

MATANG BERHAD
[Company No. 1142377-X]

2018

ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' TEH KEAN MING

Independent Non-Executive Chairman

DATUK KIAT SWEE SUNG

Executive Deputy Chairman

DATO' ENG CHENG GUAN

Executive Director

LEW WENG HO

Independent Non-Executive Director

DATO' FOONG CHEE MENG

Independent Non-Executive Director

DATUK TAN TECK POH @ TAN AH TOO

Non-Independent Non-Executive Director

DATO' NG KENG HENG

Non-Independent Non-Executive Director

LAU LIANG FOOK

Non-Independent Non-Executive Director

DATUK TEOH SEW HOCK

Non-Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman

Lew Weng Ho

Member

Dato' Foong Chee Meng

Dato' Teh Kean Ming

NOMINATION COMMITTEE

Chairman

Dato' Foong Chee Meng

Member

Lew Weng Ho

Dato' Teh Kean Ming

REMUNERATION COMMITTEE

Chairman

Datuk Kiat Swee Sung

Member

Lew Weng Ho

Dato' Teh Kean Ming

REGISTERED OFFICE

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur, Malaysia
Tel : 603-2783 9191
Fax : 603-2783 9111

HEAD OFFICE

Unit 39.02, Level 39
Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel : 603 2693 0189 / 2698 0189
Fax : 603 2202 80081

EMAIL ADDRESS AND WEBSITE

Email address

info@matangbhd.com

Website

www.matangbhd.com

COMPANY SECRETARIES

Lim Hooi Mooi (MA/CSA 0799764)

Lau Yen Hoon (MA/CSA 7061368)

SPONSOR

M&A Securities Sdn Bhd (15017-H)

Level 11, No. 45 & 47

The Boulevard

Mid Valley City

Lingkar Syed Putra

59200 Kuala Lumpur, Malaysia

Tel : 603 2284 2911

Fax : 603 2284 2718

AUDITORS

BDO (AF 0206)

Chartered Accountants

Level 8, BDO @ Menara CenTARa,

360, Jalan Tuanku Abdul Rahman

50100 Kuala Lumpur

Malaysia

Tel : 603-2616 2888

Fax : 603 2616 3190 / 2616 3191

SOLICITOR

Wong Beh & Toh

Advocates & Solicitors

Level 19

West Block

Wisma Selangor Dredging

No 142-C, Jalan Ampang

50450 Kuala Lumpur, Malaysia

Tel : 603-2713 6050

Fax : 603-2713 6052

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
(88103-W)

Menara Multi-Purpose

Capital Square

8, Jalan Munshi Abdullah

50100 Kuala Lumpur, Malaysia

United Overseas Bank (Malaysia)
Berhad (271809-K)

South Area Centre

1st Floor, No. 8, Jalan Ponderosa 2/1

Taman Ponderosa

81100 Johor Bahru, Johor

REGISTRAR

Tricor Investor & Issuing House

Services Sdn Bhd (11324-H)

Unit 32-01, Level 32, Tower A

Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Tel : 603 2783 9299

Fax : 603 2783 9222

Tricor Customer Service Centre

Unit G-3, Ground Floor

Vertical Podium

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad

ACE Market

Stock Code : 0189

Stock Name : MATANG

GROUP CORPORATE STRUCTURE



MATANG BERHAD



MATANG HOLDINGS BERHAD



MATANG REALTY SDN BHD



GROUP FINANCIAL HIGHLIGHTS

	Financial years ended 30 June		
	2016 [^]	2017	2018
	RM'000	RM'000	RM'000
Statements of Profit or Loss and Other Comprehensive Income			
Revenue	8,043	10,204	12,641
Gross profit	5,429	7,015	9,774
Profit before taxation	2,206	2,582	5,879
Profit after taxation	1,594	1,257	4,090
Profit attributable to owners of the parent	1,594	1,257	4,090
Earnings per share attributable to owners of the parent (Sen) [®]	0.09	0.07	0.23
Statements of Financial Position			
Shareholders' equity	167,208	184,638	188,416
Others			
Fresh fruit bunches ("FFB") production (tonnes)	16,623	15,983	22,974

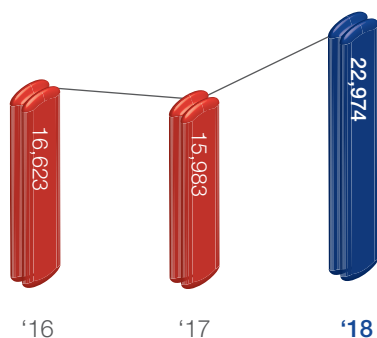
Notes:

[^] Shown (for comparison purposes) on the basis of combined group i.e., assuming that the Group has been in existence from 1 July 2015 even though the Group has been formed legally from 14 November 2016 upon the completion of the exchange of shares between Matang Berhad and Matang Holdings Berhad.

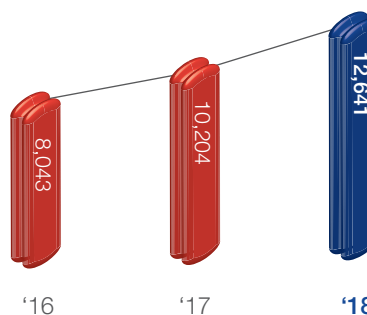
[®] Calculated based on enlarged issued share capital of 1,810,000,256 Matang Berhad shares.

GROUP FINANCIAL HIGHLIGHTS

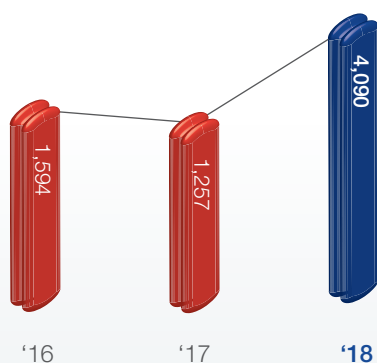
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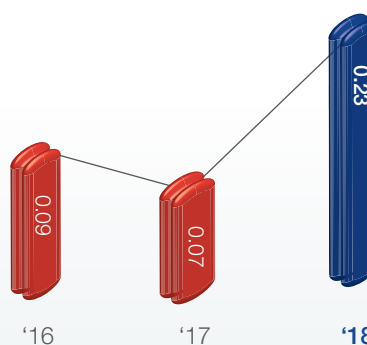
FRESH FRUIT BUNCHES PRODUCTION
(tonnes)



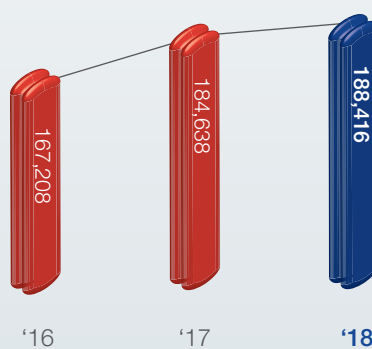
REVENUE
(RM'000)



PROFIT AFTER TAXATION
(RM'000)



EARNING PER SHARE
(Sen)



SHAREHOLDERS' EQUITY
(RM'000)

DIRECTORS' PROFILE

DATO' TEH KEAN MING

Dato' Teh Kean Ming, male, a Malaysian, aged 63, is our Independent Non-Executive Chairman. He is also a member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee of the Company. He was appointed to our Board on 1 September 2015.

He graduated in 1981, with a Bachelor of Engineering from the University of New South Wales, Australia. Upon graduation, he joined HCH & N Consortium (a consortium of two (2) consulting engineers namely Hussein & K.H. Chong Sdn Bhd and Perunding Hashim & NEH Sdn Bhd) and participated in the development of Dayabumi Phase 3 project as a Resident Civil and Structural Engineer from 1981 to 1983. Subsequently, he was employed by Malayan Banking Berhad as Resident Engineer for the development of Menara Maybank from 1983 to 1987. Subsequently, he joined Antah Biwater J.V. Sdn Bhd as an Area Engineer in 1987. In 1989, he left Antah Biwater J.V. Sdn Bhd to join IJM Construction Sdn Bhd as a Project Manager. He was promoted to Senior Project Manager in 1994 and to Project Director in 1998.

He was then transferred to IJM Corporation Berhad ("IJM") from 2001 to 2008 as the head of the Property Division while holding other positions in the IJM and subsidiaries, such as Group General Manager of IJM (from April 2001 to December 2004).

In 2005, he joined the Board of Directors of IJM as an Alternate Director. He was appointed as Deputy Chief Executive Officer and Deputy Managing Director of IJM from 2008 to 2010. He was appointed as the Chief Executive Officer and Managing Director of IJM in January 2011 and subsequently retired as the Chief Executive Officer and Managing Director of IJM on 5 April 2015.

Dato' Teh was previously a Non-Independent Non-Executive Director of IJM Plantations Berhad, a Non-Independent Non-Executive Director of IJM Land Berhad and a Non-Independent Non-Executive Director of Scomi Group Berhad, all of which he resigned in 2015. In July 2015, he was appointed as the Managing Director of JKG Land Berhad (formerly known as Keladi Maju Berhad).

DATUK KIAT SWEE SUNG

Datuk Kiat Swee Sung, male, aged 54, a Malaysian, is our Executive Deputy Chairman and is also the Chairman of the Remuneration Committee. He was appointed to our Board on 1 September 2015. He is also the Executive Chairman of Matang Holdings Berhad ("MHB") and is responsible for overseeing both our estate division as well as finance and administration division.

He completed his secondary education in 1979. He began his career in 1980, working as a plantation contractor in Wong Foo Chong Trading. In 1984, he left Wong Foo Chong Trading and joined an oil palm plantation in Keratong, Pahang, called Mekassar Estate, as an Estate Supervisor. In 1987, Datuk Kiat joined Adebayo Development Bhd in Sabah, as an Estate Developer and left in 1990.

He established Transkina Enterprise Sdn Bhd with his wife in 1991, a plantation contractor and transportation company, involved in planting works, road maintenance, jungle clearing, and field maintenance of oil palm plantations for various firms including Asiatic Development Bhd (currently known as Genting Plantation Group) and IOI group. Datuk Kiat's involvement was limited as a Non-Executive Director (appointed in 1999) and a shareholder. Transkina Enterprise Sdn Bhd ceased operations in 2012.

In 1994, together with his wife, Datuk Kiat established Kiat Swee Sang Property Sdn Bhd and Rising Cosmos Trading Sdn Bhd, which owned oil palm estates approximately 526.1 hectares and 161.9 hectares in sizes respectively, both located at Lahad Datu, Sabah. Currently, he is a Non-Executive Director and shareholder of Kiat Swee Sang Property Sdn Bhd of which he was appointed in 1994 and Non-Executive Director and shareholder of Rising Cosmos Trading Sdn Bhd of which he was appointed in 1994 and is not involved in the day-to-day operations of these companies.

In 2007, Datuk Kiat was appointed as a Director of MHB, and was re-designated as the Executive Chairman in 2010. He resigned from MHB in 2012. He was subsequently re-appointed as a Director of MHB in 2014, and was redesignated as the Executive Chairman in the same year. He was appointed as a Non-Executive Director of Rohua Sdn Bhd and Huaren Holdings Sdn Bhd, in 2013 and 2014 respectively. He was also appointed as a Non-Executive Director of Huaren Management Sdn Bhd, a wholly-owned subsidiary of Huaren Holdings Sdn Bhd, in 2014.

DIRECTORS' PROFILE

cont'd

DATO' ENG CHENG GUAN

Dato' Eng Cheng Guan, male, aged 59, a Malaysian, is our Executive Director. He was appointed to our Board on 1 September 2015. He is also the Executive Director of MHB. He is responsible for overseeing our estate division.

He completed his Sijil Rendah Pelajaran (currently known as Penilaian Menengah Rendah) in 1975. Leveraging on his experience in vegetable farming which he gained while helping out in his family-owned farms when he was still studying, he started his own vegetable farming and sold the produce at wet markets. During this period, he expanded his farming business by leasing and purchasing more lands. In 1995, he established Eng Cheng Guan Vegetable Farm, which is involved in farming and sale of various fruits and vegetables. The vegetable farm is currently managed by his children.

In 1987, his family ventured into the operation of oil palm plantation through an acquisition of an oil palm plantation of approximately 40.5 hectares in size, in Kluang, Johor. Dato' Eng was managing the oil palm plantation under his personal capacity from 1987 to 1994 and under Eng Cheng Guan Vegetable Farm from 1995 to 2014. The said plantation is currently managed by his children. Save for his role as the owner of this plantation, he has no other role. In 2014, Dato' Eng was appointed as the Director of MHB and was subsequently redesignated to the position of Executive Director in 2015.

He is currently serving as the Chairman of MCA Simpang Renggam division, Vice Chairman of MCA Johor, as well as the Assistant of National Organising Secretary of MCA.

LEW WENG HO

Mr Lew Weng Ho, male, aged 70, a Malaysian, is our Independent Non-Executive Director. He is also the Chairman of the Audit and Risk Management Committee, a member of the Nomination Committee and Remuneration Committee. He was appointed to our Board on 1 September 2015.

Mr Lew became a member of the Association of Chartered Certified Accountants ("ACCA"), United Kingdom in 1978, after completing four (4) years of articleship in Dublin, Ireland. He was admitted as a member of the Malaysian Institute of Accountants in 1980, and became a fellow of the ACCA in 1983.

Upon his return from Dublin to Malaysia in 1978, Mr Lew began his career in Coopers & Lybrand (currently known as PricewaterhouseCoopers) as an Audit Supervisor. In 1981, he took up the position of Chief Accountant in Antah Holdings Berhad. He was subsequently appointed to the Board of Antah Holdings Berhad as Finance Director in 1990 and was responsible for the group financial management and policy, and investment portfolio. He also served on the Board of its various subsidiaries and associated companies which operated across diverse industries including financial services, trading and manufacturing, property development, and oil and gas until his retirement in 1999.

He served as a Director in the Federation of Public Listed Companies Berhad from 1997 to 2000. Since 2000, he works as a free-lance financial advisor and business consultant to private companies and private individuals. Mr Lew served as an Independent Non-Executive Director and Chairman of the Audit Committee of MNC Wireless Berhad from 2005 until 2013. In 2010, Mr Lew was appointed as the Managing Director of AMB Packaging (Malaysia) Sdn Bhd, which principal activity involves manufacturing and selling of corrugated carton boxes. In 2014, he was re-designated as the Non-Executive Director and subsequently resigned in 2015.

From 2011 to 2017, Mr Lew was an Independent Non-Executive Director of Star Media Group Berhad (formerly known as Star Publications (Malaysia) Berhad), a local news publisher. From 2012 to 2017, he was a Non-Independent Non-Executive Chairman of Cityneon Holdings Ltd ("Cityneon"), a public listed company on the Singapore Stock Exchange, which provides interior architecture, events, exhibitions and experiential environment to businesses, government and international agencies worldwide.

DIRECTORS' PROFILE

cont'd

DATO' FOONG CHEE MENG

Dato' Foong Chee Meng, male, aged 52, a Malaysian, is our Independent Non-Executive Director. He was appointed to our Board on 1 September 2015. He is also the Chairman of the Nomination Committee and a member of the Audit and Risk Management Committee.

Dato' Foong graduated with a Bachelor of Economics, Bachelor of Laws (Hons) and Master of Laws from the University of Sydney in 1987, 1989 and 1993, respectively. In 1989, he was admitted as a solicitor in the Supreme Court of New South Wales and the Federal Court of Australia.

In 1989, Dato' Foong joined Messrs Baker & McKenzie in Sydney, Australia as a solicitor. Subsequently in 1993, he joined Messrs Zaid Ibrahim & Co as a pupil and completed his pupillage, and was admitted as Advocate and Solicitor of High Court of Malaya in the same year. Dato' Foong became a partner at Messrs Zaid Ibrahim & Co in 1996, where he led the Corporate & Commercial and Foreign Investment practice groups in the law firm.

In 2003, he left Messrs Zaid Ibrahim & Co and set up Messrs Foong & Partners and currently holds the position of the Managing Partner. He was previously the Independent Non-Executive Director of Bintai Kinden Corporation Berhad (from 2008 to 2010), a company listed on Main Market of Bursa Securities. In 2017, Dato' Foong was appointed as the Independent Non-Executive Director of Kumpulan Jetson Berhad and also as Independent Non-Executive Director of RHB Islamic Bank Berhad where he also serves as a member of the Islamic Risk Management Committee.

DATUK TAN TECK POH @ TAN AH TOO

Datuk Tan Teck Poh @ Tan Ah Too, male, aged 72, a Malaysian, is our Non-Independent Non-Executive Director. He was appointed to our Board on 1 September 2015.

He completed his secondary education in 1963. He then helped in his family-run coffee shop. In 1967, he took over the operation of his family-run rubber plantation and participated in the plantation business since then. In 1984, Datuk Tan diversified his family's rubber plantation business after acquiring a piece of land measuring 16.2 hectares at Parit Sulong, Johor (held under his personal capacity) and planted oil palm. He gained his experience in palm oil plantation during this period of overseeing the cultivation and harvesting of oil palm. Datuk Tan is also an Executive Director and a shareholder of Murniwasa Sdn Bhd, a property development company that owns nine (9) commercial shop lots.

In addition to his family-run plantation business, Datuk Tan also sits on Board of several private companies. Since 1979, he is a shareholder and an Executive Director of Ban Dung Palm Oil Industries Sdn Bhd, a company which owns and operates a palm oil mill located in Batu Pahat, Johor. Also in 1984, he established Tan Teck Poh Realty Sdn Bhd as a palm oil estate investment holding company to hold palm oil estates, and was appointed as the Managing Director. Subsequently, the palm oil estate held under the company was disposed. There are no palm oil estates held under Tan Teck Poh Realty Sdn Bhd. In 2002, he was appointed as an Executive Director of Westgold Dynasty Sdn Bhd, a company involved in the operation of a petrol station in Batu Pahat, Johor.

Since 1979, he is an Executive Director and shareholder of The Coffee Commercial Trading Sdn Bhd, a cigarette and liquor trading company in Batu Pahat. Since 2006, he is an Executive Director and a shareholder of Megabyte Valley Sdn Bhd, a property developer in Batu Pahat. In 1967, he was appointed as an Executive Director of Ban Joo Credit Sdn Bhd, a loan and insurance firm and resigned in 2015.

He is currently the Chairman of MCA Parit Sulong division.

DIRECTORS' PROFILE

cont'd

DATO' NG KENG HENG

Dato' Ng Keng Heng, male, aged 50, a Malaysian, is our Non-Independent Non-Executive Director. He was appointed to our Board on 1 September 2015.

He completed his secondary education in 1985. He started his career in 1986 before continuing with his education by enrolling in an undergraduate programme in Human Resources Management in Open University Malaysia in 2005. In 2010, he graduated with a Bachelor Degree in Human Resource Management.

He started his career in 1986 by helping in his family business, Luckyway Enterprise which is involved in selling electrical appliances. In 1989, he worked as a Marketing Representative in a motor vehicle spare parts company called Starlai Sdn Bhd in Johor. In 1992, he joined Megah Auto Sdn Bhd in Kota Kinabalu, Sabah as an Executive to develop the company's business in selling motor vehicle spare parts.

Leveraging on the experience and network he gained in the spare parts business, he set up his own trading company called Bumi Kota Trading Company in 1994, a partnership involved in motor vehicle spare parts trading in Kota Tinggi, Johor Bahru. Bumi Kempas Sdn Bhd was incorporated in 1995 to assume the business of Bumi Kota Trading Company. His role in Bumi Kempas Sdn Bhd was in sales and marketing of motor vehicles spare parts. He has ceased to be the Executive Director of Bumi Kempas Sdn Bhd in 2014 and shareholder in 2015. In 2013, he was appointed as an Executive Director of Bumi Kempas Motor Sdn Bhd, involved in trading of motor vehicle spare parts and imported used cars, of which he is also a shareholder.

In 2015, he was appointed as a Non-Executive Director of Master Natural Herbal Sdn Bhd, a company principally involved in manufacturing of herbal products. Dato' Ng has resigned as a director of Master Natural Sdn Bhd in 2018. Dato' Ng is currently also an Executive Director of Billion Series Sdn Bhd, involved in the trading of motor vehicle spare parts. On 3 November 2017, Dato' Ng has been re-appointed as an Executive Director of Bumi Kempas Sdn Bhd and on 1 February 2018, Dato' Ng became the major shareholder of Bumi Kempas Sdn Bhd.

He is currently serving as the Chairman of MCA Kota Tinggi division, as well as the Vice Chairman of MCA Johor.

LAU LIANG FOOK

Mr Lau Liang Fook, male, aged 57, a Malaysian, is our Non-Independent Non-Executive Director. He was appointed to our Board on 1 September 2015.

Mr. Lau graduated from Foon Yew High School in 1979 and furthered his studies in City and Guilds of London Institute from 1985 to 1987, where he obtained the Certificate of Telecommunication Technician. In 1992 and 1993, Mr Lau obtained the Certificate in Supervisory Management Studies and the Diploma in Management respectively, both issued by the Institute of Supervisory Management, United Kingdom. This Institute of Supervisory Management is now part of Institute of Leadership and Management after merging with National Examining Board for Supervision and Management in November 2001. In 1994, he obtained the Postgraduate Diploma in Business Administration and the Certified Professional Manager qualification, both issued by The Society of Business Practitioners.

