**MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

**Selected Explanatory Notes On Quarterly Financial Report**

**For Second Quarter Ended 30 June 2011**

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 2010. 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 2010.

## 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 2010.

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

The auditors’ report on the financial statements for the year ended 31 December 2010 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

There were no dividends paid or declared during the financial period.

## 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 30**  **June 2011** | **Manufacturing** |  | **Plantation** |  | **Mining** |  | **Others** |  | **Group** |
|  | **RM’000** |  | **RM’000** |  | **RM’000** |  | **RM’000** |  | **RM’000** |
| **Revenue** |  |  |  |  |  |  |  |  |  |
| External sales | 4,630 |  | 2,842 |  | 2,400 |  | - |  | 9,872 |
|  |  |  |  |  |  |  |  |  |  |
| **Results** |  |  |  |  |  |  |  |  |  |
| Segment results (external) | 287 |  | 228 |  | 2,164 |  | (125) |  | 2,554 |
| Finance cost |  |  |  |  |  |  |  |  | (310) |
| Profit from ordinary |  |  |  |  |  |  |  |  |  |
| activities before tax |  |  |  |  |  |  |  |  | 2,244 |
| Tax expenses |  |  |  |  |  |  |  |  | (536) |
| Profit for the year |  |  |  |  |  |  |  |  | 1,708 |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Period ended 30**  **June 2010** | **Manufacturing** |  | **Plantation** |  | **Mining** |  | **Others** |  | **Group** |
|  | **RM’000** |  | **RM’000** |  | **RM’000** |  | **RM’000** |  | **RM’000** |
| **Revenue** |  |  |  |  |  |  |  |  |  |
| External sales | - |  | 1,754 |  | 630 |  | - |  | 2,384 |
|  |  |  |  |  |  |  |  |  |  |
| **Results** |  |  |  |  |  |  |  |  |  |
| Segment results (external) | (2,472) |  | (462) |  | 416 |  | (139) |  | (2,657) |
| Finance cost |  |  |  |  |  |  |  |  | (295) |
| Loss from ordinary |  |  |  |  |  |  |  |  |  |
| activities before tax |  |  |  |  |  |  |  |  | (2,952) |
| Tax expenses |  |  |  |  |  |  |  |  | - |
| Loss for the year |  |  |  |  |  |  |  |  | (2,952) |

## 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 2010.

**A11** **Subsequent Events**

There were no material events subsequent to the end of the current quarter financial period ended 30 June 2011 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 financial position as at 31 December 2010.

## 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 30 June 2011 is as follows:

|  |  |
| --- | --- |
|  | RM |
| Approved and contracted for | 4,510,058 |

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

### B1 Review of Performance

The revenue for the financial period ended 30 June 2011 was higher at RM9.87 million compared to RM2.38 million for the corresponding period last year. The increase in revenue for the financial period was due to increase in sales of exclusive logging works and fellable timber, sale of fresh fruit bunches and sales of iron ore.

The Group recorded RM2.24 million profits before tax for the financial period ended 30 June 2011 as compared to RM2.95 million losses for the corresponding period last year. The higher of profit during the financial period was due to increase in sale of exclusive logging works and fellable timber, sale of fresh fruit bunches and sales of iron ore.

## B2 Material Changes in the Quarterly Results

For the quarter under review, the Group made RM2.29 million losses before tax compared to RM4.54 million profits for the previous quarter. The substantial increase of profits during the previous quarter was due to sales of exclusive logging works and fellable timber and sales of iron ore.

## B3 Current Year Prospects

The Company expects continuous contribution from the plantation sector to the overall performance of the 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 ceased due to escalating cost. The Company also expects revenue from mining activities in iron ore will 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 | | |
|  |  | 2011 |  | 2010 |  | 2011 |  | 2010 |
| Current tax: |  | RM’000 |  | RM’000 |  | RM’000 |  | RM’000 |
| Malaysian income tax |  | 357 |  | - |  | 536 |  | - |
| Deferred tax |  |  |  | - |  | - |  | - |
| Total income tax expense |  | 357 |  | - |  | 536 |  | - |

## 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 30 June 2011, the Group borrowings are as follows:

## 

|  |  |  |  |
| --- | --- | --- | --- |
|  | 30 June 2011 |  | 30 June 2010 |
|  | RM’000 |  | RM’000 |
| Borrowings: |  |  |  |
| Term loan (secured) | 10,957 |  | 8,806 |
|  | 10,957 |  | 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 |
|  | 30 June 2011 |  | 30 June 2010 |
| Basic earnings per share |  |  |  |
| Loss for the period (RM’000) | (2,652) |  | (1,571) |
|  |  |  |  |
| 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) | (4.42) |  | (2.62) |

## B13 Earnings per share (Con’t)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Current |  | Comparative |
|  | quarter ended |  | quarter ended |
|  | 30 June 2011 |  | 30 June 2010 |
| Diluted earnings per share |  |  |  |
| Loss for the period (RM’000) | (2,652) |  | (1,571) |
| Add: RCPS interest | 155 |  | 147 |
| Profit/(loss) for computation of diluted EPS | (2,497) |  | (1,424) |
|  |  |  |  |
| 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) | (3.20) |  | (1.83) |

## B14 Realised and Unrealised Profit or Losses Disclosure

|  |  |  |  |
| --- | --- | --- | --- |
|  | Current |  | Immediate |
|  | quarter ended |  | quarter ended |
|  | 30 June 2011 |  | 31 December 2010 |
| Total accumulated losses of the Company and it’s subsidiaries |  |  |  |
| * Realised (RM’000) | (62,718) |  | (64,009) |
| * Unrealised in respect of deferred tax recognised in the comprehensive income (RM’000) | - |  | (417) |
| Total group (accumulated losses) as per consolidated accounts (RM’000) | (62,718) |  | (64,426) |
|  |  |  |  |

On behalf of the Board

**MENTIGA CORPORATION BERHAD**

YEAP KOK LEONG

Company Secretary

Kuala Lumpur