

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.

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

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 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	MFRS 16 adjustments	Pre-MFRS 16 (as reported previously)
	RM’000	RM’000	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)

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

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 March 2020:

Profit and loss for nine months ended 31 March 2020	As reported under MFRS 16	MFRS 16 adjustments for the nine months period	Pre-MFRS 16
	RM’000	RM’000	RM’000
Other administration expenses	4,478	(102)	4,580
Depreciation and amortisation	1,750	80	1,670
Lease interest expenses for right-of-use assets	21	21	-
Profit for the period	1,366	(1)	1,367

Statement of financial position at 31 March 2020	As reported under MFRS 16	MFRS 16 adjustments	Pre-MFRS 16
	RM’000	RM’000	RM’000
Assets			
Right-of-use assets	329	329	-
Liabilities			
Non-current lease liabilities	(266)	(266)	-
Current lease liabilities	(115)	(115)	-
Total impact to liabilities	(381)	(381)	-
Equity			
Retained earnings	(112,043)	54	(112,097)

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

On 8 January 2020, the Company paid a final single tier dividend of 0.15 sen per ordinary shares in respect of financial year ended 30 June 2019, amounted to RM2,715,000 in total.

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 March 2020.

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.

**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

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 third financial quarter ended 31 March 2020, the Group recorded operating revenue of RM2.41 million as compared to RM2.70 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 10.7% mainly due to 34.8% reduction in FFB production in the current quarter under review. The FFB production for current quarter under review was 4,378 tonnes as compared to 6,716 tonnes in the corresponding quarter in the preceding year. The average FFB prices on the other hand has risen about 37.2% from RM401 per tonne in the preceding year's corresponding quarter to RM550 per tonne in the current quarter under review. The oil palm plantation as a whole in Malaysia had continued to show lower FFB production yield from January to March 2020 as compared to the same period in 2019.

The Group's gross profit for the current quarter was slightly lower at RM1.82 million as compared to RM1.88 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 higher at RM0.69 million against RM0.52 million for the third quarter of FY2019 mainly due to the fair value adjustment on agriculture produce. The administration expenses registered an decrease from RM1.57 million in preceding year's corresponding quarter to RM1.41 million for the current quarter due to delayed expenditure on quit rent.

The Group's profit before taxation for current quarter is higher at RM1.08 million as compared to RM0.83 million in the preceding year corresponding quarter, i.e., an increase of RM0.25 million. This is primarily due to the lower administration expenses of RM0.16 million coupled with an increase of RM0.17 million in other income. The Group's profit after taxation for the current quarter is also higher at RM0.71 million as compared to RM0.57 million in the preceding year corresponding quarter.

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

The Group reported higher profit before tax of RM1.08 million for the current quarter ended 31 March 2020 as compared to RM0.70 million for the immediate preceding quarter. The higher profit before tax for current quarter under review was mainly because of the increase in other income (of RM0.10 million) and at the same time decrease in administration expenses (of RM0.20 million), the reasons of which are as explained under Section B1 above.

B3. COMMENTARY ON PROSPECTS

Crude Palm Oil ("CPO") prices reached RM3,025.50 per tonne at the end of 2019 and further extended to RM3,111.00 per tonne on 10 January 2020. However, the average CPO prices has since then continued to drop to RM2,392.50 per tonne at the end of March 2020. The negative volatility of CPO prices continued into April 2020, a situation that has arisen as the coronavirus-led lockdowns around the world curb consumption and boost stocks of palm oil.

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

In the event that CPO prices continue to weaken significantly, the profitability of the Group for the financial year ending 30 June 2020 may be affected should the total FFB production is significantly lower than the preceding year. Going forward, barring unforeseen adverse weather conditions, disruption in the supply of foreign workers and movement control to curb the pandemic of COVID-19, 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 March 2020 RM	Year-to-date 31 March 2020 RM
Income tax expense		
- Current financial period	324,500	879,100
- Under provision in prior year	34,803	34,803
Deferred tax		
- Current financial period	7,527	21,498
- Over provision in prior year	5,727	388
Total tax expense	<u>372,557</u>	<u>935,789</u>
Effective tax rate	<u>30.69%</u>	<u>39.12%</u>

The effective tax rate for the current quarter ended 31 March 2020 is higher than the statutory tax rate of 24% due to non-tax deductible expenses.

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

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⁾	(5,621) ⁽³⁾	-	1,267	Within 60 months
(ii) Purchase of fertilisers	5,800 ⁽²⁾⁽ⁱ⁾	(3,471)	-	2,329	Within 60 months
Estimated listing expenses	2,176	(2,176)	-	-	Within 3 months
Total	16,900	(12,644)		4,256	

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 March 2020.

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 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:

	Quarter ended 31 March 2020	Year-to-date 31 March 2020
Net profit attributable to ordinary equity holders of the Company (RM'000)	708	1,366
Number of ordinary shares in issue ('000)	1,810,000	1,810,000
Basic EPS (sen)	0.04	0.08
Diluted EPS (sen) ⁽¹⁾	0.04	0.08

Note:

- (1) Diluted EPS of the Company for the quarter and year to date ended 31 March 2020 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 March 2020 RM'000	Year-to-date 31 March 2020 RM'000
Depreciation and amortisation	572	1,750
Fair value (gain)/loss on agriculture produce	(165)	(153)
Rental income	(208)	(625)
Interest income	(312)	(1,016)
Share registration net expenses	22	41
Fair value (gain)/loss on quoted shares	(1)	(16)
Lease interest expenses for right-of-use assets	7	21

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 20 May 2020.

BY ORDER OF THE BOARD OF DIRECTORS
20 MAY 2020