**MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2011

## 1 Basis of Preparation

The condensed consolidated interim financial statements is unaudited and has 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.

## 2 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 except the adoption and their effects of the following new/revised Financial Reporting Standards (“FRS”) and IC Interpretations effective 1 January 2011 as disclosed below:

|  |  |  |
| --- | --- | --- |
| FRS 1 | : | First-time Adoption of Financial Reporting Standards |
| FRS 3 | : | Business Combinations (revised) |
| Amendments to FRS 1 | : | Limited Exemption from Comparative FRS 7 Disclosure for First Time Adopters |
| Amendments to FRS 1 | : | Additional Exemptions for First-time Adopters |
| Amendments to FRS 2 | : | Group Cash-settled Share-based Payment Transactions |
| Amendments to FRS 5 | : | Non-current Assets held for sale and Discontinued Operations |
| Amendments to FRS 7 | : | Improving Disclosures about Financial Instruments |
| Amendments to FRS 132 | : | Classification of Right Issue |
| Amendments to FRS 138 | : | Intangible Assets |
| IC Interpretation 4 | : | Determining Whether an Arrangement Contains a Lease |
| IC Interpretation 12 | : | Service Concession Arrangements |
| IC Interpretation 16 | : | Hedges of a Net Investment in a Foreign Operation |
| IC Interpretation 17 | : | Distributions of Non-cash Assets to Owners |
| IC Interpretation 18 | : | Transfer of Assets from Customers |
| Amendments to IC  Interpretation 9 | : | Re-assessment of Embedded Derivatives |

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group.

**MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2011

## 2 Changes in Accounting Policies (con’t)

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  | Effective for annual periods beginning on or after |
| Amendments to IC Interpretation 14 | : | Prepayments of a Minimum Funding Requirement | 1 July 2011 |
| Amendments to IC interpretations 19 | : | Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |
| Amendments to FRS 1 | : | Severe Hyperinflation and Removal of Fixed dates for First-time Adopters | 1 Jan 2012 |
| Amendments to FRS 7 | : | Disclosures – Transfers of Financial Assets | 1 Jan 2012 |
| Amendments to FRS 112 | : | Disclosures – Deferred Tax: Recovery of Underlying Assets | 1 Jan 2012 |
| FRS 124 | : | Related Party Disclosures (revised) | 1 Jan 2012 |

**3 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.

## 4 Seasonal or Cyclical Factors

The businesses of the group are in oil palm development, timber related activities and mining. The group businesses are subjected to seasonal or cyclical factors.

## 5 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.

## 6 Material Changes in Estimated of Amounts Reported

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

**MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2011

## 7 Changes in Share Capital

There were no cancellations, repurchases, resale of equity securities for the current quarter except for the following:

1. New Ordinary Shares

On the 15 December 2011, the Company issued 10,000,000 of Ordinary Shares to Amanah Saham Pahang Berhad at a nominal amount of RM1 each, pursuant to the conversion of the Redeemable Convertible Preference Shares (“RCPS”).

## 8 Dividend Paid

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

## 9 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 2011** | **Manufacturing** |  | **Plantation** |  | **Mining** |  | **Others** |  | **Group** |
|  | **RM’000** |  | **RM’000** |  | **RM’000** |  | **RM’000** |  | **RM’000** |
| **Revenue** |  |  |  |  |  |  |  |  |  |
| External sales | 6,108 |  | 6,462 |  | 5,815 |  | - |  | 18,385 |
|  |  |  |  |  |  |  |  |  |  |
| **Results** |  |  |  |  |  |  |  |  |  |
| Segment results (external) | 1,145 |  | 1,571 |  | 5,295 |  | (247) |  | 7,764 |
| Finance cost |  |  |  |  |  |  |  |  | (2,152) |
| Profit from ordinary |  |  |  |  |  |  |  |  |  |
| activities before tax |  |  |  |  |  |  |  |  | 5,612 |
| Tax expenses |  |  |  |  |  |  |  |  | (1,158) |
| Profit for the year |  |  |  |  |  |  |  |  | 4,454 |

**MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2011

## 9 Segmental Information (con’t)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **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) |

## 10 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.

**11** **Subsequent Events**

Other than the matter mentioned in note B8 below relating to proposed surrender of Pekan land, there were no material events subsequent to the end of the current quarter financial period ended 31 December 2011 up to the date of this report that have been reflect in the interim financial statements.

