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 2017 including the adoption of the following, where applicable, during the financial period which were effective from 1 January 2017:

MFRS (including the consequential amendments)

- Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Loss
- Amendments to MFRS 107 Disclosure Initiative
- Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014 – 2016 Cycle

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 2017, of the Company and the subsidiaries were not subject to any qualification.

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.

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

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 the 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 fresh fruit bunches. The Group operates an oil palm plantation estate in Johor, Malaysia and as such the operating revenue reflected in the financial period under review was derived entirely from the operation of the oil palm plantation.

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

No valuation of property, plant and equipment of the Company and its subsidiaries has been carried out during the financial period under review.

A11. CAPITAL COMMITMENTS

There was no capital commitment incurred by the Group as at 31 December 2017.

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.

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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 2017, the Group recorded operating revenue of RM3.67 million as compared to RM2.80 million in the preceding corresponding quarter in financial year ended 30 June 2017 (or "FYE 30 June 2017" or "FY 2017").

The increase in operating revenue was about 31.40% arising mainly from higher volume of FFB harvested during the financial quarter under review. The FFB tonnage sold was 6,291 tonnes compared to 4,144 tonnes for the corresponding quarter in FY2017. The average FFB selling price was RM584 per tonne compared to RM675 per tonne in the corresponding quarter for FY2017. The gross profit margin of the Group was about 71.14% compared to 66.40% for the corresponding quarter in FY2017 mainly attributable to higher production volume despite lower FFB selling prices.

The Group's operating expenses for the financial quarter under review was RM1.55 million. In comparison, the Group's operating expenses for the corresponding quarter in FY2017 was RM2.18 million mainly due to some one-off expenses incurred in connection with corporate exercise.

The Group registered a higher pre-tax profit of RM1.79 million and a post-tax profit of RM1.09 million as compared to the corresponding quarter in the previous financial year, the better performance of which was a result of higher FFB production. The Group total comprehensive income for the financial quarter under review was RM0.80 million after accounting for the fair value loss or marked to market loss of RM0.28 million in relation to a quoted investment.

The Group's profit after tax for the six months ended 31 December 2017 was RM2.52 million as compared to RM0.75 million for the same period in the preceding year. As a result, the Group's earnings per share for the six months ended 31 December 2017 was 0.14 sen as compared to 0.04 sen for the corresponding period ended 31 December 2016.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S FINANCIAL RESULT

The Group reported pre-tax profit of RM1.79 million for the current quarter ended 31 December 2017 as compared to the pre-tax profit of RM1.90 million for the immediate preceding quarter principally due to the recording of a fair value loss of RM0.16 million on agriculture produce for the current quarter under review against a fair value gain of RM0.25 million on agriculture produce in the immediate preceding quarter.

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

B3. COMMENTARY ON PROSPECTS

The Group is expected to achieve higher FFB production and better performance for the financial year ending 30 June 2018 barring unforeseen adverse weather conditions, crude palm oil price volatility and disruption in the supply of workers.

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

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");

- 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 31 December 2017 RM	Year-to-date 31 December 2017 RM
Income tax expense		
- Current financial period	646,000	1,154,000
- Under provision in prior quarter	38,000	-
Deferred tax		
- Current financial period	(37,000)	23,000
- Under provision in prior quarter	60,000	-
Total tax expense	707,000	1,177,000
Effective tax rate	34%	32%

The effective tax rate for the current and financial year to date ended 31 December 2017 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	(1)	-	249	Within 24 months
Capital expenditure	2,550	(1,055)	-	1,495	Within 36 months
General working capital	11,924	(2,159)[2]	-	9,765	Within 60 months
Estimated listing expenses	2,176	(2,176)	-	-	Within 3 months
Total	**16,900**	**(5,391)**		**11,509**	

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 was on 17 January 2017.

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

(2) Included 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 2017.

B9. MATERIAL LITIGATION

There is no litigation or arbitration which has a material effect on the financial position of the Group and as at the date of this report and the Board of Directors is not aware of any proceedings pending or threatened, or of any fact that likely to give rise to any proceedings 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 December 2017	**Year-to-date 31 December 2017**
Net profit / (loss) attributable to ordinary equity holders of the Company (RM'000)	1,087	2,515
Number of ordinary shares in issue ('000)	1,810,000	1,810,000
Basic EPS (sen)	0.06	0.14
Diluted EPS (sen)[1]	0.06	0.14

Note:
(1) Diluted EPS of the Company for the quarter and year to date ended 31 December 2017 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/(loss) 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 2017 RM'000	**Year-to-date 31 December 2017 RM'000**
Depreciation of bearer plants	488	991
Depreciation of property, plant and equipment	78	156
Fair value loss / (gain) on agriculture produce	156	(96)
Rental income	(243)	(491)
Interest income	(265)	(490)
Share registration net expenses	3	4
Fair value loss / marked to market loss on other investment	283	283

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 12 February 2018.

BY ORDER OF THE BOARD OF DIRECTORS
12 February 2018