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").

The consolidated interim financial report has been prepared using the principles of merger accounting whereby it is assumed that the transaction constituting the Group 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 Audited Financial Statement of the Group for financial year ended 30 June 2017 including the adoption of the following, where applicable, during the financial period which were effective from 1 January 2017:

MFRS (including the consequential amendments)
- Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Loss
- Amendments to MFRS 107 Disclosure Initiative
- Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014 – 2016 Cycle

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

A3. AUDITORS' REPORT ON PRECEDING AUDITED FINANCIAL STATEMENTS

The preceding year's audited financial statements, i.e., for financial year ended 30 June 2017, of the Company and the subsidiaries were not subject to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

The seasonal factors that affect the Group's revenue and business operations are 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.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS ("FRS") 134: INTERIM FINANCIAL REPORTING (CONT'D)

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

There was 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 material changes in estimates of amounts reported in previous financial years or previous quarter that have a material effect on the results for the current financial period under review.

A7. DEBT AND EQUITY SECURITIES

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 period under review.

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 FFB. 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 from the operation of the oil palm plantation.

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

During the financial quarter under review, the Company has carried out valuation of its investment properties in Kawasan Perindustrian Larkin, i.e., the land measuring 1.3 hectares or 3.2 acres held under title HSD 8796, Lot No. TLO 703, Town of Bandar Johor Bahru, District of Johor Bahru, State of Johor Darul Takzim bearing postal address No. 83, Jalan Langkasuka, Kawasan Perindustrian Larkin, 80350 Johor Bahru, Johor Darul Takzim, together with three units of detachable industrial buildings (namely Block A, Block B and Block C) erected thereon ("Larkin Investment Properties").

The valuation carried out appraised Larkin Investment Properties at a value of RM12.50 million as at 21 June 2018 and there is no gain nor loss arising from the aforesaid valuation.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS ("FRS") 134: INTERIM FINANCIAL REPORTING (CONT'D)

A11. CAPITAL COMMITMENTS

There are no capital commitments incurred by the Group as at 30 June 2018.

A12. EFFECT OF CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period under review.

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

There are no material events that occurred subsequent to the end of the current financial period.

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 period under review.

[The remainder of this page has been intentionally left blank]

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

B1. REVIEW OF PERFORMANCE

For the fourth financial quarter ended 30 June 2018, the Group recorded operating revenue of RM2.48 million as compared to RM2.22 million in the preceding year's corresponding quarter.

In comparison with the corresponding quarter in the previous financial year, the increase in operating revenue was about 11.8% arising mainly from higher volume of FFB harvested and sold during the financial quarter under review. The FFB tonnage sold was 4,973 tonnes as compared to 3,685 tonnes for the corresponding quarter in FY2017, an increase of about 35.0%. However, the average FFB selling price for the current financial quarter was RM498 per tonne against RM587 per tonne for the fourth quarter of FY2017.

The Group's other income for the current quarter was lower at RM0.65 million against RM1.31 million for the fourth quarter of FY2017 mainly because the previous year's corresponding quarter has the benefit of a one-off gain of RM0.85 million arising from the valuation of the Larkin Investment Properties. Interest income, which is part of other income, has increased to RM0.42 million from RM 0.29 million in the previous year's corresponding quarter.

On a full financial year basis, operating revenue for the Group increased by 22.5% to RM11.84 million on the back of a 44% increase in FFB production despite a 15% drop in average FFB price realised from RM650 per tonne to RM553 per tonne. The Group's unaudited profit before tax for the financial year ended 30 June 2018 was RM5.88 million as compared to RM2.58 million for the previous financial year mainly due to higher FFB production in the financial year under review despite lower average FFB price realised. The Group's unaudited profit after tax for financial year ended 30 June 2018 was RM4.09 million as compared to RM1.26 million for the previous financial year.

The Group unaudited comprehensive income for financial year ended 30 June 2018 was RM3.78 million after accounting for marked to market loss of RM0.31 million in relation to a quoted investment. As a result, the Group's earnings per share for the financial year ended 30 June 2018 was 0.23 sen as compared to 0.07 sen for the corresponding year ended 30 June 2017.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S PROFIT BEFORE TAX

The Group reported profit before tax of RM0.84 million for current quarter ended 30 June 2018 as compared to RM1.35 million for the immediate preceding quarter primarily due to lower revenue as a result of 6.7% lower average FFB selling price and a 9.8% reduction in FFBs harvested and sold in the current quarter under review.

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

B3. COMMENTARY ON PROSPECTS

Barring unforeseen adverse weather conditions and disruption in the supply of foreign workers, the Group will strive to continue its effort in improving the FFB yield and production.

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 and except as disclosed below, there was no other corporate proposals announced but not completed as at the date of this report.

