>Group</b>								
<b>Fixed rate</b>								
Fixed deposits with licensed banks	2.45	1,799,706	-	-	-	-	-	1,799,706
Hire-purchase creditors	8.07	6,900,267	5,137,790	4,702,894	1,901,269	511,284	-	19,153,504
<b>Floating rate</b>								
Bank overdrafts	7.17	1,015,637	-	-	-	-	-	1,015,637
Bankers' acceptances	3.63	10,064,143	-	-	-	-	-	10,064,143
Trust receipts	3.63	1,819,016	-	-	-	-	-	1,819,016
Term loans	6.92	5,101,659	6,373,615	6,886,442	8,112,218	5,960,290	103,096	32,537,320
<b>Company</b>								
<b>Fixed rate</b>								
Fixed deposit with a licensed bank	2.10	460,000	-	-	-	-	-	460,000
Hire-purchase creditors	4.41	80,724	74,921	78,108	6,654	-	-	240,407
<b>Floating rate</b>								
Term loans	6.94	4,000,000	5,200,000	6,400,000	7,600,000	5,600,000	-	28,800,000

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 34. FINANCIAL INSTRUMENTS (CONTINUED)

##### (a) Financial risk management objectives and policies (continued)

##### (iv) 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:

Group	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>Fixed rate</b>								
Fixed deposits with licensed banks	3.10	1,286,721	-	-	-	-	-	1,286,721
Hire-purchase creditors	8.12	6,672,562	5,989,313	4,658,690	4,031,120	1,036,971	-	22,388,656
<b>Floating rate</b>								
Bank overdrafts	8.51	1,126,270	-	-	-	-	-	1,126,270
Bankers' acceptances	4.70	14,473,615	-	-	-	-	-	14,473,615
Trust receipts	7.95	461,339	-	-	-	-	-	461,339
Term loans	6.43	1,297,351	1,088,686	1,111,990	470,008	473,966	567,370	5,009,371
MUNIF Notes	5.99	29,266,782	-	-	-	-	-	29,266,782
<b>Company</b>								
<b>Fixed rate</b>								
Hire-purchase creditors	4.42	103,467	80,725	74,921	78,108	6,653	-	343,874
<b>Floating rate</b>								
MUNIF Notes	5.99	29,266,782	-	-	-	-	-	29,266,782

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 34. FINANCIAL INSTRUMENTS (CONTINUED)

##### (b) 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 due to the relatively short term maturity of the financial instruments except as set out below:-

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>As at 31 December 2009</b>				
Term loans	32,537,320	26,844,040	28,800,000	22,931,291
Hire-purchase creditors	19,153,504	20,042,102	240,407	236,702
<b>As at 31 December 2008</b>				
Term loans	5,009,371	5,002,443	-	-
Hire-purchase creditors	22,388,656	21,683,022	343,874	336,828

The fair values of term loans and hire-purchase and lease creditors are estimated by discounting future contractual cash flows at the current market rate available to the Group for similar types of lending and borrowing arrangements and of the similar remaining maturities.

#### 35. RELATED PARTY DISCLOSURES

##### (a) Identity of related parties

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 an individual or an entity.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 35. RELATED PARTY DISCLOSURES (CONTINUED)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:-

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Subsidiaries:				
Management fees received	-	-	3,240,000	4,000,000
Interest income	-	-	1,805,303	2,218,282
Advisory fee paid to a former Director of the Company	112,000	240,000	112,000	240,000
Professional fees paid to a firm of which a Director is a member	-	300	-	-
Rental expenses paid to Directors	117,000	72,000	-	-
Sales of goods to a company in which a director has interest	151,000	-	-	-
Sale proceeds for disposal of property, plant and equipment to a director	170,000	-	-	-

The related party transactions described above were entered into in the normal course of business and are based on negotiated and mutually agreed terms.

