

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 2022 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 2022 including the adoption of the following, where applicable, during the financial period which were effective from 1 January 2022:

MFRS (including the consequential amendments)

- 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

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 2023

- MFRS 17 Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts
- Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendment to MFRS 17 Insurance Contract)
- Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)

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- 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)

A3. AUDITORS’ REPORT ON PRECEDING AUDITED FINANCIAL STATEMENTS

The preceding year’s audited financial statements, i.e., for financial year ended 30 June 2022, 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.

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.

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

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 RM11.00 million as at 13 June 2022 which was reflected in the financial year ended 30 June 2022.

A11. CAPITAL COMMITMENTS

There are no capital commitments incurred by the Group as at 30 September 2022.

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 2022, the Group recorded operating revenue of RM4.73 million as compared to RM3.47 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 RM1.26 million, i.e., about 36.3%, was due to the increase in FFB production. The FFB production for current quarter under review was 5,604 tonnes as compared to 3,753 tonnes in the corresponding quarter in preceding year, while the average FFB price realised decreased from RM925 per tonne in the corresponding quarter in the preceding year to RM844 per tonne in the current quarter. As a result of the above, the Group's gross profit ("GP") for the current quarter increased from RM2.64 million in the corresponding quarter in the preceding year to RM3.69 million for the current financial quarter under review, reflecting an increase of RM1.05 million.

The Group's other income for the current quarter was higher at RM0.80 million against RM0.67 million for the first quarter of FY2022. The administration expenses registered an increase of RM39.4% from RM1.46 million in the corresponding quarter in the preceding year to RM2.04 million for the current quarter mainly due to increase in fair value adjustment on agriculture produce following the decrease in CPO price as compared to position as at 30 June 2022.

The Group's profits before taxation for current quarter was higher at RM2.44 million as compared to RM1.84 million in the preceding year's corresponding quarter, reflecting an increase of RM0.60 million or about 32.5%. The Group's profit after taxation for the current quarter was higher at RM2.13 million as compared to RM1.43 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 RM2.44 million for the current quarter ended 30 September 2022 as compared to RM1.98 million for the immediate preceding quarter (i.e., quarter ended 30 June 2022) mainly due to the lower administrative expenses in the current quarter under review. The administrative expenses recorded in the immediate preceding quarter was RM3.02 million as compared to RM2.04 million for the current quarter under review.

B3. COMMENTARY ON PROSPECTS

Monthly CPO prices averaged at about RM3,990 per tonne for the current quarter under review which was lower than the average RM6,552 per tonne for the immediate preceding quarter, i.e., quarter ended 30 June 2022. Beyond 30 September 2022, the monthly average CPO prices for October 2022 was RM3,682 per tonne with daily prices staying above RM4,000 per tonne in 1st and 2nd week of November 2022.

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

Year 2022 thus far is marked with significant volatility in CPO prices that triggers the volatility in Matang's revenue which is solely from its oil palm plantation. The CPO prices is expected to remain buoyant for the balance of the year but are not expected to be as high as levels achieved in the 1st and 2nd quarter of 2022. Barring unforeseen adverse weather conditions and disruption in the supply of foreign workers, the Group continues its effort to improve FFB production yield.

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

On 6 May 2022, the Company announced that it proposes to undertake a private placement of up to 10% of the total number of issued shares of Matang to third party investor(s) to be identified later at an issue price to be determined later, pursuant to Sections 75 and 76 of the Companies Act 2016 ("PP 2022"). On 6 July 2022, the Company announced that 217,200,020 placement shares were listed and quoted on the ACE Market of Bursa Securities on even date, which marks the completion of the Proposed Private Placement.

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

B6. INCOME TAX EXPENSE

	Quarter ended 30 September 2022 RM	Year-to-date 30 September 2022 RM
Income tax expense		
- Current financial period	789,800	789,800
Deferred tax		
- Current financial period	(479,028)	(479,028)
Total tax expense	<u>310,772</u>	<u>310,772</u>

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

B7. UTILISATION OF PROCEEDS FROM PRIVATE PLACEMENT EXERCISES

Issuance of 362,000,000 Matang shares pursuant to the private placements undertaken in 2021 ("PP 2021")

Based on the issue price of RM0.1108 per Matang share for 362,000,000 placement shares issued and listed pursuant to PP 2021, 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	Initial time frame for utilisation	Revised expected time frame for utilisation
	RM'000	RM'000	RM'000	RM'000		
Future acquisitions	23,635 ⁽²⁾	(-)	-	23,635	Within 18 months	Within 30 months ⁽¹⁾
For working capital	16,265 ⁽³⁾	(1,930)	2 ⁽⁴⁾	14,337	Within 18 months	Within 30 months ⁽¹⁾
Estimated expenses	210	(208)	(2) ⁽⁴⁾	-	Immediate	Immediate
Total	40,110	(2,138)	0	37,972		

The utilisation of proceeds as disclosed for the PP 2021 should be read in conjunction with the Circular to the Shareholders of the Company dated 12 May 2021 ("Circular"). Where applicable, abbreviations used in the Notes below shall have the same meaning as referred to in the Circular.

