

## **MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements  
For The Period Ended 30 September 2012

### **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 2011. 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 2011.

### **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 2011.

### **3 Auditors' Report on the Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2011 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.

### **7 Changes in Share Capital**

There were no cancellations, repurchases, resale of equity securities for the current quarter.

### **8 Dividend Paid**

On 10 August 2012, the Company paid a 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 in respect of the financial year ended 31 December 2011. The dividend was approved by members at the AGM on 28 June 2012.

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**9 Segmental Information**

The Group is organised into three main business segments:

- Timber Products - timber extraction and trading in related timber products
- Plantation - Oil palm plantation
- Mining - Sales of iron ore

<b>Period ended 30 September 2012</b>	<b>Timber Products RM'000</b>	<b>Plantation RM'000</b>	<b>Mining RM'000</b>	<b>Others RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>					
External sales	101	4,145	9,199	-	13,445
<b>Results</b>					
Segment results (external)	(795)	212	8,617	(435)	7,599
Finance cost					(1)
Profit from ordinary activities before tax					7,598
Tax expenses					(913)
Profit for the year					6,685

<b>Period ended 30 September 2011</b>	<b>Timber Products RM'000</b>	<b>Plantation RM'000</b>	<b>Mining RM'000</b>	<b>Others RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>					
External sales	6,108	4,886	3,900	-	14,894
<b>Results</b>					
Segment results (external)	802	929	3,492	(193)	5,030
Finance cost					(465)
Profit from ordinary activities before tax					4,565
Tax expenses					(803)
Profit for the year					3,762

**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 2011.

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**11 Subsequent Events**

Other than the matter mentioned in note 22 below relating to proposed surrender of Pekan land, there were no material events subsequent to the end of the current quarter financial period ended 30 September 2012 up to the date of this report that have been reflect in the interim financial statements.

**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 2011.

**14 Capital Commitments**

There were no capital commitments incurred by the company for the current financial period.

**15 Review of Performance**

	Year to Date	
	30 September 2012	30 September 2011
	RM'000	RM'000
<b>Revenue:</b>		
Fellable timber and exclusive logging works	101	6,108
Iron ore	9,199	3,900
Oil palm – Fresh Fruit Bunches (“FFB”)	4,145	4,886
<b>Group</b>	<b>13,445</b>	<b>14,894</b>
<b>Profit/(loss) before tax</b>		
Fellable timber and exclusive logging works	(795)	337
Iron ore	8,616	3,492
Oil Palm – Fresh Fruit Bunches (“FFB”)	212	929
Others	(435)	(193)
<b>Group</b>	<b>7,598</b>	<b>4,565</b>

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**15 Review of Performance (con't)**

The Group's revenue for the financial period ended 30 September 2012 was lower at RM13.45 million compared to RM14.89 million for the corresponding period last year. The increase in revenue for the previous financial period was due to increase in sales of exclusive logging works and fellable timber.

The Group recorded RM7.60 million profits before tax for the financial period ended 30 September 2012 as compared to RM4.56 million for the corresponding period last year. The Group's result was mainly contributed by iron ore which reported profit before tax of RM8.62 million.

**16 Material Changes in the Profit Before Taxation for the Quarter Compared to the Immediate Preceding Quarter**

	<u>Individual Quarter</u>	
	<u>30 September 2012</u>	<u>30 June 2012</u>
	<u>RM'000</u>	<u>RM'000</u>
<b>Revenue:</b>		
Fellable timber and exclusive logging works	-	-
Iron ore	3,931	2,732
Oil palm – Fresh Fruit Bunches (“FFB”)	1,576	1,148
<b>Group</b>	<u>5,507</u>	<u>3,880</u>
<b>Profit/(loss) before tax</b>		
Fellable timber and exclusive logging works	(491)	(1,378)
Iron ore	3,645	2,580
Oil Palm – Fresh Fruit Bunches (“FFB”)	31	(212)
Others	(308)	(65)
<b>Group</b>	<u>2,877</u>	<u>925</u>

For the quarter under review, the Group reported RM2.88 million profits before tax compared to RM0.93 million for the previous quarter. The significant increase of profits during the quarter was due to sales of iron ore.

