

**MATANG BERHAD (1142377-X)**

Incorporated In Malaysia

**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING****A1. BASIS OF PREPARATION**

The interim financial report of Matang Berhad (“Matang” or the “Company”) and its subsidiaries (the “Group”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) No. 134 – Interim Financial Reporting, paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This is the first interim financial report on the consolidated results for the first quarter ended 30 September 2016 announced by the Company in compliance with the Listing Requirements of Bursa Securities and as such, there are no comparative figures for the preceding year’s corresponding period.

The consolidated interim financial report has been prepared using the principles of merger accounting whereby it is assumed that the transaction constituting the Group as detailed in Note A12(a) herein had occurred from the earliest date presented in this report and that the Group has operated as a single entity throughout the financial periods presented in this report. The interim financial report should be read in conjunction with the accompanying explanatory notes attached to this interim financial report.

**A2. CHANGES IN ACCOUNTING POLICIES**

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted as disclosed in the Accountants’ Report in the Prospectus of the Company dated 19 December 2016 except for the adoption of the following during the financial period which is effective from 1 January 2016:

MFRS (including the consequential amendments)

- Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to MFRS 107 Disclosure Initiative
- MFRS 15 Revenue from Contracts with Customers
- Clarification to MFRS 15
- MFRS 9 Financial Instruments (IFRS as issued by IASB in July 2014)
- Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions
- MFRS 16 Leases
- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associates or Joint Venture
- Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions

The application of the above changes did not have significant impact on this interim financial report.

**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)**

**A3. AUDITORS’ REPORT ON PRECEDING AUDITED FINANCIAL STATEMENTS**

The preceding year’s audited financial statements of the Company and the subsidiaries of the Company were not subject to any qualification.

**A4. SEASONAL OR CYCLICAL FACTORS**

The seasonal factors that affects the Group’s revenue and business operations is mainly the weather conditions which affect the oil palm production. In the event of an El Nino phenomenon, insufficient rainfall results in moisture stress in oil palms which can adversely affect the fresh fruit bunches (“FFB”) production. Conversely, periods of heavy rainfall such as monsoons or La Nina phenomenon can be disruptive towards the harvesting and transportation operations, thus affecting the amount of FFBs harvested.

Generally, the Group experiences higher FFB production during the second and third quarter of the year, attributed to favourable weather and rainfall patterns in Johor during these times. However, the Group is not materially affected by seasonal or cyclical factors during the current financial period under review.

**A5. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS.**

The were no material unusual exceptional item that occurred during the current financial quarter and financial period under review which affected the profit or loss and cash flows of the Group.

**A6. MATERIAL CHANGES IN ESTIMATES**

There were no changes in estimates of amounts reported in previous financial years that have a material effect on the results for the current financial period under review.

**A7. DEBT AND EQUITY SECURITIES**

Save as disclosed under A12(a), there were no issuance and repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during this financial quarter.

**A8. DIVIDEND PAID**

There was no dividend paid during the current financial period under review.

**A9. SEGMENTAL INFORMATION**

The Group is primarily involved in the cultivation of oil palm and sale of fresh fruit bunches. The Group operates an oil palm plantation estate in Johor, Malaysia and as such the operating revenue reflected in the financial quarter under review was derived entirely from the operation of the oil palm plantation.

**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)**

**A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

There was no valuation of property, plant and equipment in the current financial period under review.

**A11. CAPITAL COMMITMENTS**

There are no capital commitments incurred by the Group as at 30 September 2016.

**A12. EFFECT OF CHANGES IN COMPOSITION OF THE GROUP**

(a) Exchange of Shares

In conjunction with and as an integral part of the Listing (as defined below) of and quotation of the entire enlarged issued and paid-up share capital of the Company on the ACE Market on Bursa Securities, the Company had on 6 May 2016 entered into a scheme agreement with Matang Holdings Berhad (“MHB”) (“Scheme Agreement”).

Pursuant to the Scheme Agreement, MHB undertook a members’ scheme of arrangement under Section 176 of the Companies Act, 1965 to enable the entire issued and paid-up share capital of MHB of RM60,000,002 comprising 120,000,004 MHB ordinary shares of RM0.50 each (“MHB Shares”) to be transferred to Matang and exchanged for 1,680,000,056 new ordinary shares of RM0.10 each in Matang (“Matang Shares” or “Shares”) at the issue price of RM0.10 each on the basis of 14 new Matang Shares for every one (1) MHB Share held.

The Exchange of Shares was completed on 14 November 2016 and resulted in MHB becoming a wholly-owned subsidiary of Matang.