He started his career in 1980, when he joined Capital Motor Trading, a company involved in the provision of hire purchase financing services as a Junior Clerk where he was involved in administrative work and left in 1989. In 1989, he joined Next Electronic Technology Sdn Bhd, an electronic assembly factory, as a Quality Assurance Supervisor, and was subsequently promoted to Production Cum Inventory Manager in 1994, and was also placed in charge of the purchasing department. In 2001, he left Next Electronic Technology Sdn Bhd and joined Jian Da Industries Sdn Bhd, a metal stamping factory, as a Factory Manager. Then subsequently, in 2006, he left Jian Da Industries Sdn Bhd and joined Everspark Industries Sdn Bhd, working there as the General Manager.

In 1984, he joined Lau Chek Min Sdn Bhd (his family-owned investment holding company in properties and shares whose subsidiary, Wangda Leasing and Credit Sdn Bhd is a hire purchase agency) as an Executive Director and was subsequently redesignated to Executive Chairman in 2006. In 2010, he left Everspark Industries Sdn Bhd and thereafter focuses solely on his work in Lau Chek Min Sdn Bhd.

DIRECTORS' PROFILE

cont'd

DATUK TEOH SEW HOCK

Datuk Teoh Sew Hock, male, aged 49, a Malaysian, is our Non-Independent Non-Executive Director. He was appointed to our Board on 1 September 2015.

He completed his secondary education in 1987. He then attended Campbell University, United States, where he obtained a Bachelor of Science Degree in 1994.

He began his career in 1995 as Managing Director of Local Basic Sdn Bhd, a family-owned business which is involved in manufacturing, assembly and sale of bicycle components, electrical appliances and components in Gelang Patah, Johor.

In 2004, he was appointed as a Non-Executive Director of Success Service & Maintenance Sdn Bhd, a company involved in the servicing and maintenance of motor vehicles. In 2006, he established Success Local Development Sdn Bhd, a property development firm, which invested in land development in Kota Iskandar, Nusajaya, Johor and was appointed as a Director. In 2006, he established Southern Birdnests Sdn Bhd, a company involved in the farming of swiftlet bird nests and was appointed as a Non-Executive Director. In 2008, he established Just Birdnest Sdn Bhd, a company involved in the collection, processing and marketing of bird nest products as well as restaurant operation and was appointed as a Non-Executive Director.

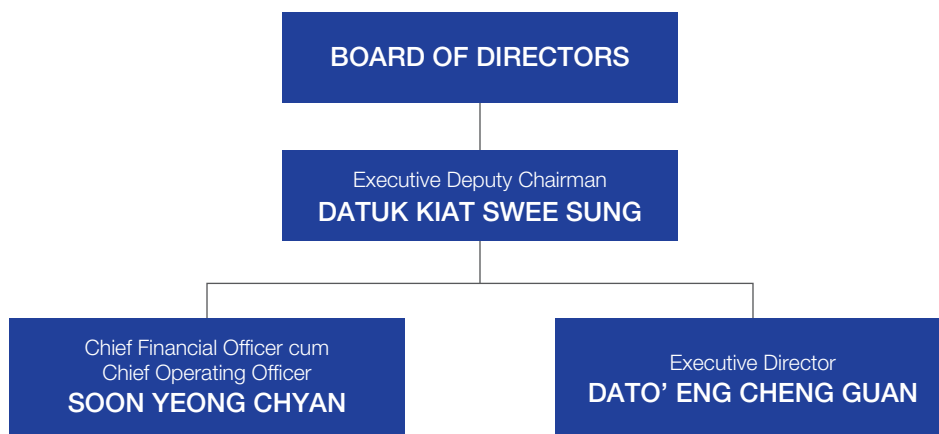
In 2011, he was appointed as a Non-Executive Director of Profit Composite Sdn Bhd, a company involved in property development. In 2013, he established Success E Hotel Sdn Bhd, a budget hotel management company and was appointed as a Non-Executive Director. In 2014, he established Local Holdings Sdn Bhd, an investment holding company, and was appointed as an Executive Director. In the same year, he established Success Local Management Sdn Bhd, a company involved in property investment and the rental of hostels and was appointed as a Non-Executive Director.

He was appointed as a Non-Executive Director of Growmate Engineering Sdn Bhd in 2000, a Non-Executive Director of Permata Mulia Sdn Bhd in 2002 and a Non-Executive Director of Growmate Marketing Sdn Bhd in 2005. He was appointed as an Executive Director of Local Casting Sdn Bhd in 2004 where he is involved in day-to-day operations of the company. Datuk Teoh was appointed as an Executive Director of MRSB, our subsidiary in 2013.

Notes:

None of Directors have any family relationship with any other director and/or major shareholder of the Company. None of the Directors have any conflict of interest with the Company. None of the Directors has been convicted for any offences (other than traffic offences, if any) within the past five (5) years or imposed with any penalty by the relevant regulatory bodies during the financial year ended 30 June 2018.

PROFILE OF SENIOR MANAGEMENT TEAM



DATUK KIAT SWEE SUNG

Executive Deputy Chairman

For details of Datuk Kiat Swee Sung's profile, please refer to Page 6 of the Annual Report.

DATO' ENG CHENG GUAN

Executive Director

For details of Dato' Eng Cheng Guan's profile, please refer to Page 7 of the Annual Report.

SOON YEONG CHYAN

Chief Financial Officer cum Chief Operating Officer

Mr Soon Yeong Chyan ("Mr Soon"), male, aged 49 and a Malaysian, was appointed to the position of Chief Financial Officer cum Chief Operating Officer of the Company on 3 January 2018.

Mr Soon graduated with a Bachelor of Accounting degree from the University of Malaya. He is a member of the Malaysian Institute of Accountants ("MIA") and the Malaysian Institute of Certified Public Accountants ("MICPA").

Mr Soon started his career with one of the Big Four accounting firms. He has more than 20 years of working experience in the field of auditing as well as in leading and managing the full spectrum of finance function of companies involved in various industries including plantation & integrated palm oil manufacturing, property development & investment and investment holdings.

Mr Soon does not hold any directorship in public companies and listed corporations, has no family relationship with any director and/or major shareholder of the Company, has no conflict of interest with the Company and has not been convicted for any offences (other than traffic offences, if any) within the past five (5) years or imposed with any penalty by the relevant regulatory bodies during financial year ended 30 June 2018.

CHAIRMAN'S STATEMENT



DEAR VALUED SHAREHOLDERS

“ON BEHALF OF THE BOARD OF DIRECTORS (OR “THE BOARD”) OF MATANG BERHAD (“MATANG” OR “COMPANY”), I AM PLEASED TO PRESENT THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED (“FYE”) 30 JUNE 2018 WHICH REPRESENTS THE FIRST FULL FINANCIAL YEAR OF MATANG AFTER THE LISTING OF MATANG SHARES ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) ON 17 JANUARY 2017 (“LISTING”)”

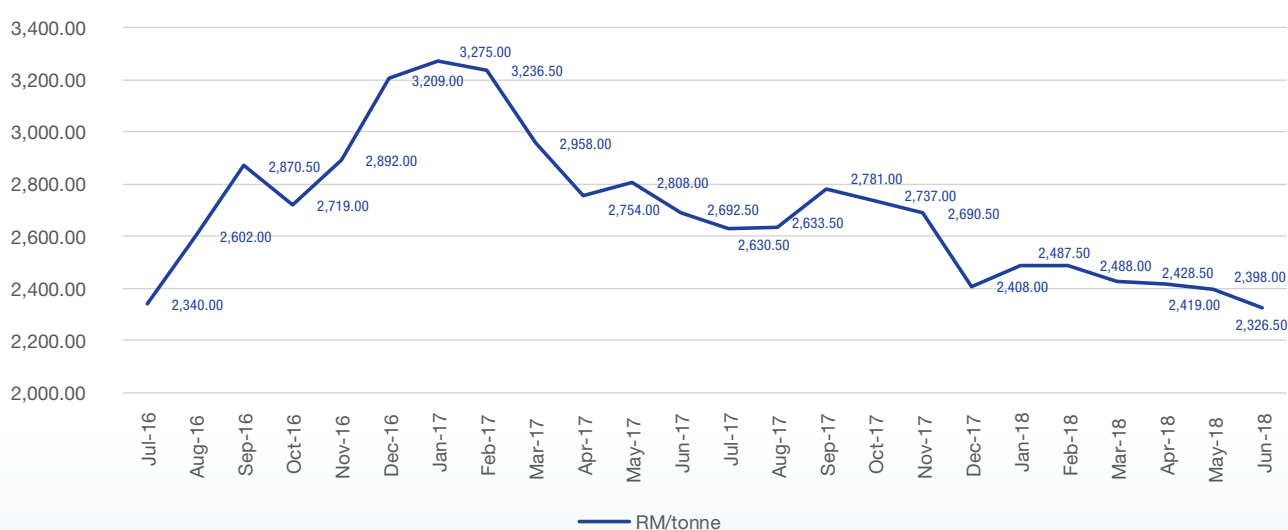
CHAIRMAN'S STATEMENT

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OVERVIEW

Malaysian palm oil production showed a good performance in 2017. Overall crude palm oil ("CPO") production increased by 15% following a recovery from the impact of the El-Nino phenomenon a year earlier. CPO prices however, has retracted from the high of RM3,275 per tonne (based on monthly average) in January 2017 to RM2,327 per tonne (based on monthly average) in June 2018 as shown in the chart below, due to a combination of factors including higher production, the strengthening of Ringgit Malaysia, the hike in import taxes by India, etc.

Average Monthly CPO Prices in Peninsular Malaysia from July 2016 to June 2018



Source: Extracted from Malaysian Palm Oil Board website

In respect of Matang, the Board has undertaken plans to accelerate fresh fruit bunches ("FFB") production in our oil palm plantation estate of 1,094.1 hectares (or 2,703.6 acres) in Ledang and Segamat District in the State of Johor Darul Takzim ("Matang Estate") leveraging on the favourable climatic conditions post El-Nino phenomenon.

As a whole for financial year ("FY") 2018, the total FFB production was 22,974 tonnes, which was about 44% increase from FFB production of 15,983 tonnes in FY 2017. We are delighted to note that the FFB yield of Matang Estate has reached a total of 22.01 tonnes per hectare for FY2018, which was a commendable achievement considering that the average yield per hectare for Peninsula Malaysia was 18.70 tonnes per hectare for 2017 as reported by Malaysian Palm Oil Board ("MPOB").

REVIEW OF RESULTS

For FY 2018, our FFB production has increased by 44% from 15,983 tonnes in the preceding FY, to 22,974 tonnes. However, at the same time, the average selling price for our FFBs has dropped from RM638 per tonne in FY2017 to RM550 per tonne in FY2018, representing a decline of about 13.8%. Consequently, the revenue generated from the sales of FFBs in FY2018 was RM12.64 million as compared to RM10.20 million in the previous FY. In this regard, the Board is delighted to observe that despite the decline in FFB selling price, our Group's overall FFB revenue still grew at about 23.9%.

Gross profit margin ("GPM") for the Group remains robust at 77.3% in FYE 30 June 2018 as compared to 68.7% in the preceding FY. In addition, I am glad to inform our shareholders that our Group's gross profit has grown from RM7.02 million in FY2017 and reached RM9.77 million for FY2018.

CHAIRMAN'S STATEMENT

cont'd

In line with the significant increase in revenue of 23.9%, the Group's profit before taxation increased by about RM3.30 million reaching RM5.88 million for FY2018 and the profit after taxation have increased by about RM2.83 million to RM4.09 million for FY2018. The earning per shares attributable to shareholders increased from 0.07 sen per share in preceding FY to 0.23 sen per share in FYE 30 June 2018, i.e., registering an increase of over three-fold in one financial year.

CORPORATE DEVELOPMENT

Apart from organic growth for FFB production from the existing Matang Estate, the Board is also desirous of expanding its core business in oil palm plantation by acquiring suitable and viable oil palm estates and/or land for development of new oil palm estates.

With this in mind, the Company's wholly-owned subsidiary, Matang Holding Berhad ("MHB") had entered into a letter of intent which sets out the intention for MHB or its nominees to acquire the 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 ("Letter of Intent") for the purchase of leasehold agricultural land of 1,707.69 hectares together with oil palm plantation thereon as well as a 60-tonnes per hour palm oil mill and other ancillary structures and items ("Raub Assets"). The details of the Letter of Intent can be found in the announcement made by the Company to Bursa Securities on 18 July 2017.

However, on 28 September 2017, the Company was informed by RMDC that its disposal process of the Raub Assets shall have to be put on hold due to an injunction granted by the High Court of Malaya. The Company is still awaiting the news of further developments with regards to the same.

Meanwhile, the Group continues to pursue assessment of acquisition of other suitable land or plantation estates with a view to expand the business of the Company. Should any of the potential acquisitions be undertaken and implemented, barring unforeseen circumstances which may adversely affect the industry of oil palm plantation and the global demand for CPO, the Board remains optimistic that the expansion shall generate long term benefits to the Group, both in terms of profitability as well as cash flows.

PROSPECTS

The Group achieved an increase in FFB production for FY2018 which represented a rise of 44% from the level achieved in FYE 30 June 2017. The Group's FFB yield reached 22.01 tonnes per hectare for FY2018 which is formidable as compared to the average yield in Peninsula Malaysia of 18.70 tonnes per hectare for 2017 as reported by MPOB. Going forward, barring unforeseen adverse weather conditions and disruption in the supply of workers, the Group will strive to continue its effort in improving the FFB yield and production.

For sustainable growth over a longer time horizon, the Group has completed the replanting of 32.8 hectares for FY2018. These oil palm trees shall see mature FFB production in year 2022/2023. In addition, the Group is also monitoring and planning the replanting of fields that are due for replanting in the next few years. The current yield of these fields will be closely monitored so that replanting shall be initiated earlier for fields with lower yield.

In addition to organic growth, the Group is also seeking opportunity for suitable plantation estates or new land to add to oil palm plantation portfolio of Matang so that the value of the Group can grow synergistically with Matang Estate.

DIVIDEND

The Board recommends the first and final dividend of 0.2 sen per ordinary share of Matang in respect of FYE 30 June 2018 which is subject to the approval of shareholders of Matang in the upcoming Annual General Meeting of the Company.

ACKNOWLEDGEMENTS

I would like to convey my sincere gratitude to the Board of Directors, our management team and all our employees for their contribution, effort, commitment and dedication to the Group.

On behalf of the Board, I would also like to extend our sincere appreciation to our shareholders, business associates, customers, bankers and the authorities for your continuous and on-going support to Matang Group of companies.

In addition, I would like to express the greatest thanks to Mr Chong Pow On who has retired as director of Matang at the conclusion of the last Annual General Meeting of the Company for his past contribution to Matang.

DATO' TEH KEAN MING

Independent Non-Executive Chairman

16 October 2018

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

Matang, incorporated in Malaysia on 28 April 2015 under the Companies Act, 1965, is a special purpose vehicle to facilitate the listing of MHB on the ACE Market of Bursa Securities which involved the listing of 1,680,000,056 Matang shares exchanged from MHB on the basis of fourteen (14) Matang shares for every one (1) MHB share held together with 130,000,000 new Matang shares issued to the public as part of the Initial Public Offering (“IPO”) exercise prior to the listing on 17 January 2017. Upon completion of the IPO and Listing, the issued and paid-up share capital of Matang increased to RM181,000,026 comprising 1,810,000,256 Matang shares.

Matang and its subsidiaries (collectively as “Matang Group” or “Group”) are principally involved in the management of plantation estate, sale of FFB and property holding. Its plantation estate of 1,094.1 hectares (or 2,703.6 acres) is located in the Districts of Ledang and Segamat in Johor, out of which about 1,080 hectares (or 2,688.7 acres) are planted areas.

Through a wholly-owned subsidiary, MHB, Matang Group also owns an industrial property comprising three (3) blocks of buildings with total nett lettable areas of about 149,000 square feet located on a 3.2 acres leasehold land in Kawasan Perindustrian Larkin, Johor Bahru, Johor (“Larkin Investment Property”). Another subsidiary within the Group, Matang Realty Sdn Bhd (“MRSB”) owns a piece of vacant freehold development land of 5,016.85 square meter in Tangkak, Ledang District, Johor.

MANAGEMENT DISCUSSION AND ANALYSIS

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BUSINESS AND OPERATIONS

Through the subsidiaries which comprise MHB and MRSB, Matang Group is involved in the management of plantation estate, sale of FFB and property holding.

The primary activities of Matang Estate are in the business of operations and management of plantation estate, including procuring germinated oil palm seeds, planting or replanting (as the case maybe), field upkeeping that include pruning, manuring and pest control, harvesting and transporting of FFB, sales of FFB, the major processes of which are summarised in the diagram below:



For the FY under review, Matang Estate harvested and sold 22,974 tonnes of FFB in total to two customers namely Lenga Palmoil Industries Sdn Bhd (“Lenga”) and Milik Mestika Sdn Bhd (“Milik Mestika”) at average market price of about RM550 per tonne. The palm oil mill operated by Milik Mestika is located approximately 8km away from Matang Estate while the mill operated by Lenga is about 38km away. Matang Group also derives a part of its other income in the form of rental from Larkin Investment Property.

OBJECTIVES AND STRATEGIES

Riding on the favourable weather conditions, the Group has undertaken the effort to increase the FFB production in FY2018 which has resulted in FFB harvested increasing by about 44% from 15,983 tonnes in FY2017 to 22,974 tonnes in the current FY under review.

Over the medium to long terms, Matang Group’s objective is to expand its plantation business both sustainably and organically through increased production of FFB as well as inorganically through acquisition of suitable producing plantations and or new land banks. Supporting these objectives of the Group are the core strengths of the existing operations and management of Matang Estate which centre on a few factors fundamental to the oil palm plantation businesses:

<p>Young age profile of our oil palm trees</p> <ul style="list-style-type: none"> Over 95% of the planted areas of Matang Estate of 1,080.0 hectares, are mature area of between 5 and 25 years old, a majority of which (i.e., 61%) are less than 19 years. About 34.2% of the planted areas, i.e., 368.0 hectares which are 20 years old has been earmarked for yield monitoring in order to determine the replanting timing when yield decreases significantly over time. Only about 5% or 52.8 hectares are immature area with oil palm trees of 4 or less years. <p>Please refer to Table 1 below for more detailed breakdown of plantation age profile as at 30 June 2018.</p>	<p>Excellent physical terrain of our Estate</p> <ul style="list-style-type: none"> 94% of the planted area within the Estate are of terrain with slope less than 20°, whereby about 56% is flat or undulating land. Only 6% of the total planted area of 1,080.0 hectares are more than 25° which poses some challenges in terms of operations in particularly planting and harvesting. <p>Please refer to Table 2 below for more detailed breakdown of plantation terrain classifications.</p>
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MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

OBJECTIVES AND STRATEGIES cont'd

Application of best agronomic practices	Continuous efforts to strive for better FFB yield
<ul style="list-style-type: none"> Use of high quality germinated seeds (Felda Yangambi) from Felda Agricultural Services Sdn Bhd (since 2011). Felda Yangambi line of germinated seeds has historically generated higher FFB yield and higher oil extraction rate, the latter of which is preferred by palm oil mills. The Estate has also used the Felda Yangambi seedling for the replanting exercise undertaken for 32.8 hectares in Matang Estate in FY2018. Use of high quality organic and inorganic fertilisers. Inorganic fertilisers such as NPK fertilisers are essential for the optimum oil palm nutrition while the organic fertilisers are used to ensure the soil nutrient is maintained and sustainable for long term growth of FFB. Empty fruit bunches were also applied to areas with slight slope and newly replanted areas to lock the moisture and nutrient contents in the soil. 	<ul style="list-style-type: none"> Matang Group places significant importance in ensuring that its Estate achieves superior yield in the long term. In achieving the above, harvesting activities have been intensified in FYE 30 June 2018 despite the backdrop of difficulties in sourcing for labourers, a situation that has prevailed nationwide. Deployment of harvesters working in teams adjacent to each other has facilitated both the supervision by mandors and the collection of FFB as well as contributing to the tactical success in bringing up FFB harvested in a short time. Labour shortage within the Estate, a phenomenon in the industry, has also been tackled by the Estate by getting approval for additional foreign labour quota.

