

**MITHRIL BERHAD**  
(Company No.: 577765-U)

**EXPLANATORY NOTES PERSUANT TO FINANCIAL REPORTING STANDARD  
("FRS") 134**

**A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in compliance with Financial Reporting Standard 134 (FRS 134), Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements have been prepared using the historical cost basis (except where indicated otherwise) and should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2009.

These explanatory notes attached to the interim 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 30 June 2009.

The accounting policies and methods of computation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements of the Group for the financial year ended 30 June 2009.

**A2. Preceding Year's Audit Report**

The auditors' report on the financial statements of the Company for the financial year ended 30 June 2009 was not subject to any qualification and did not include any adverse comment made under subsection (3) of Section 174 of the Companies Act, 1965.

**A3. Seasonal or Cyclical Factors**

The Group's business operations are not materially affected by any seasonal or cyclical factors.

**A4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence**

There were no items affecting the assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size, or incidence for the quarter ended 31 December 2009.

**A5. Changes in Estimates**

There were no material changes in estimates of amounts that have a material effect in the current interim period.

**A6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities by the Company for the current quarter ended 31 December 2009.

**A7. Dividend Payout**

No dividends have been paid since the beginning of the current financial year.

#### A8. Segmental Reporting

	Cumulative		Cumulative	
	Revenue	Profit/(loss) from operations	Revenue	Profit/(loss) from operations
	RM'000	RM'000	RM'000	RM'000
	31.12.09	31.12.09	31.12.08	31.12.08
Manufacturing	6,537	(3,257)	9,835	(5,837)
Investment	1,651	207	3,400	2,070
Others	-	(60)	-	(124)
	8,188	(3,110)	13,235	(3,891)
Inter-segment elimination	-	-	-	-
	8,188	(3,110)	13,235	(3,891)

#### A9. Valuations of Property, Plant and Equipment

For the quarter ended 31 December 2009, there were no valuations done for the property, plant and equipment for the Group except for the valuation of certain property, plant and equipment which have been identified for the purpose of disposal. The impairment loss of RM0.5 million arising from the valuation has been offset directly against the revaluation surplus created on the same property, plant and equipment and RM0.3 million has been charged directly to the profit and loss account during the quarter ended 31 December 2009.

#### A10. Material Events Subsequent to the end of the Interim Period

The financial statements for the interim period have not been affected by any material event that has occurred between the end of the interim period and the date of this announcement.

#### A11. Changes in Composition of the Group

There were no changes in the composition of the Group for the quarter ended 31 December 2009.

#### A12. Contingent Liabilities

There were no contingent liabilities at the Group level for the quarter ended 31 December 2009.

The contingent liabilities at the Company level for the quarter ended 31 December 2009 are as follows:

	As at 31.12.09 RM'000	As at 31.12.08 RM'000
Corporate guarantee given to a bank for facilities granted to a subsidiary company	13,500	13,500

#### A13. Significant Related Party Transactions

Current quarter 3 months ended	Cumulative 6 months ended
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	31.12.09 RM'000	31.12.09 RM'000
Rental income received from a related party, Malaysian Assurance Alliance Berhad	(826)	(1,651)
Rental expense charged by a related party, Malaysian Assurance Alliance Berhad	353	706
Interest charged by a related party, MAA Credit Sdn Bhd	564	1,140
Late payment charges imposed by a related party, MAA Credit Sdn Bhd	665	1,288

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**EXPLANATORY NOTES AS PER BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

**B1. Review of Performance of the Company and Principal Subsidiaries**

The Group achieved a revenue of approximately RM4.1 million for the quarter ended 31 December 2009 as compared to RM5.0 million in the corresponding financial quarter last year. The decrease is mainly due to the lower rental income generated from investment properties.

The Group's loss before taxation for the current quarter ended 31 December 2009 was lower by approximately 36% as compared to a loss before taxation of RM5.5 million for the same period last financial year. The decline in loss before taxation is mainly due to the impairment loss of plant and equipment provided in the previous corresponding financial quarter amounting to RM3.8 million.

**B2. Material Change in (Loss)/Profit Before Taxation For Quarter Reported As Compared With The Immediate Preceding Quarter.**

The comparison of the Group's revenue and loss before taxation for the current quarter and preceding quarter is as follows:

	31.12.09	30.09.09	← Variance →	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>%</u>
Revenue	4,124	4,064	60	1.5
Loss before taxation	(3,498)	(2,809)	(689)	(24.5)

The increase in loss before taxation during the quarter is mainly due to the one-time recognition of the impairment loss on property, plant and equipment amounting to RM0.3 million as well as the increase in charging the fixed overhead cost to profit and loss as a result of lower production level.

