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 audited financial statements of the Group for financial year ended 30 June 2019 as well as 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 2019 including the adoption of the following, where applicable, during the financial period which were effective from 1 January 2019:

MFRS (including the consequential amendments)
- MFRS 16 Leases
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 9 Prepayment Features with Negative Compensation
- Amendments to MFRS 3 Annual Improvements to MFRS Standards 2015 – 2017 Cycle
- Amendments to MFRS 11 Annual Improvements to MFRS Standards 2015- 2017 Cycle
- Amendments to MFRS 12 Annual Improvements to MFRS Standards 2015- 2017 Cycle
- Amendments to MFRS 123 Annual Improvements to MFRS Standards 2015- 2017 Cycle
- Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement

Save as highlighted below, the application of the above changes did not have significant impact on this interim financial report.

MFRS 16: Leases ("MFRS 16") is effective for annual periods beginning on or after 1 January 2019 and the Group has adopted MFRS 16 Leases with effect from the first quarter for financial year ending 30 June 2020.

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance lease under MFRS 117. A lessee recognises a right-of-use

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

asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. The lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease. The Group assesses whether a contract is or contains a lease based on the definition of a lease and related guidance set out in MFRS 16.

The Group has adopted MFRS 16 using modified retrospective approach where the cumulative effect of initial application is recognised in the retained earnings at 1 July 2019 and hence the comparatives are not restated.

In summary, the impact of adopting MFRS 16 to the opening balances (i.e., as at 1 July 2019) are as follows:

1 July 2019	**Impact of change in accounting policies**		
	As reported under MFRS 16 RM'000	**MFRS 16 adjustments RM'000**	**Pre-MFRS 16 (as reported previously) RM'000**
Assets			
Right-of-use assets	409	409	-
Liabilities			
Non-current lease liabilities	(353)	(353)	-
Current lease liabilities	(109)	(109)	-
Total impact to liabilities	(462)	(462)	-
Equity			
Retained earnings	(110,677)	53	(110,730)

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

The following table summarises the impact of adopting MFRS 16 on the Group's statement of profit or loss and statement of financial position as at 31 December 2019:

Profit and loss for six months ended 31 December 2019	**As reported under MFRS 16**	**MFRS 16 adjustments for the three months period**	**Pre-MFRS 16**
	RM'000	**RM'000**	**RM'000**
Other administration expenses	1,896	(68)	1,964
Depreciation and amortisation	1,178	53	1,125
Lease interest expenses for right-of-use assets	14	14	-
Profit for the period	638	1	637

Statement of financial position at 31 December 2019	**As reported under MFRS 16**	**MFRS 16 adjustments**	**Pre-MFRS 16**
	RM'000	**RM'000**	**RM'000**
Assets			
Right-of-use assets	356	356	-
Liabilities			
Non-current lease liabilities	(295)	(295)	-
Current lease liabilities	(113)	(113)	-
Total impact to liabilities	(408)	(408)	-
Equity			
Retained earnings	(110,941)	52	(110,993)

A3. AUDITORS' REPORT ON PRECEDING AUDITED FINANCIAL STATEMENTS

The preceding year's audited financial statements, i.e., for financial year ended 30 June 2019, of the Company and the subsidiaries were not subject to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

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

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

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

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 appraised Larkin Investment Properties at a value of RM12.20 million as at 21 June 2019 and the same has been reflected in the audited financial statement of the Company for previous financial year ended 30 June 2019.

A11. CAPITAL COMMITMENTS

There are no capital commitments incurred by the Group as at 31 December 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.

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

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 second financial quarter ended 31 December 2019, the Group recorded operating revenue of RM2.25 million as compared to RM2.55 million in the preceding year's corresponding quarter.

In comparison with the corresponding quarter in the previous financial year, there was a decrease in revenue of 11.6% mainly due to 30.2% reduction in FFB production in the current quarter under review. The FFB production for current quarter under review was 4,584 tonnes as compared to 6,572 tonnes in the corresponding quarter in the preceding year. Notably, the oil palm plantation as a whole in Malaysia had shown lower FFB production yield from October to December 2019 as compared to the same period in 2018. The average FFB prices on the other hand has risen from RM388 per tonne in the preceding year's corresponding quarter to RM492 per tonne in the current quarter under review.

