**MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

**Selected Explanatory Notes On Quarterly Financial Report**

**For Fourth Quarter Ended 31 December 2010**

1. **Explanatory Notes Pursuant to FRS 134**

## A1 Basis of Preparation

The financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The unaudited financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2009. These explanatory notes attached to the unaudited financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2009.

## A2 Changes in Accounting Policies

The accounting policies, methods of computation and basis of consolidation adopted by the Group in this unaudited financial report are consistent with those used in the preparation of the audited financial statements for the financial year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standards (“FRSs”), Amendments to FRSs and interpretations by the Group with effect from 1 January 2010:

|  |  |  |
| --- | --- | --- |
| FRS 4 | : | Insurance Contracts |
| FRS 7 | : | Financial Instruments: Disclosures |
| FRS 8 | : | Operating Segments |
| FRS 101 | : | Presentation of Financial Statements (as revised in 2009) |
| FRS 123 | : | Borrowing Costs |
| FRS 139 | : | Financial Instruments: Recognition and Measurement |
| Amendments to FRS 1 | : | First-time Adoption of Financial Reporting Standards and |
| and FRS 127 |  | Consolidated and Separate Financial Statements: Cost of |
|  |  | an investment in a Subsidiary, Jointly Controlled Entity or |
|  |  | Associates |
| Amendments to FRS 2 | : | Share-based Payment Vesting Conditions and Cancellations |
| Amendments to FRS 5 | : | Non-current Assets Held for Sale and Discontinued Operations |
| Amendments to FRS 8 | : | Operating Segments |
| Amendments to FRS 107 | : | Cash Flow Statements |
| Amendments to FRS 108 | : | Accounting Policies, Changes in Accounting Estimates and Errors |
| Amendments to FRS 110 | : | Events After the Reporting Period |
| Amendments to FRS 117 | : | Leases |
| Amendments to FRS 119 | : | Employee Benefits |

## A2 Changes in Accounting Policies (cont’d)

The accounting policies, methods of computation and basis of consolidation adopted by the Group in this unaudited financial report are consistent with those used in the preparation of the audited financial statements for the financial year ended 31 December 2009, except for the adoption of the following new Financial Reporting Standards (“FRSs”), Amendments to FRSs and interpretations by the Group with effect from 1 January 2010:

|  |  |  |
| --- | --- | --- |
| Amendments to FRS 120 | : | Accounting for Government Grants and Disclosure of |
|  |  | Government Assistance |
| Amendments to FRS 123 | : | Borrowing Costs |
| Amendments to FRS 128 | : | Investments in Associates |
| Amendments to FRS 129 | : | Financial Reporting in Hyperinflationary Economies |
| Amendments to FRS 131 | : | Interest in Joint Ventures |
| Amendments to FRS 132 | : | Financial Instruments: Presentation |
| Amendments to FRS 134 | : | Interim Financial Reporting |
| Amendments to FRS 138 | : | Intangible Assets |
| Amendments to FRS 140 | : | Investment Property |
| Amendments to FRS 7  FRS 139 and IC | : | Financial Instruments: Recognition and Measurements, Disclosure and Reassessment of Embedded Derivatives |
| Interpretation 9 |  |  |
| IC Interpretation 9 | : | Reassessment of Embedded Derivatives |
| IC Interpretation 10 | : | Interim Financial Reporting and Impairment |
| IC Interpretation 11 | : | FRS 2 – Group and Treasury Share Transactions |
| IC Interpretation 13 | : | Customer Loyalty Programmes |
| IC Interpretation 14 | : | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The above new FRSs, Amendments to FRSs and interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes arising from the adoption FRS 8 and FRS 101 as discussed below:

1. FRS 8: Operating Segments

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. As a result, the Group’s external segmental reporting had been presented based on the internal reporting to the management, who make decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or result of the Group.

1. FRS 101: Presentation Of Financial Statements

The revised FRS 101 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expenses recognised in the period. This statement may be presented in one single statement, or two linked statements. As this is a disclosure standard, there will be no impact to the financial position or results of the Group.

**A3 Auditors’ Report on the Preceding Annual Financial Statements**

The auditors’ report on the financial statements for the year ended 31 December 2009 was not qualified.

## A4 Seasonal or Cyclical Factors

The businesses of the group are in oil palm development and plywood manufacturing operation. The group businesses are subjected to seasonal or cyclical factors.

## A5 Unusual Items Due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period.

## A6 Material Changes in Estimated of Amounts

There were no material changes in estimates, which would materially affect the results of the current unaudited financial period.