Table 1: Matang Estate Plantation Age Profile as at 30 June 2018

	Replanting		Immature area				Mature area		Old area	Total
	(< than 1 year)	(1-4 years)	(> 4-8 years)	(9-14 years)	(15-18 years)	(19-25 years)	(>25 years)			
Plantation / planted area (hectares)	32.8	20.0	355.8	258.1	45.3	368.0	-	1,080.0		
% [^]	3.0%	1.8%	32.9%	23.9%	4.2%	34.2%	-	100.0%		

Note:

[^] % out of total planted areas of 1,080 hectares

Table 2: Matang Estate Terrain Classification in Hectares

	Flat / undulating		6°-20° slope		>20° – 25° slope		>25° slope	
	Ha	% [^]	Ha	% [^]	Ha	% [^]	Ha	% [^]
Mature areas	571.58	52.9%	391.36	36.2%	-	-	64.26	6.0%
Immature areas	32.8	3.0%	20.0	1.9%	-	-	-	-
Total planted areas	604.38	55.9%	411.36	38.1%	-	-	64.26	6.0%

Note:

[^] % out of total planted areas of 1,080 hectares

The Board and the management of Matang view the above fundamental strengths as areas of strategies to continue to harness or implement, and where required improve on, in order to ensure sustainable growth for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

The Group's sole contributor of operating revenue is from the sales of FFB from its Matang Estate in District of Ledang and Segamat, State of Johor. Other revenue from the rental of Larkin Investment Property is classified as part of other income in the financial statements.

The following table shows the comparison of key financial indicators based on the audited financial statements of the Group for FYE 30 June 2017 and 30 June 2018.

Matang Group	2017	2018
	RM'000	RM'000
	Restated	
Statements of Consolidated Profit or Loss and Other Comprehensive Income	Audited	Audited
Revenue	10,204	12,641
Gross profit	7,015	9,774
GPM	68.7%	77.3%
Other income	3,428	2,184
Administration expenses	(6,053)	(6,013)
Other expenses	(1,808)	(67)
Profit before taxation	2,582	5,879
Profit after taxation	1,257	4,090
Profit attributable to owners of the parent	1,257	4,090
Basic earnings per share attributable to owners of the parent (sen) [^]	0.07	0.23
Statement of Consolidated Financial Position		
Shareholders' equity	184,638	188,416
Net assets per share (RM) [®]	0.10	0.10
Others		
Total FFB production (tonnes)	15,983	22,974

[^] Calculated by dividing the profit for the financial year attributable to the owners of the parent by the number of ordinary shares in issue during the financial year, which are based on the issued and paid-up share capital of 1,810,000,256 Matang shares.

[®] Expressed based on total issued share capital of 1,810,000,256 Matang shares.

Revenue

For the FYE 30 June 2018, the Group's revenue from the sales of FFB improved by about 23.9% from RM10.20 million in preceding FY to RM12.64 million for FYE 30 June 2018. The total FFB sold for FYE 30 June 2018 was 22,974 tonnes compared to 15,983 tonnes for FYE 30 June 2017, reflecting an increase of 44.0% in FFB tonnage sold.

While at the same time, the annual average price of FFB sold has decreased from RM638 per tonne in FYE 30 June 2017 to RM550 per tonne in the current FY under review due to the drop in CPO prices over the same period of time. CPO prices have conventionally been correlated to the FFB prices and have been used by the palm oil mill amongst other determinants to fix prices for FFB sold by oil palm planters.

For the twelve (12) months ended 30 June 2017, i.e., from July 2016 to June 2017, the maximum monthly average CPO price was recorded in January 2017 at RM3,275 per tonne but the price was only RM2,488 in January 2018, registering a drop of about 24%. Similarly, in December 2016, the monthly average CPO price was RM3,209 per tonne but a year later in December 2017, the price has reduced to RM2,408 per tonne, reflecting a drop of about 25%.

MANAGEMENT DISCUSSION AND ANALYSIS

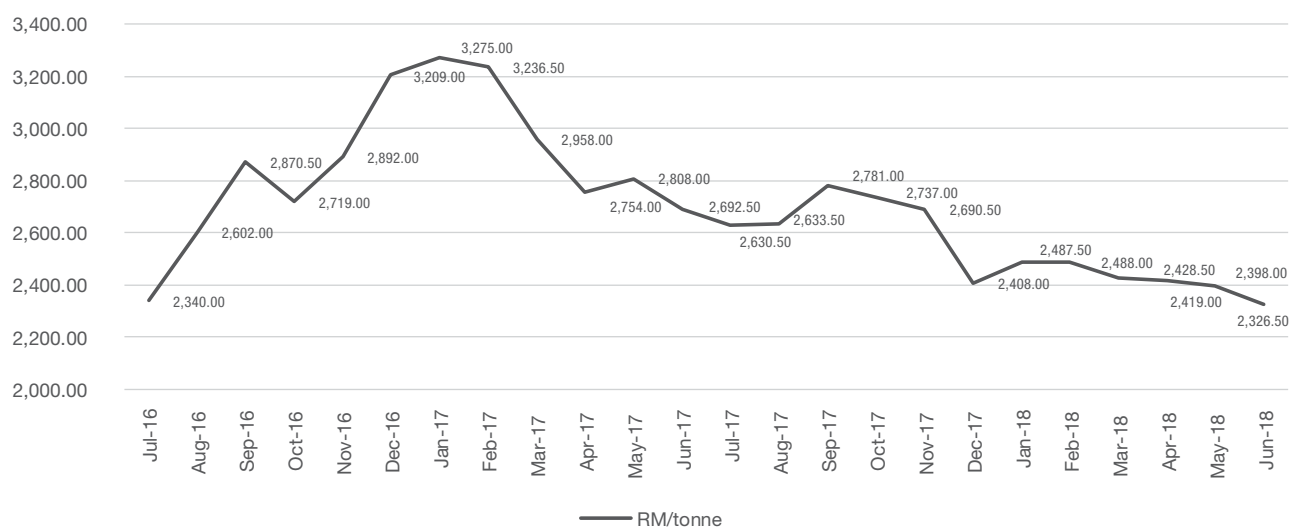
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REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION *cont'd*

Revenue *cont'd*

The following chart shows the monthly average CPO price (for Peninsular Malaysia) movements from July 2016 to June 2018:

Average Monthly CPO Prices in Peninsular Malaysia from July 2016 to June 2018



Source: Extracted from Malaysian Palm Oil Board website

Gross Profit

The Group's gross profit for FY2018 was RM9.77 million as compared to RM7.02 million for FY2017. The Group's gross profit margin ("GPM") (which is solely derived from the production and sales of FFB) for FY2018 was 77.3% as compared to 68.7% in FY2017, the higher GPM in FY2018 was due to a combination of effects from increase in revenue of 23.9% and the decrease in cost of sales of 10.1%.

The cost of sales for the Group which was solely attributed to the management of Matang Estate has decreased from RM3.19 million in FY2017 to RM2.87 million in FY2018 mainly due to:

- higher fertiliser costs and expenses in the previous FY arising from an additional cycle of fertiliser application in preceding FY, i.e., FY2017. Such application towards the end of FY2017 has spill-over manuring effect in FY2018 which has enabled the Estate to reduce a cycle of fertiliser application in FY2018;
- lower weeding and spraying chemical costs and wages due to the termination of the services from external contractor engaged in FY2017, the services of which have been subsequently carried out internally by labour in the Estate under the supervision of an internal field conductor of the Estate; and
- windfall tax is payable by oil palm planters which is mandatory in the event of CPO price for Peninsular Malaysia exceeds RM2,500 per tonne. For a significant part of FY2018, the CPO prices fell below RM2,500 per tonne thereby abating the need for the Group to pay windfall taxes.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION *cont'd*

Other Income

Other income has decreased from RM3.43 million in FY2017 to RM2.18 million in current FY under review, the decrease of which was mainly arising from the following major changes between the two FYs:

- the reduction or absence of one-off items such as one-off gain of RM0.96 million from the disposal of 2.1528 hectares of Matang Estate pursuant to the compulsory land acquisition by Jabatan Kerja Raya (“JKR”) for road works and the fair value gain of RM0.85 million from the fair valuation of Larkin Investment Property in FY2017. The aforesaid gains were absent in FY2018; and
- the increase in interest income of about RM0.62 million from the additional fund obtained from the Public Issues of 130 million Matang shares in January 2017 as well as additional cash flows from operations of Matang Group. Interest income of the Group has risen by about 109% from RM0.57 million in FY2017 to RM1.19 million.

Administrative Expenses

The Group’s administrative expenses remained relatively stable in FY2018 at RM6.01 million as compared to RM6.05 million in FY2017.

Others Expenses

The other expenses of the Group for FY2017 were mainly made up of Listing expenses of RM1.71 million charged to the Group’s Profit or Loss and Other Comprehensive Income. In the absence of the same in FY2018, the total other expenses of the Group in FY2018 was only RM66,955.

Profit Before Taxation, Profit After Tax and Earning per Share

The Group registered profit before taxation of RM5.88 million for FYE 30 June 2018 as compared to RM2.58 million for FYE 30 June 2017 and profit after taxation was RM4.09 million for FYE 30 June 2018 as compared to RM1.26 million for FYE 30 June 2017. The increase in Group profitability was largely driven by the growth in revenue and accordingly in gross profit given that the other income and the administration and other expenses of the Group excluding one-off items were largely stable between the two FYs. The resultant earnings per share of the Group has increased from 0.07 sen in the preceding FY to 0.23 sen reflecting over three-fold increase due to the better profit level of the Group in FY2018.

Cash Flows

Consistent with the increased profitability recorded by the Group for FY2018, the Group’s net cash generated from operations for FY2018 was RM5.76 million against RM1.99 million for the preceding FY, an increase of approximately RM3.77 million.

The net cash flows from investing activities for FY2018 showed a decrease of about RM0.59 million as compared to previous FY mainly due to the proceeds of RM1.07 million from the disposal of land pursuant to compulsory land acquisition undertaken by JKR in FY2017. Interest income in FY2018 is on the other hand higher than FY2017 by approximately RM0.43 million mainly due to the interest on cash from the proceeds of IPO in 2017.

There was no cash flow in relation to financing activities in FY2018 and the net cash flow from financing activities of RM15.87 million in the previous FY was mainly the proceeds from the IPO exercise. The Group remains free of any external debt or borrowings as at 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION *cont'd*

Cash Flows *cont'd*

The table below shows the summarised cash flows statement of the Group for FYE 30 June 2017 and FYE 30 Jun 2018.

Matang Group	2017	2018
	RM'000	RM'000
	Audited	Audited
Net cash generated from operating activities	1,995	5,764
Net cash from investing activities	636	47
Net cash from financing activities	15,871	-
Net increase in cash and cash equivalents	18,502	5,811
Cash and cash equivalent at beginning of the year	14,328	32,830
Cash and cash equivalent at end of the year	32,830	38,641

Financial Position

In terms of financial position of the Group, the shareholders' equity of the Group has increased from RM184.64 million as at 30 June 2017 to RM188.42 million as at 30 June 2018 primarily arising from the additional profit of RM4.09 million from FYE 30 June 2018. The Group net assets on per share outstanding basis remained at RM0.10 per share as at 30 June 2018.

Key Financial Ratios

The key financial ratios of the Group for the FYE 30 June 2017 and 2018 have been tabulated in the table below.

Matang Group	2017	2018
	Audited	Audited
Gross profit margin (%)	68.7%	77.3%
Net profit margin (%)	12.3%	32.4%
Trade receivable turnover (days)	17	13
Trade payable turnover (days)	7	11
Inventory turnover period (days)	9	7
Current ratios (times)	19	29

KEY RISK FACTORS

1. Expiry of lease for the Larkin Investment Property

Larkin Investment Property is erected on a leasehold land measuring approximately 3.2 acres with a 60 years lease term expiring on 24 September 2031, i.e., with remaining lease period for the land of about 13 years. MHB had in April 2012 made an application to Johor Bahru Land Administrator to seek an extension of the leasehold land tenure for 60 years. However, the application was rejected in December 2013 to which MHB had re-submitted the application in February 2015, both application of which was unsuccessful whereby the land administrator cited that the said land shall be developed for housing purposes and in connection thereto, all applications for lease extension have been placed on hold.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

KEY RISK FACTORS *cont'd*

1. Expiry of lease for the Larkin Investment Property *cont'd*

As for FYE 30 June 2018, the gross rental income from Larkin Investment Property was RM0.96 million and the net rental income before tax of RM0.57 million was about 9.7% of the pre-tax profit of Matang Group for FYE 30 June 2018.

The remaining leasehold land tenure will limit and may possibly reduce the rental income from Larkin Investment Property in the near and long term. Ultimately, if there is no change of decision by the Johor Bahru Land Administrator at the expiry of lease term on 24 September 2031, the land will be surrendered to Johor State Authority and there will be a permanent loss of rental income to the Group.

While the management of Matang Group reckons the limited remaining leasehold period, measures have been and will continue to be undertaken to attract new tenants or to entice existing tenants to expand tenanted areas.

2. Dependency on major customers

The Group recognises the importance of diversification of its customer base, it has started in September 2016 to supply its FFB to Kilang Kelapa Sawit Mas owned and operated by Milik Mestika in addition to Lenga's palm oil mill.

3. Dependency on the availability of an adequate labour force

The palm oil industry is labour intensive in nature. Labour force is required extensively to plant, maintain or upkeep fields including manuring and pruning as well as to harvest in order to maintain the overall required yield from the entire plantation estate. The palm oil industry in Malaysia has been facing difficulty in completely fulfilling its labour requirements from local workers and the players in the industry has resorted to employing foreign workers to cope with any shortfall in the recruitment of Malaysian workers.

The local palm oil industry has conventionally sourced and relied on Indonesian workers to meet the gap of labour shortage but the supply of Indonesian workers has not been stable particularly fruit harvesters and collectors who have opted to head home in recent years given the improving oil palm sector in Indonesia. Moreover, the number of Indonesians willing to leave home and families is dwindling due to the higher wages at home and instability of foreign exchange between Malaysian Ringgit and Indonesian Rupiah.

As at 30 June 2018, the Estate's work force is made up of 74 employees of whom 53 (or 71.6 %) are foreign workers. In addition, MHB has secured approval for additional quota of foreign workers in the Estate and has since then laid out plan and accordingly acted independently and working with agents to bring in additional Indonesian and Bangladeshi workers.

4. Dependency on weather conditions

The industry in which the core business of Matang Group operates remains potentially affected by adverse weather conditions. The fruiting and yield of oil palm trees may be adversely affected as well as the operation of the Estate including harvesting and production activities can be significantly hampered by less favourable weather conditions over a prolonged period of time. This is particularly evident with the effect of El Nino phenomenon in the past which has caused drought whereby dry conditions have resulted in low soil moisture for growth of oil palm trees and suppressed FFB production. On the contrary, excessive rainfall conditions such as monsoons or the La Nina phenomenon which follows after drier weather condition brought by El Nino phenomenon, may also disrupt the harvesting and logistics within the plantation segment.

To mitigate the risk arising from adverse weather conditions, Matang Estate practises planting legume cover crops and carry out empty fruit bunch mulching to retain soil moisture. In addition, silt pits and trenches have been constructed and constantly maintained to improve drainage and prevent flooding in the areas of the Estate that are either along a river and low-lying within the Estate.

MANAGEMENT DISCUSSION **AND ANALYSIS**

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PROSPECTS AND OUTLOOK

The Group achieved commendable growth in FFB production, i.e., an increase of 44% in terms of tonnage harvested from the level achieved in FYE 30 June 2017, the FFB yield reached 22.01 tonnes per hectare. Having achieved that, the Group is targeting better yield performance for its Estate going forward barring unforeseen circumstances involving weather conditions and supply of labour, to name a few.

For sustainable growth over a longer time horizon, the Group has completed the replanting of 32.8 hectares in FY2018 which shall see the same into mature FFB production in year 2022/2023. Plans have also been outlined for replanting exercises of fields with trees that are approaching the replanting age. The yield performance of these fields will be monitored closely and replanting shall commence as soon as the areas show deteriorating yield.

In addition to organic growth which the Group has proven attainable with the increased yield and production of Matang Estate in FY2018, the Group is also seeking opportunity to expand the Group plantation areas with addition of suitable new plantation estates or new land so that the value of the Group can be synergistically enhanced at the same time when the existing Matang Estate grows.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Malaysian Code on Corporate Governance (or “the Code”) requires listed companies to maintain a sound system of risk management and internal control to safeguard shareholders’ investments and the Group’s assets.

This Statement on Risk Management and Internal Control by the Board is made in respect of FYE 30 June 2018 pursuant to Paragraph 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) as well as the practice principles set out under the Code.

BOARD’S RESPONSIBILITIES

The Board recognises the importance of maintaining a sound system of internal control and risk management practices in ensuring good corporate governance. The Board is responsible for establishing an effective risk management framework and a sound system of internal control operating throughout the Group and for reviewing its effectiveness, adequacy and integrity, including financial and operational controls, compliance with relevant laws and regulations and risk management in order to safeguard shareholders’ investment and the Group’s assets. The Board is committed to practising good standards of corporate governance as well as observing best practices and improving on current practices with regards to risk management and internal controls for the Group.

However, in view of the limitations inherent in any systems of internal controls and risk management, such systems are designed to manage rather than eliminate the risk of failure to achieve the business objectives of the Group. Hence, the Group’s system of internal controls can only provide reasonable assurance but not absolute assurance against material misstatement or loss to the Group.

The Board affirms that there is on-going or continuous process for identifying, evaluating and managing significant risks faced by the Group through its systems of internal controls and risk management.

RISK MANAGEMENT AND INTERNAL CONTROL PROCESS

The Group has undertaken the preparation of the Group risk management framework and assessment to identify, evaluate and manage the significant risks affecting the Group’s operations to ensure that high risk areas are adequately addressed at various levels within the Group. Its systems of internal controls and risk management primarily cover areas of operational efficiency and effectiveness, financial controls and reporting, compliance monitoring and process improvements.

In undertaking the functions of the Board with regards to risk management and internal controls of the Group, the Board is supported by a number of established Board committees, namely the Audit and Risk Management Committee, the Nomination Committee and the Remuneration Committee, each of which has clearly defined terms of reference.

The Audit and Risk Management Committee has been tasked by the Board with, amongst others, the duty of reviewing and monitoring the adequacy and effectiveness of the Group’s risk management and internal controls. The day-to-day implementation of risk awareness and management as well as compliance under the Group internal control processes and procedures are part of the responsibilities of the management team of the Group.

The Group has an organisational structure with clearly defined lines of accountability and responsibility as well as delegation of authority and reporting. There is a set of policies and procedures setting out the financial limits and approving authorities for key financial matters and decisions including for the revenue, major operating and capital expenditures of the Group to ensure proper functioning and accountability at both business units and head office levels.

In addition, Management Committee comprising a Chairman, i.e., the Executive Deputy Chairman of the Company and three (3) members, i.e., the Executive Director of the Company, the Chief Financial Officer cum Chief Operating Officer and the Head of Corporate Services and Finance makes unanimous decision for major critical strategic, operational and tactical matters affecting the Group based on the terms of reference approved by the Board of the Company on 13 October 2017.

During the financial year under review, the Group has undertaken risk assessment workshop for which the risk profile of the Group was updated by re-visiting the risk mapping and assessments facilitated with the assistance of an external risk management consultant whereby key risk areas for each of the critical business functions and activities of the Group were reviewed and assessed based on the likelihood of occurrence and the resultant impacts. New risk areas were also explored based on feedbacks of the management team members in both Matang Estate and in the head office of the Group (“Head Office”).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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These were then updated to the Group's risk register as part of the risk management framework of the Group and the same reviewed and deliberated by the Audit and Risk Management Committee with the assistance of the risk management consultants. The same exercise also identified the specific risk owners to facilitate the responsibility for actions in responding to risk management and risk matrix is also generated to assist the management and the Board to prioritise their efforts and appropriately manage the different classes of risks.

Internal controls have been implemented and will be continuously reviewed and improved, in particular, for high risk areas within the Group. The management team discusses with the Audit and Risk Management Committee on key control processes and procedures for areas of particularly high risk and/or concern to ensure adequate controls are always in place to mitigate any critical risks. Risk management by adhering to the implementation of internal control systems put in place is the responsibility of every employee in the Group.

INTERNAL AUDIT FUNCTION

The Board is fully aware of the importance of the internal audit function and has engaged an independent professional firm namely Smart Focus Group ("Smart Focus" or "IA Firm") to provide independent assurance to the Board and Audit and Risk Management Committee through an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

During the year under review, the internal audit reviews were carried out by the IA Firm to address the related internal control weaknesses. Significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported accordingly. The IA Firm and its team members are not related to any of the Directors and members of the management team of the Group nor there exist any conflicts of interest between the internal auditors and the companies in the Group that could impair the objectivity and independence of the internal auditors.

For FYE 30 June 2018, the internal audit function adopts a risk-based approach of the Group's significant activities, i.e., the various aspects of operations and management of Matang Estate covering activities from procurement and purchases to field upkeep such as pruning, manuring and harvesting or production as well as transportation and delivery of FFB and the accounting and finance functions of the Group which are centralised in Head Office. The internal audit function reports directly to and provides the Audit and Risk Management Committee with reports wherein it highlighted the observations on the adequacy of internal controls and findings with regards to the management's compliance to standard control procedures practised in the industry or specifically put in place. In addition, the internal audit function also made necessary recommendations to the Group based on the findings and observations.

The internal audit fees incurred for FYE 30 June 2018 was RM23,000.

INFORMATION AND COMMUNICATION

While the management has full responsibility in ensuring the effectiveness of internal control which it establishes, the Board has authority to assess the state of internal control as it deems necessary. In doing so, the Board has the right to enquire information and clarification from the management as well as to seek inputs from the Audit and Risk Management Committee, external and internal auditors and other experts at the expenses of the Group.