(b) Public Issue

In addition, the Company has also undertaken a public issue of 130,000,000 new Shares representing 7.18% of the enlarged issued and paid-up capital of the Company, at an issue price of RM0.13 per share (“Public Issue”), payable in full upon application in conjunction with the listing and quotation of the entire and enlarged issued and paid-up share capital of RM181,000,025.60 comprising 1,810,000,256 Shares on the ACE Market of Bursa Securities.

(c) Listing

The effects on the results of the Group arising from (a) above have been reflected in the Unaudited Combined Statements of Profit or Loss and Other Comprehensive Income and the Unaudited Consolidated Statements of Financial Position of the Group included in this interim financial report.

**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)**

**A13. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL PERIOD**

- (a) The Company is expected to complete the listing and quotation of its Shares on the ACE Market of Bursa Securities on 17 January 2017.
- (b) The subsidiary of the Company, Matang Realty Sdn Bhd (“MRSB”), had received the following notifications on the compulsory acquisition of part of the Group’s oil palm plantation located with the District of Ledang and Segamat, Johor with a total net land area of 1,096.3 hectares (“Matang Estate”), pursuant to the Land Acquisition Act, 1960 to upgrade the existing Muar-Tangkak-Segamat Road:
- (i) Notification dated 27 September 2016 from Petadbir Tanah Segamat (“PTS”) in relation to the land title Geran 37583 for Lot 6185 and Geran 37585 for Lot 6187 in Mukim Jementah, Daerah Segamat for which the land area to be acquired by the State Government of Johor is 0.7418 hectares and 1.2994 hectares respectively;
- (ii) Notification dated 12 October 2016 from Petadbir Tanah Tangkak (“PTT”) in relation to the land title Geran 2752 for Lot 984 in Mukim Tangkak, Daerah Tangkak for which the land area to be acquired by the State Government of Johor is 0.1116 hectares.

Further to the notifications as set out above respectively from PTS and PTT, MRSB had been offered compensation sums as set out below:

Particulars of title	Land area for compulsory acquisition (hectares)	% land area for compulsory acquisition over Matang Estate (%)	NBV <sup>^</sup> (as at 30 June 2016) (RM)	Compensation Sum (RM)
Lot 6185, Geran 37583 (Mukim Jementah, Daerah Segamat)	0.7418	0.07%	94,928	432,464
Lot 6187, Geran 37585 (Mukim Jementah, Daerah Segamat)	1.2994	0.12%	166,284	767,212
Lot 984, Geran 2752 (Mukim Tangkak, Daerah Tangkak)	0.1116	0.01%	14,281	41,000
<b>Total</b>	<b>2.1528</b>	<b>0.20%</b>	<b>275,493</b>	<b>1,240,676</b>

Note:

<sup>^</sup> Net book value for land areas to be acquired under the compulsory acquisitions, the value of which is arrived at in proportion to total NBV of RM140,293,501 as at 30 June 2016 for the total land area of 1,096.3 hectares.

**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134:  
INTERIM FINANCIAL REPORTING (CONT’D)**

MRSB had on 8 January 2017 accepted the offers of compensation sums made by PTT and PTS, the sums of which are as set out above.

As a result of the compulsory acquisitions, the land area of Matang Estate shall decrease by 2.1528 hectares or 0.20%. Nevertheless, the decrease in Matang Estate land area is not expected to materially adversely impact the revenue, profitability and/or operations of the Group going forward due to the minimal reduction in the land area of 0.20%.

**A14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There are no contingent liabilities nor contingent assets as at the date of this report.

**A15. RELATED PARTY TRANSACTIONS**

There is no related party transaction that had been entered into in the normal course of the business of the Group during the financial quarter under review.

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## **PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES**

### **B1. REVIEW OF PERFORMANCE**

For the first financial quarter ended 30 September 2016, the Group recorded a total revenue of about RM1.97 million and a pre-tax profit of RM0.99 million. The Group derived its entire operating revenue from the sales of FFB harvested to local market and hence local market continued to contribute solely to the revenue of the Group for this first financial quarter under review.

In addition to the operating revenue of RM1.97 million reported for this first financial quarter ended 30 September 2016, the Group also derived approximately RM0.68 million in other operating income out of which RM0.23 million was in the form of rental income from the rental of investment properties of the Group located in Kawasan Perindustrian Larkin (also known as Dato' Onn Industrial Estate) and RM0.25 million from the combined sales of surplus oil palm seedling and the sales of FFB from immature oil palms. The FFB harvested from immature oil palms aged 5 years and below are generally smaller in size and has lower oil content.

### **B2. COMPARISON WITH PRECEDING QUARTER'S FINANCIAL RESULT**

This is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities. There are no comparative figures for the preceding quarter and year to date result available as no interim financial report was prepared for the comparative financial period concerned.

### **B3. COMMENTARY ON PROSPECTS**

The Group is expected to generate favourable level of revenue supported in particularly by the encouraging level of FFB yield post El Nino phenomenon and the demands for the FFB as a result of positive outlook for the crude palm oil in the global market.