(c) Compensation of key management personnel

The remuneration of Directors and other key management personnel during the financial year was as follows:-

	Group		Company	
	2009	2008	2009	2008
	RM	RM	RM	RM
Fees	67,500	54,000	67,500	54,000
Emoluments other than fees	1,697,400	1,812,710	1,244,940	1,341,365
Defined contribution plan	258,762	276,365	204,402	219,737
Other short term employee benefits	5,445	5,579	2,967	3,099
	<u>2,029,107</u>	<u>2,148,654</u>	<u>1,519,809</u>	<u>1,618,201</u>

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group and the Company amounted to RM76,575 (2008: RM89,058) and RM57,075 (2008: RM68,958) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 36. SIGNIFICANT EVENTS

- (a) An Originating Summons 24-709-2006 was filed at the Alor Setar High Court by Awang @ Harun bin Ismail and 6 others against the State Government of Kedah and 5 others and received by the Company's Management on 10 May 2006. The 6th Defendant in the Originating Summons is KS Chin Minerals Sdn Bhd ("KSC"). The Plaintiffs were seeking an injunction to stop the quarry works and declarations to inter-alia nullify the approvals of the Kedah State Government and other relevant authorities to carry out the quarry work. The Plaintiffs have prayed for damages for pollution and losses suffered and for the leaseholder Kemelong & Sankojaya Construction Sdn Bhd ("5th Defendant") and KSC to rectify damage caused principally to Sungai Singkir. However, all the 6 Defendants filed separate applications to strike out the Originating Summons. On 12 December 2006, the Learned Judge struck out the Originating Summons filed by the plaintiffs. The plaintiffs have filed an appeal to the Court of Appeal on 24 December 2006.

On 14 October 2008, the Court of Appeal ("COA") decided that the Originating Summons should not have been dismissed on the preliminary objections. KSC and the 5th Defendant filed a Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal. The leave to appeal was refused on 24 February 2009.

The matter is pending for hearing at the Alor Setar High Court. KSC and other Defendants, particularly the 5th Defendant moved the High Court to decide on the issue of the Plaintiffs Locus Standi to commence this suit as they were not the registered owner or ratepayers of the land on which they purport to claim and the said land is not an adjoining land to the Quarry land as to cloth the Plaintiffs with Locus Standi to initiate this action. Nevertheless, the Honourable High Court Judge on 9 November 2009 had made a decision that the Plaintiffs have the necessary Locus Standi to pursue this action.

All the Defendants except the 3rd Defendant filed an appeal to the COA against the decision delivered on 9 November 2009. A motion was filed recently to consolidate the appeals and be heard together which was allowed by the COA on 26 January 2010.

KSC's solicitors filed a Summons In Chambers for a Stay of Proceedings pending outcome of the appeal against the decision of 9 November 2009. On 29 March 2010, the High Court Judge dismissed the said application with cost. The High Court then deferred the date for decision on whether the operation of the quarry is illegal to 12 May 2010 (on request of solicitors for further time to file in the Written Submissions).

On 6 April 2010, KSC and the 5th Defendant filed a Notice of Motion at the Court of Appeal for a Stay of Proceedings since the High Court Judge did not grant a Stay of Proceedings. On 19 April 2010, upon hearing submissions of the parties the Court of Appeal dismissed the said Notice of Motion with cost.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2009

### (CONT'D)

#### 36. SIGNIFICANT EVENTS (CONTINUED)

- (b) Minetech M.B. (Huizhou) Building Materials Ltd ("MMB"), a subsidiary company of Minetech Quarries Sdn Bhd, which is in turn a wholly-owned subsidiary of MRB, had on 16 September 2009 received a notice dated 14 September 2009 from the People's High Court of HuiZhou Province in the People's Republic of China, on the letter of acceptance of a suit filed by MMB against HuiZhou City ZhongGong HeChen Shi Ye Co., Ltd ("the Defendant") ("Suit").

The suit relates to a lease agreement ("Lease Agreement") between MMB with the Defendant to lease the complete factory building and land, office, equipment, machineries and all ancillary facilities for the production of Autoclaved Aerated Concrete Blocks, subject to the terms and conditions as stipulated in the Lease Agreement.

Subsequently, the Defendant could not fulfill certain terms and conditions as stipulated in the Lease Agreement. Therefore, MMB has decided to terminate the Lease Agreement and seeking the remittance of a deposit of RMB2,000,000 (Chinese RenMinBi Two Million) only and compensation amounting to RMB3,300,000.00 (Chinese RenMinBi Three Million and Three Hundred Thousand) only from the defendant.

On 27 October 2009, MMB received a court notice that the Defendant had on 20 October 2009 filed to the People's High Court of HuiZhou Province in the People's Republic of China ("High Court") a Counter-Suit against the Suit by MMB.