QUALITY ASSURANCE

The internal auditors develop and maintain a quality assurance programme that covers all critical aspect of internal audit activities. The quality assurance programme of the internal auditors assesses the effectiveness of internal audit processes and identifies gaps or rooms for improvement via both internal and external assessments. It has its own peer reviewer mechanism to ensure consistently good quality output of every audit engagement. The team leader of the internal auditors is experienced to undertake and manage internal audit assignments.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required under Paragraph 15.23 of the ACE Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control and reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control intended to be included in the Annual Report for FYE 30 June 2018 has not been prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of the Listed Issuers, nor is the Statement on Risk Management and Internal Control factually inaccurate.

The limited assurance review was performed with Audit Assurance and Practice 3 (AAPG 3) issued by the Malaysian Institute of Accountants which does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

REVIEW BY THE BOARD

The Board considered the key findings and observations of internal audit as well as the adequacy and effectiveness of the risk management and internal control process in the FY based on the following:

- (a) The Management Committee of the Group responsible either for the development and maintenance of the risk management and internal control framework or for ensuring the implementation and conduct of adequate risk management and internal control framework within the Group.
- (b) The conduct or performance of the independent internal audit function for which an internal audit report was first reviewed by the Audit and Risk Management Committee having a chance to also discuss critical issues and findings with the internal auditors.
- (c) The periodic feedback of the management with regards to the adequacy of the operations and functioning of the Group's risk management and internal control system.
- (d) The quarterly review of the Group's financial results and associated discussions with both the Chief Financial Officer and the Audit and Risk Management Committee in connection with financial conditions and performance of the Group.

The Board has also received assurance from the Management Committee that the risk management and internal control systems of the Group are operating adequately and effectively in all material aspects based on the risk management and internal control systems of the Group.

Premised on the preceding sections, the Board considers the system of internal controls as set out in this Statement to be satisfactory and the risks to be at acceptable level within the context of the Group's business and operating environment. The Board is pleased to report that there were no major internal control weaknesses identified during the FY under review nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Company's Annual Report. The Board and the management of the Group will continue to take measures to strengthen the risk and control environment and monitor the health of the risk management and internal control framework.

This Statement on Risk Management and Internal Control has been approved by the Board of Matang on 16 October 2018.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit Committee of the Company was established by the Board of Matang on 9 September 2015 with the primary objective of assisting the Board in discharging its duties and responsibilities and fulfilling its corporate governance responsibilities in relation to financial reporting, annual reporting, internal control structure, related party transactions and external and internal audit functions of the Group. The Audit Committee has been subsequently renamed as “Audit and Risk Management Committee” on 27 August 2018 considering that the terms of reference and authority of the committee also encompass the areas of risk management.

COMPOSITION AND MEETINGS

The Audit and Risk Management Committee consists of three (3) Independent Non-Executive Directors, i.e., Mr Lew Weng Ho, being the Chairman of the committee and Dato’ Foong Chee Meng and Dato’ Teh Kean Ming, both of whom are members of the Audit and Risk Management Committee.

Mr Lew is a member of the Malaysian Institute of Accountants since 1980 and has been a fellow of the ACCA since 1983. Dato’ Foong is a solicitor in the Supreme Court of New South Wales and the Federal Court of Australia since 1989 and was admitted as Advocate and Solicitor of High Court of Malaya in 1993. Dato’ Teh Kean Ming who has been appointed a member of Audit and Risk Management Committee on 23 August 2017, had held position as Chief Executive Officer and Managing Director of a public listed company engaged in wide range of businesses including plantation and property development. Dato’ Teh Kean Ming is also the Independent Non-Executive Chairman of the Company. The details of qualifications and experiences of the Chairman and members of the Audit and Risk Management Committee can be found in the Directors’ Profile in this Annual Report.

The Chairman and members of the Audit and Risk Management Committee are all Independent Non-Executive Directors of the Company and none of them hold any interest whether direct or indirect in Matang and/or any of its subsidiaries.

The Audit and Risk Management Committee shall meet at least four (4) times annually and to hold such additional meetings as the Chairman may call at any time at the Chairman’s discretion. Other directors, employees and/or representatives of the external auditors may attend any particular meeting at the invitation of the Audit and Risk Management Committee.

There was a total of five (5) Audit and Risk Management Committee meetings held in FY2018 and the details of attendance of the members at the meetings held during FYE 30 June 2018 are as follows:

Name	No. of meetings attended
Lew Weng Ho <i>Independent Non-Executive Director</i>	4 out of 5
Dato’ Foong Chee Meng <i>Independent Non-Executive Director</i>	4 out of 5
Dato’ Teh Kean Ming[^] <i>Independent Non-Executive Director</i>	4 out of 4

Note:

[^] Dato’ Teh Kean Ming has only been appointed as a member of the Audit and Risk Management Committee with effect from 23 August 2017.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Authorities

The Audit and Risk Management Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:

- (a) Have explicit authority to investigate any matters of the Company and its subsidiaries, within its terms of reference, where it deems necessary, investigate any matter referred to it or that it has come across in respect of a transaction that raises questions of management integrity, possible conflict of interest, or abuse by a significant or controlling shareholder;
- (b) Have resources which are required to perform its duties;
- (c) Have full and unrestricted access to any information pertaining to the Company which it requires in the course of performing its duties;
- (d) Have direct communication channels with the external auditors and have direct authority over the internal audit function of which is independent from the management and operations of the Group;
- (e) Be able to obtain and seek outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- (f) Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company.

Key Functions and Duties

The principal duties and responsibilities of the Audit and Risk Management Committee shall include:

(a) With the external auditor:

- (i) To assess the suitability, objectivity and independence of the external auditors by considering:
 - the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - the nature and extent of non-audit services rendered and the appropriateness of the level of fees; and
 - the written confirmation and assurance from the external auditors on their independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- (ii) To consider and recommend the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal, and inquire into the staffing and competence of the external auditors in performing their work and assistance given by the Company's officers to the external auditors.
- (iii) Where the external auditors are removed from office or give notice to the Company of their desire to resign as external auditors, the Committee shall ensure that the Company immediately notify Bursa Securities and forward to Bursa Securities a copy of any written representations or written explanations of the resignation made by the external auditors and submit the notice pursuant to Section 278 of the Companies Act 2016 to the Registrar of Companies the resolution passed (in relation to the removal of an external auditor from office at any time) pursuant to Section 276 of the Companies Act.
- (iv) To discuss with the external auditors the nature, scope and any significant problems that maybe foreseen in the audit, to ensure adequate test to verify the accounts and procedures of the Company.
- (v) To ensure and confirm that the management has placed no restriction on the scope of the audit.
- (vi) To review and discuss on the evaluation and findings of the system of risk management and internal controls and the audit reports on the financial statements.
- (vii) To discuss problems and reservations arising from the internal audit, interim and final audits, and any matters the external auditors may wish to discuss (in the absence of the management where necessary) and the management's response with regard to the problems and reservations arising from their audit.
- (viii) To review all areas of significant financial risks and the arrangements in place to contain these risks to acceptable levels.
- (ix) To provide a line of communication between the Board and the external auditors.
- (x) To review the external auditors' management letter and management responses.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE *cont'd*

Key Functions and Duties *cont'd*

(b) For financial reporting review:

To review the quarterly announcements to Bursa Securities and annual financial statements before submission to the Board, focusing particularly on, amongst others:

- (i) Any changes in accounting policies and practices;
- (ii) Major judgemental areas;
- (iii) Significant adjustments resulting from the audit;
- (iv) Significant transactions which are not a normal part of the Group's business;
- (v) Going concern assumptions;
- (vi) Compliance with the accounting standards;
- (vii) Compliance with the stock exchange and legal requirements;
- (viii) Quality and effectiveness of the accounting and internal control system and the efficiency of the Company's operations;
- (ix) Adequacy of the disclosure of information essential to a true and fair presentation of the financial affairs of the Group.

(c) For internal audit function:

- (i) To ensure that the internal audit should be carried out independently and objectively from the management of the Company and the functions of which the internal auditors audit.
- (ii) To mandate the internal audit function to report directly to Audit and Risk Management Committee.
- (iii) To review the adequacy of the competency of the internal audit function including the relevant experience of the firm (if outsourced) and personnel assigned, the scope and resources and ensuring that it has the necessary authority to carry out their works.
- (iv) To ensure that the internal auditors have the necessary authority and access to information to carry out their works.
- (v) To review the internal audit program.
- (vi) To ensure coordination of external audit with internal audit.
- (vii) To review the internal audit reports and to ensure appropriate and prompt remedial actions are taken by the management on lapses in controls or procedures that are identified in the internal audit.

(d) For risk management:

- (i) To determine, review and recommend risk management strategies, policies and risk tolerance.
- (ii) To review and assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
- (iii) To ensure adequate infrastructure, resources and systems are in place for risk measurement, i.e., ensure that the staff responsible for implementing risk management system perform those duties independently of the Group's risk originating activities.
- (iv) To review periodic reports on risk exposure, risk portfolio composition and risk management activities of the Company.
- (v) To review and recommend new policies or changes to policies, and to consider their risk implications.
- (vi) To review the impact of risk on capital adequacy and profitability under normal and stressed scenarios.
- (vii) To review and evaluate the various processes and systems engaged by the Company and to ensure that these processes and systems are conducted within the standards and policies set by the Board.
- (viii) To assess the adequacy of business recovery / disaster recovery procedures.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE *cont'd*

Key Functions and Duties *cont'd*

(e) Other matters:

- (i) To review any related party transactions and conflict of interest situation that may arise within the Company and/or the Group including transactions, procedures or courses of conduct that may raise questions on the key management's integrity and to ensure that Directors report such transactions or procedures annually to shareholders via annual reports.
- (ii) In respect of the recurrent related party transactions of a revenue or trading in nature which is/are subject to shareholders' mandate, prescribe guidelines and review procedures to ascertain that such transactions are in compliance with the terms of the shareholders' mandate.
- (iii) To review the Group's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters (in compliance with provisions in the Companies Act 2016).
- (iv) To report to Bursa Securities on matters reported by it to the Board that have not been satisfactorily resolved resulting in a breach of the ACE Market Listing Requirements of Bursa Securities.

SUMMARY OF WORKS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee met five (5) times in FYE 30 June 2018 and this section set out the works and tasks of the Audit and Risk Management Committee of Matang during the current financial year under review.

(a) Financial Reporting

The Audit and Risk Management Committee met at least on quarterly basis and has reviewed and deliberated all the announcements of quarterly financial results for FYE 30 June 2018 made by the Company on Bursa Securities and these included the following:

Date of Audit and Risk Management Committee meetings	Quarter Financial Results /Annual Financial Statements Reviewed
23 August 2017 (1st Audit and Risk Management Committee meeting for the FYE 30 June 2018)	Unaudited fourth quarter financial results for the period ended 30 June 2017
13 October 2017 (2nd Audit and Risk Management Committee meeting for the FYE 30 June 2018)	Draft annual financial statements and annual report for FYE 30 June 2017
23 November 2017 (3rd Audit and Risk Management Committee meeting for the FYE 30 June 2018)	Unaudited first quarter financial results for the period ended 30 September 2017
12 February 2018 (4th Audit and Risk Management Committee meeting for the FYE 30 June 2018)	Unaudited second quarter financial results for the period ended 31 December 2017
30 April 2018 (5th Audit and Risk Management Committee meeting for the FYE 30 June 2018)	Unaudited third quarter financial results for the period ended 31 March 2018

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

SUMMARY OF WORKS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE *cont'd*

(a) Financial Reporting *cont'd*

The Audit and Risk Management Committee has held its meeting on 13 October 2017 to undertake the review of the audited annual financial statements of the Group including the accompanying directors' reports for FYE 30 June 2017. The Audit and Risk Management Committee ensures that the financial results and statements as the case maybe are prepared in a timely and accurate manners complying with applicable accounting, regulatory requirements and financial reporting standards.

(b) External Auditors

The Audit and Risk Management Committee has on 30 April 2018 deliberated and reviewed the scope of statutory audit and the audit plan as well as discussing with the external auditors the audit strategies and any implementation of new or changes in accounting standards that will affect the Group in the current and next financial years. In the same meeting, the external auditors have also presented the audit plan to the Audit and Risk Management Committee as well as confirming to the Audit and Risk Management Committee their independence in undertaking the audit of the Group and the Company for FYE 30 June 2018.

The Audit and Risk Management Committee has also held a discussion with the external auditors on 27 August 2018 after the completion of audit field works for any findings and observations of material concerns and effects to the Group.

The Audit and Risk Management Committee also encourages the external auditors for continuous engagement with the Audit and Risk Management Committee to ensure that issues affecting the Company and the Group can be brought to the attention of the Audit and Risk Management Committee in a timely manner.

(c) Internal Auditors

The Audit and Risk Management Committee oversees the conduct of internal audit to ensure that review of the adequacy of the Group's internal control systems is carried out on a timely manner as well as ensuring operations are conducted in compliance with the established internal controls.

The Company has appointed an independent professional Internal Audit firm namely Smart Focus Group to undertake the internal audit of the Group, the audit of which was headed by Dr. Bala Sekar Nadarajan ("Dr. Bala"), a holder of Ph.D. in Finance and Auditing. Dr. Bala is a Professional Member of Institute of Internal Auditors Malaysia ("IIAM"). Prior to the appointment of Smart Focus Group, the Audit and Risk Management Committee had evaluated and satisfied itself that Smart Focus Group and Dr. Bala are free from any relationships or conflicts of interest which could impair their objectivity and independence. During the FY, a team of three internal auditors headed by Dr. Bala carried out the internal audit of the Group. The internal audit was conducted in accordance with Standards for Professional Practice of Internal Auditing issued by the IIAM.

During the FY under review, the internal audit review was led by the team leader and assisted by the team members, and input from the project director of the Internal Audit firm was obtained for effective and dynamic controls. During the FY under review, the following activities were carried out by the internal auditors in discharging its responsibilities:

- (i) Review the system of internal controls of the various business operating units;
- (ii) Recommend improvements to the existing systems of internal controls;
- (iii) Follow up on implementation and disposition of audit findings and recommendation;
- (iv) Ascertain the extent to which the Company's and the Group's assets are accounted for and safeguarded from losses of all kinds;
- (v) Identify opportunities to improve the operations of and processes in the Company and the Group; and
- (vi) Identify the risks and implementation of recommendations to mitigate the risks.

For FYE 30 June 2018, the internal audit has covered the critical areas of Estate management and operations, i.e., encompassing activities from procurement and purchases to field upkeep such as pruning and manuring activities and harvesting or production as well as transportation and delivery of FFB as well as the accounting and finance functions of the Group which are centralised in Head Office. The Audit and Risk Management Committee had discussed the internal audit findings and issues with the internal auditors prior to presenting the same to the Board.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

cont'd

SUMMARY OF WORKS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE *cont'd*

(d) Risk Management

The Audit and Risk Management Committee has also reviewed the risk register and profile prepared by the independent risk management consultant engaged by the Company. In addition, the review of the risk management framework and implementation of risk management procedures within the Group have also been undertaken with the Audit and Risk Management Committee.

The Audit and Risk Management Committee has also met with the risk management consultant on 27 August 2018 to deliberate on any risk management findings and observations made by the risk management consultant for FYE 30 June 2018.

Further details in relation to risk management processes have been summarised in the Statement on Risk Management and Internal Control in this Annual Report.

(e) Related Party Transaction(s)/Recurrent Related Party Transaction(s)

The Audit and Risk Management Committee has been satisfied that there was no related party transaction or recurrent related party transaction that have taken place during FYE 30 June 2018 save for the continuing tenancy arrangement between MHB and a substantial shareholder of the Company for the Group's Head Office in Menara Multi-Purpose located at 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, the tenancy of which is for three (3) years from 1 May 2017 and have been entered on arms' length basis as reported in the Annual Report for the preceding FY.

(f) Corporate Governance & Others

The Audit and Risk Management Committee also reviewed and made recommendations to the Board for the Annual Report for the FY under review pertaining to the Audit and Risk Management Committee Report, Corporate Governance Overview Statement and the Statement on Risk Management and Internal Controls of the Group, as well as the Corporate Governance Report.

In addition, the Chairman and members of the Audit and Risk Management Committee have also engaged on continuous basis with other Board members, the Executive Directors and with the management of the Group in order to be kept informed of the operations and management of Matang Estate including any material events and/or matters affecting the operations of the Estate and the Group as a whole.

INTERNAL AUDIT FUNCTION AND SUMMARY OF WORKS DONE

Due to the size of subsidiaries and operations involved for Matang Group, the Audit and Risk Management Committee and the Board have continued the practice of outsourcing the internal audit function of the Group to an independent internal audit firm. The internal auditors engaged report directly to the Audit and Risk Management Committee the findings and observations made from the internal audit exercises undertaken. The details of the internal audit firm and their resources have been outlined in above section within the Audit and Risk Management Committee Report in this Annual Report.

For the FY under review, the internal audit function covered an extensive scope and important areas of the operations of Matang Estate and the Head Office of Matang Group guided by the risk-based assessment conducted as part of the risk management framework of the Group.

Amongst the key areas for which internal audit exercise for FYE 30 June 2018 covered were, the operations of Matang Estate beginning with procurement and purchases of raw materials and consumables, field upkeep activities including manuring, weeding and pruning, harvesting and production of FFBs and sales, transportation and delivery of the same including any associated finance and accounting activities performed in Matang Estate. The accounting and finance functions of the Group which are centralised in the Head Office have also been included as part of the internal audit review for FYE 30 June 2018.

This Audit and Risk Management Committee Report has been approved by the Board of Matang on 16 October 2018.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

The Board places significant emphasis in ensuring that the standards of corporate governance practices are practically implemented throughout the Group as essential part of discharging its responsibilities to safeguard and enhance shareholders' interest and value and the financial performance of the Group.

In accordance with Rule 15.25 of the ACE Market Listing Requirements, this Corporate Governance Overview Statement provides an overview of the application of the principles set out under the Malaysian Code on Corporate Governance (or "the Code") with effect from 26 April 2017. Full details of application of the principles are disclosed in the Corporate Governance Report submitted to Bursa Securities together with this Annual Report, which is available on the Company's website, www.matangbhd.com.

1. **BOARD LEADERSHIP AND EFFECTIVENESS**

Board Responsibilities

The Board has the overall responsibilities for the strategic aims and corporate governance of the Company including providing overall strategic guidance and effective oversight of the management of the Group. The Board is to ensure that the activities of the Company comply with its Constitution, from which the Board derives its authority to act and monitor the Company's performance towards the strategic aims and to create value for the shareholders in a sustainable manner.

The Board Charter of the Company which has been approved and adopted with effect since 21 February 2017 set out the following key responsibilities of the Board:

- Providing guidance, reviewing and approving strategy plans and performance objectives;
- Monitoring financial performance of the Company and approving quarterly and yearly financial reports;
- Reviewing and approving major capital expenditure, capital management, major acquisitions and divestment and material commitments;
- Declaring interim dividend and recommendation of final dividend for shareholders' approvals;
- Establishing committees and policies as to facilitate more effective discharge of Board's roles and responsibilities;
- Ensuring through Board committees as appropriate, compliance obligations and functions are effectively discharged;
- Reviewing and approving recommendations made by various committees;
- Overseeing and reviewing systems of internal controls/compliance, risk management and control and legal compliance of the Company, ensuring they are operating effectively;
- Appointment and if appropriate, removal of directors and company secretary;
- Approving succession plans including appointing and training for directors and senior management;
- Approving remuneration policies of directors; and
- Ensuring effective communication and reporting to shareholders to ensure they are informed of the performance and major developments of the Company.

The Board Charter of the Company has been included on the Company's website, www.matangbhd.com and the Board shall also periodically review its Board Charter and a copy of the revised charter shall be updated onto the Company's website from time to time whenever there are changes. In connection, the Board has also approved the Code of Ethics and Conducts for Directors of the Company on 13 October 2017, the details of which can also be found on the Company's website, www.matangbhd.com.

The Company is guided by the Board's overall strategic aims to grow the Group organically with optimal yet sustainable increase of FFB production from the Matang Estate as well as through new acquisition of suitable land bank and/or plantation estates, both of which are targeted by the Board to enhance value to Matang's shareholders in a sustainable manner. At the same time, the Board strives to ensure that that corporate governance of the Company is implemented and safeguarded to provide effective oversight on the management.

The Board of the Company is chaired and led by an Independent Non-Executive Chairman who is Dato' Teh Kean Ming while the management of the Group and the Company are headed by the Executive Deputy Chairman, Datuk Kiat Swee Sung. The functioning of the Board and the Board Committees is supported by qualified company secretaries, i.e., Ms Lim Hooi Mooi and Ms Lau Yen Hoon.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

1. **BOARD LEADERSHIP AND EFFECTIVENESS** *cont'd*

Board Responsibilities *cont'd*

The Board meets at least quarterly to deliberate and decide on significant business and financial decisions which chart and affect the strategic aims of the Company. To facilitate the deliberation and decision making of the Board on material matters affecting Company, notices for meetings are circulated at least seven (7) days prior to meeting day and complete and comprehensive board meeting papers are circulated within reasonable time prior to each meeting. Minutes of each Board Committee and Board meeting are also circulated prior to subsequent meeting for confirmation by the Board members.