The Group's gross profit for the current quarter was slightly lower at RM1.72 million as compared to RM1.87 million for the preceding year's corresponding quarter mainly due to lower revenue in the current quarter under review. The Group's other income for the current quarter was slightly higher at RM0.59 million against RM0.57 million for the second quarter of FY2019.

The administration expenses registered an increase from RM1.42 million in preceding year's corresponding quarter to RM1.60 million for the current quarter mainly due to the adoption of quarterly accrual of certain annual expenses such as staff bonus, directors' fees and auditors' fees, etc. which were provided semi-annually or annually in the previous years.

The Group's profit before taxation for current quarter is lower at RM0.70 million as compared to RM1.01 million in the preceding year corresponding quarter primarily due to lower gross profit and higher administration expenses. The Group's profit after taxation for the current quarter tracked the same pattern of reduction in Group's profit before taxation between current quarter and the preceding year corresponding quarter.

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

The Group reported higher profit before tax of RM0.70 million for the current quarter ended 31 December 2019 as compared to RM0.50 million for the immediate preceding quarter. The higher profit before tax for current quarter under review was because of the significant improvement of average FFB price realised from RM393 per tonne in the immediate preceding quarter to RM492 per tonne in the current quarter under review.

B3. COMMENTARY ON PROSPECTS

Crude Palm Oil ("CPO") prices have continued to improve since August 2019 and have exceeded RM2,500 per tonne in November 2019. The uptrend in CPO prices, if sustainable, may boost the profitability of the Group for the financial year ending 30 June 2020 should there be no disruption in FFB production.

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

Barring unforeseen adverse weather conditions as well as disruption in the supply of foreign workers, the Group will 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.

B6. INCOME TAX EXPENSE

	Quarter ended 31 December 2019 RM	Year-to-date 31 December 2019 RM
Income tax expense		
- Current financial period	318,900	554,600
Deferred tax		
- Current financial period	7,194	13,971
- Over provision in prior year	-	(5,339)
Total tax expense	326,094	563,232
Effective tax rate	46.6%	47.3%

The effective tax rate for the current quarter ended 31 December 2019 is higher than the statutory tax rate of 24% due to non-tax deductible expenses.

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

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	**Approved 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)	-	-	Within 24 months
Capital expenditure	1,786(2)(i)	(1,126)	-	660	Within 60 months(2)(ii)
General working capital					
(i) Day-to-day operational expense	6,888(2)(i)	(5,314)(3)	-	1,574	Within 60 months
(ii) Purchase of fertilisers	5,800(2)(i)	(3,219)	-	2,581	Within 60 months
Estimated listing expenses	2,176	(2,176)	-	-	Within 3 months
Total	**16,900**	**(12,085)**		**4,815**	

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 the effect of variations to the utilisation of proceeds raised from the IPO as announced to Bursa Securities on 26 November 2019 ("Variations").

(i) The summary of the Variations is as follows:

	Approved utilisation		
	Initial IPO proceeds utilisation	**Variations as announced on 26 November 2019**	**After Variations**
	RM'000	**RM'000**	**RM'000**
Capital expenditure	2,550	(764)	1,786
General working capital			
(i) Day-to-day operational expenses	2,924	3,964	6,888
(ii) Purchase of fertilisers	9,000	(3,200)	5,800

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

(ii) Pursuant to the Variations, the expected timeframe for utilisation of proceeds for capital expenditure has been revised from 36 months to 60 months from the listing date.

(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 31 December 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

On 26 November 2019, the Company's shareholders approved the payment of 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 aforesaid dividend was paid on 8 January 2020.

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 31 December 2019	**Year-to-date 31 December 2019**
Net profit attributable to ordinary equity holders of the Company (RM'000)	375	638
Number of ordinary shares in issue ('000)	1,810,000	1,810,000
Basic EPS (sen)	0.02	0.04
Diluted EPS (sen)(1)	0.02	0.04

Note:
(1) Diluted EPS of the Company for the quarter and year to date ended 31 December 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 31 December 2019 RM'000	Year-to-date 31 December 2019 RM'000
Depreciation and amortisation	583	1,178
Fair value (gain)/loss on agriculture produce	(33)	12
Rental income	(209)	(417)
Interest income	(348)	(704)
Share registration net expenses	9	19
Fair value loss on quoted shares	10	15
Lease interest expenses for right-of-use assets	7	14

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 26 February 2020.

BY ORDER OF THE BOARD OF DIRECTORS
26 FEBRUARY 2020