The Defendant had requested for a termination of the Lease Agreement entered into between MMB and the Defendant and had requested MMB to hand over the complete factory building and land, office, equipment, machineries and all ancillary facilities upon the terms and conditions of the lease agreement, to the Defendant immediately. The defendant also requested MMB to settle the outstanding deposit still owing of RMB1,000,000 (Chinese RenMinBi One Million) and the outstanding rental for the factory and ancillary facilities of RMB3,083,300 (Chinese RenMinBi Three Million Eighty Three Thousand and Three Hundred) only and the interest payment for the period from 1 January 2009 to 1 November 2009 of RMB1,850,000 (Chinese RenMinBi One Million Eight Hundred and Fifty Thousand) only and the subsequent rental and interest payment until the factory and ancillary facilities are being handed over back to them.

The Defendant had applied to the High Court to dismiss MMB's suit with cost.

On 3 December 2009, the court requested both parties to submit the Statement of suit and defense. The lawyer has submitted the Statement of suit and defense on 22 December 2009.

#### 37. OTHER INFORMATION

- (a) The Company is a public limited liabilities company, incorporated and domiciled in Malaysia.
- (b) The registered office is situated at:  
10th Floor, Menara Hap Seng  
No. 1 & 3, Jalan P. Ramlee  
50250 Kuala Lumpur
- (c) The principal place of business is situated at:  
G12, Ground Floor, FAS Business Avenue  
Jalan Perbandaran  
47301 Petaling Jaya  
Selangor Darul Ehsan
- (d) The financial statements are expressed in Ringgit Malaysia ("RM"), which is also the Company's functional currency.
- (e) The financial statements were authorised for issue by the Board of Directors in accordance with a resolution by the directors on 22 April 2010.

# STATEMENT BY DIRECTORS

We, the undersigned, being the directors of **MINETECH RESOURCES BERHAD (575543-X)** do hereby state that, in the opinion of the directors, the financial statements set out on pages 29 to 90 are drawn up in accordance with the provisions of the Companies Act 1965 and the applicable approved Financial Reporting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the financial results and cash flows of the Group and of the Company for the financial year ended on that date.

On behalf of the Board

**LOH YEE KWAN**

**CHOY SEN @ CHIN KIM SANG**

Kuala Lumpur

22 April 2010

# STATUTORY DECLARATION

I, **LOH POH IM**, being the officer primarily responsible for the financial management of **MINETECH RESOURCES BERHAD (575543-X)** do solemnly and sincerely declare that the financial statements set out on pages 29 to 90 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.

**LOH POH IM**

Subscribed and solemnly declared  
by the abovenamed at Kuala Lumpur  
in the Federal Territory on 22 April 2010

Before me

**M. Sivanason (W 590)**  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MINETECH RESOURCES BERHAD

We have audited the financial statements of Minetech Resources Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 90.

## *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable approved Financial Reporting Standards in Malaysia and the Companies Act 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards in Malaysia and the Companies Act 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MINETECH RESOURCES BERHAD (CONT'D)

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 ("Act") in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' report of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 9 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**RSM Robert Teo, Kuan & Co.**  
AF: 0768  
Chartered Accountants