Headed by the Independent Non-Executive Chairman, the Board actively evaluates and deliberates all strategic proposals of the Group whether operational or corporate, the proposal of which the management puts forward for approval. Where appropriate, recommendations of the Audit and Risk Management Committee are also sought with regards to the strategic proposals, in particular for corporate proposals of the Company.

To that effect, a number of ad-hoc or special Board meetings of the Company have been called when necessary to deliberate strategic proposals on acquisition of plantations. In relation to the proposed acquisition of Raub Assets, experts' opinions and advice, including those of the solicitors, valuers and principal advisers have also been requested where necessary to ensure thorough views and implications of the proposals have been considered and assessed by the management.

Besides delegating the overall supervision of the management and operations of the Group to the Executive Deputy Chairman of the Company, the Board has also approved the establishment of the Management Committee for the oversight of major and key management decisions and day-to-day implementation of the business, operation and corporate decisions, matters and directions of the Group. The Management Committee is chaired by the Executive Deputy Chairman and consist of members made up of Executive Director, the Chief Financial Officer cum Chief Operating Officer and the Head of Corporate Services and Finance of the Company. The Management Committee meets at least once a month and decisions and/or approvals for matters discussed often require unanimous consent of the Management Committee.

Board Composition

As at the date of this Statement, the Board comprises 9 members, i.e., two (2) Executive Directors and seven (7) Non-Executive Directors out of whom three (3) are Independent Directors.

The Independent Directors make up one-third (1/3) of the Board membership as prescribed under Rule 15.02 of the ACE Market Listing Requirements which set out that in the event of the number of directors of a listed corporation not being three (3) or not in multiple of three (3), the number nearest one-third (1/3) shall be used.

The Board is led by an experienced Independent Non-Executive Chairman while the executive roles in the Group is headed by the Executive Deputy Chairman, the latter of whom leads the management team of the Group. This is to ensure a distinction of responsibilities where the Chairman who plays a non-executive role, is primarily responsible for the orderly conduct and effectiveness of the Board while the Executive Deputy Chairman is responsible for the overall operations and management of the businesses of the Group and the implementation of the Board strategy and policy.

In terms of Board membership, Matang Board consists of members with a wide and relevant range of skills and experiences, particularly in the plantation and agricultural industry in addition to members who are of professional and corporate backgrounds such as qualified accountant or chief financial officer, prominent lawyer and former chief executive of conglomerate in plantation and property development. Other Non-Executive Directors include primarily businessmen and entrepreneurs who have strong business acumen and extensive commercial experiences either in oil palm plantation or agriculture industry or in the State of Johor where Matang Estate is located.

A summary of the information relating to the profile, meeting attendance and shareholdings of the Company's directors have been included in this Annual Report.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

1. **BOARD LEADERSHIP AND EFFECTIVENESS** *cont'd*

Board Composition *cont'd*

The Company has a policy on the tenure for Independent Directors for a cumulative term of not more than nine (9) years. The Board may seek shareholders' approval in the event that it retains an Independent Director who has served in that capacity for more than nine (9) years, with strong justification provided. Otherwise, upon completion of nine (9) years, an Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. That having said, none of the Independent Directors of the Company has served more than nine (9) years on the Board as at the date of this Annual Report.

The Board composition is constantly reviewed and assessed by the Nomination Committee which is also entrusted by the Board to review and recommend the appointment of any new Directors, Chief Executive and Chief Financial Officers when appropriate. The Nomination Committee of the Company is chaired by an Independent Non-Executive Director of the Company, namely, Dato' Foong Chee Meng and consist of two (2) other members and in line with the ACE Market Listing Requirements, the Nomination Committee comprises exclusively of Non-Executive Directors.

The Board is cognisant of the recommendation under the Code with regards to workforce and boardroom gender diversity. In that connection, while the Company has not adopted any formal policy on gender diversity in selection of candidates, the Company does not restrict any specific gender in filling the workforce gaps so long as the suitable candidate(s) have the merits of amongst others, qualifications, experience and aptitude for specific roles within the Group.

Similarly for the Board, the Company and its subsidiaries evaluates the suitability of the candidates for new Directors based on the candidates' competency, skills, knowledge, experiences, characters, time commitment and other relevant specific criteria regardless of the gender of the candidates.

While the Nomination Committee and the Board consider experience of Board members in business and agricultural industry especially oil palm plantation/estate crucial to contributing in Board deliberations and decision making, the Board also adopt a view of diversity in respect of age considering the receptiveness of the younger generation to digital idea, knowledge and technologies in businesses and operations. In that regards, the Board of Matang is made up of diverse age group ranging from younger Board members to older members with age of 70 and above.

The Board undertook the assessment of the performance and contribution of the Board members annually to ensure that all Board members shall have at least a FY of attendance to the Board meeting and any relevant Board Committees' meetings in order for the Company to have a meaningful evaluation.

Board Committees

The Board delegates specific responsibilities of financial performance review and monitoring, measurement, risk management and internal controls to the Audit and Risk Management Committee. The Audit and Risk Management Committee of the Company also provides independent oversight with regards to the risk management and internal controls frameworks, systems and practices of the Company.

The duties and responsibilities of overseeing the establishing of Board committees, selection, appointment and nomination of Directors, Chief Executive and Chief Financial Officer have been delegated to the Nomination Committee. The duties and responsibilities on the evaluation and recommendation of remuneration structure, levels and packages for Board members and Chief Executive and Chief Financial Officer have been delegated to the Remuneration Committee which consists of three members.

All committees, i.e., the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee shall present to the Board on relevant matters discussed and decision arrived at as well as recommendations, if any, made to the Board. Minutes of the Board committees' meetings are also presented to the Board to keep the Board informed of deliberations and decisions of the committees. The composition of each of the Board committees are shown in page 2 of this Annual Report.

For FYE 30 June 2018, the Audit and Risk Management Committee had held five (5) meetings. The Nomination Committee and the Remuneration Committee had respectively held five (5) and four (4) meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

1. BOARD LEADERSHIP AND EFFECTIVENESS cont'd

Board Committees cont'd

The Remuneration Committee has been established by the Board and it comprises majority of Independent Non-Executive Directors with the overall responsibilities to recommend to the Board the remuneration and other benefits for all Directors and senior executives of the Company.

Any individual Executive Director who is in the Remuneration Committee should play no part in any decision on his/her own remuneration. The remuneration packages of Non-Executive Director shall be a matter to be decided by the Board as a whole with the Director concerned abstaining from discussion and voting on any decision on his/her own remuneration.

The Company has in place a general policy with regards to the remuneration levels for the Directors of the Group. However, these remunerations are to be approved from time to time after due deliberation by Nomination Committee of the competencies, skills, experiences as well as needs for the position and remuneration decided by the Remuneration Committee shall have to be recommended to the Board for deliberation and approval.

During FY2018, the Nomination Committee and Remuneration Committee held various meetings to determine and deliberate the scope of works, authority and remuneration package as well as the decision with regards to the recruitment of the Chief Financial Officer cum Chief Operating Officer of the Group as well as the Estate Manager for Matang Estate. In consequential to the same, a Management Committee of the Company has also been set up with its four (4) members with regards to all key strategic, operational and management decisions.

Remuneration for Directors

The Board has on 25 May 2017 formalised and approved the remuneration with structure that remunerates the Directors' contribution based on a fixed annual Director's fees and Director's meeting allowance is payable based on the number of attendance to the Board meetings. The same Board remuneration structure and level remain in force throughout FY2018.

The level of fixed annual Director's fees and meeting allowance shall be deliberated by the Remuneration Committee on yearly basis, the outcome of which shall be recommended to the Board for approval. In addition, Directors with executive roles and responsibilities in the Group shall also be entitled to Director's salary based on the experience, qualification, scope of works or executive or managerial roles and responsibilities undertaken, the criterions of which are deliberated by the Remuneration Committee together with the salary level and the outcome is then recommended to the Board for approval.

The following section shows the summary of total remuneration for the Executive Directors and Non-Executive Directors by type of remuneration for FY2018

By type of remuneration	Group		Company	
	Executive Directors	Non-Executive Directors [#]	Executive Directors	Non-Executive Directors [#]
	RM'000	RM'000	RM'000	RM'000
Directors' fees	10	75	10	75
Salary and other emoluments [^]	60	36	6	36
Total	76	111	16	111

Note:

[^] Other emoluments include the meeting allowance for the Directors' attendance to the Board meetings.

[#] Inclusive of a former Non-Independent Non-Executive Director, Mr Chong Pow On who has retired as Director of the Company at the conclusion of the last Annual General Meeting of the Company on 24 November 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

1. BOARD LEADERSHIP AND EFFECTIVENESS cont'd

Remuneration for Directors cont'd

The following section shows the summary of total remuneration for the Directors by bands of remuneration.

By band of remuneration	Group		Company	
	Executive Directors	Non-Executive Directors [#]	Executive Directors	Non-Executive Directors [#]
Up to RM50,000	-	8	1	8
RM50,001 to RM100,000	1	-	-	-
More than RM100,000	-	-	-	-
Total	1	8	1	8

Note:

[#] Inclusive of a former Non-Independent Non-Executive Director, Mr Chong Pow On who has retired as Director of the Company at the conclusion of the last Annual General Meeting of the Company on 24 November 2017.

The following table shows the summary of the remuneration at Group level for each of the Directors of the Company together with the information on the number of Board meetings attended by the Directors.

By Directors	Number of Board meetings attended	Director Fees	Sitting Allowances	Directors' Salaries	Total
		RM'000	RM'000	RM'000	RM'000
Dato' Teh Kean Ming	6/6	15	6	-	21
Datuk Kiat Swee Sung	6/6	-	-	-	-
Dato' Eng Cheng Guan	6/6	10	6	60	76
Lew Weng Ho	5/6	10	5	-	15
Dato' Foong Chee Meng	5/6	10	5	-	15
Datuk Tan Teck Poh @ Tan Ah Too	5/6	10	5	-	15
Datuk Teoh Sew Hock	3/6	10	3	-	13
Dato' Ng Keng Heng	5/6	10	5	-	15
Lau Liang Fook	6/6	10	6	-	16
Chong Pow On [@]	1/1	-	1	-	1
Total		85	42	60	187

Note:

[@] Mr Chong Pow On has retired as Director of the Company at the conclusion of the last Annual General Meeting of the Company on 24 November 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

1. BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

Company Secretaries

The Board continues to be supported by qualified and competent company secretaries in FY2018. The Board including any of the Directors of the Company has direct access to the advice and services of the company secretaries who are responsible for ensuring the Board meeting's procedures are adhered to and applicable rules and regulations are complied with. The company secretaries have also regularly updated and advised the Board and the management of the Company on any new statutory and regulatory requirements in connection with discharging the duties and responsibilities of the Directors and the management.

Conduct of Board Meetings

The deliberation of matters by the Board in every meeting held have been carried out with agenda or meeting notices being circulated at least seven (7) days before scheduled dates of meeting and relevant meeting materials are circulated to the Board and Board committees within reasonable time prior to the meetings save, in accordance with provisions under the Constitution of the Company, for circumstances where special board meetings have been inevitably called for on short notices.

Minutes of all Board and Board committee meetings have been duly circulated to all members of the Board or Board committee as the case maybe for review prior to the succeeding meeting and all members of the Board have direct access to the company secretaries for any queries and doubts raised with regards to the records of the proceedings of all Board and Board committee meetings.

Directors' Trainings

The Company acknowledges the importance of continuous education, training and professional development for all Directors and as such the Directors are encouraged to attend seminars, conferences, workshops organised by relevant regulatory authorities and professional bodies to keep abreast with the latest developments in the industry, market place and/or new statutory and regulatory requirements.

Details of trainings attended by the Directors in FY2018 are as follows:

Directors	Courses (Trainings/Briefings) Attended
Dato' Teh Kean Ming	<ul style="list-style-type: none"> Sustainability Summit Asia 2017 held on 1 November 2017 CG Breakfast Series: Integrating an Innovation Mindset with Effective Governance held on 7 November 2017 Palm Oil Economic Review & Outlook (R&O) Seminar 2018 held on 18 January 2018
Datuk Kiat Swee Sung	<ul style="list-style-type: none"> New Companies Act 2016: Key Changes and Practical Issues for Implementation held on 7 November 2017 Palm Oil Economic Review & Outlook (R&O) Seminar 2018 held on 18 January 2018
Dato' Eng Cheng Guan Lew Weng Ho	<ul style="list-style-type: none"> Palm Oil Economic Review & Outlook (R&O) Seminar 2018 held on 18 January 2018 BDO Tax Budget Seminar held on 7 November 2017
Datuk Tan Teck Poh @ Tan Ah Too	<ul style="list-style-type: none"> Palm Oil Economic Review & Outlook (R&O) Seminar 2018 held on 18 January 2018
Dato' Ng Keng Heng	<ul style="list-style-type: none"> New Companies Act 2016: Key Changes and Practical Issues for Implementation held on 7 November 2017 Palm Oil Economic Review & Outlook (R&O) Seminar 2018 held on 18 January 2018
Lau Liang Fook	<ul style="list-style-type: none"> New Companies Act 2016: Key Changes and Practical Issues for Implementation held on 7 November 2017 Palm Oil Economic Review & Outlook (R&O) Seminar 2018 held on 18 January 2018

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

2. EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit and Risk Management Committee

The Board is committed to furnish the shareholders of the Company with clear up-to-date and reflection and evaluation of the Group's financial performance and conditions through the dissemination of interim financial reports and statements, annual reports and relevant announcements to Bursa Securities. The Board is assisted by the Audit and Risk Management Committee which sits at least on quarterly basis to review the interim and annual financial reports of the Group.

The Audit and Risk Management Committee is made up of three (3) members, all of whom are Independent Non-Executive Directors of the Company. The committee is chaired by Mr Lew Weng Ho, who is a qualified chartered certified public accountant with experiences spanning across auditing, reporting, financial management, advisory and investment in various managerial capacities as well as experiences holding directorship in public listed companies in Malaysia and Singapore. The other members of the Audit and Risk Management Committee include Dato' Foong Chee Meng and Dato' Teh Kean Ming (the latter of whom has been appointed as a member of Audit and Risk Management Committee on 23 August 2017). The profile of the existing Audit and Risk Management Committee members has been included under Directors' Profile of this Annual Report.

Prior to the start of the annual audit of financial statements of the Group for the FY under review, the Audit and Risk Management Committee has conducted discussions and interviews with the external auditors to assess their suitability and independence in acting as external auditors for the Group. Besides, meetings were also undertaken with the external auditors on audit scope, plan and strategies before the start of the annual audit of financial statements. The external auditors of the Group have also provided assurance to the Audit and Risk Management Committee confirming their independence for the audit engagement and the conduct of the audit of the Group's financial statements for FYE 30 June 2018.

During the FY under review, the Audit and Risk Management Committee has also undertaken the review of all quarterly financial results including notes to the financial results of the Group and addressed their queries, if any, to the management during the meetings of Audit and Risk Management Committee. The Audit and Risk Management Committee, with satisfactory response from the management, shall report their view and advice in relation to the quarterly financial results to the Board before the Board deliberates and approves the results for announcement to Bursa Securities.

The Audit and Risk Management Committee also exercises its responsibilities by reviewing both the Internal Audit Report and Audited Financial Statements of the Group and held discussions with the auditors for addressing any questions and comments. The Audit and Risk Management Committee has also respectively met with the internal and external auditors for the discussions in relation to the Internal Audit Reports (including its findings) and the Audited Financial Statements.

Guided by the discussions with the auditors and necessary responses and clarifications from the management, the Audit and Risk Management Committee then reports to the Board any matters of material concerns, if any, in particular in connection with the financial reporting and performances of the Group, risk management measures and effectiveness and implementation of internal control systems of the Group.

The Audit and Risk Management Committee, under its terms of reference approved by the Board, has authority to investigate any matters of the Group it has come across in respect of a transaction that raises questions of management integrity, possible conflict of interest or abuse by a significant or controlling shareholder. In addition, it also has been granted full access to all information and resources to carry out such inquiries.

During the FY under review, the Audit and Risk Management Committee has exercised its independence to discuss the audit plan, audit strategies and any key areas of concerns and the resources with the external and internal auditors. More details of the internal audit performed have been included under Internal Audit Function and Summary of Works Done in the Audit and Risk Management Committee Report on page 32 of this Annual Report.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

2. EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Risk Management and Internal Control Framework

In addition to overseeing the proper preparation of the quarterly financial reports and the annual financial statements of the Company and the Group, the Audit and Risk Management Committee also independently evaluate the adequacy of the risk management and internal control framework of the Group as well as assessing the effectiveness of the implementation by the management of the components required under the frameworks.

The Company has on 27 August 2018 renamed the Audit Committee to Audit and Risk Management Committee which comprises three (3) members, all of whom are Independent Directors to oversee the Company's risk management framework and policies. The terms and reference of the Audit and Risk Management Committee have been included in the Audit and Risk Management Committee Report contained in this Annual Report.

The Audit and Risk Management Committee had also on 27 August 2018 held meeting with the risk management consultant on the works done and observations made for FY2018 in relation to the risk management framework and profile of the Group. The risk management consultant also presented to the Board on 27 August 2018 on the conclusions it drew with regards to the risk management framework and profile of the Group.

More details of the Group risk management assessment performed have been included under the Audit and Risk Management Committee Report on page 32 of this Annual Report.

The Audit and Risk Management Committee Report is set out on pages 27 to 32 of this Annual Report.

3. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

The Board uses public announcements made as well as the Company's website, www.matangbhd.com (where relevant announcements of the Company are linked to Bursa Securities) to disseminate information of the Group and major development to the Group's business to existing and potential shareholders. In that connection, the Company also incorporates investor relations and corporate governance sections in its website where links to announcements made to Bursa Securities, in particular, for financial results and corporate developments are posted. Annual reports of the Company are also posted on this part of the website to facilitate download.

Other information provided on the website included the nature and location of the Group's business as well as other corporate information such as the Board Charter, terms of reference of Audit and Risk Management Committee, Nomination Committee and Remuneration Committee in addition to corporate exercises undertaken and the updated status or progress.

In accordance with the ACE Market Listing Requirements, the Company will issue comprehensive circulars to the shareholders to facilitate the seeking of shareholders' approval for relevant matters required under the ACE Market Listing Requirements. In addition, where applicable and appropriate, explanatory notes to special resolutions to be approved by the shareholders in annual general meetings will also be furnished to ensure the shareholders have adequate information to vote. Notices for annual general meetings will be sent out at least twenty eight (28) days prior to the date of the meeting and the same notices will be published in at least one (1) nationally circulated daily newspapers.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

cont'd

3. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *cont'd*

Conduct of General Meetings

The forth-coming Annual General Meetings of the Company is scheduled to be held on 27 November 2018. The Board views that annual general meetings and extraordinary general meetings called and conducted will be good opportunities for the shareholders to seek clarifications on the performance and development of the Group.

In the Annual General Meeting of the Company for FYE 30 June 2017, the meeting of which was held on 24 November 2017 in Kuala Lumpur, the Company has:

- made a presentation of the Group's business and financial performance for the FYE ended 30 June 2017 to its shareholders;
- taken and addressed all questions raised by the shareholders in the said annual general meeting;
- conducted poll voting for all resolutions for which approvals of the shareholders were sought.

For the forth-coming Annual General Meeting to be held on 27 November 2018, the Company has adhered to the practice recommended under the Code to circulate notice for the annual general meeting at least twenty eight (28) days prior to the date of the meeting.

The Board envisages that it will, as part of the Board's effort, to continue to create open dialogue with the shareholders, to conduct presentation(s) in relation to the Group and its performance along with prospects and outlooks disclosed in compliance with the Listing Requirements. Questions and Answers session with the floor of audience attending the annual general meetings shall provide chances to the shareholders to have their questions addressed by the Board.

In the event of any questions received from the Minority Shareholders Watchdog Group, the Board aims at replying in writing before the general meetings and also have the responses/replies summarised for presenting to the shareholders during the general meetings.

The Company shall ensure that all resolutions set out in the notice of any general meeting or any notice of resolutions which are to be properly moved and is intended to be moved at any general meeting, will continue to be voted by poll. An independent scrutineer will be appointed by the Company to validate the votes cast at the general meeting.

In the past, the Company has also made necessary press releases to reach out to the shareholders of its subsidiary company, MHB, to certain corporate exercises.

The Board of Matang recognises the importance of good corporate governance towards safeguarding and enhancing the shareholders' interest and value, financial performance of the Group as well as the long term sustainability of the Group. Except for certain areas as highlighted in the Corporate Governance Report of the Company (the report of which is also submitted to Bursa Securities at the time of issuance of this Annual Report), the Board places significant priorities to ensure that principles and recommendations under the Code are adopted by the Group where applicable and practical.

This Corporate Governance Overview Statement has been approved by the Board of Matang on 16 October 2018.