Notes:

(1) The initial time frame for utilisation of the proceeds were as follows:

- (a) 18 months from the date of receipt of the funds on 8 June 2021 for RM20.05 million in respect of Proposed Private Placement I; and
- (b) 18 months from the date of receipt of funds on 19 May 2021 for RM20.05 million in respect of Proposed Private Placement II.

Up to 30 September 2022, out of the total proceeds of RM40.11 million raised in total from PP 2021, the Group has utilised approximately RM2.14 million, most of which were for the working capital purposes of its durian plantations in Matang Estate.

Due to the delay in securing the acquisitions of new oil palm plantation(s) and/or durian plantation(s) and/or additional land bank for the same within Malaysia, the Board has on the date of this quarterly financial report resolved that:

- (a) the period of utilisation of proceeds from PP 2021 for the future acquisitions to be extended within 30 months from the date of receipt of the funds; and
- (b) the period of utilisation of proceeds from PP 2021 for working capital purposes of the new oil palm plantations, durian plantations and/or new land bank for the same shall accordingly be extended within 30 months from the date of receipt of funds

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

The above proposed extension of timeframe to utilisation the proceeds raised from PP 2021 shall be herein referred to "Extension of Time for Utilisation".

The Board resolved that the Extension of Time for Utilisation is undertaken due to the current business environment and requirements of the Company. The Extension of Time for Utilisation is not subject to any regulatory authorities or shareholders approval. The Board shall continue to expeditiously utilise the balance proceeds from the PP 2021 in cautious and prudent manners and will continue to disclose the status of the utilisation of proceeds in its quarterly results and annual reports until its full utilisation.

The Board is of the opinion that the aforementioned Extension of Time for Utilisation will not have any adverse effect on the financial performance of the Company and it is in the best interest of the Company.

- (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:
 - (a) RM0.96 million has been earmarked for payment of third-party contractor fees for the upkeep, maintenance and management of First Durian Plantation.
 - (b) 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.
 - (c) 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.
- (5) As set out in the Circular, the proceeds earmarked for working capital maybe partly re-allocated towards the amount earmarked for potential acquisitions and vice versa, depending on the Group's operational requirements at the time of utilisation, which can only be determined at a later stage and the terms and conditions of potential acquisition, which have yet to be determined or finalised.

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

Issuance of 217,200,020 Matang shares pursuant to the private placement exercise undertaken in 2022 (“PP 2022”)

Based on the issue price of RM0.0971 per Matang share for 217,200,020 placement shares issued and listed pursuant to PP 2022, the total gross proceeds amounting to RM21.09 million has been utilised in the following manner:

Purposes	Approved utilisation	Actual utilisation	Deviation: surplus/ (deficit)	Balance unutilised	Estimated time frame for utilisation
	RM'000	RM'000	RM'000	RM'000	
Future acquisitions	21,010	(-)	31 ⁽²⁾	21,041	Within 18 months ⁽¹⁾
Estimated expenses	80	(49)	(31) ⁽²⁾	-	Immediate
Total	21,090	(49)	0	21,041	

The utilisation of proceeds as disclosed for the PP 2022 should be read in conjunction with the announcement made by the Company dated 6 May 2022 (“Announcement”).

Notes:

- (1) From the date of receipt of the funds on 6 July 2022.
- (2) RM31,061 balance unutilised for estimated expenses has subsequently been re-allocated for future acquisition 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 2022.

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 25 August 2022, the Board has proposed to declare the first and final dividend of 0.22 sen (FY2021: 0.20 sen) per ordinary share in the Company in respect of financial year ended 30 June 2022, the payment of which shall be subject to the shareholders’ approval in the Eighth Annual General Meeting of the Company scheduled on 23 November 2022.

The entitlement and payment dates for the final dividend in respect of financial year ended 30 June 2022 is 19 December 2022 and 9 January 2023 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 2022	Year-to-date 30 September 2022
Net profit attributable to ordinary equity holders of the Company (RM'000)	2,130	2,130
Number of ordinary shares in issue (unit)	2,389,200,276	2,389,200,276
Weighted average number of ordinary shares in issue (unit)	2,375,038,835	2,375,038,835
Basic EPS (sen) ⁽¹⁾	0.09	0.09

Note:

- (1) Diluted EPS of the Company for the quarter and year to date ended 30 September 2022 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 2022 RM'000	Year-to-date 30 September 2022 RM'000
Interest income	(555)	(555)
Rental income	(219)	(219)
Depreciation and amortisation	544	544

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 22 November 2022.

**BY ORDER OF THE BOARD OF DIRECTORS
 22 NOVEMBER 2022**