**B3. Prospects of the Group**

The demand for PU products is expected to remain at the current level in the coming quarter. Coupled with the expected recognition of loss on disposal of assets (as disclosed in Note B8) amounting to RM2.6 million upon its completion in the coming quarter, the financial performance of the Group is not expected to improve.

**B4. Variance on Profit Forecast and Shortfall in Profit Guarantee**

This note is not applicable.

**B5. Taxation**

Taxation charge comprises:

	Current Quarter <u>31.12.09</u> RM'000	Financial year-to-date <u>31.12.09</u> RM'000
Over provision of taxation	-	(430)
Deferred taxation	(115)	(230)

(115)	(660)
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Deferred taxation is in relation to the debt instruments (RCSLS) issued by Mithril Berhad.

**B6. Profit/(Loss) on Sale of Unquoted Investments and/or Properties**

There was no other sale of unquoted investments and/or properties for the quarter ended 31 December 2009.

**B7. Quoted Securities**

There was no purchase or sale of quoted securities for the quarter ended 31 December 2009 and financial year-to-date.

**B8. (a) Status of Corporate Proposals**

On 10 July 2009, the Company issued a circular to the shareholders which includes:-

- I) proposed disposal by Mithril Clay Industries Sdn Bhd, a wholly-owned subsidiary of Mithril Berhad of 13 parcels of freehold land and a factory together with ancillary buildings erected thereon to Primary Mission Sdn Bhd for an aggregate cash consideration of RM8.6 million;
- II) proposed disposal by Mithril Clay Manufacturing Sdn Bhd, a wholly-owned subsidiary of Mithril Berhad, of plant, machineries and equipment located on the property to Primary Mission Sdn Bhd for an aggregate cash consideration of RM5.0 million;

Subsequently, on 3 August 2009, a meeting was held and the above proposals were approved by the shareholders. The above proposals are pending for completion during the quarter ended 31 December 2009.

All the other proposals contained in the circular issued on 10 July 2009 have been completed on 9 September 2009.

**b) Status of Utilisation of Proceeds Raised**

This note is not applicable.

**B9. Group Borrowings and Debt Securities**

Group borrowings and debt securities for the financial quarter ended 31 December 2009 are as follows:

<u>Borrowings</u>	<u>Secured</u> <u>RM'000</u>	<u>Unsecured</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>Short Term Borrowings</u>			
Bank Overdraft	1,574	-	1,574
Trade Facilities	2,701	-	2,701
Hire Purchase and leasing	7,923	-	7,923
Term Loans	16,390	-	16,390
	<u>28,588</u>	<u>-</u>	<u>28,588</u>
<u>Long Term Borrowings</u>			
Hire Purchase and leasing	8,628	-	8,628
Term Loan	7,800	-	7,800
	<u>16,428</u>	<u>-</u>	<u>16,428</u>

	45,016	-	45,016
<u>Debt Securities</u>			
RCSLS	41,401	-	41,401
	41,401	-	41,401

The RCSLS is secured by the Deed of Assignment and Security Deed of Assignment on 29 subsidiary parcels of commercial/ office space together with 195 units of basement car park bays within an 11-storey office building with 3 basement car parks known as Menara MAA located in Kota Kinabalu.

#### **B10. Off Balance Sheet Financial Instruments**

There were no financial instruments with off-balance sheet risks as at the date of the issue of this quarterly report.

#### **B11. Changes in Material Litigation**

There is no impending material litigation on Mithril Group as at 31 December 2009.

#### **B12. Dividend**

The Directors do not recommend any dividend on the ordinary shares of the Company for the financial period ended 31 December 2009.

#### **B13. Loss Per Share**

##### a) Basic loss per share

The basic loss per share was calculated based on the Group's loss for the period attributable to ordinary shareholders and the weighted average number of ordinary shares.

The basic loss per share was calculated as follows: -

	Individual quarter current year 31.12.09 <u>RM'000</u>	Individual quarter preceding year 31.12.08 <u>RM'000</u>	Cumulative period current year 31.12.09 <u>RM'000</u>	Cumulative period preceding year 31.12.08 <u>RM'000</u>
Net loss attributable to shareholders (RM'000)	(3,383)	(5,602)	(5,646)	(8,270)
Weighted average number of ordinary shares ('000)	182,274	109,976	182,274	109,976
Basic loss per share (sen)	(1.86)	(5.09)	(3.10)	(7.52)

##### b) Fully diluted earnings per share

The effect on the basic loss per share for the financial year arising from the assumed conversion of the RCSLS is anti-dilutive.

By Order of the Board,

Lily Yin Kam May  
Company Secretary

KUALA LUMPUR  
DATED: 19 February 2010