SUSTAINABILITY STATEMENT

The Group has undertaken its business, operations and management, particularly for its key driver of operating revenue from Matang Estate based on sustainable practices of economic, environmental and social factors and considerations. In that regards, this Sustainability Statement is prepared to provide the shareholders of the Company an overview of the practices in place and undertaken by the Company.

ECONOMIC

The Company recognises the importance of economic sustainability of the Group's core activities, i.e., oil palm plantation for the long-term health of the Group operationally and profitability so that the interest and value to the shareholders of the Company are safeguarded and possibly enhanced over the long term.

Amongst the significant measures undertaken both in FY2018 and in the past to ensure economic sustainability of the Group with regards to the Matang Estate include:

1. **Replanting.** The Group plans for replanting exercises where mature trees approaching 25 years old are being monitored closely for their yield performance and this allows the management to plan appropriately by phasing out low yielding trees first at the same time avoiding unnecessary sudden drop in FFB tonnage in a particular year.

As for replanting activities, the Group undertakes with due care, beginning from the practices of proper ploughing of the soils of replanting areas within the Estate down to the selection of appropriate breed and age of seedlings to ensure timing of development is right and future desired yield is assured. Proper selection and nurturing of seedling replanting are mandatory and this gives the chance to the management of Matang Estate to choose the healthy palm seedling which will determine the sustainable production and yield for the Estate in the long term.

In FY2018, the Group's Matang Estate has commenced and completed the replanting of 32.8 hectares in the Estate. Replanting exercises are key to ensure sustainable production and yield for Matang Estate over long term.

2. **Soil Nutrients and Application of Fertilisers.** Soil nutrient is also an area of emphasis in the Group's operations in Matang Estate to ensure long term health of our oil palm trees which has a direct impact on the FFB yield.

In that regards, Matang Estate practises annual nutrient tests where leaf samples are collected and sent to laboratory to determine if there is any nutrients deficiency, the outcome of which will be used by the Matang Estate to appropriately order the type of fertilisers and adequately apply the same to the trees.

In addition, where appropriate, organic materials such as empty fruit bunches have been consistently applied to assist in the growth of young or immature oil palm trees and to enhance the moisture and organic nutrients in the soil for areas of the Estate with slight slopes.

3. **Harvesting and Agronomic Practices.** In FY2018, Matang Estate also commenced a more efficient harvesting approach where harvesters are divided and grouped into dedicated teams assigned to carry out harvesting of FFB in adjacent fields in the Estate to facilitate both the supervisory works by mandors and to facilitate the efficient collections of FFBs harvested. This practice greatly enhances the efficiency for FFB harvesting and as a result the numbers of harvesting rounds in the Estate can be improved.

In FY2018, Matang Estate also engaged the services of an agronomist to advise the Management on the best practices for the Estate. Several of these advices have been implemented or in the process of being implemented to enhance the sustainability of economic and operational performance of Matang Estate.

In addition to the above, the Group is committed to ensure that the interests of all other stakeholders in particular, customers, suppliers, bankers and regulatory bodies are being taken care of. In that regard, the Company emphasises on good corporate governance practices and transparency to meet the expectation of these stakeholders including the Company's shareholders.

SUSTAINABILITY STATEMENT

cont'd

ENVIRONMENTAL

The Group recognises the importance of environmental impact on both the operations and performance of Matang Estate as well as on the society at large. In this regard, the management has committed the Group's time and financial resources towards the compliance of Malaysian Sustainable Palm Oil ("MSPO") requirements.

As part of the MSPO requirements to be met, the following encompasses areas of good environmental practices required of the Estate:

1. Environmental management plan;
2. Efficiency of energy use and use of renewable energy;
3. Waste management and disposal;
4. Reduction of pollution and emission;
5. Natural water resources;
6. Status of rare, threatened, or endangered species and high biodiversity value area;
7. Zero burning practices.

The Group views the compliance of Matang Estate of the requirements for MSPO certification as the critical effort of the Group in achieving the standard for environmental sustainability both for the Matang Estate as well as for the larger communities around the Estate in which the Group operates.

In addition, as part of the regular care with regards to environmental impact in Matang Estate, legume cover crops are also planted to exposed areas within the Estate to minimise soil erosions as well as enriching the organic contents of the soil leading to better aeration, infiltration and retention of moisture. These cover plants can also minimise the leaching losses of nutrients and they can increase the amount of nitrogen in the soil that is available to the oil palms.

Matang Estate has also in FY2018 purchased a unit of backhoe tractor which has been put into use to maintain the condition of road within the Estate as well as putting in place proper drainage of water within the Estate during both dryer and wetter months.

SOCIAL

The Group's Matang Estate provides employment opportunities to locals from communities near and/or around the Estate. These locals have been employed as both staff in the office in Matang Estate as well as forming reliable labour forces in the Estate proper with some taking up the roles and responsibilities as estate mandors as well as operators of trucks and tractors, to name a few.

As part of the continuous effort to improve the welfare for staff, Matang Estate has also in FY2018 renovated and refurbished both the staff and workers quarters within the Estate. Amongst the improvements made were repainting works, weeding, cleaning and repairing of drainage and as well as furnishing all staff quarters with furniture and fittings.

While the Company has fulfilled the key areas where risk to sustainability of the Group's business may occur, the Company acknowledges that continuous improvements and measures will still be undertaken to monitor the performance or results of past efforts as well as to enhance outcome where possible.

This Sustainability Statement has been approved by the Board of Matang on 16 October 2018.

ADDITIONAL COMPLIANCE INFORMATION

Other information required by the ACE Market Listing Requirements of Bursa Securities

Status of Utilisation of Proceeds

As at 30 June 2018, the gross proceeds from the Public Issue of RM16.90 million has been partially utilised in the following manner:

Purposes	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation: surplus/ (deficit) RM'000	Balance unutilised RM'000	Estimated time frame for utilisation ⁽¹⁾
Replanting exercise	250	(159)	-	91	Within 24 months
Capital expenditure	2,550	(1,098)	-	1,452	Within 36 months
General working capital	11,924	(4,554) ⁽²⁾	-	7,370	Within 60 months
Estimated listing expenses	2,176	(2,176)	(447)	-	Within 3 months
Total	16,900	7,987		8,913	

Note:

⁽¹⁾ From the date of listing of the Company on the ACE Market of Bursa Securities on 17 January 2017.

⁽²⁾ RM447,000 out the actual utilisation of RM4,554,000 as at 30 June 2018 were used to defray listing expenses which exceeds the estimate of RM2,176,000 in such manner as allowed under Section 3.10.1(v) of the Prospectus of the Company dated 19 December 2016.

Material Contracts

There were no material contracts or contracts relating to any loan of the Company and its subsidiaries involving the interest of any directors, chief executive or major shareholders for the financial year under review save for following which is subsisting from previous financial year:

- (a) Tenancy agreement dated 7 April 2017 ("Tenancy Agreement") entered into between MHB (a wholly-owned subsidiary of the Company) with Huaren Resources Sdn Bhd ("Landlord") for the rent of the office space for the Company's head office of 2,000 square feet at Unit 39.02, Level 39, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur.

The Tenancy Agreement is for a period of three years from commencement date of 1 May 2017 and valuation has been conducted by independent valuer on 5 April 2017 which has concluded that the rental rate pursuant to the Tenancy Agreement is in line with market rental value.

The sum of rental paid to the Landlord for the aforesaid office space for FYE 30 June 2018 was RM84,000 excluding RM33,600 for service charges for the same financial year.

ADDITIONAL COMPLIANCE INFORMATION

cont'd

Audit and Non-Audit Fees

The following table shows the sum of audit and non-audit fees paid and payable to the Company's external auditors during the financial year under review.

	Group		Company	
	FY2017 Paid RM'000	FY2018 Payable RM'000	FY2017 Paid RM'000	FY2018 Payable RM'000
Audit fees	57	57	25	25
Non-audit fees				
- Review of the Statement on Risk Management and Internal Control	5	5	5	5
- Review of the Realised and Unrealised Profit/(Loss)	3	-	3	-
Total	65	62	33	30

Corporate Social Responsibility

The Company did not carry out any specific programme or activities in relation to corporate social responsibility but generally the Company endorses only actions and projects that would not have any detrimental implications to the environment and public at large. Certain activities that have social implications have been undertaken by the Group and these have been set out and clarified in the Sustainability Statement set out on pages 42 to 43 of this Annual Report for reference.

STATEMENT OF **DIRECTORS' RESPONSIBILITIES**

The Board of Directors is required by the Companies Act 2016 to prepare the financial statements in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of Matang Group and Matang Berhad at the end of the financial year.

In preparing the financial statements of the Group and the Company for FYE 30 June 2018, the Board has adopted and consistently applied appropriate accounting policies, made judgements and estimates that are reasonable and prudent, ensure that all applicable accounting standards have been complied with and that the financial statements have been prepared on a going concern basis.

The Board of Directors is responsible for ensuring that the Group and the Company keep proper accounting records, which disclose with reasonable accuracy on the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016. The Directors are responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect other irregularities.

This statement has been approved by the Board of Matang on 16 October 2018.

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	4,089,792	(376,698)
Profit/(Loss) attributable to owners of the parent	4,089,792	(376,698)

DIVIDENDS

The Directors proposed a final single tier dividend of 0.2 sen per ordinary share, amounting to RM3,620,001 in respect of the financial year ended 30 June 2018. This dividend will be recognised in the subsequent financial year upon approval of shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

DIRECTORS

The Directors who have held for office as at 30 June 2018 since the date of the last report are:

Matang Berhad

Datuk Kiat Swee Sung*
 Datuk Tan Teck Poh @ Tan Ah Too
 Datuk Teoh Sew Hock*
 Dato' Foong Chee Meng
 Dato' Teh Kean Ming
 Dato' Eng Cheng Guan*
 Lau Liang Fook
 Lew Weng Ho
 Dato' Ng Keng Heng
 Chong Pow On (Retired on 24 November 2017)

* These Directors of the Company are also the Directors of certain subsidiaries of the Company.

DIRECTORS' REPORT

cont'd

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	← Number of ordinary shares →			
	Balance as at 1.7.2017	Bought	Sold	
Shares in the Company				
<u>Direct interests:</u>				
Datuk Tan Teck Poh @ Tan Ah Too	168,000	-	-	168,000
Datuk Teoh Sew Hock	28,000	-	-	28,000
Dato' Eng Cheng Guan	140,000	-	-	140,000
Lau Liang Fook	126,000	-	(126,000)	-
Dato' Ng Keng Heng	889,000	-	(880,000)	9,000
<u>Indirect interests:</u>				
Lau Liang Fook*	20,055,000	-	-	20,055,000

* Deemed interest by virtue of his shareholding in Lau Chek Min Sdn. Bhd., his siblings (Lau Ai Choo and Lau Ai Fong)'s shareholdings in Matang Berhad.

None of the other Directors holding office at the end of the financial year held any beneficial interest in the ordinary shares of the Company or options over ordinary shares and debentures of its related corporations during the financial year.

DIRECTORS' BENEFITS AND REMUNERATION

Since the end of the previous financial year, none of the Directors have received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the remuneration received by certain Directors as Directors/executives of the Company and its subsidiaries as disclosed in Note 18(a) to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

No indemnity or insurance was effected for any Directors or officers of the Group and of the Company during the financial year.

There was no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

DIRECTORS' REPORT

cont'd

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there are no known bad debts to be written off and that no provision for doubtful debts is required; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
- (i) which would necessitate the writing off of bad debts or the making of provision for doubtful debts in the financial statements of the Group and of the Company;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors
- (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
 - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SUBSEQUENT EVENT AFTER THE END OF THE REPORTING PERIOD

Details of subsequent event after the end of reporting period are disclosed in Note 27 to the financial statements.

DIRECTORS' REPORT

cont'd

SUBSIDIARIES

Details of subsidiaries are set out in Note 7 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 30 June 2018 amounted to RM25,000 and RM RM32,000 respectively.

Signed on behalf of the Board in accordance with a resolution of the Directors.

.....
Datuk Kiat Swee Sung
Director

.....
Dato' Eng Cheng Guan
Director

Kuala Lumpur
16 October 2018

STATEMENT BY **DIRECTORS**

In the opinion of the Directors, the financial statements as set out on pages 55 to 81 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

.....
Datuk Kiat Swee Sung
 Director

Kuala Lumpur
 16 October 2018

.....
Dato' Eng Cheng Guan
 Director

STATUTORY **DECLARATION**

I, Soon Yeong Chyan (CA 12084), being the Officer primarily responsible for the financial management of Matang Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 81 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly)
 declared by the abovenamed at)
 Kuala Lumpur this 16 October 2018)
)

Soon Yeong Chyan

Before me:

P. VALLIAMAH (W594)
 COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF **MATANG BERHAD**

(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Matang Berhad, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 81.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value of investment properties

As disclosed in Note 5 to the financial statements, the carrying amount of the investment properties ("IP") of the Group which were stated at fair value amounted to RM12.5 million as at the end of reporting period were determined based on independent external valuation.

We focused on this area as the valuation process involved judgement in determining the appropriate valuation methodology to be used, and the underlying assumptions to be applied. The valuation was highly sensitive to the key assumptions applied.

We have determined that there are no key audit matters to be communicated in our auditors' report of the audit of the separate financial statements of the Company.

Audit response

Our audit procedures included the following:

- (i) Considered the qualifications and competence of the external valuer and assessed the scope of work of the external valuer to determine whether the valuation was appropriate to be applied for financial reporting purposes;
- (ii) Read the external valuation report and assessed the valuation methodology adopted by the external valuer for similar type of properties; and
- (iii) Challenged the key assumptions used in the valuation by comparing them against available industry data, taking into consideration of comparability and market factors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF **MATANG BERHAD**
(Incorporated in Malaysia)
cont'd

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF **MATANG BERHAD**

(Incorporated in Malaysia)

cont'd

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

As part of an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: *cont'd*

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO

AF : 0206

Chartered Accountants

Kuala Lumpur

16 October 2018

Lim Chu Guan

03296/03/2019 J

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	137,521,351	138,872,785	-	-
Investment properties	5	12,500,000	12,500,000	-	-
Other investments	6	151,920	464,200	-	-
Investments in subsidiaries	7	-	-	169,880,006	168,000,006
Land held for property development	8	1,057,730	1,057,730	-	-
		151,231,001	152,894,715	169,880,006	168,000,006
Current assets					
Inventories	9	75,235	34,650	-	-
Biological assets	10	340,521	427,149	-	-
Trade and other receivables	11	991,506	1,721,174	134,656	267,065
Cash and bank balances	12	38,675,102	32,853,677	10,952,349	13,542,737
		40,082,364	35,036,650	11,087,005	13,809,802
TOTAL ASSETS		191,313,365	187,931,365	180,967,011	181,809,808
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	13	181,000,026	181,000,026	181,000,026	181,000,026
Reserves	14	7,415,691	3,638,179	(167,487)	209,211
TOTAL EQUITY		188,415,717	184,638,205	180,832,539	181,209,237
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	15	1,516,108	1,486,000	-	-
Current liabilities					
Trade and other payables	16	979,212	941,226	119,722	600,571
Current tax liabilities		402,328	865,934	14,750	-
		1,381,540	1,807,160	134,472	600,571
TOTAL LIABILITIES		2,897,648	3,293,160	134,472	600,571
TOTAL EQUITY AND LIABILITIES		191,313,365	187,931,365	180,967,011	181,809,808

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group		Company	
		2018 RM	2017 RM (Restated)	2018 RM	2017 RM
Revenue	17	12,640,817	10,204,127	-	-
Cost of sales		(2,866,590)	(3,188,883)	-	-
Gross profit		9,774,227	7,015,244	-	-
Other income		2,184,334	3,428,295	371,895	55,473
Administration expenses		(6,012,761)	(6,053,144)	(697,536)	(979,976)
Other expenses		(66,955)	(1,808,054)	(10,057)	(1,714,006)
Profit/(Loss) before tax	18	5,878,845	2,582,341	(335,698)	(2,638,509)
Tax expense	19	(1,789,053)	(1,324,894)	(41,000)	-
Profit/(Loss) for the financial year		4,089,792	1,257,447	(376,698)	(2,638,509)
Other comprehensive income, net of tax					
Fair value (loss)/gain on available-for-sale financial assets	6	(312,280)	301,730	-	-
Total other comprehensive (loss)/income, net of tax		(312,280)	301,730	-	-
Total comprehensive income/(loss)		3,777,512	1,559,177	(376,698)	(2,638,509)
Profit/(Loss) attributable to owners of the parent		4,089,792	1,257,447	(376,698)	(2,638,509)
Total comprehensive income/(loss) attributable to owners of the parent		3,777,512	1,559,177	(376,698)	(2,638,509)
Earnings per share attributable to ordinary equity holders of the Company (sen):					
- Basic	22	0.23	0.07		
- Diluted	22	0.23	0.07		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Group	Note	← Non-distributable →			Distributable		Total equity RM
		Share capital RM	Share premium RM	Available-for-sale reserve RM	Merger reserve RM	Retained earnings RM	
Balance as at 1 July 2016		60,000,022	-	37,895	-	107,170,310	167,208,227
Profit for the financial year		-	-	-	-	1,257,447	1,257,447
Other comprehensive income, net of tax		-	-	301,730	-	-	301,730
Total comprehensive income		-	-	301,730	-	1,257,447	1,559,177
Transactions with owners							
Issuance of new ordinary shares	13	181,000,006	3,900,000	-	-	-	184,900,006
Share issue expenses		-	(1,029,199)	-	-	-	(1,029,199)
Acquisition of a subsidiary		(60,000,002)	-	-	(108,000,004)	-	(168,000,006)
Total transactions with owners		121,000,004	2,870,801	-	(108,000,004)	-	15,870,801
Balance as at 30 June 2017		181,000,026	2,870,801	339,625	(108,000,004)	108,427,757	184,638,205
Balance as at 1 July 2017		181,000,026	2,870,801	339,625	(108,000,004)	108,427,757	184,638,205
Profit for the financial year		-	-	-	-	4,089,792	4,089,792
Other comprehensive loss, net of tax		-	-	(312,280)	-	-	(312,280)
Total comprehensive loss		-	-	(312,280)	-	4,089,792	3,777,512
Balance as at 30 June 2018		181,000,026	2,870,801	27,345	(108,000,004)	112,517,549	188,415,717

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

cont'd

Company	Note	← Non-distributable →		Accumulated losses	Total equity
		Share capital	Share premium		
		RM	RM	RM	RM
Balance as at 1 July 2016		20	-	(23,081)	(23,061)
Loss for the financial year		-	-	(2,638,509)	(2,638,509)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive loss		-	-	(2,638,509)	(2,638,509)
Transactions with owners					
Issuance of new ordinary shares	13	181,000,006	3,900,000	-	184,900,006
Share issue expenses		-	(1,029,199)	-	(1,029,199)
Total transactions with owners		181,000,006	2,870,801	-	183,870,807
Balance as at 30 June 2017		181,000,026	2,870,801	(2,661,590)	181,209,237
Balance as at 1 July 2017		181,000,026	2,870,801	(2,661,590)	181,209,237
Loss for the financial year		-	-	(376,698)	(376,698)
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive loss		-	-	(376,698)	(376,698)
Balance as at 30 June 2018		181,000,026	2,870,801	(3,038,288)	180,832,539

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		5,878,845	2,582,341	(335,698)	(2,638,509)
Adjustments for:					
Depreciation of property, plant and equipment	4	2,236,642	2,071,980	-	-
Fair value adjustment of:					
- investment properties	5	-	(850,000)	-	-
- biological assets	10	86,628	175,380	-	-
Gain on disposal of property, plant and equipment		(38,997)	(791,542)	-	-
Interest income		(1,185,154)	(574,582)	(371,895)	(55,473)
Property, plant and equipment written off		4,019	626	-	-
Operating profit/(loss) before working capital changes		6,981,983	2,614,203	(707,593)	(2,693,982)
Changes in working capital:					
Inventories		(40,585)	86,977	-	-
Trade and other receivables		1,007,376	(278,917)	259,065	(267,065)
Trade and other payables		37,986	451,194	(118,952)	215,593
Cash generated from/(used in) operations		7,986,760	2,873,457	(567,480)	(2,745,454)
Tax paid		(2,222,551)	(979,812)	(26,250)	-
Tax refunded		-	101,184	-	-
Net cash from/(used in) operating activities		5,764,209	1,994,829	(593,730)	(2,745,454)

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

cont'd

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
(Advances to)/Advances from a subsidiary		-	-	(2,245,617)	361,897
(Placement)/Withdrawal of deposits pledged with licensed banks		(10,697)	5,184	-	-
Interest received		907,446	477,538	248,959	55,473
Purchase of property, plant and equipment	4	(889,230)	(919,466)	-	-
Proceeds from disposal of property, plant and equipment		39,000	1,072,574	-	-
Net cash/(used in) from investing activities		46,519	635,830	(1,996,658)	417,370
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issuance of ordinary shares		-	15,870,801	-	15,870,801
Net cash from financing activities		-	15,870,801	-	15,870,801
Net increase/(decrease) in cash and cash equivalents		5,810,728	18,501,460	(2,590,388)	13,542,717
Cash and cash equivalents at beginning of financial year		32,829,677	14,328,217	13,542,737	20
Cash and cash equivalents at end of financial year	12	38,640,405	32,829,677	10,952,349	13,542,737

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. On 17 January 2017, the ordinary shares of the Company were quoted and listed on the Ace Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located at Unit 39.02, Level 39, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur.