## A7 Changes in Debt and Equity Securities

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities during the unaudited financial period.

## A8 Dividend Paid

On August 2010, the Company paid a first and final dividend of 2 sen per share on 60,000,000 ordinary shares, less income tax of 25% amounting to RM900,000 in respect of the financial year ended 31 December 2009. The dividend was approved by members at the AGM on 28 June 2010.

## A9 Segmental Information

The Group is organised into three main business segments:

|  |  |  |
| --- | --- | --- |
| Manufacturing | - | timber extraction, manufacturing and trading in timber products |
| Plantation | - | Oil palm plantation |
| Mining | - | Sales of iron ore |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Period ended 31**  **December 2010** | **Manufacturing** |  | **Plantation** |  | **Mining** |  | **Others** |  | **Group** |
|  | **RM’000** |  | **RM’000** |  | **RM’000** |  | **RM’000** |  | **RM’000** |
| **Revenue** |  |  |  |  |  |  |  |  |  |
| External sales | - |  | 5,159 |  | 5,500 |  | - |  | 10,659 |
|  |  |  |  |  |  |  |  |  |  |
| **Results** |  |  |  |  |  |  |  |  |  |
| Segment results (external) | (10,946) |  | 510 |  | 5,048 |  | 132 |  | (5,256) |
| Finance cost |  |  |  |  |  |  |  |  | (591) |
| Loss from ordinary |  |  |  |  |  |  |  |  |  |
| activities before tax |  |  |  |  |  |  |  |  | (5,847) |
| Tax expenses |  |  |  |  |  |  |  |  | (1,571) |
| Loss for the year |  |  |  |  |  |  |  |  | (7,418) |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

## A9 Segmental Information (cont’d)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Period ended 31**  **December2009** | **Manufacturing** |  | **Plantation** |  | **Mining** |  | **Others** |  | **Group** |
|  | **RM’000** |  | **RM’000** |  | **RM’000** |  | **RM’000** |  | **RM’000** |
| **Revenue** |  |  |  |  |  |  |  |  |  |
| External sales | 11,271 |  | 3,385 |  | - |  | - |  | 14,656 |
|  |  |  |  |  |  |  |  |  |  |
| **Results** |  |  |  |  |  |  |  |  |  |
| Segment results (external) | 8,532 |  | (794) |  | (377) |  | (137) |  | 7,224 |
| Finance cost |  |  |  |  |  |  |  |  | (563) |
| Profit from ordinary |  |  |  |  |  |  |  |  |  |
| activities before tax |  |  |  |  |  |  |  |  | 6,661 |
| Tax expenses |  |  |  |  |  |  |  |  | (164) |
| Profit for the year |  |  |  |  |  |  |  |  | 6,497 |

## A10 Valuation of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward, without amendment from the audited financial statements for the year ended 31 December 2009.

**A11** **Subsequent Events**

**T**here were no material events subsequent to the end of the current quarter financial period ended 31 December 2009 up to the date of this report that have not been reflected in the interim financial statements.

## A12 Changes in the Composition of the Group

There were no changes in composition of the Group for the current quarter including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

## A13 Changes in Contingent Liabilities and Contingent Assets

There were no changes in other contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2009.

## A14 Capital Commitments

## The amount of commitments for the development cost for new area at Sungai Lembing Estate not provided for in the financial statements as at 31 December 2010 is as follows:

|  |  |
| --- | --- |
|  | RM |
| Approved and contracted for | 4,495,364 |

**B**. **Bursa Malaysia listing requirements (part A of Appendix 9B)**

### B1 Review of Performance

The revenue for the financial period ended 31 December 2010 was lower at RM10.66 million compared to RM14.66 million for the corresponding period last year. The decrease in revenue for the financial period was due to decrease in sales of exclusive logging works and fellable timber.

The Group recorded RM5.85 million losses before tax for the financial period ended 31 December 2010 as compared to RM6.66 million profit for the previous financial period. The variance in the results was due to no sale of exclusive logging works and fellable timber.

## B2 Material Changes in the Quarterly Results

For the quarter under review, the Group made RM3.10 million loss compared to RM0.20 million profit for the previous quarter. This was substantially attributable to the retrenchment cost incurred and recognisation of loss on disposal of building, plant and machineries.

## B3 Current Year Prospects

The Company expects continued contribution from the plantation sector to the overall performance of Company. The annual timber concession quota granted by the State Government will improve the company’s earnings for the current year. The plywood manufacturing operation has been suspended due to escalating cost. The Company also expects revenue from mining activities in iron ore to contribute to the group’s earnings.

