

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 2021 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 2021 including the adoption of the following, where applicable, during the financial period which were effective from 1 January 2021:

MFRS (including the consequential amendments)

- Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)
- COVID-19 Related Rent Concession beyond 30 June 2021 (Amendment to MFRS 16 Leases)

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
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- Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)
- Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Incomes Taxes)
- 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 2021, 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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INTERIM FINANCIAL REPORTING (CONT’D)**

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 RM11.70 million as at 29 June 2021 which was reflected in the financial year ended 30 June 2021.

A11. CAPITAL COMMITMENTS

There are no capital commitments incurred by the Group as at 30 September 2021.

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 2021, the Group recorded operating revenue of RM3.47 million as compared to RM3.05 million in the preceding year's corresponding quarter.

In comparison with the corresponding quarter in the previous financial year, the increase in operating revenue of RM0.42 million was due to the increase in average FFB prices. The FFB production for current quarter under review was 3,753 tonnes as compared to 5,548 tonnes in the corresponding quarter in preceding year, while the average FFB price realised increased from RM549 per tonne in the corresponding quarter in the preceding year to RM925 per tonne in the current quarter. As a result of the above, the Group's gross profit ("GP") for the current quarter increased slightly from RM2.60 million in the corresponding quarter in the preceding year to RM2.69 million for the current financial quarter under review.

The Group's other income for the current quarter was slightly higher at RM0.67 million against RM0.63 million for the first quarter of FY2021. The administration expenses registered an increase of RM13.4% from RM1.34 million in the corresponding quarter in the preceding year to RM1.52 million for the current quarter mainly due to increase in provisions for directors' remunerations including meeting allowances, staff related expenses and upkeep of office in Matang Estate.

The Group's profits before taxation for current quarter was slightly lower at RM1.84 million as compared to RM1.89 million in the preceding year's corresponding quarter. The Group's profit after taxation for the current quarter was higher at RM1.43 million as compared to RM1.30 million in the corresponding quarter in the preceding year.

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

The Group reported profit before tax of RM1.84 million for the current quarter ended 30 September 2021 as compared to RM1.13 million for the immediate preceding quarter (i.e., quarter ended 30 June 2021) mainly due to the higher administrative expenses and lower other income in the immediate preceding quarter. The administrative expenses recorded in the immediate preceding quarter was RM2.54 million as compared to RM1.52 million for the current quarter under review. The other income registered for the immediate preceding quarter was RM0.47 million as compared to RM0.67 million for the current quarter under review.

B3. COMMENTARY ON PROSPECTS

Monthly CPO prices averaged at about RM4,413 per tonne for the quarter under review and beyond September 2021, the CPO prices continued to rise above RM4,800 per tonne in early October 2021 to reach more than RM5,300 per tonne in mid-November 2021.

The strong CPO prices which underline favourable FFB prices going forward shall continue to boost the revenue for the Group in the event that the Group manages to maintain or enhance its total FFB production level. Barring unforeseen adverse weather conditions and disruption

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in the supply of foreign workers, the Group continues its effort to improve its production and FFB yield going forward. 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

The Company had on 3 May 2021 issued a total of 181,000,000 out of 398,200,051 Placement Shares II under the Proposed Private Placement II to certain third-party investors for which a total sum of RM20.05 million has been raised. The issued Placement Shares II have been listed on the ACE Market of Bursa Securities on 20 May 2021.

On 1 November 2021, the Company announced that it has obtained the approval of Bursa Securities for an extension of time of 6 months to 2 May 2022 to complete the implementation of the Proposed Private Placement II.

Save and except for Proposed Private Placement II as set out above, there was no corporate proposal announced but not completed as at the date of this report.