The Company and its subsidiaries are referred to collectively as "the Group". The consolidated financial statements of the Group are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 16 October 2018.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities. The principal activities of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 29.1 to the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Group 2018	Balance as at 1.7.2017 RM	Additions RM	Disposal RM	Written off RM	Balance as at 30.6.2018 RM
Cost					
Freehold estate land	107,787,217	-	-	-	107,787,217
Bearer plants	40,083,560	169,536	-	-	40,253,096
Plant and equipment	2,267,631	83,692	-	(72,380)	2,278,943
Motor vehicles	1,557,888	636,002	(177,000)	-	2,016,890
	151,696,296	889,230	(177,000)	(72,380)	152,336,146

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	Balance as at 1.7.2017 RM	Depreciation charges for the financial year RM	Disposal RM	Written off RM	Balance as at 30.6.2018 RM
Accumulated depreciation					
Bearer plants	10,159,298	1,908,410	-	-	12,067,708
Plant and equipment	1,653,716	99,347	-	(68,361)	1,684,702
Motor vehicles	1,010,497	228,885	(176,997)	-	1,062,385
	12,823,511	2,236,642	(176,997)	(68,361)	14,814,795

Group 2017	Balance as at 1.7.2016 RM	Additions RM	Disposal RM	Written off RM	Balance as at 30.6.2017 RM
Cost					
Freehold estate land	108,000,000	-	(212,783)	-	107,787,217
Bearer plants	39,932,647	234,187	(83,274)	-	40,083,560
Plant and equipment	2,153,941	119,650	(2,500)	(3,460)	2,267,631
Motor vehicles	992,259	565,629	-	-	1,557,888
	151,078,847	919,466	(298,557)	(3,460)	151,696,296

	Balance as at 1.7.2016 RM	Depreciation charges for the financial year RM	Disposal RM	Written off RM	Balance as at 30.6.2017 RM
Accumulated depreciation					
Bearer plants	8,241,675	1,933,398	(15,775)	-	10,159,298
Plant and equipment	1,563,062	95,238	(1,750)	(2,834)	1,653,716
Motor vehicles	967,153	43,344	-	-	1,010,497
	10,771,890	2,071,980	(17,525)	(2,834)	12,823,511

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018
cont'd

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

Carrying amount	Group	
	2018 RM	2017 RM
Freehold estate land	107,787,217	107,787,217
Bearer plants	28,185,388	29,924,262
Plant and equipment	594,241	613,915
Motor vehicles	954,505	547,391
	137,521,351	138,872,785

- (a) Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.
- (b) Freehold estate land has unlimited useful life and is not depreciated.
- (c) Bearer plants include mature and immature plantations that are established or acquired by the Group. Bearer plants are depreciated when the plantation starts to be harvested (during the fifth year of replanting). They are depreciated over their useful life from year five (5) to year twenty five (25). No depreciation is provided on the immature bearer plants from year one (1) to year four (4).
- (d) Depreciation of other property, plant and equipment is calculated to write off the cost of the assets on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:
- | | |
|---------------------|---------|
| Plant and equipment | 10%-15% |
| Motor vehicles | 20% |

5. INVESTMENT PROPERTIES

Group	Balance as at 1.7.2017 RM	Fair value adjustment RM	Balance as at 30.6.2018 RM
2018			
Leasehold land and buildings	12,500,000	-	12,500,000
Group	Balance as at 1.7.2016 RM	Fair value adjustment RM	Balance as at 30.6.2017 RM
2017			
Leasehold land and buildings	11,650,000	850,000	12,500,000

- (a) Investment properties principally comprise properties held for rental yields or capital appreciation or both and are not occupied by the Group.
- (b) Investment properties are initially measured at cost, being the fair value of consideration paid, including related transactions costs and subsequently carried at fair value.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018

cont'd

5. INVESTMENT PROPERTIES *cont'd*

- (c) Direct operating expenses (including repairs and maintenance) arising from investment properties generating rental income during the financial year are as follows:

	Group	
	2018	2017
	RM	RM
Direct operating expenses	404,399	521,388

- (d) The fair value of investment properties of the Group are categorised as follows:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
2018				
Leasehold land and buildings	-	12,500,000	-	12,500,000
2017				
Leasehold land and buildings	-	12,500,000	-	12,500,000

- (i) There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 30 June 2018 and 30 June 2017.
- (ii) Investment properties at Level 2 fair value were determined by external and independent property valuers having appropriate recognised professional qualification as at the end of reporting period based on comparison method that makes reference to recent market value of a similar property in the vicinity on a price per square foot basis. In relying on the valuation report, the management has exercised its judgement and is satisfied that the valuation method and estimates reflect the current market conditions.

6. OTHER INVESTMENTS

Fair Value	Group	
	2018	2017
	RM	RM
Available-for-sale financial assets, quoted shares in Malaysia		
At beginning of financial year	464,200	162,470
Fair value change	(312,280)	301,730
At end of financial year	151,920	464,200

- (a) Financial assets classified as available-for-sale are measured at fair value and subsequently carried at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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6. OTHER INVESTMENTS *cont'd*

- (b) At the end of the year, if the market price had been five percent (5%) higher or lower, higher or lower fair value gains on financial assets will be recognised directly in other comprehensive income and the fair value of equity instruments classified as available-for-sale will be higher or lower with all other variables held constant. The following table demonstrates the sensitivity of the available-for-sale reserve of the Group:

	Group	
	2018 RM	2017 RM
Available-for-sale reserve		
- increase by 5% (2017: 5%)	7,596	23,210
- decrease by 5% (2017: 5%)	(7,596)	(23,210)

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
At cost		
Unquoted shares- at cost	168,000,006	168,000,006
Equity loans	1,880,000	-
	169,880,006	168,000,006

The Directors of the Company have reassessed the nature of the amounts owing by subsidiaries and determined that the outstanding balance shall constitute equity loans to the subsidiaries, which are unsecured, interest free and settlement is neither planned nor likely to occur in the foreseeable future, and are considered to be part of the investments of the Company in providing the subsidiaries with a long term source of additional capital.

(a) Investments in subsidiaries are stated in the separate financial statements at cost less impairment losses.

For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

(b) Equity loan

Equity loan represents non-trade loan granted by the Company to subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future and is intended to provide the subsidiaries with a long-term source of additional capital. It is, in substance, an addition to the investment in the subsidiaries of the Company and accordingly, is accounted for in accordance with MFRS 127 *Separate Financial Statements* as part of the investments in subsidiaries and measured at cost.

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENTS IN SUBSIDIARIES *cont'd*

(c) The details of the subsidiaries are as follows:-

Name of company	Country of incorporation	Interest in equity held by				Principal activities
		Company		Subsidiary		
		2018	2017	2018	2017	
		%	%	%	%	
* Matang Holdings Berhad ("MHB")	Malaysia	100	100	-	-	Engaged in investment holding, management of plantation estate and sales of fresh fruit bunch.
Subsidiary of Matang Holdings Berhad						
* Matang Realty Sdn Bhd	Malaysia	-	-	100	100	Engaged in property investment holding.

* Both audited by BDO Malaysia.

8. LAND HELD FOR PROPERTY DEVELOPMENT

	Group	
	2018	2017
	RM	RM
Freehold land, at cost		
At beginning of financial year	1,057,730	1,057,730
Additions	-	-
At end of financial year	1,057,730	1,057,730

- (a) Land held for property development is stated at cost less impairment losses, if any.
- (b) Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees, other relevant levies and costs.

9. INVENTORIES

	Group	
	2018	2017
	RM	RM
At cost		
Estate consumables	75,235	34,650

- (a) Inventories are stated at the lower of cost and net realisable value.
- (b) Cost is determined using the first-in, first out formula. The cost of estate consumables comprises all costs of purchase plus the cost of bringing the inventories to their present location and condition. The cost of estate consumables includes the cost of raw materials, direct labour and a proportion of production overheads.
- (c) During the financial year, inventories of the Group recognised as cost of sales amounted to RM1,281,462 (2017: RM1,718,398)

NOTES TO THE FINANCIAL STATEMENTS

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10. BIOLOGICAL ASSETS

	Group	
	2018 RM	2017 RM
At fair value		
Balance as at 1 July 2017/2016	427,149	602,529
Fair value loss	(86,628)	(175,380)
Balance as at 30 June 2018/2017	340,521	427,149

(a) The biological assets of the Group comprise of fresh fruit bunches ("FFB") prior to harvest. The valuation model for agriculture produce adopted by the Group considers the cash flows expected to be generated from the sales of such FFB prior to harvest. To arrive at the fair value, the management has considered the oil content of the unripe FFB and assumes that the cash flows to be generated from FFB to be harvested beyond 15 days is negligible, therefore only the expected sales from the quantity of unripe FFB on bearer plant of up to 15 days prior to harvest was used for valuation purpose.

(b) The fair values of biological assets are categorised as follows:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2018				
Biological assets	-	-	340,521	340,521
2017				
Biological assets	-	-	427,149	427,149

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 30 June 2018 and 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS

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11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables				
Third parties	434,911	482,665	-	-
Other receivables and deposits				
Amount owing by a subsidiary	-	-	3,720	-
Other receivables	387,313	613,158	122,936	-
Deposits	165,282	164,391	8,000	8,000
	552,595	777,549	134,656	8,000
Loans and receivables	987,506	1,260,214	134,656	8,000
Prepayments				
Prepayments	4,000	460,960	-	259,065
	991,506	1,721,174	134,656	267,065

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group was 14 to 30 days (2017: 14 to 30 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (b) Amount owing by a subsidiary is unsecured, interest free and repayable on demand in cash and cash equivalents.
- (c) All trade and other receivables are denominated in Ringgit Malaysia ('RM').
- (d) The ageing analysis of trade receivables of the Group is as follows:

	Group	
	2018 RM	2017 RM
Neither past due nor impaired	434,911	482,665

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

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12. CASH AND BANK BALANCES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	3,797,066	17,792,619	409,104	13,542,737
Deposits with licensed banks	34,878,036	15,061,058	10,543,245	-
	38,675,102	32,853,677	10,952,349	13,542,737

- (a) Deposits with licensed banks of the Group and the Company have a range of maturity period of 1 month to 1 year (2017: 1 month to 3 months); with weighted average effective interest rate of 3.95% (2017: 3.60%) and 4% (2017: nil) per annum respectively.
- (b) All cash and bank balances are denominated in Ringgit Malaysia ("RM").
- (c) Sensitivity analysis of interest rate at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit after tax				
- if interest rate increases by 1% (2017: 1%)	265,073	114,464	80,129	-
- if interest rate decreases by 1% (2017: 1%)	(265,073)	(114,464)	(80,129)	-

- (d) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	38,675,102	32,853,677	10,952,349	13,542,737
Deposits pledged with a licensed bank	(34,697)	(24,000)	-	-
	38,640,405	32,829,677	10,952,349	13,542,737

NOTES TO THE FINANCIAL STATEMENTS

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13. SHARE CAPITAL

	Group and Company	
	Number of shares	RM
2018		
Issued and fully paid up share capital		
As at 30 June	1,810,000,256	181,000,026
2017		
Issued and fully paid up share capital		
As at 1 July	200	20
Issuance of new ordinary shares		
- for acquisition of MHB	1,680,000,056	168,000,006
- for Initial Public Offering ("IPO")	130,000,000	13,000,000
As at 30 June	1,810,000,256	181,000,026

- (a) In the previous financial year, the issued and paid-up capital of the Company was increased from RM20 to RM168,000,026 by way of issuance of 1,680,000,056 new ordinary shares of RM0.10 each pursuant to exchange of shares for the acquisition of the entire equity interest in MHB on the basis of 14 new shares for every one (1) MHB share held.
- (b) In the previous financial year, the issued and paid-up capital of the Company was increased from RM168,000,026 to RM181,000,026 by way of issuance of 130,000,000 new ordinary shares of RM0.10 each at issue price of RM0.13 per ordinary share for cash pursuant to Initial Public Offering ("IPO").
- (c) The owners of the parent of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meeting of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

14. RESERVES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-distributable:				
Share premium	2,870,801	2,870,801	2,870,801	2,870,801
Available-for-sale reserve	27,345	339,625	-	-
Merger reserve	(108,000,004)	(108,000,004)	-	-
	(105,101,858)	(104,789,578)	2,870,801	2,870,801
Distributable:				
Retained earnings/ (Accumulated losses)	112,517,549	108,427,757	(3,038,288)	(2,661,590)
	7,415,691	3,638,179	(167,487)	209,211

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018
cont'd

14. RESERVES *cont'd*

(a) Share premium

Share premium is arrived at after accounting for the premium received less expenses over the nominal value of shares issued to the shareholders during the financial year.

Companies Act 2016 ("CA2016") has come into effect on 31 January 2017. Section 618 of CA2016 provides a transitional period of twenty four (24) months to utilise the amount in the share premium account. Therefore, the Company has not consolidated the share premium into share capital until the expiry of the transitional period.

(b) Available-for-sale reserve

Available-for-sale reserve represents the cumulative fair value changes of available-for-sale financial assets until they are disposed or impaired.

(c) Merger reserve

The merger reserve arose from the pooling of interest method of accounting used on consolidation of MHB Group. The merger reserve represents the difference between the amount recorded as the cost of investment, which comprised the share capital issued by the Company and the nominal value of share capital of the subsidiary, MHB.

	RM
Cost of investment	168,000,006
Less: Nominal value of shares in Matang Holdings Berhad	(60,000,002)
Merger reserve	<u>108,000,004</u>

15. DEFERRED TAX LIABILITIES

(a) The deferred tax liabilities are made up of the following:

	Group	
	2018	2017
	RM	RM
Balance as at 1 July	1,486,000	1,443,000
Recognised in profit or loss		
- current year	60,002	68,000
- prior years	(29,894)	(25,000)
	<u>30,108</u>	<u>43,000</u>
Balance as at 30 June	<u>1,516,108</u>	<u>1,486,000</u>

NOTES TO THE FINANCIAL STATEMENTS

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15. DEFERRED TAX LIABILITIES *cont'd*

(b) The components and movements of deferred tax liabilities during the financial year are as follows:

	Property, plant and equipment RM	Group Total RM
Deferred tax liabilities		
At 1 July 2016	1,443,000	1,443,000
Recognised in profit or loss	43,000	43,000
At 30 June 2017	1,486,000	1,486,000
Recognised in profit or loss	30,108	30,108
At 30 June 2018	1,516,108	1,516,108

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables				
Third parties	117,108	63,190	-	-
Other payables				
Other payables and accruals	630,566	625,754	119,722	238,674
Deposits received	231,538	252,282	-	-
Amount owing to a subsidiary	-	-	-	361,897
	862,104	878,036	119,722	600,571
	979,212	941,226	119,722	600,571

- (a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company ranges from 30 to 90 days (2017: 30 to 90 days).
- (b) In the previous financial year, amount owing to a subsidiary was unsecured, interest-free and payable on demand in cash and cash equivalents.
- (c) All trade and other payables are denominated in Ringgit Malaysia ('RM').

NOTES TO THE FINANCIAL STATEMENTS

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17. REVENUE

	Group	
	2018 RM	2017 RM (Restated)
Sale of palm products	12,640,817	10,204,127

Revenue from sale of palm products is recognised when significant risk and rewards of ownership of the goods have been transferred to the customer and where the Group retains neither continuing managerial involvement over the goods, which coincides with delivery of goods and services and acceptance by customers.

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates for the sale of goods or rendering of services in the ordinary course of the Group's activities.

Revenue is recognised to the extent that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured.

The revenue recognition criteria for each of the following activities classified under other income are as follows:

(a) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(b) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

18. PROFIT/(LOSS) BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the profit/(loss) before tax is arrived at after charging/(crediting):

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(Loss) before tax is arrived at after charging:				
Auditors' remuneration	57,000	57,000	25,000	25,000
Listing expenses	-	1,714,006	-	1,714,006
Rental of premises	84,000	41,400	-	-
And crediting:				
Gain on disposal of property, plant and equipment	38,997	791,542	-	-
Interest income	1,185,154	574,582	371,895	55,473
Rental income	959,730	979,752	-	-

NOTES TO THE FINANCIAL STATEMENTS

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18. PROFIT/(LOSS) BEFORE TAX *cont'd*

(a) Directors' remuneration

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fees	85,000	115,000	85,000	115,000
Remuneration	102,000	157,000	42,000	47,000
	187,000	272,000	127,000	162,000

19. TAX EXPENSE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Income tax				
- current year	1,860,035	1,276,000	41,000	-
- (over)/under provision in prior years	(101,090)	5,894	-	-
	1,758,945	1,281,894	41,000	-
Deferred tax				
- current year	60,002	68,000	-	-
- over provision in prior years	(29,894)	(25,000)	-	-
	30,108	43,000	-	-
	1,789,053	1,324,894	41,000	-

- (a) The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2017: 24%) of the estimated taxable profits for the fiscal years.

NOTES TO THE FINANCIAL STATEMENTS

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19. TAX EXPENSE *cont'd*

- (b) The numerical reconciliation between tax expense and the product of accounting profit/(loss) multiplied by applicable tax rate of the Group and of the Company is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(Loss) before tax	5,878,845	2,582,341	(335,698)	(2,638,509)
Tax expense at applicable tax of 24% (2017: 24%)	1,410,922	619,762	(80,568)	(633,242)
Tax incentive	(95,253)	(72,871)	-	-
Non-allowable expenses	654,509	1,075,008	121,568	646,556
Allowable expenses which capitalised in bearer plants	(40,689)	(56,205)	-	-
Non-taxable income	(9,452)	(221,694)	-	(13,314)
	1,920,037	1,344,000	41,000	-
(Over)/under provision in prior years				
- income tax	(101,090)	5,894	-	-
- deferred tax	(29,894)	(25,000)	-	-
	1,789,053	1,324,894	41,000	-

20. COMMITMENTS

(a) The Group as lessee

The Group has entered into non-cancellable lease arrangements for operation, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates.

The Group has aggregate future minimum lease commitment as at the end of each reporting period as follows:

	Group	
	2018 RM	2017 RM
Not later than one (1) year	120,716	117,600
Later than one (1) year and not later than five (5) years	113,582	234,298
	234,298	351,898

NOTES TO THE FINANCIAL STATEMENTS

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20. COMMITMENTS *cont'd*

(b) The Group as lessor

The Group has entered into non-cancellable lease arrangements on certain investment properties for a term of one (1) to three (3) years. The leases include a clause to enable upward revision of the rental charge on an annual basis depending on prevailing market conditions.

The Group has aggregate future minimum lease receivables as at the end of each reporting period as follows:

	Group	
	2018 RM	2017 RM
Not later than one (1) year	700,414	547,640
Later than one (1) year and not later than five (5) years	499,538	6,800
	1,199,952	554,440

21. EMPLOYEE BENEFITS

The total employee benefits recognised in profit or loss are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, allowances and overtime	1,306,571	978,173	16,000	16,000
Contributions to defined contribution plan	201,074	130,537	-	-
Other employee benefits	110,776	123,682	-	-
	1,618,421	1,232,392	16,000	16,000

22. EARNINGS PER SHARE ("EPS")

- (a) Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial year.

	Group	
	2018 RM	2017 RM
Profit attributable to owners of the parent (RM)	4,089,792	1,257,447
Weighted average number of ordinary shares in issue (unit)	1,810,000,256	1,761,205,535
Basic EPS (sen)	0.23	0.07

- (b) Diluted EPS of the Group for the financial years ended 30 June 2018 and 30 June 2017 is equivalent to the basic EPS as there are no potential ordinary shares outstanding as at the end of each reporting period.

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23. CONTINGENT LIABILITIES

	Group	
	2018 RM	2017 RM
Bankers' guarantees in favour of third parties	33,000	30,000

24. SEGMENT REPORTING

The Group is predominantly involved in management of plantation estate and sale of fresh fruit bunch which is the only reportable segment. Other non-reportable segment is investment holding and investment property. These segment do not meet the quantitative threshold for reporting segments in 2018 and 2017. All the Group's operations are carried out in Malaysia.

The Group evaluates performance on the basis of profit or loss from operations before tax.

25. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

The Group also has related party relationships with the following party:

Related party	Relationship
Huaren Resources Sdn. Bhd. ("Huaren")	Related party

(b) Significant related party transactions and balances

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transaction with a related party during the financial year:

	Group	
	2018 RM	2017 RM
Related party:		
Rental of office charged by Huaren	84,000	14,000
Service charge charged by Huaren	33,600	5,600
	117,600	19,600

The related party transactions described above were carried out in the ordinary course of business and established under negotiated and mutually agreed terms.

