MENTIGA CORPORATION BERHAD
(Company no. 10289-K)
Selected Explanatory Notes On Quarterly Financial Report
For First Quarter Ended 31 March 2006

A. Explanatory Notes Pursuant to FRS 134

A1 Basis of Preparation

The 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 2005. 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 2005.

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 2005, except that the Group has adopted the new/revised Financial Reporting Standards ("FRS") effective for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instrument: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of new/revised FRS 2, 3, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133 136, 138 and 140 does not have significant financial impact on the Group.

The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRS are discussed below:

(a) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS has effected the presentation of minority interest, share of net after-tax results of associates and other disclosure. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparative restated to conform with the current period's presentation.

A2 Auditors' Report on the Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2005 was with qualifications. The auditors' report was qualified as follows:

(a) Mentiga Corporation Berhad

As disclosed in Note 3(b) to the financial statements, the financial statements have been prepared on a going concern basis, which assumes that the Group and Company will continue in operational existence for the foreseeable future having adequate funds to meet their obligations as they fall due. The validity of this assumption depends on the continuous negotiation for the financial support from the Group's and Company's substantial shareholder, ASPA which is wholly owned by the State Government of Pahang Darul Makmur as well as the ability of the Group and Company to successfully implement the proposed restructuring scheme approved by the Securities Commission and to generate profits and positive cash flows to sustain their operation. As the successful implementation of the proposed restructuring scheme is still pending, we are unable to satisfy ourselves that the going concern basis used in the preparation of the financial statements is appropriate.

As disclosed in Note 25 to the financial statements, the Group and Company have legal claim and claim of RM21,529,295 made by a project employer and contractors. We are unable to obtain all information and explanations on these claims and the extent of the liabilities of the Group and Company thereon.

In view of the significance of the matters set out in paragraph 4 and 5 above, we are unable to express an opinion as to whether the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:

(a) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the state of affairs of the Group and Company as at 31 December 2005 and of the results and cash flows of the Group and Company for the year ended on that date.

In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

(b) Mentiga Plantation Sdn Bhd

"For the year ended 31 December 2005, the Company incurred a net loss of RM2,950,398. At that date, the Company's current liabilities had exceeded its current assets by RM33,257,547 and its shareholders' equity was in deficit of RM12,567,986. In view of these factors, the appropriateness of preparing the financial statements of the Company on a going concern basis depends on the continuous financial support from its creditors and banker and also its ability to generate profit and positive cash flows in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the company is unable to continue as a going concern.

No arrangements had been made to ensure that sufficient financing is available to enable the Company to continue its operations without a significant curtailment in activities and neither have we obtained management's consideration as to its ability to generate profit and positive cash flows in the future. Accordingly, we are unable to satisfy ourselves as to the appropriateness of preparing the financial statements on a going concern basis.

In view of the significance of the matter set out in paragraph 3 above, we are unable to express an opinion as to whether the financial statements have been prepared in accordance with the provision of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the matters required by section 169 of the Companies Act, 1965 to be dealt with in the financial statements, and the state of affairs of the Company as at 31 December 2005 and of the results and cash flows of the Company for the year ended on that date. In all others respects, the financial statements are in accordance with the applicable approved accounting standards in Malaysia and comply with Companies Act, 1965"

(c) Selat Bersatu Sdn Bhd

"As at 31 December 2005, the Group and Company has an accumulated loss of RM52,337,199 and RM34,914,531 respectively. At that date, the Group and Company's current liabilities had exceeded the current assets by RM72,059,136 and RM67,851,773 respectively. The Group and Company's shareholders' equity were in deficit of RM47,652,516 and RM24,914,529 respectively. In view of these factors, the appropriateness of preparing the financial statements of the Group and Company on a going concern is dependent on the continuous financial support from its holding company and Amanah Saham Pahang Berhad (ASPA) and its ability to generate profit and positive cash flow in the future. The Group and Company are in negotiation for continuous financial support from the holding company and ASPA as well as to successfully disposing its Indonesian subsidiary. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Group and Company are unable to continue as a going concern.

No arrangements had been made to ensure that sufficient financing is available to enable the Group and the Company to continue its operations without a significant curtailment in activities and neither have we obtained management's assurance as to its ability to generate profit and positive cash flows in the future. Accordingly, we are unable to satisfy ourselves as to the appropriateness of preparing the financial statements on a going concern basis.

In view of the significance of the matters set out in paragraph 4 above, we are unable to express an opinion as to whether the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements and the state of affairs of the Company as at 31 December 2005 and of the results and cash flows of the Group and Company for the year ended on that date.

(d) PT Rebinmas Jaya

"The accompanying financial statements have been prepared assuming that the Company will continue to operate as a going concern. Note 19 to the financial statements summarizes the effects of the economic conditions in Indonesia on the Company, as well as the measures the Company has implemented and plans to implement in response to these economic conditions. These economic conditions have contributed to recurring losses, a capital deficiency and a negative working capital. The accompanying financial statements include the effects of the economic conditions to the extent they can be determined and estimated."

