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 112 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)

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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 30 June 2020:

Profit and loss for twelve months ended 30 June 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	3,858	(136)	3,994
Depreciation and amortisation	2,764	107	2,657
Lease interest expenses for right-of-use assets	27	27	-
Profit for the period	2,923	(2)	2,925

Statement of financial position at 30 June 2020	**As reported under MFRS 16**	**MFRS 16 adjustments**	**Pre-MFRS 16**
	RM'000	**RM'000**	**RM'000**
Assets			
Right-of-use assets	303	303	-
Liabilities			
Non-current lease liabilities	(236)	(236)	-
Current lease liabilities	(117)	(117)	-
Total impact to liabilities	(353)	(353)	-
Equity			
Retained earnings	(109,575)	50	(109,625)

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 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").

For the financial year ended 30 June 2020, the valuation carried out appraised Larkin Investment Properties at a value of RM12.20 million as at 12 June 2020, i.e., at the same value appraised for financial year ended 30 June 2019.

A11. CAPITAL COMMITMENTS

There are no capital commitments incurred by the Group as at 30 June 2020.

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

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 2020, the Group recorded operating revenue of RM2.88 million as compared to RM2.30 million in the preceding year's corresponding quarter.

In comparison with the corresponding quarter in the previous financial year, there was an increase in revenue of 25.2% mainly due to 7.9% increase in FFB production in the current quarter under review. The FFB production for current quarter under review was 6,424 tonnes as compared to 5,955 tonnes in the corresponding quarter in the preceding year. The average FFB prices have risen about 16.1% from RM386 per tonne in the preceding year's corresponding quarter to RM448 per tonne in the current quarter under review. The FFB production yield of the Group for the period under review remained more superior than the industry average measured both by way of average yield of Johor State and Malaysia respectively.

The Group's gross profit for the current quarter was higher at RM2.44 million as compared to RM1.66 million for the corresponding quarter in the previous financial year due to the higher revenue and at the same time lower cost of sales in the current quarter under review. The higher revenue of RM0.58 million for the current quarter under review was a combination of better FFB production and yield and higher FFB prices realised for the current quarter as compared to the corresponding quarter in the previous financial year, as explained the preceding paragraph. In addition, the cost of sales for current quarter under review was lower by RM0.20 million as compared to the corresponding quarter in the previous financial year as a result of lesser field upkeep and maintenance activities during the current quarter under review following the enforcement of Movement Control Order by the Government.

The Group's other income for the current quarter was lower at RM0.36 million against RM0.56 million for the fourth quarter of FY2019 primarily due to the lower interest income as a result of lower interest rates. The administration expenses showed an increase from RM1.87 million in preceding year's corresponding quarter to RM2.16 million in current quarter was mainly due to the one-time balance depreciation charges of RM0.47 million for the bearer plant expenditure for oil palm trees felled and cleared to make way for the Durian Plantation. In addition, RM0.29 million assessment and quit rent for the real estate of the Group in Johor was also paid in the current quarter under review.

Based on the reasons as set out above, the Group's profit before taxation for current quarter is higher at RM0.62 million as compared to RM0.35 million in the preceding year corresponding quarter, i.e., an increase of RM0.27 million and the Group's profit after taxation for the current quarter was also higher at RM0.25 million as compared to RM0.07 million in the preceding year corresponding quarter.

On the full financial year basis, the revenue for the Group reduced slightly by about 1.4% from RM9.75 million to RM9.61 for current financial under review. Gross profit, aided by higher average FFB price for the year, was higher for the current financial at RM7.44 million as compared to RM6.90 million. The Group's profit before taxation for current financial year was RM2.92 million as compared to RM3.10 million for the previous financial year, reflecting a

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

decline of about 5.8% mainly due to the decrease in other income and the increase in administrative expenses. The Group's profit after taxation for the current financial year was lower by 11.9% i.e., RM1.61 million as compared to RM1.83 million for the previous financial year.

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

The Group reported lower profit before tax of RM0.62 million for the current quarter ended 30 June 2020 as compared to RM1.08 million for the immediate preceding quarter. The lower profit before tax for current quarter under review was mainly because of the increase in administration expenses, the reasons of which are as explained under Section B1 above.

B3. COMMENTARY ON PROSPECTS

Average Crude Palm Oil ("CPO") prices trended down continuously from RM2,714.50 per tonne in February 2020 to RM2,074.00 per tonne in May 2020 but rebounded to an average of RM2,411.50 per tonne for June 2020. The daily CPO prices have exceeded RM2,700 per tonne in August 2020. The rally in CPO prices recently, if continued, shall be beneficial to the oil palm planters as a cushion to compensate the widely expected FFB and CPO supply crunch in 2020 arising from the dry weather pattern experienced in 2019 as well as the lower fertilising activities in the same year.

Nevertheless, barring unforeseen adverse weather conditions and disruption in the supply of foreign workers, the Group will continue its effort to improve the FFB yield and production going forward.

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.

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

B6. INCOME TAX EXPENSE

	Quarter ended 30 June 2020 RM	Year-to-date 30 June 2020 RM
Income tax expense		
- Current financial period	385,665	1,264,765
- Under provision in prior year	-	34,802
Deferred tax		
- Current financial period	7,199	28,697
- Over provision in prior year	(19,211)	(18,823)
Total tax expense	373,653	1,309,441
Effective tax rate	62.5%	43.9%

The effective tax rate for the current quarter ended 30 June 2020 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	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)	(5,996)(3)	-	892	Within 60 months
(ii) Purchase of fertilisers	5,800(2)(i)	(3,536)	-	2,264	Within 60 months
Estimated listing expenses	2,176	(2,176)	-	-	Within 3 months
Total	**16,900**	**(13,084)**		**3,816**	

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

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

(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 30 June 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.

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

B10. DIVIDEND

The Board has proposed to declare the first and final dividend of 0.15 sen (FY2019: 0.15 sen) per ordinary share in the Company in respect of financial year ended 30 June 2020, the payment of which shall be subject to the shareholders' approval in the Sixth 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 2020	**Year-to-date 30 June 2020**
Net profit attributable to ordinary equity holders of the Company (RM'000)	248	1,614
Number of ordinary shares in issue ('000)	1,810,000	1,810,000
Basic EPS (sen)	0.01	0.09
Diluted EPS (sen)(1)	0.01	0.09

Note:
(1) Diluted EPS of the Company for the quarter and year to date ended 30 June 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.

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 2020 RM'000	**Year-to-date 30 June 2020 RM'000**
Depreciation and amortisation	1,013	2,764
Fair value (gain)/loss on agriculture produce	122	(30)
(Gain)/loss on disposal of property plant, equipment	(21)	(21)
Rental income	(140)	(766)
Interest income	(279)	(1,295)
Share registration net expenses	13	55
Fair value loss on quoted shares	5	21
Lease interest expenses for right-of-use assets	6	27

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 2020.

BY ORDER OF THE BOARD OF DIRECTORS
27 August 2020