

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

A1. BASIS OF PREPARATION

The interim financial report of Matang Berhad (“Matang” or the “Company”) and its subsidiaries (the “Group”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) No. 134 – Interim Financial Reporting, paragraph 9.22 and Appendix 9B of the ACE Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The consolidated interim financial report has been prepared using the principles of merger accounting whereby it is assumed that the transaction constituting the Group had occurred from the earliest date presented in this report and that the Group has operated as a single entity throughout the financial periods presented in this report.

The interim financial report should be read in conjunction with the audited financial statements of the Group for financial year ended 30 June 2020 as well as the accompanying explanatory notes attached to this interim financial report.

A2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted as disclosed in the Audited Financial Statement of the Group for financial year ended 30 June 2020 including the adoption of the following, where applicable, during the financial period which were effective from 1 January 2020:

MFRS (including the consequential amendments)

- Amendments to Reference to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 Definition of a Business
- Amendments to MFRS 101 and MFRS 108 Definition of Material
- Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform
- Amendments to MFRS 4 Insurance Contract – Extension of the Temporary Exemption from Applying MFRS 9

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

The following MFRS and Amendments to MFRS have been issued by the Malaysian Accounting Standards Board but are not yet effective to the Group:

Effective for annual periods commencing on or after 1 January 2022

- Annual Improvements to MFRS Standards 2018 – 2020
- Amendments to MFRS 3 Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137 Onerous Contracts – Cost of Fulfilling a Contract

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- Amendments to MFRS 101 Classification of Liabilities as Current or Non-current
- MFRS 17 Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts
- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

A3. AUDITORS’ REPORT ON PRECEDING AUDITED FINANCIAL STATEMENTS

The preceding year’s audited financial statements, i.e., for financial year ended 30 June 2020, of the Company and the subsidiaries were not subject to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

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

A5. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS

There was no material unusual exceptional item that occurred during the current financial quarter and financial period under review which affected the profit or loss and cash flows of the Group.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in previous financial years or previous quarter that have a material effect on the results for the current financial period under review.

A7. DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during this financial period under review.

A8. DIVIDEND PAID

There was no dividend paid during the current financial period under review.

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**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS (“FRS”) 134:
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A9. SEGMENTAL INFORMATION

The Group is primarily involved in the cultivation of oil palm and sale of fresh fruits bunches (“FFB”). The Group operates an oil palm plantation estate in Johor, Malaysia and as such the operating revenue reflected in the financial quarter under review was derived from the operation of the oil palm plantation.

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There is no valuation of the property, plant and equipment of the Group carried out during the financial quarter under review. The last valuation carried out appraised Larkin Investment Properties at a value of RM12.20 million as at 12 June 2020, which was reflected in the financial year ended 30 June 2020.

A11. CAPITAL COMMITMENTS

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

A12. EFFECT OF CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period under review.

A13. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL PERIOD

There are no material events that occurred subsequent to the end of the current financial period.

A14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities nor contingent assets as at the date of this report.

A15. RELATED PARTY TRANSACTIONS

There is no related party transaction that had been entered into in the normal course of the business of the Group during the financial period under review.

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PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. REVIEW OF PERFORMANCE

For the first financial quarter ended 30 September 2020, the Group recorded operating revenue of RM3.05 million as compared to RM2.08 million in the preceding year's corresponding quarter.

In comparison with the corresponding quarter in the previous financial year, the increase in operating revenue was due to the combination of 4.9% increase in FFB production and 39.8% increase in average FFB prices. The FFB production for current quarter under review was 5,548 tonnes as compared to 5,290 tonnes in the corresponding quarter in preceding year, while the average FFB price realised increased from RM393 per tonne in the corresponding quarter in the preceding year to RM549 per tonne in the current quarter. As a result of the above together with a 27.1% drop in cost of sales, the Group's gross profit ("GP") for the current quarter was RM2.60 million as compared to RM1.47 million for the corresponding quarter in the preceding year, reflecting an increase of 77.4% in GP.

The Group's other income for the current quarter was higher at RM0.63 million against RM0.52 million for the first quarter of FY2020 mainly due to the upward adjustment on fair value of agriculture produce despite a drop in interest income, the latter of which was triggered by lower interest rates. The administration expenses registered a drop from RM1.48 million in the corresponding quarter in the preceding year to RM1.34 million for the current quarter mainly due to the reduction in expenses for recruitment and permit renewal of foreign workers as well as the drop in depreciation for right-of-use assets.

The Group's profits before taxation for current quarter is higher at RM1.89 million as compared to RM0.50 million in the preceding year's corresponding quarter as a result of the aforementioned reasons. The Group's profit after taxation for the current quarter tracked the same pattern of increase in Group's profit before taxation between current quarter and the corresponding quarter in the preceding year.

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

The Group reported profit before tax of RM1.89 million for the current quarter ended 30 September 2020 as compared to RM0.62 million for the immediate preceding quarter (i.e., quarter ended 30 June 2020) mainly due to the higher administrative expenses and lower other income in the immediate preceding quarter. The other income in the quarter ended 30 June 2020 was RM0.36 million as compared to RM0.63 million in the current quarter while the administrative expenses in the quarter ended 30 June 2020 was RM2.16 million as compared to RM1.34 million in the current quarter.