B6. INCOME TAX EXPENSE

	Quarter ended 30 September 2021 RM	Year-to-date 30 September 2021 RM
Income tax expense		
- Current financial period	447,000	447,000
Deferred tax		
- Current financial period	26,098	26,098
- Over provision in prior year	(61,168)	(61,168)
Total tax expense	<u>411,930</u>	<u>411,930</u>

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

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

Public Issue of 130,000,000 Shares pursuant to Initial Public Offering

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 RM16.90 million has been utilised in the following manner:

Purposes	Approved utilisation	Actual utilisation	Deviation: surplus/ (deficit)	Balance unutilised	Time frame for utilisation from 17 January 2017
	RM'000	RM'000	RM'000	RM'000	
Replanting exercise	250	(250)	-	-	Within 24 months
Capital expenditure	1,786 ⁽¹⁾	(1,127)	-	659	Within 60 months ⁽¹⁾
General working capital					
(i) Day-to-day operational expense	6,888 ⁽¹⁾	(6,888)	-	-	Within 60 months
(ii) Purchase of fertilisers	5,800 ⁽¹⁾	(4,053)	-	1,747	Within 60 months
Estimated listing expenses	2,176	(2,176)	-	-	Within 3 months
Total	16,900	(14,494)		2,406	

Note:

(1) Kindly refer to the announcement made by the Company on 26 November 2019 for further details of the Variations (as defined therein the announcement) made.

Issuance of 362,000,000 Shares pursuant to the Private Placements

Based on the issue price of RM0.1108 per Share for 181,000,000 Placement Shares I and RM0.1108 per Share for 181,000,000 Placement Shares II issued, the total gross proceeds amounting to RM40.11 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	
Future acquisitions	23,635 ⁽²⁾	(-)	-	23,635	Within 18 months
For working capital	16,265 ⁽³⁾	(229)	2 ⁽⁴⁾	16,038	Within 18 months
Estimated expenses	210	(208)	(2) ⁽⁴⁾	-	Immediate
Total	40,110	(437)	0	39,673	

The utilisation of proceeds as disclosed for the Private Placements should be read in conjunction with the Circular to the Shareholders of the Company dated 12 May 2021 (“Circular”). Abbreviation used in the Notes below shall have the same meaning as referred to in the Circular.

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

Notes:

- (1) From the date of receipt of the funds on 8 June 2021 for RM20.05 million (in respect of Proposed Private Placement I) and on 19 May 2021 for RM20.05 million (in respect of Proposed Private Placement II).
- (2) Out of which RM17.00 million from the Proposed Private Placement I and RM6.64 million from the Proposed Private Placement II have been allocated for potential future acquisitions of oil palm plantation(s), durian plantation(s) and/or additional land bank for the development of new oil palm and/or durian plantation(s) within Malaysia.
- (3) Out of which:
 - RM0.96 million has been earmarked for payment of third-party contractor fees for the upkeep, maintenance and management of First Durian Plantation.
 - RM4.50 million shall be used for the development and operational expenditure (including upkeep and maintenance costs) of new/ additional hectareage of durian plantation within the Matang Estate.
 - RM10.80 million shall be used for development and operational expenditure (including upkeep and maintenance costs) for oil palm and durian plantation(s) acquired and/ or new land bank acquired for such plantation(s).
- (4) RM2,400 balance unutilised for estimated expenses has subsequently been re-allocated for the working capital purposes.

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 2021.

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 24 August 2021, the Board has proposed to declare the first and final dividend of 0.20 sen (FY2020: 0.15 sen) per ordinary share in the Company in respect of financial year ended 30 June 2021, the payment of which shall be subject to the shareholders' approval in the Seventh Annual General Meeting of the Company scheduled on 24 November 2021.

The entitlement and payment dates for the final dividend in respect of financial year ended 30 June 2021 is 17 December 2021 and 7 January 2022 respectively.

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

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 2021	Year-to-date 30 September 2021
Net profit attributable to ordinary equity holders of the Company (RM'000)	1,429	1,429
Number of ordinary shares in issue (unit)	2,172,000,256	2,172,000,256
Basic EPS (sen) ⁽¹⁾	0.07	0.07

Note:

- (1) Diluted EPS of the Company for the quarter and year to date ended 30 September 2021 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 2021 RM'000	Year-to-date 30 September 2021 RM'000
Interest income	(397)	(397)
Rental income	(176)	(176)
Depreciation and amortisation	571	571

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 2021.

**BY ORDER OF THE BOARD OF DIRECTORS
23 NOVEMBER 2021**