NOTES TO THE FINANCIAL STATEMENTS

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25. RELATED PARTY DISCLOSURES *cont'd*

(c) Compensation of key management personnel

Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

Key management personnel comprise all the Directors of the Company.

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fees	85,000	115,000	85,000	115,000
Remuneration	102,000	157,000	42,000	47,000
Total key management compensation	187,000	272,000	127,000	162,000

26. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from financial year ended 30 June 2017.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2018 and 30 June 2017.

The Group is not subject to any externally imposed capital requirements.

(b) Financial risk management

The Group's financial risk management objective is to optimise value creation for its shareholders whilst minimising the potential adverse impact arising from fluctuations in interest rates. It is, and has been throughout the period under review, the Group's policy that no trading and speculation in derivative financial instruments shall be undertaken.

The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk, market risk as well as price fluctuation risk.

Information on the management of the related exposures is detailed below:

(i) Credit risk

Cash deposits and trade receivables may give rise to credit risk, which requires the loss to be recognised if a counter party fails to perform as contracted. Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group seeks to control credit risk by setting counterparty credit limits and ensuring that sales of products are made to customers with appropriate credit history. Trade receivables are monitored by management on an ongoing basis.

The Group's primary exposure to credit risk arises through its trade receivables.

The credit risk profile analysis has been disclosed in Note 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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26. CAPITAL AND FINANCIAL RISK MANAGEMENT *cont'd*

(b) Financial risk management *cont'd*

(ii) Liquidity and cash flow risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations when due. The Group actively manages its operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and bank balances deemed adequate to finance the Group's activities.

The table below summarises the maturity profile of the Group's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM	Total RM
2018					
Group					
Financial liabilities					
Trade and other payables	979,212	-	-	-	979,212
Company					
Financial liabilities					
Trade and other payables	119,722	-	-	-	119,722
2017					
Group					
Financial liabilities					
Trade and other payables	941,226	-	-	-	941,226
Company					
Financial liabilities					
Trade and other payables	600,571	-	-	-	600,571

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposures to market risk of changes in interest rates relate primarily to the Group's interest-earning deposits. There is no formal hedging policy with respect to interest rate exposure.

The interest rate profile and sensitivity analysis for interest rate risk have been disclosed in Notes 12(a) and 12(c) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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26. CAPITAL AND FINANCIAL RISK MANAGEMENT *cont'd*

(b) Financial risk management *cont'd*

(iv) Market risk

Market risk is the risk that the fair value of future cash flows of the financial instruments of the Group would fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risks arising from quoted investments held by the Group. Quoted equity instruments in Malaysia are listed on the Bursa Malaysia Securities Berhad and are held for strategic rather than trading purposes. These instruments are classified as financial assets designated as available-for-sale.

The Group diversifies its portfolio in accordance with the limits set by the Board of Directors to manage its price risk arising from investments in equity securities.

There has been no change to the exposure of the Group to market risks or the manner in which these risks are managed and measured.

The sensitivity analysis of market rate risk has been disclosed in Note 6(b) to the financial statements.

(v) Price fluctuation risk

Sensitivity analysis for price fluctuation risk

The Group's exposure to price volatility was mainly derived from palm products. If the price of palm products change by 10%, profit for the Group would have equally increased or decreased by approximately RM926,050 (2017: RM767,513).

27. SUBSEQUENT EVENT AFTER THE END OF THE REPORTING PERIOD

On 15 October 2018, Matang Holdings Berhad, a wholly owned subsidiary of the Company declared a single tier interim dividend of 6.25 sen per ordinary share, amounting to RM7,500,000 in respect of financial year ended 30 June 2018 which is payable on 16 November 2018. This dividend will be recognised in the financial year ending 30 June 2019.

28. COMPARATIVE FIGURES

The following figures have been reclassified to conform to the presentation of the current financial year:-

	Group 2017		
	As previously reported RM	Reclassification RM	As restated RM
Statement of profit or loss and other comprehensive income			
Revenue	9,671,701	532,426	10,204,127
Other income	3,960,721	(532,426)	3,428,295

The above amount of RM532,426 was in respect of sales of fresh fruit bunches of young matured palms. The reclassification is required in order to present more appropriately the nature of such transactions.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2018
cont'd

29. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

29.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

29.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company do not expect the adoption of the above Standards to have a significant impact on the financial statements.

ANALYSIS OF SHAREHOLDINGS

AS AT 21 SEPTEMBER 2018

SHARE CAPITAL

Total Number of Issued Shares	:	1,810,000,256
Issued Share Capital	:	RM181,000,026
Class of shares	:	Ordinary shares
Voting rights	:	1 vote for each ordinary share held on a poll
Number of shareholders	:	14,854

DISTRIBUTION OF SHAREHOLDINGS AT 21 SEPTEMBER 2018

(as per the Record of Depositors)

Size of holdings	No. of holders	% of holders	No. of shares held	% of issued shares
Less than 100	6	0.04	207	*
100 to 1,000	110	0.74	63,044	*
1,001 to 10,000	554	3.73	4,201,600	0.23
10,001 to 100,000	10,464	70.45	447,606,505	24.73
100,001 to less than 5% of issued shares	3,718	25.03	976,364,472	53.95
5% and above of issued shares	2	0.01	381,764,428	21.09
	14,854	100.00	1,810,000,256	100.00

Notes:

* Less than 0.01%

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS AS AT 21 SEPTEMBER 2018

(as per the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct interest		Indirect interest	
	No. of shares held	% of issued shares	No. of shares held	% of issued shares
Huaren Holdings Sdn Bhd	196,858,000	10.88	-	-
Malaysian Chinese Association	-	-	216,626,000 [^]	11.97

Notes:

[^] Deemed interest by virtue of its shareholdings in Huaren Holdings Sdn Bhd and Rohua Sdn Bhd pursuant to Section 8 of the Companies Act 2016

ANALYSIS OF SHAREHOLDINGS

AS AT 21 SEPTEMBER 2018

cont'd

SHAREHOLDINGS OF DIRECTORS AS AT 21 SEPTEMBER 2018

Name of Directors	Direct interest		Indirect interest	
	No. of shares held	% of issued shares	No. of shares held	% of issued shares
Dato' Teh Kean Ming	-	-	-	-
Datuk Kiat Swee Sung	-	-	-	-
Dato' Eng Cheng Guan	140,000	0.01	-	-
Dato' Foong Chee Meng	-	-	-	-
Lew Weng Ho	-	-	-	-
Datuk Tan Teck Poh @ Tan Ah Too	168,000	0.01	-	-
Datuk Teoh Sew Hock	28,000	*	-	-
Lau Liang Fook	-	-	20,055,000 [#]	1.11
Dato' Ng Keng Heng	9,000	*	-	-

Notes:

* Less than 0.01%

[#] Deemed interest by virtue of his shareholdings in Lau Chek Min Sdn Bhd, his siblings' (Lau Ai Choo and Lau Ai Fong) shareholdings in the Company pursuant to Section 8 of the Companies Act 2016

LIST OF TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS

(as per the Record of Depositors as at 21 September 2018)

Name	No. of shares	% of Shares
1 Huaren Holdings Sdn Bhd	196,858,000	10.88
2 Malaysian Trustees Berhad	184,906,428	10.22
3 CIMSEC Nominees (Asing) Sdn Bhd <i>Exempt An for CGS-CIMB Securities (Singapore) Pte. Ltd. (Retail Clients)</i>	46,204,600	2.55
4 Lau Chek Min Sdn Bhd	19,985,000	1.10
5 Rohua Sdn Bhd	19,768,000	1.09
6 Benua Dutamas Sdn Bhd	13,125,170	0.73
7 Mercsec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Siow Wong Yen @ Siow Kwang Hwa</i>	9,815,500	0.54
8 Tan Kim Lai	8,600,000	0.48
9 Tee Ah Leck	6,390,000	0.35
10 Kwang Yeow Heng Realty Development (Malaysia) Sdn Bhd	6,006,000	0.33
11 Lim Jyh Torng	6,000,000	0.33
12 Yvonne Chew Siok Fong	5,176,190	0.29
13 Lim Kew Lin Realty Sdn Bhd	5,040,000	0.28
14 Chua Chin Hwee	4,850,000	0.27
15 Low Sin Kim	4,500,000	0.25
16 Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Sing Hua</i>	4,410,000	0.24
17 Toh Boon Heng	3,660,000	0.20
18 Ching Hwa Kheng	3,600,000	0.20

ANALYSIS OF SHAREHOLDINGS

AS AT 21 SEPTEMBER 2018

cont'd

LIST OF TOP 30 LARGEST SECURITIES ACCOUNT HOLDERS *cont'd*

(as per the Record of Depositors as at 21 September 2018)

Name	No. of shares	% of Shares
19 Maybank Nominees (Asing) Sdn Bhd <i>Nomura Singapore Limited for Grand Continental Worldwide Limited</i>	3,077,700	0.17
20 Lim Chin Fui	3,000,000	0.16
21 Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Chew Sew Kim (E-JBU)</i>	3,000,000	0.16
22 Yeo Ann Seck	3,000,000	0.16
23 RHB Nominees (Asing) Sdn Bhd <i>Exempt An For RHB Securities Singapore Pte. Ltd. (A/C Clients)</i>	2,919,700	0.16
24 Hew Kat Fah	2,850,000	0.16
25 Dennis Tow Jun Fye	2,422,000	0.13
26 Ng Lee Kiang	2,212,000	0.12
27 Yoong How Heong	2,114,000	0.12
28 Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teh Siew Moi (E-JBU)</i>	2,100,000	0.12
29 Kong Hock Bu	2,080,000	0.11
30 Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Heng Yong Kang @ Wang Yong Kang (08HE101Q1-008)</i>	2,000,000	0.11
Total	579,670,288	32.01

PROPERTIES HELD **BY THE GROUP**

AS AT 30 JUNE 2018

Properties/ location	Registered Proprietor	Description/ Existing Use	Tenure	Land Area	Year of Acquisition/ (Revaluation)	Net Book Value
<u>Mukim Tangkak, Daerah Ledang, State of Johor</u> Lot 984, Geran 2752 Lot 1543, Geran 215103 Lot 4073, Geran 215598 Lot 672, Geran 214838 Lot 4615, Geran 215709 Lot 6711, Geran 218156	Matang Realty Sdn Bhd	Oil palm plantation	Freehold	Total: 1,094.15 hectares	Acquired: 1983/ Revalued: 2016	RM135,972,605 (out of which RM28,185,388 is net book value for bearer plants)
<u>Mukim Bukit Serampang, Daerah Ledang, State of Johor</u> Lot 95, GM 764 Lot 96, GM 765 Lot 97, GM 766 Lot 104, GM 768 Lot 105, GM 1604 Lot 1540, GM 1606 Lot 1541, GM 1607 Lot 98, GM 1816 Lot 1224, Geran 214295 Lot 2788, Geran 214550 Lot 2785, Geran 214548 Lot 2796, Geran 214583 Lot 2784, Geran 214545 Lot 2795, Geran 437195						
<u>Mukim Jementah, Daerah Segamat, State Johor</u> Lot 2497, Geran 24447 Lot 2498, Geran 24448 Lot 2499, Geran 24449 Lot 2500, Geran 24450 Lot 2501, Geran 24451 Lot 2502, Geran 24452 Lot 2506, Geran 24456 Lot 2507, Geran 24457 Lot 2509, Geran 24458 Lot 2508, Geran 24459 Lot 2496, Geran 24460 Lot 2495, Geran 24461 Lot 2494, Geran 24462 Lot 2493, Geran 24463 Lot 2492, Geran 24464 Lot 2491, Geran 24465 Lot 2490, Geran 24466 Lot 2489, Geran 24467 Lot 2488, Geran 24468 Lot 2487, Geran 24469 Lot 6184, Geran 37582 Lot 6185, Geran 37583 Lot 6186, Geran 37584 Lot 6187, Geran 37585 Lot 6188, Geran 37586						

PROPERTIES HELD BY THE GROUP

AS AT 30 JUNE 2018

cont'd

Properties/ location	Registered Proprietor	Description/ Existing Use	Tenure	Land Area	Year of Acquisition/ (Revaluation)	Net Book Value
Lot PTD 10109 H.S.(D) 4636 Mukim Tangkak Daerah Ledang, State of Johor	Matang Realty Sdn Bhd	Vacant land	Freehold	0.5 hectares	Acquired: 2001	1,057,730
Lot TLO 703 H.S.(D) 8796 Bandar Johor Bahru Johor Bahru State of Johor	Matang Holdings Berhad	A 5-storeys factory building, a double storey factory building and a single storey factory building, all together with land	Leasehold of 60 years expiring on 24 September 2031	1.29 hectares	Acquired: 1988/ Revalued: 2018	12,500,000

NOTICE OF 4TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of the Company will be held at Function Rooms BCD, Level G, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, Bukit Kiara, 60000 Kuala Lumpur on Tuesday, 27 November 2018 at 2.30 p.m. for the following purposes:

AGENDA

As Ordinary Business

- | | | |
|----|--|---------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 30 June 2018 and the Reports of the Directors and the Auditors thereon.
<i>(Please refer to Note No. 2)</i> | |
| 2. | To approve the payment of a first and final single tier dividend of 0.2 sen per ordinary share for the financial year ended 30 June 2018. | Resolution 1 |
| 3. | To approve the payment of Directors' Fees of RM85,000 in respect of the financial year ended 30 June 2018. | Resolution 2 |
| 4. | To approve the payment of Directors' benefits (excluding Directors' fees) of up to RM60,000 for the financial period from 1 January 2019 to 31 December 2019.
<i>(Please refer to Note No. 3)</i> | Resolution 3 |
| 5. | To re-elect the following Directors retiring in accordance with Article 95 of the Constitution of the Company:- | |
| | 5.1 Dato' Foong Chee Meng | Resolution 4 |
| | 5.2 Dato' Ng Keng Heng | Resolution 5 |
| | 5.3 Datuk Teoh Sew Hock | Resolution 6 |
| 6. | To re-appoint Messrs BDO as the Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 7 |

As Special Business

To consider and if thought fit, to pass the following as Ordinary Resolution:

- | | | |
|----|---|---------------------|
| 7. | Authority to Allot and Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016 | |
| | <p>"THAT pursuant to Section 75 and 76 of the Companies Act 2016 and subject to approvals from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and other relevant authorities, where approval is necessary, authority be and is hereby given to the Directors to allot and issue shares in the Company at any time upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares to be issued shall not exceed 10% of the total number of issued shares of the Company for the time being AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."
<i>(Please refer to Note No. 4(i))</i></p> | Resolution 8 |

NOTICE OF 4TH ANNUAL GENERAL MEETING

cont'd

To consider and if thought fit, to pass the following as Special Resolution:

8. **Proposed Adoption of New Constitution of the Company**

“**THAT** approval be and is hereby given for the Company to revoke its existing Constitution with immediate effect and in place thereof, the proposed new Constitution as set out in Appendix I to the Company’s Annual Report for the financial year ended 30 June 2018 be adopted as the Company’s Constitution **AND THAT** the Directors of the Company be authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all such acts and things and take such steps as may be considered necessary to give effect to the foregoing.”
(Please refer to Note No. 4(ii))

Resolution 9

9. To transact any other business of the Company of which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of shareholders at the Fourth Annual General Meeting of the Company, a first and final single tier dividend of 0.2 sen per ordinary share in respect of the financial year ended 30 June 2018 will be paid to shareholders on 8 January 2019. The entitlement date for the said dividend shall be on 18 December 2018.

A depositor shall qualify for entitlement to the dividend only in respect of:

- a. Shares transferred to the depositor’s securities account before 4.00 p.m. on 18 December 2018 in respect of transfers.
- b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

LIM HOOI MOOI (MAICSA 0799764)
LAU YEN HOON (MAICSA 7061368)
Joint Company Secretaries

Kuala Lumpur
Dated: 29 October 2018

NOTES:

1. Appointment of Proxy

- A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint one (1) proxy to attend and vote on his/her behalf.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (“SICDA”), it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- Where an exempt authorized nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- A proxy may but need not be a member of the Company. A proxy appointed to attend and vote shall have the same rights as the member to move any resolution or amendment thereto and to speak at the meeting.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.

NOTICE OF 4TH ANNUAL GENERAL MEETING

- The instrument of proxy must be deposited at the Share Registrar's Office situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
- For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 16 November 2018 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxy(ies) to attend and vote on his/her behalf.

2. Agenda Item No. 1

This item of the Agenda is meant for discussion only. The provisions of Section 340(1) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

3. Agenda Item No. 4

The approval for the proposed Resolution No. 3 in relation to the payment of Directors' benefits is sought pursuant to Section 230(1) of the Companies Act 2016. The proposed Resolution is to facilitate payment of Directors' benefits on current financial year basis until the conclusion of the Company's next Annual General Meeting in 2019. In the event the Directors' benefits proposed are insufficient (e.g. due to more meetings or enlarged Board size etc.), approval will be sought at the next Annual General Meeting for the additional amount to meet the shortfall.

Directors' benefits include allowances and other emoluments payable to Directors and in determining the estimated total the Board had considered various factors including the number of scheduled meetings for the Board, Board Committees, Board meetings of subsidiaries and covers the period from 1 January 2019 to 31 December 2019 (the due date for which the next Annual General Meeting should be held).

4. Explanatory Notes on Special Businesses

(i) Authority to Allot and Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution under Resolution No. 8 is to seek a renewal of general mandate to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to placement of shares for the purposes of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration. Should the mandate be exercised, the Directors will utilize the proceeds raised for the aforesaid applications as they may in their absolute discretion deem fit.

As at the date of this Notice, the Company has not issued any new shares under this general mandate.

(ii) Proposed Adoption of New Constitution of the Company

The proposed Special Resolution under Resolution No. 9 will bring the Company's Constitution in line with the Companies Act 2016 and the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

In view of the substantial amount of amendments to the Company's existing Constitution for the above-mentioned purposes, the Company proposed that the existing Constitution be replaced in its entirety with a new Constitution as set out in Appendix I to the Company's Annual Report.

The shareholders' approval is being sought under Special Resolution for the Company to adopt the New Constitution as per Appendix I to the Annual Report in accordance with Section 36(1) of the Companies Act 2016. The Appendix I on the proposed new Constitution shall take effect once the proposed Resolution No. 9 has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the Fourth Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. There is no person seeking election as Director of Matang Berhad at this Annual General Meeting.
2. **General mandate for issuance of securities**

Kindly refer to Note 4 (i) of the Explanatory Notes on Special Businesses - Authority to Allot and Issue Shares Pursuant to Section 75 and 76 of the Companies Act 2016 under the Notes to the Notice of the Fourth Annual General Meeting for details of this proposed resolution.

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MATANG BERHAD (1142377-X)
(Incorporated in Malaysia)

PROXY FORM

Number of shares held	CDS Account No.

I/We, NRIC/Passport/Company No.
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of
(ADDRESS)

being a member of **MATANG BERHAD**, do hereby appoint
(FULL NAME OF PROXY IN BLOCK LETTERS)

NRIC/ Passport No. of
(COMPULSORY) (ADDRESS OF PROXY)

or failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fourth Annual General Meeting of the Company to be held at Function Rooms BCD, Level G, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, Bukit Kiara, 60000 Kuala Lumpur on **Tuesday, 27 November 2018 at 2.30 p.m.** and at any adjournment thereof and to vote as indicated below:

Resolutions	Descriptions	FOR	AGAINST
	Ordinary Business		
No. 1	Ordinary Resolution - Approval of first and final single tier dividend of 0.2 sen per ordinary share for the financial year ended 30 June 2018		
No. 2	Ordinary Resolution - Approval of Directors' Fees of RM85,000 in respect of the financial year ended 30 June 2018		
No. 3	Ordinary Resolution - Approval of Directors' benefits (excluding Directors' fees) of up to RM60,000 for the financial period from 1 January 2019 to 31 December 2019		
No. 4	Ordinary Resolution - Re-election of Dato' Foong Chee Meng as Director		
No. 5	Ordinary Resolution - Re-election of Dato' Ng Keng Heng as Director		
No. 6	Ordinary Resolution - Re-election of Datuk Teoh Sew Hock as Director		
No. 7	Ordinary Resolution - Re-appointment of Messrs BDO as Auditors and to authorise the Directors to determine their remuneration		
	Special Business		
No. 8	Ordinary Resolution - Authority to allot and issues shares pursuant to Section 75 and 76 of the Companies Act 2016		
No. 9	Special Resolution - Proposed Adoption of New Constitution of the Company		

Please indicate with an "X" in the spaces provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this day of 2018

.....
Signature/Common Seal of Member

Notes:

1. A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint one (1) proxy to attend and vote on his/her behalf
2. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. Where an exempt authorized nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
5. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote shall have the same rights as the member to move any resolution or amendment thereto and to speak at the meeting.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or the hand of its officer or its duly authorised attorney.
7. The instrument of proxy must be deposited at the Share Registrar's Office situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
8. For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 16 November 2018 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxy(ies) to attend and vote on his/her behalf.

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Registrar

Matang Berhad (1142377-X)

c/o Tricor Investor & Issuing House Services Sdn Bhd (11324-H)

Unit 32-01, Level 32, Tower A

Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

1st Fold Here