B3. COMMENTARY ON PROSPECTS

Crude Palm Oil ("CPO") price rally has continued since the last quarter with the average of RM2,411.50 per tonne for June 2020 to RM2,979.50 for October 2020. The daily CPO price in has exceeded RM3,200 per tonne in early November 2020. The uptrend in CPO prices, if sustainable, will boost the profitability of the Group for the financial year ending 30 June 2021.

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

Barring unforeseen adverse weather conditions as well as disruption in the supply of foreign workers, the Group will continue its effort in improving the FFB yield and production.

B4. PROFIT FORECASTS AND PROFIT GUARANTEES

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement during the current financial period under review.

B5. STATUS OF CORPORATE PROPOSALS

There was no corporate proposal announced but not completed as at the date of this report.

B6. INCOME TAX EXPENSE

	Quarter ended 30 September 2020 RM	Year-to-date 30 September 2020 RM
Income tax expense		
- Current financial period	576,781	576,781
Deferred tax		
- Current financial period	13,311	13,311
- Over provision in prior year	(1,207)	(1,207)
Total tax expense	<u>588,885</u>	<u>588,885</u>
Effective tax rate	<u>31.2%</u>	<u>31.2%</u>

The effective tax rate for the current quarter ended 30 September 2020 is higher than the statutory tax rate of 24% due to non-tax deductible expenses.

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

B7. UTILISATION OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING (“IPO”)

Based on the issue price of RM0.13 per share for the Public Issue of the Company on 17 January 2017, the gross proceeds arising from the Public Issue amounting to RM16.9 million has been utilised in the following manner:

Purposes	Approved utilisation	Actual utilisation	Deviation: surplus/ (deficit)	Balance unutilised	Estimated time frame for utilisation⁽¹⁾
	RM'000	RM'000	RM'000	RM'000	
Replanting exercise	250	(250)	-	-	Within 24 months
Capital expenditure	1,786 ⁽²⁾⁽ⁱ⁾	(1,127)	-	659	Within 60 months ⁽²⁾⁽ⁱⁱ⁾
General working capital					
(i) Day-to-day operational expense	6,888 ⁽²⁾⁽ⁱ⁾	(6,383) ⁽³⁾	-	505	Within 60 months
(ii) Purchase of fertilisers	5,800 ⁽²⁾⁽ⁱ⁾	(3,552)	-	2,248	Within 60 months
Estimated listing expenses	2,176	(2,176)	-	-	Within 3 months
Total	16,900	(13,488)		3,412	

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 19 December 2016.

Notes:

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

⁽²⁾ Including the effect of variations to the utilisation of proceeds raised from the IPO as announced to Bursa Securities on 26 November 2019 (“Variations”).

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

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

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

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

⁽³⁾ Including RM447,000 which has been utilised to cover the deficit arising from the utilisation for Listing expenses in such manner as allowed under Section 3.10.1(v) of the Prospectus of the Company dated 19 December 2016.

B8. GROUP'S BORROWINGS AND DEBT SECURITIES

The Group has no borrowing and the Group has no debt securities in issue as at 30 September 2020.

B9. MATERIAL LITIGATION

There is no material litigation or arbitration which has a material effect on the financial position of the Group as at the date of this report and the Board of Directors is not aware of any proceedings pending or threatened against the Group, or of any fact that likely to give rise to any proceedings which may materially and adversely affect the financial position or the business of the Group as at the date of this report.

B10. DIVIDEND

On 27 August 2020, the Board has proposed to declare the first and final dividend of 0.15 sen (FY2019: 0.15 sen) per ordinary share in the Company in respect of financial year ended 30 June 2020, the payment of which shall be subject to the shareholders' approval in the Sixth Annual General Meeting of the Company scheduled on 25 November 2020.

The entitlement and payment dates for the final dividend in respect of financial year ended 30 June 2020 is 18 December 2020 and 8 January 2021 respectively.

B11. EARNINGS PER SHARE ("EPS")

The basic and diluted EPS for the current financial quarter and financial year-to-date are computed as follows:

	Quarter ended 30 September 2020	Year-to-date 30 September 2020
Net profit attributable to ordinary equity holders of the Company (RM'000)	1,302	1,302
Number of ordinary shares in issue ('000)	1,810,000	1,810,000
Basic EPS (sen)	0.07	0.07
Diluted EPS (sen) ⁽¹⁾	0.07	0.07

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

Note:

- (1) Diluted EPS of the Company for the quarter and year to date ended 30 September 2020 is equivalent to the basic EPS as the Company does not have convertible options and securities as at the end of the reporting period.

B12. NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Profit and other comprehensive income of the Group for the financial period is arrived at after charging/(crediting) the following expense/(income):

	Quarter ended 30 September 2020 RM'000	Year-to-date 30 September 2020 RM'000
Depreciation and amortisation	538	538
Fair value gain on agriculture produce	(153)	(153)
Rental income	(195)	(195)
Interest income	(247)	(247)
Share registration net expenses	5	5
Fair value gain on quoted shares	(7)	(7)
Lease interest expenses for right-of-use assets	3	3

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Securities are not applicable.

B13. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board of Directors on 23 November 2020.

**BY ORDER OF THE BOARD OF DIRECTORS
23 NOVEMBER 2020**