Barring any unforeseen circumstances, the Board of Directors is of the view that the Group will record favorable performance for the financial year ending 31 December 2011.

## B4 Variance from Profit Forecast/Profit Guarantee

Not applicable in this quarterly report.

**B5** **Taxation**

## 

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 3 months ended | | |  | 12 months ended | | |
|  |  | 2010 |  | 2009 |  | 2010 |  | 2009 |
| Current tax: |  | RM’000 |  | RM’000 |  | RM’000 |  | RM’000 |
| Malaysian income tax |  | 1,154,000 |  | - |  | 1,154,000 |  | - |
| Deferred tax |  | 417,000 |  | 164 |  | 417,000 |  | 164 |
| Total income tax expense |  | 1,571,000 |  | 164 |  | 1,154,000 |  | 164 |

## B6 Profit/Loss on sale of investments and / or properties

There were no profits or losses on sales of investments and / or properties for the current financial period.

## B7 Particulars of purchase or disposal quoted securities

There was no purchase or disposal of quoted securities of the group for the financial period.

## B8 Status of the Corporate Proposals

There were no corporate proposals announced from the date of the last quarterly report to the date of this announcement.

## B9 Group Borrowings

As at 31 December 2010, the Group borrowings are as follows:

## 

|  |  |  |  |
| --- | --- | --- | --- |
|  | 31 December 2010 |  | 31 December 2009 |
|  | RM’000 |  | RM’000 |
| Borrowings: |  |  |  |
| Term loan (secured) | 10,135 |  | 8,806 |
|  | 10,135 |  | 8,806 |

## B10 Off Balance Sheet Financial Instruments

There is no financial instrument with off-balance sheet risk as at the date of this report.

## B11 Material Litigation

The list of material litigation is attached as **Annexure 1**

## B12 Dividend Payable

No interim dividend has been recommended for the current financial to date.

## B13 Earnings per share

|  |  |  |  |
| --- | --- | --- | --- |
|  | Current |  | Comparative |
|  | quarter ended |  | quarter ended |
|  | 31 December 2010 |  | 31 December 2009 |
| Basic earnings per share |  |  |  |
| Profit/(loss) for the period (RM’000) | (4,669) |  | 1,901 |
|  |  |  |  |
| Number of shares in issue during the |  |  |  |
| Period (RM’000) | 60,000 |  | 60,000 |
|  |  |  |  |
| Weighted average number of shares |  |  |  |
| In issue (RM’000) | 60,000 |  | 60,000 |
|  |  |  |  |
| Basic earnings per share (sen) | (7.78) |  | 3.17 |

## B13 Earnings per share (Con’t)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Current |  | Comparative |
|  | quarter ended |  | quarter ended |
|  | 31 December 2010 |  | 31 December 2009 |
| Diluted earnings per share |  |  |  |
| Profit/(loss) for the period (RM’000) | (4,699) |  | 1,901 |
| Add: RCPS interest | 148 |  | 140 |
| Profit/(loss) for computation of diluted EPS | (4,521) |  | 2,041 |
|  |  |  |  |
| Weighted average number of shares |  |  |  |
| In issue (RM’000) | 60,000 |  | 60,000 |
|  |  |  |  |
| Dilutive effect of conversion of Redeemable |  |  |  |
| Convertible Preference Shares (RM’000) | 10,000 |  | 10,000 |
|  |  |  |  |
| Effect of conversion of ESOS at par value  (RM’000) | 7,969 |  | 7,969 |
|  |  |  |  |
| Diluted earnings per share (sen) | (5.80) |  | 2.62 |

## B14 Realised and Unrealised Profit or Losses Disclosure

|  |  |  |  |
| --- | --- | --- | --- |
|  | Current |  | Immediate |
|  | quarter ended |  | quarter ended |
|  | 31 December 2010 |  | 30 September 2010 |
| Total accumulated losses of the Company and it’s subsidiaries |  |  |  |
| * Realised (RM’000) | (64,009) |  | (59,765) |
| * Unrealised in respect of deferred tax recognised in the income statement (RM’000) | (417) |  | - |
| Total group (accumulated losses) as per consolidated |  |  |  |
| accounts (RM’000) | (64,426) |  | (59,765) |

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements,* issued by the Malaysian Institute of Accountant on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for the purpose of complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

On behalf of the Board

**MENTIGA CORPORATION BERHAD**

YEAP KOK LEONG

Company Secretary

Kuala Lumpur