**Yong Kam Fei**  
2562/07/10(J)  
Chartered Accountant

Kuala Lumpur

22 April 2010

# LIST OF PROPERTIES

## AS AT 31 DECEMBER 2009

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 2009 (RM)
<b>MINETECH CONSTRUCTION SDN BHD</b>					
1.	Lot 5738 Jalan BBN 9/1A Desa Anggerik Bandar Baru Nilai 71800 Nilai Negeri Sembilan <b>HS(D) 85294 PT 5738</b> <b>Mukim Setul</b> <b>Daerah Seremban</b>	11 years/ Freehold	Building, double storey terrace house, currently vacant/  17 August 1998	153.3 (approximately 104)	113,852
2.	Lot 7241 Jalan BBN 1/2A Putra Point Phase 1 Bandar Baru Nilai 71800 Nilai Negeri Sembilan <b>HS(D) 79062 PT 7241</b> <b>Mukim Labu</b> <b>Daerah Seremban</b>	14 years/ Freehold	3 storey shophouse building, currently vacant/  28 July 1998	167.2 (approximately 446)	400,443
3.	Unit A6-1 to A6-6 A6-8 and A6-10 Plaza Dwitasik No. 21 Jalan 5/106 Bandar Seri Permaisuri 56000 Kuala Lumpur <b>Phase 1, Level 6,</b> <b>Unit No. 13.1, 13.2, 14.1, 14.2,</b> <b>15.1, 15.2, 16.2, 17.2,</b> <b>Storey Level 6</b> <b>Block A Plaza Dwitasik</b> <b>PN 27024 Lot 51975</b> <b>Mukim Kuala Lumpur</b> <b>Daerah Kuala Lumpur*</b>	7 years/ 99 years leasehold/ Expiring on 11 January 2095	8 commercial office units currently rented to third parties/  18 January 1996	- (approximately 879)	1,217,251
4.	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*	11 years/ 99 years leasehold/ Expiring on 6 December 2092	9 units 5 storey commercial shoplots currently used as the Group's offices/  22 November 1994	- (approximately 720)	1,133,967

# LIST OF PROPERTIES

## AS AT 31 DECEMBER 2009

### (CONT'D)

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 2009 (RM)
<b>K.S. CHIN MINERALS SDN BHD</b>					
1.	29-4 to 29-6 Block E1 Jalan PJU 1/45 Dataran Prima 47301 Petaling Jaya Selangor Darul Ehsan <b>GRN 46496 Lot 42440</b> <b>Pekan Cempaka</b> <b>Daerah Petaling*</b>	8 years/Freehold	3 units commercial shoplots currently rented to third parties/  31 January 1996	- (approximately 474)	623,200
<b>MINETECH REALTY SDN BHD</b>					
1.	SA-0113, SA-0114, SA-SM23, SA-SG17, SA-SG23, SA-SG25, SA-SG26, SA-SG29 Ukay Perdana <b>HS(M) 12614 PT 643 and</b> <b>HS(M) 12615 PT 644</b> <b>Both in Bandar Ulu Kelang</b> <b>Tempat Batu 7 Ulu Kelang</b> <b>(Ukay Perdana)</b> <b>Daerah Gombak</b> <b>Negeri Selangor*</b>	Under construction/ 99 years leasehold/ Expiring on 4 October 2100	8 units commercial shoplots/  No certificate of fitness has been issued as the building is still under construction  7 units were acquired on 30 April 2004  SA-SG26 was acquired on 10 May 2004	- (approximately 731)	2,243,941
<b>MINETECH KOREA PETROLEUM INDUSTRIAL SDN BHD</b>					
1.	Lot 1414 Mukim Ulu Yam District of Hulu Selangor Selangor Darul Ehsan Title: GM 5739	Freehold land and factory building	Factory building/  27 February 2007	14,416.9/ (-)	3,712,725
<b>Grand Total</b>					<b>9,445,379</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 7 MAY 2010

### SHAREHOLDINGS STRUCTURE

<b>Authorised Capital</b>	:	RM100,000,000.00 divided into - 500,000,000 Ordinary Shares of RM0.20 each
<b>Issued and fully paid up capital (excluding shares held as treasury shares)</b>	:	RM60,437,300.00 divided into - 302,186,500 Ordinary Shares of RM0.20 each
<b>Treasury shares</b>	:	285,000 Ordinary Shares of RM0.20 each
<b>Class of shares</b>	:	Ordinary Shares of RM0.20 each
<b>Voting Rights by show of hand</b>	:	One vote for every shareholder
<b>Voting Rights by poll</b>	:	One vote for every ordinary share held

Size of shareholdings	No. of shareholders	%	No. of shareholdings	%*
1 - 99	3	0.296	35	0.000
100 - 1,000	368	36.328	186,250	0.062
1,001 - 10,000	183	18.065	1,253,180	0.415
10,001 - 100,000	324	31.984	13,705,350	4.535
100,001 - 15,109,324 (less than 5% of issued shares)	130	12.833	166,330,920	55.042
15,109,325 (5% of issued shares) and above	5	0.494	120,710,765	39.946
	1,013	100.00	302,186,500	100.00

\* Calculated based on number of shares in issue excluding treasury shares.