As disclosed in the Prospectus of the Company dated 19 December 2016, the Group has targeted to carry out replanting exercise involving 16.4 hectares in 2017 as well as to increase FFB yield through the greater usage of fertilisers, both of which are efforts undertaken to ensure sustainable growth and development for the Group.

### **B4. PROFIT FORECASTS AND PROFIT GUARANTEES**

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement during the current financial period under review.

### **B5. STATUS OF CORPORATE PROPOSALS**

Save as disclosed under A12, there was no other corporate proposals announced but not completed as at the date of this report.

**PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**

**B6. INCOME TAX EXPENSE**

	Quarter ended 30 September 2016 RM	Year-to-date 30 September 2016 RM
Income tax expense		
- Current financial period	296,000	296,000
Deferred tax		
- Current financial period	1,000	1,000
- Prior year period	1,000	1,000
Total tax expense	298,000	298,000
Effective tax rate	30%	30%

The effective tax rate for the current and financial year to date ended 30 September 2016 is higher than the statutory tax rate of 24% due to the adjustment of non-deductible expenses.

**B7. UTILISATION OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING (“IPO”)**

Based on the issue price of RM0.13 per share for the Public Issue (details of which have been more fully explained under A12(b) above), the gross proceeds arising from the Public Issue amounting to RM16.9 million is intended to be utilised in the following manner:

Purposes	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Estimated time frame for utilisation <sup>(1)</sup>
Replanting exercise	250	-	-	Within 24 months
Capital expenditure	2,550	-	-	Within 36 months
General working capital	11,924	-	-	Within 60 months
Estimated listing expenses	2,176	-	-	Within 3 months
<b>Total</b>	<b>16,900</b>	-	-	

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 19 December 2016.

As at the date of the report, the IPO is pending completion and hence there was no utilisation of IPO proceeds.

Note:

<sup>(1)</sup> From the date of listing of the Company on the ACE Market of Bursa Securities which is expected to be on 17 January 2017.

**PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**

**B8. GROUP'S BORROWINGS AND DEBT SECURITIES**

The Group has no borrowing and the Group has no debt securities in issue as at 30 September 2016.

**B9. MATERIAL LITIGATION**

There is no litigation or arbitration which has a material effect on the financial position of the Group and as at the date of this report and the Board of Directors is not aware of any proceedings pending or threatened, or of any fact that likely to give rise to any proceedings as at the date of this report.

**B10. DIVIDEND**

The Board of Directors does not recommend any dividend for the current financial quarter under review.

**B11. EARNINGS PER SHARE ("EPS")**

The basic and diluted EPS for the current financial quarter and financial year-to-date are computed as follows:

	<b>Quarter ended 30 September 2016</b>	<b>Year-to-date 30 September 2016</b>
Net profit attributable to ordinary equity holders of the Company (RM'000)	687	687
Number of ordinary shares in issue ('000)	1,680,000	1,680,000
Basic EPS (sen) <sup>(1)</sup>	0.04	0.04
Diluted EPS (sen) <sup>(2)</sup>	0.04	0.04

Notes:

- (1) Basic EPS is calculated based on the shares in issue of 1,680,000,256 of RM0.10 each in the Company after the completion of the Exchange of Shares on the basis of 14 Matang Shares for every one (1) MHB Share but before the Public Issue.
- (2) Diluted EPS of the Company for the quarter and year to date ended 30 September 2016 is equivalent to the basic EPS as the Company does not have convertible options and securities as at the end of the reporting period.

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**PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**

**B12. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Profit for the financial period is arrived at after charging/(crediting) the following expense/(income):

	<b>Quarter ended 30 September 2016 RM'000</b>	<b>Year-to-date 30 September 2016 RM'000</b>
Depreciation of bearer plants	500	500
Depreciation of property, plant and equipment	47	47
Fair value gain on agriculture produce	(179)	(179)
Rental income	(234)	(234)
Interest income	(15)	(15)
Share registration income	(4)	(4)

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Securities are not applicable.

**B13. DISCLOSURES OF REALISED AND UNREALISED PROFIT OR LOSSES**

The realised and unrealised retained earnings of the Group as at 30 September 2016 are analysed as follows:

	<b>Unaudited as at 30 September 2016</b>	<b>Audited as at 30 June 2016</b>
Total retained profits of the Group		
- Realised	109,481	108,584
- Unrealised	(1,624)	(1,414)
Total retained profits of the Group	<b>107,857</b>	<b>107,170</b>

**B14. AUTHORISATION FOR ISSUE**

The interim financial report was authorised for issue by the Board of Directors on 13 January 2017.

**BY ORDER OF THE BOARD OF DIRECTORS  
13 JANUARY 2017**