

MENTIGA CORPORATION BERHAD

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2014

1 Basis of Preparation

The condensed consolidated interim 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 2013. 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 2013.

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 2013.

3 Auditors' Report on the Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2013 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 25 July 2014, the Company paid a first and final dividend of 4 sen per share on 70,000,000 ordinary shares, amounting to RM2,800,000 in respect of the financial year ended 31 December 2013. The dividend was approved by members at the AGM on 12 June 2014.

MENTIGA CORPORATION BERHAD

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2014

9 Segmental Information

The Group is organised into three main business segments:

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

Period ended 31 December 2014	Timber Products RM'000	Plantation RM'000	Mining RM'000	Others RM'000	Group RM'000
Revenue					
External sales	-	4,263	5,965	-	10,228
Results					
Segment results (external)	(3,728)	(101)	5,204	(162)	1,213
Finance cost					(4)
Share of loss of associates					(3)
Profit from ordinary activities before tax					1,206
Tax expenses					(569)
Profit for the year					637

Period ended 31 December 2013	Timber Products RM'000	Plantation RM'000	Mining RM'000	Others RM'000	Group RM'000
Revenue					
External sales	3,000	3,905	10,038	-	16,943
Results					
Segment results (external)	307	(345)	7,228	19,662	26,852
Finance cost					(3)
Profit from ordinary activities before tax and zakat					26,849
Tax expenses					(1,068)
Profit for the year					25,781

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 2013

MENTIGA CORPORATION BERHAD

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2014

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 31 December 2014 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 2013.

14 Capital Commitments

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

15 Review of Performance

	Year to Date	
	31 December 2014	31 December 2013
	<u>RM'000</u>	<u>RM'000</u>
Revenue:		
Timber extraction, trading in related timber products and reforestation project	-	3,000
Iron ore	5,965	10,038
Oil palm – Fresh Fruit Bunches (“FFB”)	4,263	3,905
Group	<u>10,228</u>	<u>16,943</u>
Profit before tax		
Timber extraction, trading in related timber products and reforestation project	(3,728)	307
Iron ore	5,198	7,227
Oil Palm – Fresh Fruit Bunches (“FFB”)	(102)	(347)
Others	(162)	19,662
Group	<u>1,206</u>	<u>26,849</u>

MENTIGA CORPORATION BERHAD

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2014

15 Review of Performance (con't)

The Group's revenue for the financial period ended 31 December 2014 was lower at RM10.23 million compared to RM16.94 million for the corresponding period last year. The higher in revenue for the previous financial period was due to recognition of revenue from reforestation project.

The Group recorded RM1.21 million profits before tax for the financial period ended 31 December 2014 as compared to RM26.85 million for the corresponding period last year. The significant decrease of profits during the current financial period was due to decrease of revenue from timber extraction, trading in related timber products, reforestation project and iron ore.

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

	<u>Individual Quarter</u>	
	<u>31 December 2014</u>	<u>30 September 2014</u>
	<u>RM'000</u>	<u>RM'000</u>
Revenue:		
Timber extraction, trading in related timber products and reforestation project	-	-
Iron ore	771	1,843
Oil palm – Fresh Fruit Bunches (“FFB”)	750	1,226
Group	<u>1,521</u>	<u>3,069</u>
Profit before tax		
Timber extraction, trading in related timber products and reforestation project	(841)	(1,206)
Iron ore	451	1,596
Oil Palm – Fresh Fruit Bunches (“FFB”)	133	(127)
Others	(15)	(37)
Group	<u>272</u>	<u>226</u>

For the quarter under review, the Group reported RM0.27 million profits before tax compared to RM0.22 million for the previous quarter. The profits during the quarter were mainly contributed from the sales of oil palm and iron ore.

MENTIGA CORPORATION BERHAD

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2014

17 Prospects

For the current year, the Company expects revenue from mining activities in iron ore and oil palm will continue 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 2015.

18 Variance from Profit Forecast/Profit Guarantee

Not applicable in this quarterly report.