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## 12 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.

## 13 Changes in Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets since the last annual financial position as at 31 December 2010.

## 14 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 2011 is as follows:

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

**MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2011

### 15 Review of Performance

|  |  |  |  |
| --- | --- | --- | --- |
|  | Year to Date | | |
|  | 31 December 2011 |  | 31 December 2010 |
|  | RM’000 |  | RM’000 |
| **Revenue:** |  |  |  |
| Fellable timber and exclusive logging works | 6,108 |  | - |
| Iron ore | 5,815 |  | 5,500 |
| Oil palm – Fresh Fruit Bunches (“FFB”) | 6,462 |  | 5,159 |
| **Group** | 18,384 |  | 10,659 |
|  |  |  |  |
| **Profit/(loss) before tax** |  |  |  |
| Fellable timber and exclusive logging works | (1,007) |  | (11,537) |
| Iron ore | 5,295 |  | 5,048 |
| Oil Palm – Fresh Fruit Bunches (“FFB”) | 1,571 |  | 510 |
| Others | (247) |  | 132 |
| **Group** | 5,612 |  | (5,847) |

The Group’s revenue for the financial period ended 31 December 2011 was higher at RM18.38 million compared to RM10.66 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 RM5.61 million profits before tax for the financial period ended 31 December 2011 as compared to RM5.85 million losses for the corresponding period last year. The Group’s result was mainly contributed by oil palm and iron ore segment which reported profit before tax of RM5.30 million and RM1.57 million respectively.

**MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2011

## 16 Material Changes in the profit before taxation for the quarter compared to the immediate

## preceding quarter

|  |  |  |  |
| --- | --- | --- | --- |
|  | Individual Quarter | | |
|  | 31 December 2011 |  | 31 September 2010 |
|  | RM’000 |  | RM’000 |
| **Revenue:** |  |  |  |
| Fellable timber and exclusive logging works | - |  | 1,477 |
| Iron ore | 1,576 |  | 1,500 |
| Oil palm – Fresh Fruit Bunches (“FFB”) | 1,915 |  | 2,045 |
| **Group** | 3,491 |  | 5,022 |
|  |  |  |  |
| **Profit/(loss) before tax** |  |  |  |
| Fellable timber and exclusive logging works | (1,344) |  | 360 |
| Iron ore | 1,802 |  | 1,329 |
| Oil Palm – Fresh Fruit Bunches (“FFB”) | 642 |  | 700 |
| Others | (53) |  | (68) |
| **Group** | 1,047 |  | 2,321 |

For the quarter under review, the Group reported RM1.05 million profits before tax compared to RM2.32 million for the previous quarter. The significant decrease of profits during the quarter was due to lower output of Fresh Fruit Bunches production due to raining season and no sales of exclusive logging works and fellable timber.

## 17 Prospects

Moving forward to 2012, 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 year 2012. The Company also expects revenue from mining activities in iron ore to contribute positively 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 2012.

## 18 Variance from Profit Forecast/Profit Guarantee

Not applicable in this quarterly report.

**MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2011

**19** **Taxation**

## 

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 3 months ended  31 December | | |  | 12 months ended  31 December | | |
|  |  | 2011 |  | 2010 |  | 2011 |  | 2010 |
| Current tax: |  | RM’000 |  | RM’000 |  | RM’000 |  | RM’000 |
| Malaysian income tax |  | 435,321 |  | 1,154,000 |  | 1,341,500 |  | 1,154,000 |
| Deferred tax |  | (183,850) |  | 417,000 |  | (183,000) |  | 417,000 |
| Total income tax expense |  | 251,471 |  | 1,571,000 |  | 1,158,500 |  | 1,571,000 |

## 20 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.

## 21 Particulars of purchase or disposal quoted securities

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

## 22 Status of the Corporate Proposals

The corporate proposals were announced but not completed at the date of this report are as

follows:

On 26 August 2011, the Company made an announcement that the State Government of Pahang

has vide its letter dated 22 August 2011 (ref no. SUK.PHG/UPEN.002(s)/7.243JLD.2(37)), which

was received on 24 August 2011, approved the following in relation to the Proposed Surrender of

Pekan Land (“Approval Letter”):

1. Subject to the Mentiga shareholders’ approval at an Extraordinary General Meeting (“EGM”) to be convened later, the State Government of Pahang is agreeable to the proposed surrender of two (2) parcels of Land owned by Mentiga identified as HS(D) 145 PT 1449 and HS(D) 3364 PT2204 located at Mukim Langgar, District of Pekan, Pahang Darul Makmur (“Pekan Land”) to the State Government of Pahang, in accordance with Section 197 of the National Land Code. In consideration thereto, the State Government of Pahang will compensate Mentiga with the following four (4) parcels of land with an aggregate land size of 13,112.00 acres valued at not less than RM20.00 million for the development of oil palm estate (“Consideration Land”):
2. Two (2) parcels of land with land area of 4,767.00 acres and 1,833.00 acres respectively located at Mukim Ulu Lepar, District of Kuantan, Pahang Darul Makmur valued at RM1,525.00 per acre;
3. One (1) parcel of land with land area of 3,881.00 acres located at Mukim Hulu Cheka, District of Jerantut, Pahang darul Makmur valued at RM1,525.00 per acre; and

**MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2011

## 22 Status of the Corporate Proposals (con’t)

1. One (1) parcel of land with land area of 2,631.00 acres located at Mukim Penor, District of Kuantan, Pahang Darul Makmur valued at RM1,525.00 per acre,

(herein referred to as “Proposed Surrender of Pekan Land”)

1. Mentiga to convene an EGM to obtain shareholders’ approval in relation to the Proposed Surrender of Pekan Land expeditiously;
2. The Directors of Lands and Minerals of Pahang to remove and uplift the Malay Reserve restriction on the 3,881 acres land located in Hulu Cheka, District of Jerantut, Pahang Darul Makmur and the aforementioned status to be accorded on a replacement land to be identified later by the said Department; and
3. Mentiga to procure assistance from the Land Administration of the District of Jerantut to resolve the illegal development on the land located in Hulu Cheka, District of Jerantut, Pahang Darul Makmur.

Premised on the abovementioned decision, Mentiga is to undertake the following:

1. Mentiga to convene an EGM to obtain shareholders’ approval in relation to the Proposed Surrender of Pekan Land expeditiously;
2. Subject to the EGM’s decision, Mentiga is to:
3. Submit Form 12A Application for Surrender of Land to the Land Administrator of District of Pekan;
4. Submit Form 1 Application for State Land to the relevant Land Administrator for the development of oil palm estate on the Consideration Land: and
5. Apply officially to the Director of Lands and Minerals of Pahang to obtain approval for early access into the Consideration Land for survey and pre-development works.

On 30 September 2011, OSK Investment Bank Berhad had, on behalf of the Board of Directors of

Mentiga, announced the details of the Proposed Surrender of Pekan Land to Bursa Malaysia

Securities Berhad.

The proposed Surrender of Pekan Land had been approved in the Company’s Extraordinary General Meeting held on 15 December 2011.

The Company expect the Proposed Surrender of Pekan Land will be completed in June 2012.

**MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2011

## 23 Group Borrowings

As at 31 December 2011, the Group borrowings are as follows:

## 

|  |  |  |  |
| --- | --- | --- | --- |
|  | 31 December 2011 |  | 31 December 2010 |
|  | RM’000 |  | RM’000 |
| Borrowings: |  |  |  |
| Term loan (secured) | 11,912 |  | 10,135 |
| Hire Purchase Liabilities (secured) | 92 |  | - |
|  | 12,004 |  | 10,135 |

## 24 Material Litigation

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

## 25 Proposed dividend

The Board of Directors had proposed the payment of first and final dividend of 2 sen per share

on 70,000,000 ordinary shares, less income tax of 25%, amounting to RM1,050,000 for the year

ended 31 December 2011. The proposed dividend is subject to the approval of the shareholders

at the forthcoming Annual General Meeting of the Company.

## 26 Earnings per share

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Individual Quarter  3 months ended | | |  | Comparative Quarter  12 months ended | | |
|  |  |
|  | 31.12.2011 |  | 31.12.2010 |  | 31.12.2011 |  | 31.12.2010 |
| Basic earnings per share |  |  |  |  |  |  |  |
| Profit/(loss) for the period (RM’000) | 692 |  | (4,669) |  | 4,454 |  | (7,418) |
|  |  |  |  |  |  |  |  |
| Number of shares in issue  during the period (RM’000) | 70,000 |  | 60,000 |  | 70,000 |  | 60,000 |
|  |  |  |  |  |  |  |  |
| Weighted average number of  shares in issues (RM’000) | 70,000 |  | 60,000 |  | 70,000 |  | 60,000 |
|  |  |  |  |  |  |  |  |
| Basic earnings per share (sen) | 0.99 |  | (7.78) |  | 6.36 |  | (12.36) |

**MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2011

## 26 Earning per share (con’t)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Individual Quarter  3 months ended | | | Comparative Quarter  12 months ended | | | |
|  | 31.12.2011 |  | 31.12.2010 |  | 31.12.2011 |  | 31.12.2010 |
| Diluted earnings per share |  |  |  |  |  |  |  |
| Profit/(loss) for the period  (RM’000)  Add: RCPS interest | 692    1,687 |  | (4,669)  148 |  | 4,454  2,152 |  | (7,418)  591 |
| Profit/(loss) for computation  of diluted EPS | 2,379 |  | 4,521 |  | 6,606 |  | (6,827) |
|  |  |  |  |  |  |  |  |
| Weighted average number of  Shares in issue (RM’000) | 70,000 |  | 60,000 |  | 70,000 |  | 60,000 |
|  |  |  |  |  |  |  |  |
| Dilutive effect of conversion  of Redeemable Convertible |  |  |  |  |  |  |  |
| Preference Shares (RM,000) | - |  | 10,000 |  | - |  | 10,000 |
| Effect conversion of ESOS at  par value (RM’000) | 7,969 |  | 7,969 |  | 7,969 |  | 7,969 |
|  |  |  |  |  |  |  |  |
| Basic earnings per share (sen) | 3.05 |  | (5.80) |  | 8.47 |  | (8.76) |

**27. Realised and Unrealised Profit or Losses Disclosure**

|  |  |  |  |
| --- | --- | --- | --- |
|  | As at |  | As at |
|  | 31 December 2011 |  | 31 December 2010 |
| Total accumulated losses of the Company and it’s subsidiaries |  |  |  |
| * Realised (RM’000) | (58,742) |  | (64,009) |
| * Unrealised in respect of deferred tax recognised in the comprehensive income (RM’000) | (183) |  | (417) |
| Total group accumulated losses as per  consolidated accounts (RM’000) | (58,925) |  | (64,426) |
|  |  |  |  |

## 28 Comparative Figures

Certain comparative figures of the condensed consolidated statement of comprehensive income

have been restated to conform with current period’s presentation.

**MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2011

**29 Authorisation for Issue of Report**

The unaudited interim financial statements were authorised for issue on 27 February 2012 by the

Board of Directors.

On behalf of the Board

**MENTIGA CORPORATION BERHAD**

YEAP KOK LEONG

Company Secretary

Kuala Lumpur