

## **MENTIGA CORPORATION BERHAD**

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 30 June 2016

### **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 2015. 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 2015.

### **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 2015.

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

The auditors' report on the financial statements for the year ended 31 December 2015 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 21 June 2016, the Company paid a first and final dividend of 1 sen per share on 70,000,000 ordinary shares, amounting to RM700,000 for the financial year ended 31 December 2015. The dividend was approved by members at the AGM on 2 June 2016.

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**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	-	Extraction and exploration of mining ores

<b>Period ended 30 June 2016</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	6,500	2,688	-	-	9,188
<b>Results</b>					
Segment results (external)	3,585	(538)	(128)	(352)	2,567
Finance cost					(3)
Profit from ordinary activities before tax					2,564
Tax expenses					(73)
Profit for the financial year					2,491

<b>Period ended 30 June 2015</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	7,000	1,625	-	-	8,625
<b>Results</b>					
Segment results (external)	4,667	(474)	(448)	(25)	3,720
Finance cost					(3)
Profit from ordinary activities before tax					3,717
Tax expenses					(125)
Profit for the financial year					3,592

**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 2015.

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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 June 2016 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 2015.

**14 Capital Commitments**

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

**15 Review of Performance**

	<u>Year to Date</u>	
	<u>30 June 2016</u>	<u>30 June 2015</u>
	<u>RM'000</u>	<u>RM'000</u>
<b>Revenue:</b>		
Timber extraction, trading in related timber products and reforestation project	6,500	7,000
Iron ore	-	-
Oil palm – Fresh Fruit Bunches (“FFB”)	2,688	1,625
<b>Group</b>	<u>9,188</u>	<u>8,625</u>
<b>Profit before tax</b>		
Timber extraction, trading in related timber products and reforestation project	3,584	4,667
Iron ore	(354)	(450)
Oil Palm – Fresh Fruit Bunches (“FFB”)	(538)	(475)
Others	(128)	(25)
<b>Group</b>	<u>2,564</u>	<u>3,717</u>

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

The Group's revenue for the financial period ended 30 June 2016 was higher at RM9.19 million compared to RM8.63 million for the corresponding period last year. The higher revenue for the financial period was due to increase of revenue from sales of fresh fruit bunches.

The Group recorded RM2.56 million profits before tax for the financial period ended 30 June 2016 as compared to RM3.72 million profits for the corresponding period last year.

**16 Material Changes in the Profit / (Loss) Before Taxation for the Quarter Compared to the Immediate Preceding Quarter**

	<u>Individual Quarter</u>	
	<u>30 June 2016</u>	<u>31 March 2016</u>
	<u>RM'000</u>	<u>RM'000</u>
<b>Revenue:</b>		
Timber extraction, trading in related timber products and reforestation project	6,500	-
Iron ore	-	-
Oil palm – Fresh Fruit Bunches (“FFB”)	1,635	1,053
<b>Group</b>	<u>8,135</u>	<u>1,053</u>
<b>Profit / (loss) before tax</b>		
Timber extraction, trading in related timber products and reforestation project	4,630	(1,046)
Iron ore	(190)	(164)
Oil Palm – Fresh Fruit Bunches (“FFB”)	20	(558)
Others	(37)	(91)
<b>Group</b>	<u>4,423</u>	<u>(1,859)</u>

For the quarter under review, the Group reported RM4.42 million profits before tax compared to RM1.86 million losses for the previous quarter. The significant of profits during the quarter was due to recognition of revenue from timber extraction, trading in related products, and reforestation project.

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**17 Prospects**

For the current year, the Company expects revenue from 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 2016.

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

Not applicable in this quarterly report.

**19 Taxation**

	3 months ended		12 months ended	
	30 June		30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current tax:				
- Malaysian income tax	37	85	73	125
Total income tax expense	<u>37</u>	<u>85</u>	<u>73</u>	<u>125</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"):

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**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.

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### **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.

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### **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.

On 30 December 2015, the Board of Directors of Mentiga Corporation Berhad ("Mentiga" or "the Company") 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 second quarter of calendar year 2016 as opposed to the fourth quarter of calendar year 2015 which was announced on 31 December 2014.

On 30 June 2016, the Board of Directors of Mentiga Corporation Berhad ("Mentiga" or "the Company") 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 2016 as opposed to the second quarter of calendar year 2016 which was announced on 30 December 2015.

### **23 Group Borrowings**

As at 30 June 2016, the Group borrowings are as follows:

	<u>30 June 2016</u> <u>RM'000</u>	<u>30 June 2015</u> <u>RM'000</u>
Borrowings:		
Term loan (secured)	21,670	20,009
Hire Purchase Liabilities (secured)	<u>152</u>	<u>141</u>
	<u>21,822</u>	<u>20,150</u>

### **24 Material Litigation**

There is no material litigation for the current financial period to date.

### **25 Dividend Payable**

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



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**26 Earnings Per Share**

	Individual Quarter 6 months ended		Comparative Quarter 12 months ended	
	<u>30.6.2016</u>	<u>30.6.2015</u>	<u>30.6.2016</u>	<u>30.6.2015</u>
<u>Basic earnings per share</u>				
Profit / (loss) for the period (RM'000)	4,386	(1,648)	2,491	3,592
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)	6.27	(2.35)	3.56	5.13

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2016 is based on profit for the financial 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>30 June 2016</u>	As at <u>30 June 2015</u>
Total accumulated losses of the Company and it's subsidiaries		
-Realised (RM'000)	(25,580)	(27,760)
-Unrealised (RM'000)	-	-
	<u>(25,580)</u>	<u>(27,760)</u>
Consolidation adjustments	13,717	12,321
Total group accumulated losses as per consolidated accounts (RM'000)	<u>(11,863)</u>	<u>(15,439)</u>

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**28 Authorisation for Issue of Report**

The unaudited interim financial statements were authorised for issue on 25 August 2016 by the Board of Directors.

On behalf of the Board

**MENTIGA CORPORATION BERHAD**

YEAP KOK LEONG

Company Secretary

Kuala Lumpur