

## MENTIGA CORPORATION BERHAD

(Company No. 10289-K)

Notes To The Condensed Consolidated Interim Financial Statements

For The Period Ended 30 September 2019

### 1 Basis of Preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 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 2018. 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 2018.

The accounting policies applied in this interim financial report is the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018, except for MFRS 16 Leases which the Group has adopted effective 1 January 2019.

#### MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117 "Leases" IC Interpretation 4 "Determining whether an Arrangement contains a Lease", IC Interpretation 115 "Operating Leases - Incentives" and IC Interpretation 127 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 "Property, Plant and Equipment" whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made.

As for lessee accounting, the adoption of MFRS 16 the adjustments arising from the initial application of the new lease model in the opening balances as at 1 January 2019 as disclosed as below:-

#### **Impact of adoption of MFRS 16 to opening balance at 1 January 2019 RM'000**

Property, plant and equipment	
-Right of use assets	5,675
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Non current liabilities	
-Lease liabilities	5,675
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**2 Changes in Accounting Policies**

The accounting policies applied in this interim financial report is the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

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

The auditors' report on the financial statements for the year ended 31 December 2018 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**

No dividend was paid during the period.

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**9 Valuation of Property, Plant and Equipment**

The leasehold land and plantation had been revalued and was taken into financial statements giving net revaluation surplus of RM 43.76 million.

**10 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 2019 up to the date of this report that have been reflected in the interim financial statements.

**11 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.

**12 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 2018.

**13 Capital Commitments**

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

**14 Segmental Information**

The Group is organised into three main business segments:

Timber	-	Timber extraction, trading in related timber products and reforestation project
Products	-	Oil palm plantation
Plantation	-	Extraction and exploration of mining ores
Mining	-	

<b>Period ended 30 September 2019</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	-	3,462	126	-	3,588
<b>Results</b>					
Segment results (external)	(4,467)	(731)	(11)	(11)	(5,220)
Finance cost					(204)
Loss from ordinary activities before tax					(5,424)
Tax expense					(3)
Loss for the financial year					(5,427)

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**14 Segmental Information (con't)**

Period ended 30 September 2018	Timber Products RM'000	Plantation RM'000	Mining RM'000	Others RM'000	Group RM'000
<b>Revenue</b>					
External sales	5,913	4,013	-	-	9,926
<b>Results</b>					
Segment results (external)	688	(176)	(241)	2	273
Finance cost					(212)
Other gains-net					550
Share of results from associate					-
Profit from ordinary activities before tax					611
Tax expense					(5)
Profit for the financial year					606

**15 Review of Performance**

	<u>Quarter</u>			<u>Year To Date</u>		
	30.09.19 RM'000	30.09.18 RM'000	Change (%)	30.09.19 RM'000	30.09.18 RM'000	Change (%)
Revenue	1,326	2,384	(44%)	3,588	9,926	(63%)
Operating profit	(119)	1,080	(>100%)	(74)	6,434	(>100%)
(Loss)/Profit before interest and tax	(2,014)	(1,817)	(10%)	(5,220)	823	(>100%)
(Loss)/Profit before tax	(2,081)	(1,890)	(10%)	(5,424)	611	(>100%)
(Loss)/Profit after tax	(2,082)	(1,892)	(10%)	(5,427)	606	(>100%)
(Loss)/Profit attributable to ordinary equity holders of the parents	(2,082)	(1,892)	(10%)	(5,427)	606	(>100%)

The Group's revenue and operating profit for the financial period was lower compared to last year. The significant profit during the previous financial period was due to sales of timber extraction and trading in timber related products.

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

	<b>Current Year Quarter 30.09.2019 RM'000</b>	<b>Immediate Preceding Quarter 30.06.2019 RM'000</b>	<b>Changes  (%)</b>
Revenue	1,326	1,062	24%
Operating loss	(119)	(78)	(52%)
Loss before interest and tax	(2,014)	(1,588)	(26%)
Loss before tax	(2,081)	(1,655)	(25%)
Loss after tax	(2,082)	(1,657)	(25%)
Loss attributable to ordinary equity holders of the parents	(2,082)	(1,657)	(25%)

For the quarter under review, the Group reported RM2.08 million loss before tax compared to RM1.66 million loss for the previous quarter.

**17 Taxation**

	Current quarter ended 30 September		Year to date ended 30 September	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax:				
- Malaysian income tax	1	2	3	5
Total tax expenses	<u>1</u>	<u>2</u>	<u>3</u>	<u>5</u>

**18 Prospects**

For the current year, the Company expects the revenue from oil palm sector will positively 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 2019.

**19 Variance from Profit Forecast/Profit Guarantee**

Not applicable in this quarterly report.

**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.

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### **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
  - (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.

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

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.

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.

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

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.

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.

On 30 December 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 2017 as opposed to the fourth quarter of calendar year 2016 which was announced on 30 June 2016.



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

On 28 December 2017, 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 2018 as opposed to the fourth quarter of calendar year 2017 which was announced on 30 December 2016.

On 3 January 2019, 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 2019 as opposed to the fourth quarter of calendar year 2018 which was announced on 28 December 2017.

### 23 Group Borrowings

As at 30 September 2019, the Group borrowings are as follows:

	As at 30.9.2019		
	Long term	Short term	Total borrowings
	RM'000	RM'000	RM'000
Secured			
Term Loan	20,409	2,712	23,121
Hire Purchase	42	27	69
Total	<u>20,451</u>	<u>2,739</u>	<u>23,190</u>
Bank Overdraft	-	833	833
Grand Total	<u>20,451</u>	<u>3,572</u>	<u>24,023</u>

  

	As at 30.9.2018		
	Long term	Short term	Total borrowings
	RM'000	RM'000	RM'000
Secured			
Term Loan	17,474	1,292	18,766
Hire Purchase	90	32	122
Total	<u>17,564</u>	<u>1,324</u>	<u>18,888</u>
Bank Overdraft	-	835	835
Grand Total	<u>17,564</u>	<u>2,159</u>	<u>19,723</u>

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Notes To The Condensed Consolidated Interim Financial Statements  
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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.

**26 Earnings Per Share**

	Individual Quarter ended		Year to date ended	
	<u>30.09.2019</u>	<u>30.09.2018</u>	<u>30.09.2019</u>	<u>30.09.2018</u>
<u>Basic earnings per share</u> (Loss)/Profit for the period (RM'000)	(2,082)	(1,892)	(5,427)	606
Number of shares in issue during the period	70,000	70,000	70,000	70,000
Weighted average number of shares in issues	70,000	70,000	70,000	70,000
Basic (loss)/profit per share (sen)	(2.97)	(2.70)	(7.75)	0.87

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

	<u>As at 30 September 2019</u>	<u>As at 30 September 2018</u>
Total accumulated losses of the Company and it's subsidiaries		
-Realised (RM'000)	8,904	2,976
-Unrealised (RM'000)	<u>(19,015)</u>	<u>(19,512)</u>
	(10,111)	(16,536)
Consolidation adjustments	<u>4,298</u>	<u>14,767</u>
Total group accumulated losses as per consolidated accounts (RM'000)	<u>(5,813)</u>	<u>(1,769)</u>

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**28 Authorisation for Issue of Report**

The unaudited interim financial statements were authorised for issue on 28 November 2019 by the Board of Directors.

On behalf of the Board

**MENTIGA CORPORATION BERHAD**

YEAP KOK LEONG

Company Secretary

Kuala Lumpur