### THIRTY LARGEST SHAREHOLDERS FOR ORDINARY SHARES OF RM0.20 EACH

No.	Name	No. of Shares Held	%*
1	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Choy Sen @ Chin Kim Sang (Retail Banking)	40,000,000	13.236
2	HSBC Nominees (Asing) Sdn Bhd Exempt An for HSBC Private Bank (Suisse) S.A. (Spore TST AC CL)	25,070,000	8.296
3	Low Choon Lan	19,992,255	6.615
4	Choy Sen @ Chin Kim Sang	18,285,075	6.050
5	Choy Sen @ Chin Kim Sang	17,363,435	5.745
6	Lye Ek Seang	13,736,000	4.545
7	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choy Sen @ Chin Kim Sang (8036972)	12,500,000	4.136
8	Wan Zaki Bin Wan Muda	12,417,655	4.109
9	Lau Joo Keng	11,836,900	3.917

# ANALYSIS OF SHAREHOLDINGS

## AS AT 7 MAY 2010

### (CONT'D)

#### THIRTY LARGEST SHAREHOLDERS FOR ORDINARY SHARES OF RM0.20 EACH (CONTINUED)

No.	Name	No. of Shares Held	%*
10	Low Choon Lan	8,530,505	2.822
11	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Meoy Kock Haw (CEB)	7,954,400	2.632
12	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Viannie Damit @ Undikai (SFC)	6,891,500	2.280
13	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chin Fah (CEB)	6,681,000	2.210
14	Kerjaya E-Khidmat Sdn Bhd	6,000,000	1.985
15	Concrete Panel Construction Sdn Bhd	5,494,000	1.818
16	Damanjaya Sdn Bhd	4,508,000	1.491
17	Chai Koo Pheng	3,952,870	1.308
18	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Lye Ek Seang (SFC)	3,700,000	1.224
19	Meoy Kock Haw	3,650,000	1.207
20	Leu Leang @ Liew Yong Choy	3,503,500	1.159
21	Lim Say Chong	2,400,000	0.794
22	Lim Shoh Cheng	2,400,000	0.794
23	Low Choon Yen	2,090,050	0.691
24	Poon Tat Wee	2,043,600	0.676
25	Poon Khye Wei	2,032,100	0.672
26	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Yee Kwan (8029182)	1,766,535	0.584
27	Pang Hwee Peng	1,702,325	0.563
28	Koh Kin Lip	1,500,000	0.496
29	Choo Kang Ngee	1,260,030	0.416
30	Low Yit Ho	1,165,600	0.385
	Total	250,427,335	82.871

\* Calculated based on number of shares in issue excluding treasury shares.

# ANALYSIS OF SHAREHOLDINGS

## AS AT 7 MAY 2010

### (CONT'D)

#### LIST OF SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of the ordinary shares of RM0.20 each as per the Register of Substantial Shareholders:

Name	Direct		Indirect	
	No. of Shares Held	%**	No. of Shares Held	%**
Choy Sen @ Chin Kim Sang	88,148,510	29.17	28,522,760*	9.44
Low Choon Lan	28,522,760	9.44	88,148,510*	29.17
HSBC Nominees (Asing) Sdn Bhd Exempt An for HSBC Private Bank (Suisse) S.A. (Spore TST AC CL)	25,070,000	8.30	-	-
Datuk Lye Ek Seang	17,436,000	5.77	6,891,500*	2.28
Datin Viannie Damit @ Undikai	6,891,500	2.28	17,436,000*	5.77

Notes:

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

\*\* Calculated based on number of shares in issue excluding treasury shares.

#### LIST OF DIRECTORS' SHAREHOLDINGS

The Directors' shareholdings of the ordinary shares of RM0.20 each as per the Register of Directors' Shareholdings:

Name	Direct		Indirect	
	No. of Shares Held	%**	No. of Shares Held	%**
Choy Sen @ Chin Kim Sang	88,148,510	29.17	28,522,760*	9.44
Low Choon Lan	28,522,760	9.44	88,148,510*	29.17
Loh Yee Kwan	2,724,035	0.90	2,615,050*	0.87
Datuk Lye Ek Seang	17,436,000	5.77	6,891,500*	2.28
Phoon Sow Cheng	5,000	0.00	-	-
Chai Woon Chew	-	-	-	-
Chin Leong Choy	-	-	-	-
Datuk Syed Tamim Ansari Bin Syed Mohamed	-	-	-	-
Chin Sheong Choy (Alternate Director to Loh Yee Kwan)	-	-	-	-
Chin Yee Teng (Alternate Director to Low Choon Lan)	-	-	-	-