Note 19 as stated in the above paragraph is in respect of economic conditions and going concern and is as follows:

"The operations of the Company have been affected, and may continue to be affected by economic conditions in Indonesia. Significant currency depreciations and difficulties in obtaining loan in domestic market have a severe impact on the Company's financial position.

The adverse economic condition in recent years have contributed recurring loss from operation amounting to Rp13,697,021,000 and Rp3,651,000,000 for the years ended December 31, 2005 and 2004 respectively. As of December 31,2005, the Company also had a capital deficiency of Rp39,788,279,000 (2004: Rp33,101,195,000) and a net working capital deficit of Rp4,754,879,000 (2004:Rp4,089,259,000).

In response to these economic conditions, the Company has initiated various plans and implemented certain measures, including:

a. Advancement of fertilizer used in the field maintenance program;

b. Field maintenances are confined to circle and selective weeding in the mature area;

c. Priorities were given to crop harvesting in the mature areas to generate cash to finance the estate operation;

d. Expansion on the remaining unplanted areas is placed on hold until adequate funds has been received from it's shareholder.

Furthermore, the Company has obtained a letter of support from Amanah Saham Pahang Berhad ("ASPB") dated February 15, 2006. In this letter, ASPB confirms its intention and ability to provide financial support if and when required by the Company to allow it to continue operating as a going concern. Accordingly, management believes that the going concern basis of accounting is appropriate in relation to presentation of the financial statements as of December 31, 2005.

In addition, following the SPA between SBSB, KB, Delloyd and Taipan as discussed in note 14, the new major shareholders have confirmed their intention and ability to provide financial support if and when required by the Company to allow it to continue operating as a going concern.

Resolutions of these adverse economic conditions and recovery of the economy are dependent on the fiscal and monetary measures that it will be taken by the government, action which are beyond the Company's control."

A3 Seasonal or Cyclical Factors

The businesses of the group are in plywood manufacturing operation and oil palm development. The group businesses are subjected to seasonal or cyclical factors.

A4 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.

A5 Material Changes in Estimated of Amounts

There were no material changes in estimates, which would materially affect the results of the current unaudited financial period.

A6 Changes in Debt and Equity Securities

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities during the unaudited financial period.

A7 Dividend Paid

There were no dividends paid or declared during the financial period.

A8 Segmental Information

	Current financial period 31 March 2006	Comparative financial period 31 March 2005
Segment revenue	RM'000	RM'000
Revenue from continuing operations		
Plywood	-	787
Plantation	1,075	803
Sales of exclusive logging works & Fellable timber	7,169	-
	8,244	1,590

A9 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 2005.

A10 Subsequent Events

This section should be read concurrent with section B8.

A11 Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial period except that the Group entered into a sale and purchase agreement on 18 January 2005 for the disposal by its subsidiary, Selat Bersatu Sdn. Bhd.(SBSB), a 56% owned subsidiary of Mentiga, of 18,900 ordinary shares of Indonesian Rupiah 1,000,000 each in PT Rebinmas Jaya (PTRJ) representing its entire investment of 90% equity interest in PTRJ to Delloyd Plantation Sdn. Bhd. and Taipan Hectares Sdn. Bhd, for a cash consideration of RM61,200,000 and now awaiting the relevant approvals. The main activities of subsidiary were operating in oil palm plantation. The revenue and expenses of the subsidiary were included in the quarter report.

A12 Changes in Contingent Liabilities and Contingent Assets

The contingent liabilities pending at the end of current quarter are as follows:

	RM'000
Claims made by project employer and contractor	15,751
Legal claims by contractor	5,778
	21,529

A13 Capital Commitments

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

B. <u>Bursa Malaysia listing requirements (part A of Appendix 9B)</u>

B1 Review of Performance

The revenue for the financial period ended 31 March 2006 was higher at RM8.24 million compared to RM1.59 million for the corresponding period last year. The increase of revenue due to sales of exclusive logging works and fellable timber of RM7.17 million during the financial period.

The Group's pre-tax profit after minority interest increased to RM3.47 million for the financial period as compared to RM4.19 million losses from the previous financial period. This is mainly due to the profits from sales of exclusive logging works and fellable timber.

There has been no other material factor affecting the earnings and/or revenue of the Group for the current quarter.

B2 Material Change in the Quarterly Results

For the quarter under review, the Group reported pre-tax profit after minority interest increase to RM3.47 million compared to RM4.60 million losses for the previous quarter. The increase of profit is due to sales of exclusive logging works and fellable timber.

There were no other unusual item affecting profits for the current quarter.

B3 Current Year Prospects

The plywood manufacturing operation is currently experiencing a shortage of materials supply and escalating increase of cost of production. In line with these challenging operating conditions, the group anticipates lower sales and earnings for the second quarter. The Group will strive to improve on its financial performance for the financial year 2006.

