

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 2018 including the adoption of the following, where applicable, during the financial period which were effective from 1 January 2018:

MFRS (including the consequential amendments)

- Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014 – 2016 Cycle
- 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
- Amendments to MFRS 128 Annual Improvements to MFRS Standards 2014 – 2016 Cycle
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 140 Transfers of Investment Property

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 2018, of the Company and the subsidiaries were not subject to any qualification.

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

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.

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.

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

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There is no valuation of the property, plant and equipment of the Group carried out during the financial quarter under review. The last valuation carried out on 21 June 2018 appraised Larkin Investment Properties at a value of RM12.50 million and the same has been reflected in the audited financial statement of the Company for previous financial year ended 30 June 2018.

A11. CAPITAL COMMITMENTS

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

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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 2018, the Group recorded operating revenue of RM2.21 million as compared to RM3.17 million in the preceding year's corresponding quarter.

In comparison with the corresponding quarter in the previous financial year, the decrease in operating revenue was due to the combined effects of the reduction in both FFB prices and production. The average price for FFB sold for the current quarter was RM462 per tonne as compared to the average price of RM579 per tonne for the preceding year's corresponding quarter, i.e., about 20% lower. On the other hand, FFB production for the current quarter was 4,787 tonnes as compared to 5,465 tonnes in the preceding year's corresponding quarter, reflecting 12% lower production. The reduction in production is in line with the industry trend particularly for the months of July and August 2018.

As a result of lower revenue, the Group's gross profit for the current quarter was about RM1.50 million as compared to RM2.40 million for the corresponding quarter in the preceding year. The Group's other income for the current quarter was slightly lower at RM0.70 million against RM0.76 million for the first quarter of FY2017. On the other hand, the administration expenses registered a slight increase of about 2% for the current quarter to RM1.28 million as compared to RM1.25 million for the corresponding quarter in the preceding year. Broadly, the other income and administration expenses of the Group do not differ significantly between the current quarter and the corresponding quarter in the preceding year.

The Group's profits before and after taxation for the current quarter is lower largely tracking the same pattern of the reduction in Group's revenue between current quarter and the corresponding quarter in the preceding year.

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

The Group reported profit before tax of RM0.92 million for the current quarter ended 30 September 2018 as compared to RM0.84 million for the immediate preceding quarter mainly due to lower administration expenses incurred in the current quarter, i.e., of RM1.28 million as compared to RM1.79 million in the immediate preceding quarter.

B3. COMMENTARY ON PROSPECTS

The Group's monthly FFB production is expected to be higher for the next reporting quarter. FFB prices, however, has remained soft and hence will offset the effect of any expected increase in production. 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.

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

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 September 2018 RM	Year-to-date 30 September 2018 RM
Income tax expense		
- Current financial period	314,000	314,000
Deferred tax		
- Current financial period	7,381	7,381
- Under provision in prior year	15,746	15,746
Total tax expense	<u>337,127</u>	<u>337,127</u>
Effective tax rate	<u>34.9%</u>	<u>34.9%</u>

The effective tax rate for the current quarter ended 30 September 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	(173)	-	77	Within 24 months
Capital expenditure	2,550	(1,113)	-	1,437	Within 36 months
General working capital	11,924	(5,089) ⁽²⁾	-	6,835	Within 60 months
Estimated listing expenses	2,176	(2,176)	-	-	Within 3 months
Total	16,900	(8,551)		8,349	

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 September 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

On 27 August 2018, 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 scheduled on 27 November 2018.

The entitlement and payment dates for the final dividend in respect of financial year ended 30 June 2018 is 18 December 2018 and 8 January 2019 respectively.

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 September 2018	Year-to-date 30 September 2018
Net profit attributable to ordinary equity holders of the Company (RM'000)	582	582
Number of ordinary shares in issue ('000)	1,810,000	1,810,000
Basic EPS (sen)	0.03	0.03
Diluted EPS (sen) ⁽¹⁾	0.03	0.03

Note:

- (1) Diluted EPS of the Company for the quarter and year to date ended 30 September 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 and other comprehensive income of the Group for the financial period is arrived at after charging/(crediting) the following expense/(income):

	Quarter ended 30 September 2018 RM'000	Year-to-date 30 September 2018 RM'000
Depreciation of property, plant and equipment	568	568
Fair value gain on agriculture produce	(108)	(108)
Rental income	(209)	(209)
Interest income	(382)	(382)
Share registration net expenses	3	3
Fair value loss on quoted shares	29	29

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 November 2018.

**BY ORDER OF THE BOARD OF DIRECTORS
27 NOVEMBER 2018**