Notes:

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

\*\* Calculated based on number of shares in issue excluding treasury shares.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of Minetech Resources Berhad will be held at Greens II, One Level Up, Main Wing, Tropicana Golf & Country Resort Berhad, Jalan Kelab Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 29 June 2010 at 10.00 a.m., for the purpose of considering the following businesses:**

## AGENDA

### Ordinary Business

1. To lay the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and the Auditors thereon.
2. To approve the payment of Directors' fees of RM73,500.00 for the financial year ended 31 December 2009. **Ordinary Resolution 1**
3. To re-elect the following Directors who retire in accordance with Article 125 of the Company's Articles of Association:
  - (i) Low Choon Lan **Ordinary Resolution 2**
  - (ii) Phoon Sow Cheng **Ordinary Resolution 3**
4. To elect Chin Leong Choy who retires in accordance with Article 130 of the Company's Articles of Association. **Ordinary Resolution 4**
5. To re-appoint Messrs RSM Robert Teo, Kuan & Co. as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix the auditors' remuneration. **Ordinary Resolution 5**

### Special Business

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

6. **Proposed Renewal of Authority on the Purchase of the Company's Own Shares ("Proposed Renewal of Share Buy-Back Authority")** **Ordinary Resolution 6**

"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 ("Bursa Securities") and any other relevant authority, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares of RM0.20 each in the Company's issued and paid-up share capital through the Bursa Securities 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 2009, the audited retained profits of the Company were RM5,491,695.
- (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 Securities or any other relevant authority; and

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(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 Securities and/or cancel all or part of them; or

in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Bursa Securities 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."

### **7. Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 ("Authority to Issue Shares") Ordinary Resolution 7**

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue 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 ten per centum (10%) of the issued capital of the Company at the time of issue and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued, subject to the Companies Act, 1965, the Articles of Association of the Company and approval from the Bursa Malaysia Securities Berhad and other relevant bodies where such approval is necessary."

BY ORDER OF THE BOARD  
**LIM MING TOONG** (MAICSA 7000281)  
**NG LAI YEE** (MAICSA 7031768)  
Company Secretaries

Kuala Lumpur  
Dated this 7<sup>th</sup> day of June 2010

# NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

## 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 but his attendance shall automatically revoke the proxy's authority. 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 10th Floor Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
5. Explanatory Notes on Special Business

### (a) Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 6, 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 Statement in relation to the Proposed Renewal of Share Buy-Back Authority dated 7 June 2010 circulated together with this Annual Report for further information.

### (b) Authority to Issue Shares

The proposed Ordinary Resolution 7, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such 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.

This is the renewal of the mandate obtained from the shareholders at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and no proceeds were raised.

The purpose of this general mandate sought will provide flexibility to the Company for any possible fund raising activities but not limited for further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

## 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 Directors' Profile appearing on pages 5, 6 and 8 of the Annual Report.

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# 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 Eighth Annual General Meeting of Minetech Resources Berhad ("MRB") to be held at Greens II, One Level Up, Main Wing, Tropicana Golf & Country Resort Berhad, Jalan Kelab Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 29 June 2010 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 approve the payment of Directors' fees.		
2. To re-elect Low Choon Lan as Director.		
3. To re-elect Phoon Sow Cheng as Director.		
4. To elect Chin Leong Choy as Director.		
5. To reappoint Messrs RSM Robert Teo, Kuan & Co. as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix the auditors' remuneration.		
<b>Special Business</b>		
6. To approve the Proposed Renewal of Share Buy-Back Authority.		
7. To approve the Authority to Issue Shares.		

(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 ..... 2010

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 but his attendance shall automatically revoke the proxy's authority. 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 10th Floor Menara Hap Seng, No. 1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur at least forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

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The Company Secretary

**MINETECH RESOURCES BERHAD**  
(Co. No. 575543-X)

10th Floor Menara Hap Seng  
No. 1 & 3 Jalan P. Ramlee  
50250 Kuala Lumpur  
Wilayah Persekutuan  
Malaysia

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