19 Taxation

	3 months ended 31 December		12 months ended 31 December	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current tax:				
- Malaysian income tax	(166)	(112)	(1,315)	(1,839)
- Under provision of prior year	-	85	-	85
Deferred tax	746	686	746	686
Total income tax expense	<u>580</u>	<u>659</u>	<u>(569)</u>	<u>(1,068)</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"):

MENTIGA CORPORATION BERHAD

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2014

22 Status of the Corporate Proposals (con't)

- (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
 - (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.

MENTIGA CORPORATION BERHAD

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2014

22 Status of the Corporate Proposals (con't)

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.

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.

On 31 December 2012, OSK Investment Bank Berhad had, on behalf of the Board of Directors of Mentiga, announce that as the date of this announcement, some of the requisite approvals for the alienation of the Consideration Land in favour of Mentiga by the Director of Land and Minerals of Pahang are still pending. Following thereto, the Proposed Surrender of Pekan Land is expected to be completed by the second quarter of calendar year 2013 as opposed to the fourth quarter of calendar year 2012 which was announced on 26 June 2012.

On 28 June 2013, on behalf of the Board of Directors of Mentiga ("Board"), RHB Investment Bank Berhad ("RHBIB") wishes to announce that as at the date of this announcement, some of the requisite approvals for the alienation of the Consideration Land in favour of Mentiga by the Director of Land and Minerals of Pahang are still pending. Following thereto, the Proposed Surrender of Pekan Land is expected to be completed by the fourth quarter of calendar year 2013 as opposed to the second quarter of calendar year 2013 which was announced on 31 December 2012.

On 27 December 2013, on behalf of the Board of Directors of Mentiga ("Board"), RHB Investment Bank Berhad ("RHBIB") wishes to announce that as at the date of this announcement, some of the requisite approvals for the alienation of the Consideration Land in favour of Mentiga by the Director of Land and Minerals of Pahang are still pending. Following thereto, the Proposed Surrender of Pekan Land is expected to be completed by the fourth quarter of calendar year 2014 as opposed to the fourth quarter of calendar year 2013 which was announced on 28 June 2013.

MENTIGA CORPORATION BERHAD

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2014

22 Status of the Corporate Proposals (con't)

On 31 December 2014, On behalf of the Board of Directors of Mentiga, RHB Investment Bank Berhad wishes to announce that as at the date of this announcement, some of the requisite approvals for the alienation of the Consideration Land in favour of Mentiga by the Director of Land and Minerals of Pahang are still pending. Following thereto, the Proposed Surrender of Pekan Land is expected to be completed by fourth quarter of calendar year 2015 as opposed to the fourth quarter of calendar year 2014 which was announced on 27 December 2013.

23 Group Borrowings

As at 31 December 2014, the Group borrowings are as follows:

	<u>31 December 2014</u> RM'000	<u>31 December 2013</u> RM'000
Borrowings:		
Term loan (secured)	18,662	14,892
Hire Purchase Liabilities (secured)	173	58
	<u>18,835</u>	<u>14,950</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 12 months ended	
	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2014</u>	<u>31.12.2013</u>
<u>Basic earnings per share</u>				
Profit for the period (RM'000)	308	20,669	637	25,781
Number of shares in issue during the period (RM'000)	70,000	70,000	70,000	70,000
Weighted average number of shares in issues (RM'000)	70,000	70,000	70,000	70,000
Basic earnings per share (sen)	0.44	29.53	0.91	36.83

MENTIGA CORPORATION BERHAD

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 31 December 2014

26 Earnings Per Share (con't)

Diluted earnings per share

The calculation of diluted earnings per share as 31 December 2014 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 are 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>31 December 2014</u>	As at <u>31 December 2013</u>
Total accumulated losses of the Company and it's subsidiaries		
- Realised (RM'000)	(17,532)	(19,711)
- Unrealised (RM'000)	(13,820)	(14,566)
	<hr/>	<hr/>
	(31,352)	(34,277)
Consolidation adjustments	<hr/>	<hr/>
	12,322	13,157
Total group accumulated losses as per consolidated accounts (RM'000)	<hr/>	<hr/>
	(19,030)	(21,120)

28 Authorisation for Issue of Report

The unaudited interim financial statements were authorised for issue on 17 February 2015 by the Board of Directors.

On behalf of the Board

MENTIGA CORPORATION BERHAD

YEAP KOK LEONG

Company Secretary

Kuala Lumpur