**17 Prospects**

For the current year, the Company expects revenue from mining activities in iron ore and oil palm 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 2012.

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**18 Variance from Profit Forecast/Profit Guarantee**

Not applicable in this quarterly report.

**19 Taxation**

	3 months ended 30 September		9 months ended 30 September	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current tax:				
Malaysian income tax	241	267	913	803
Total income tax expense	<u>241</u>	<u>267</u>	<u>913</u>	<u>803</u>

**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"):

- (a) 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"):
- (i) 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;
- (ii) 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

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**22 Status of the Corporate Proposals (con't)**

(iii) 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")

- (b) Mentiga to convene an EGM to obtain shareholders' approval in relation to the Proposed Surrender of Pekan Land expeditiously;
- (c) 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
- (d) 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:

- (a) Mentiga to convene an EGM to obtain shareholders' approval in relation to the Proposed Surrender of Pekan Land expeditiously;
- (b) Subject to the EGM's decision, Mentiga is to:
  - (i) Submit Form 12A Application for Surrender of Land to the Land Administrator of District of Pekan;
  - (ii) Submit Form 1 Application for State Land to the relevant Land Administrator for the development of oil palm estate on the Consideration Land: and
  - (iii) 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.

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**22 Status of the Corporate Proposals (con't)**

On 26 June 2012, OSK Investment Bank Berhad had, on behalf of the Board of Directors of Mentiga, announced that all relevant applications in relation to the alienation of the Consideration Land has been submitted to the relevant authorities and are currently pending the approval for the alienation of the Consideration Land in favour of Mentiga by the Director of Land and Minerals of Pahang. Following thereto, the Proposed Surrender of Pekan Land is expected to be completed by the fourth quarter of calendar year 2012 as opposed to the second quarter of calendar year 2012 as disclosed in the Circular.

**23 Group Borrowings**

As at 30 September 2012, the Group borrowings are as follows:

	<u>30 September 2012</u> <u>RM'000</u>	<u>30 September 2011</u> <u>RM'000</u>
Borrowings:		
Term loan (secured)	13,869	11,403
Hire Purchase Liabilities (secured)	82	-
	<u>13,951</u>	<u>11,403</u>

**24 Material Litigation**

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

**25 Dividend Payable**

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

**26 Earnings Per Share**

	Individual Quarter 3 months ended		Comparative Quarter 9 months ended	
	<u>30.9.2012</u>	<u>30.9.2011</u>	<u>30.9.2012</u>	<u>30.9.2011</u>
<u>Basic earnings per share</u>				
Profit for the period (RM'000)	2,635	2,054	6,685	3,762
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)	3.76	3.42	9.55	6.27

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**26 Earning Per Share (con't)**

Diluted earnings per share

The calculation of diluted earnings per share as 30 September 2012 is based on profit for the year attributable to owners of the Company and a weighted average number of ordinary shares outstanding after adjustment for the effects of dilutive potential ordinary shares.

There is no diluted earnings per share calculated because any conversion of ESOS is anti-dilutive.

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

	As at <u>30 September 2012</u>	As at <u>30 September 2011</u> (Restated)
Total accumulated losses of the Company and its subsidiaries		
- Realised (RM'000)	(77,872)	(85,217)
- Unrealised in respect of deferred tax recognised in the comprehensive income (RM'000)	-	-
	<hr/>	<hr/>
Consolidation adjustments	24,582	24,553
Total group accumulated losses as per consolidated accounts (RM'000)	<u>(53,290)</u>	<u>(60,664)</u>

**28 Authorisation for Issue of Report**

The unaudited interim financial statements were authorised for issue on 26 November 2012 by the Board of Directors.

On behalf of the Board  
**MENTIGA CORPORATION BERHAD**

YEAP KOK LEONG  
 Company Secretary

Kuala Lumpur