

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 Group’s quarterly revenue and results are affected by seasonal crop production pattern and weather conditions.

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 quarter 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 RM12.20 million as at 21 June 2019 as compared to the valuation of RM12.50 million conducted in financial year ended 30 June 2019.

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

As a result, there is a loss of RM300,000 in the form of fair value adjustment on Larkin Investment Properties for the financial year ended 30 June 2019.

A11. CAPITAL COMMITMENTS

There are no capital commitments incurred by the Group as at 30 June 2019.

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 fourth financial quarter ended 30 June 2019, the Group recorded operating revenue of RM2.30 million as compared to RM2.48 million in the preceding year's corresponding quarter.

Lower operating revenue for the current quarter under review was mainly due to the reduction in FFB prices in the current quarter despite higher fresh fruit bunches ("FFBs") production. The average price for FFB sold for the current quarter was RM386 per tonne as compared to the average price of RM498 per tonne for the preceding year's corresponding quarter, i.e., about 22.5% lower. On the other hand, the Group's FFBs production for the current quarter was about 19.7% higher at 5,955 tonnes as compared to 4,973 tonnes in the preceding year's corresponding quarter.

Cost of sales was higher in the current quarter as compared to the corresponding quarter in the preceding year mainly due to the timing in manuring activities with more intensified manuring activities being carried out in the current quarter as compared to the preceding year corresponding quarter. Other income reduced slightly for the quarter under review as compared to the preceding quarter because of the lower interest income. Included in the administration expenses is a fair value loss of RM0.30 million as mentioned in Note A10 above.

The Group's profit before taxation for the current quarter was RM0.35 million as compared to RM0.84 million for the corresponding quarter in the preceding year while the Group's profit after taxation for the current quarter was RM0.07 million as compared to RM0.58 million for the corresponding quarter in the preceding year. The lower profit level in the current quarter was mainly attributable to the reasons as explained above.

On a full financial year basis, operating revenue for the Group reduced by 22.9% from RM12.64 million to RM9.75 million due to the decline of 26.2% in average FFB price realised from RM550 per tonne to RM406 per tonne despite an increase in FFB harvested and sold of 4.6%. The Group's gross profit fell by about RM2.87 million, i.e., by about the same quantum of the drop in revenue of about RM2.89 million.

The Group's unaudited profit before tax for the financial year ended 30 June 2019 was RM3.10 million as compared to RM5.88 million for the previous financial year mainly due to significantly lower FFB prices realised in the financial year under review despite the increase in FFB tonnage harvested and sold. The Group's unaudited profit after tax for financial year ended 30 June 2019 was RM1.83 million as compared to RM4.09 million for the previous financial year.

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

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

The Group's profit before tax of RM0.35 million for the current quarter ended 30 June 2019 was lower than the RM0.85 million profit before tax achieved for the immediate preceding quarter mainly due to lower revenue as result of the lower average FFB price realised, lower production as well as higher administration expenses in the current quarter under review.

The average FFB price realised for the preceding quarter was RM401 per tonne as compared to RM386 per tonne realised in the current quarter under review, i.e., a decline of 3.7%. Production for this quarter is 11.3% lower than the immediate preceding quarter in line with the seasonal crop production pattern. The higher administration expenses in the current quarter under review was mainly due to the fair value loss of RM300,000 arising from the Larkin Investment Properties as explained under Note A10 above.

B3. COMMENTARY ON PROSPECTS

The average FFB price realised for financial year ended 30 June 2019 was about 26.2% lower than the average FFB price realised for the previous financial year. Should the crude palm oil prices and the resultant FFB prices remain soft going forward, it will affect the profitability of the Group. Notwithstanding the volatility of the crude palm oil prices and barring unforeseen adverse weather conditions as well as 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

There was no corporate proposal announced but not completed as at the date of this report.

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

B6. INCOME TAX EXPENSE

	Quarter ended 30 June 2019 RM	Financial year ended 30 June 2019 RM
Income tax expense		
- Current financial period	267,600	1,239,600
- Under provision in prior year	11,964	14,562
Deferred tax		
- Current financial period	7,869	30,356
- Under/(Over) provision in prior year	108	(14,141)
Total tax expense	<u>287,541</u>	<u>1,270,377</u>
Effective tax rate	<u>78.0%</u>	<u>40.9%</u>

The effective tax rate for the current quarter ended 30 June 2019 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	(250) ⁽²⁾	-	-	Within 24 months
Capital expenditure	2,550	(1,120)	-	1,430	Within 36 months
General working capital	11,924	(5,826) ⁽³⁾	-	6,098	Within 60 months
Estimated listing expenses	2,176	(2,176)	-	-	Within 3 months
Total	16,900	(9,372)		7,528	

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.

⁽²⁾ Including RM327 which was incurred for replanting activities after the expiry of 24 months from 17 January 2017, i.e., 16 January 2019 but incurred within the quarter ended 31 March 2019.

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

- ⁽³⁾ 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 2019.

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 0.15 sen (FY2018: 0.20 sen) per ordinary share in the Company in respect of financial year ended 30 June 2019, the payment of which shall be subject to the shareholders' approval in the Fifth 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 2019	Financial year ended 30 June 2019
Net profit attributable to ordinary equity holders of the Company (RM'000)	66	1,832
Number of ordinary shares in issue ('000)	1,810,000	1,810,000
Basic EPS (sen)	0.00 ⁽¹⁾	0.10
Diluted EPS (sen) ⁽²⁾	0.00 ⁽¹⁾	0.10

Notes:

- (1) Less than 0.01 sen.
(2) Diluted EPS of the Company for the quarter and year to date ended 30 June 2019 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 June 2019 RM'000	Financial year ended 30 June 2019 RM'000
Depreciation of property, plant and equipment	537	2,210
Fair value loss/(gain) on agriculture produce	86	(24)
Rental income	(208)	(835)
Interest income	(354)	(1,407)
Share registration net expenses	4	41
Fair value loss on quoted shares	4	44
Fair value loss on investment property	300	300

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 28 August 2019.

BY ORDER OF THE BOARD OF DIRECTORS
28 August 2019