The Company has on 18 July 2017 announced that it had entered into a letter of intent which sets out the intention for the Company's wholly-owned subsidiary, Matang Holdings Berhad ("MHB") or its nominees to acquire the following assets from Raub Mining & Development Company Sdn Bhd ("RMDC") and Raub Oil Mill Sdn Bhd ("ROM") for a total indicative purchase consideration of RM180 million (inclusive of applicable Goods and Services Taxes) ("Letter of Intent").

- two contiguous parcels of leasehold agricultural land identified as PT 23120 and PT 22468, Mukim Gali, Daerah Raub, Negeri Pahang, Malaysia held respectively under HS(D) 10803 and HSM 10940 measuring in total 4,219.79 acres or 1,707.69 hectares together with the oil palm plantation existing thereon ("Estate");

- a 60-tonnes per hour palm oil mill ("Mill"); and

- the buildings, quarters, plant and machinery, equipment, vehicles and stocks of the Estate and of the Mill ("Ancillary Structures and Items").

However, on 28 September 2017, the Company has been informed by RMDC that the disposal of the Assets by the Vendors shall be put on hold for the moment due to an injunction granted by the High Court of Malaya ("High Court").

RMDC also informed the Company that it had instructed its solicitors and counsel to prosecute an appeal against the decision of the High Court and it shall keep the Company informed of the progress of the matter. As at the date of this report, the Company has yet to receive any further information from RMDC with regards to the matters set out above.

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

B6. INCOME TAX EXPENSE

	Quarter ended 30 June 2018 RM	Year-to-date 30 June 2018 RM
Income tax expense		
- Current financial period	250,035	1,860,035
- Under provision in prior quarter	78,000	-
- Over provision in prior year	(101,183)	(100,990)
Deferred tax		
- Current financial period	60,002	60,002
- Over provision in prior year	(29,894)	(29,894)
Total tax expense	256,960	1,789,153
Effective tax rate	37.1%	32.7%

The effective tax rate for the current quarter and financial year to date ended 30 June 2018 is higher than the statutory tax rate of 24% due to non-tax 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 of the Company on 17 January 2017, the gross proceeds arising from the Public Issue amounting to RM16.9 million has been utilised in the following manner:

Purposes	Proposed utilisation	Actual utilisation	Deviation: surplus/ (deficit)	Balance unutilised	Estimated time frame for utilisation[(1)]
	RM'000	RM'000	RM'000	RM'000	
Replanting exercise	250	(159)	-	91	Within 24 months
Capital expenditure	2,550	(1,098)	-	1,452	Within 36 months
General working capital	11,924	(4,554)[(2)]	-	7,370	Within 60 months
Estimated listing expenses	2,176	(2,176)	-	-	Within 3 months
Total	**16,900**	**(7,987)**		**8,913**	

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

Notes:
(1) From the date of listing of the Company on the ACE Market of Bursa Securities on 17 January 2017.

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

(2) Including RM447,000 which has been utilised to cover the deficit arising from the utilisation for Listing expenses in such manner as allowed under Section 3.10.1(v) of the Prospectus of the Company dated 19 December 2016.

B8. GROUP'S BORROWINGS AND DEBT SECURITIES

The Group has no borrowing and the Group has no debt securities in issue as at 30 June 2018.

B9. MATERIAL LITIGATION

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

B10. DIVIDEND

The Board has proposed to declare the first and final dividend of 0.2 sen (FY2017: Nil) per ordinary share in the Company in respect of financial year ended 30 June 2018, the payment of which shall be subject to the shareholders' approval in the Fourth Annual General Meeting of the Company. The entitlement and payment dates shall be determined by the Board and announced later.

B11. EARNINGS PER SHARE ("EPS")

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

	Quarter ended 30 June 2018	**Year-to-date 30 June 2018**
Net profit attributable to ordinary equity holders of the Company (RM'000)	580	4,090
Number of ordinary shares in issue ('000)	1,810,000	1,810,000
Basic EPS (sen)	0.03	0.23
Diluted EPS (sen)[1]	0.03	0.23

Note:
(1) Diluted EPS of the Company for the quarter and year to date ended 30 June 2018 is equivalent to the basic EPS as the Company does not have convertible options and securities as at the end of the reporting period.

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/(loss) and other comprehensive income of the Group for the financial period is arrived at after charging/(crediting) the following expense/(income):

	Quarter ended 30 June 2018 RM'000	**Year-to-date 30 June 2018 RM'000**
Depreciation of property, plant and equipment	539	2,237
Fair value loss on agriculture produce	86	87
Rental income	(225)	(960)
Interest income	(420)	(1,185)
Share registration net expenses	8	17
Fair value loss on quoted shares	7	312

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

B13. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board of Directors on 27 August 2018.

BY ORDER OF THE BOARD OF DIRECTORS
27 AUGUST 2018