B4 Variance from Profit Forecast/Profit Guarantee

Not applicable in this quarterly report.

B5 Taxation

The taxation for the period is in respect of the provision for deferred taxation.

B6 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.

B7 Particulars of purchase or disposal quoted securities

There was no purchase or disposal of quoted securities of the group for the financial period.

B8 Status of the Corporate Proposals

The Group has submitted a revised comprehensive proposal to the SC on 16th March 2005 to regularise its financial condition and to restore the Group's shareholders' fund from being in a deficit position in order to remove Mentiga from being classified as a PN4 company.

The Securities Commissions ("SC") has via its letter dated 30th August 2005 (which was received on 1 September 2005) approved the following Proposals subject to the conditions as set out in their approval letter :-

(i) Proposed revaluation of the property assets of Mentiga and its subsidiaries ("Mentiga Group");

(ii) Proposed debt settlement via the issue of new ordinary shares of RM1.00 each in Mentiga ("Mentiga Shares") as settlement of an amount owing by Mentiga to its shareholder, Amanah Saham Pahang Berhad ("ASPA") ("Proposed Debt Settlement");

(iii) Proposed restricted issue of 20,000,000 Redeemable Convertible Preference Shares of RM1.00 each in Mentiga ("RCPS") to ASPA ("Proposed Restricted Issue");

(iv) Proposed disposal by Selat Bersatu Sdn. Bhd. ("SBSB"), a 56%-owned subsidiary of Mentiga, of 18,900 ordinary shares of Indonesian Rupiah ("RP") 1,000,000 each in PT Rebinmas Jaya ("PTRJ") representing its entire 90% equity interest in PTRJ to Delloyd Plantation Sdn. Bhd.and Taipan Hectares Sdn. Bhd. for a cash consideration of RM61,200,000 ("Proposed Disposal")

(I, II and III are collectively referred to as "Comprehensive Proposals")
(I, II, III and IV are collectively referred to as "Proposals")

The Company is currently is in the process of implementing the Proposals.

On 22 February 2006, the SC granted the Company an extension of time up to 31 August 2006 to implement the Proposals.

The SC has imposed conditions for the implementation of the Proposals which include, among others, the following:

(i) Mentiga is required to make quarterly announcements to Bursa Malaysia on the status of its application for transfer of ownership of 2 plots of vacant land with provisional land areas of 29.39 acres and 5.19 acres held under H.S. (D) 15693/P.T. 45064 and H.S.(M) 41047/P.T. 45065, Mukim of Kuala Kuantan, District of Kuantan, Pahang Darul Makmur ("Indera Mahkota Land") to the Company; and

As todate, the title of ownership to the Indera Mahkota Land has not been obtained from the relevant authorities.

(ii) Mentiga is required to disclose in quarterly announcements to Bursa Malaysia on the status of its application for the approval of the building plans of its sawmill factory situated on a plot of industrial land with a land area of approximately 230,670.45 square meters held under H.S.(D) 13/P.T. 361, Mukim of Rompin, District of Rompin, Pahang Darul Makmur ("Rompin Timber Complex")

The Company has appointed a firm of independent architects who are preparing the necessary documents to the Local Authority for the issue of the Certificate of Fitness for the Rompin Timber Complex.

B9 Group Borrowings

As at 31 March 2006, the Group borrowings are as follows:

	31 March 2006 RM'000	31 March 2005 RM'000	
Short term borrowings:			
Bank overdraft	12,867	15,050	First legal charge &
Term loan	11,194	11,191	Corporate guarantee
	24,061	26,241	

Total borrowings including interest as at 31 March 2006 is RM33,065,378.This loan was acquired by Pengurusan Danaharta Nasional Berhad (Danaharta). Mentiga as the guarantor for its wholly owned subsidiary, namely Mentiga Plantation Sdn. Bhd. ("Borrower") had on 27 April 2006 accepted the offer for the full and final settlement of RM25.0 million credit facilities (term loan and overdraft) granted by Multi-Purpose Bank Berhad and acquired by Danaharta for the total outstanding sum of RM32,813,621.69 as at 28 February 2006. The repayment shall be paid on or before 31 August 2006

B10 Off Balance Sheet Financial Instruments

There is no financial instrument with off-balance sheet risk as at the date of this report.

B11 Material Litigation

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

B12 Dividend

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

B13 Earnings per share

	Current quarter ended 31 March 2006	Comparative quarter ended 31 March 2005
Basic		
Profit/(loss) for the period (RM'000)	3,472	(4,193)
Number of shares in issue during the period ('000)	37,500	37,500
Weighted average number of shares in issue ('000)	37,500	37,500
Basic profit/(loss) per share (sen)	9.26	(11.18)
Fully diluted	N/A	N/A

On behalf of the Board
MENTIGA CORPORATION BERHAD

YEAP KOK LEONG
Company Secretary

Kuala Lumpur