## PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 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:

<u>Effective for annual periods commencing on or after 1 January 2023</u>

- MFRS 17 Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts
- Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendments to MFRS 17 Insurance Contracts)

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- Amendments to MFRS 101 Presentation of Financial Statements And MFRS Practice Statement 2 Disclosure of Accounting Policies
- Amendments to MFRS 108 Definition of Accounting Estimates
- Amendment to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

**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 the current financial period under review.

**A8. DIVIDEND PAID**

There was no dividend paid during the current quarter under review.

**A9. SEGMENTAL INFORMATION**

The Group is primarily involved in the cultivation of oil palm and sale of 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 MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING

### A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

During the financial quarter under review, the Company has carried out valuation of its investment properties in Kawasan Perindustrian Larkin, i.e., the land measuring 1.3 hectares or 3.2 acres held under title HSD 8796, Lot No. TLO 703, Town of Bandar Johor Bahru, District of Johor Bahru, State of Johor Darul Takzim bearing postal address No. 83, Jalan Langkasuka, Kawasan Perindustrian Larkin, 80350 Johor Bahru, Johor Darul Takzim, together with three units of detachable industrial buildings (namely Block A, Block B and Block C) erected thereon ("Larkin Investment Properties").

For the financial year ended 30 June 2023, the valuation carried out appraised Larkin Investment Properties at a value of RM10.45 million as at 30 June 2023 as compared to RM11.00 million appraised in financial year ended 30 June 2022.

### A11. CAPITAL COMMITMENTS

There are no material capital commitments incurred by the Group as at 30 June 2023.

### 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

Kindly refer to Item B5 for the status of the Proposed Acquisition of Property (as defined thereunder) and the Proposed Acquisition of GFSB (as defined thereunder).

### 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.

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

### B1. REVIEW OF PERFORMANCE

For the fourth financial quarter ended 30 June 2023, the Group recorded operating revenue of RM2.38 million as compared to RM5.47 million in the preceding year's corresponding quarter.

In comparison with the corresponding quarter in the previous financial year, there was a drop in revenue of 56.5% as a result of approximately 44.4% drop in average FFB price in the current quarter under review while the FFB productions declined by 21.8%. The average FFB price has declined from RM1,408 per tonne in the preceding year's corresponding quarter to RM783 per tonne in the current quarter under review primarily due to the decrease in the crude palm oil ("CPO") prices between the two financial periods. The total FFB production for current quarter under review were 3,036 tonnes as compared to 3,880 tonnes in the corresponding quarter in the preceding year.

Contrary to the year before, the FFB production for the months in the current quarter under review, i.e., from April to June 2023 were the lowest in the financial year due to a combination of reasons including the festive season in April 2023 and the seasonal low crop production that occurred during the current quarter under review. In April 2023, the Group registered the lowest FFB production for the financial year, i.e., at 931 tonnes, as compared to 1,406 tonnes in April 2022 which was the highest level of FFB production in the last financial year. A similar situation of lower yield in 2023 was noted from the perspective of FFB yield for Johor state where based on the information of Malaysian Palm Oil Board, the FFB yield for the months of April 2023 to June 2023 ranged from 10.9% to 31.3% lower than the FFB yield for the same months in the year before.

At the same time, for 2022, the monthly average CPO prices breached the highest levels in the months from March to May 2022, i.e., between RM6,678 per tonne and RM6,873 per tonne. However in 2023, the monthly average CPO prices have dropped to about RM4,218 per tonne in April 2023 and further slid to about RM3,535 tonne in June 2023, the lowest CPO price level since December 2020.

As a result, the Group's gross profit for the current quarter dropped by more than 4-folds to RM0.93 million as compared to RM4.22 million for the preceding year's corresponding quarter due to significantly lower revenue caused by the combination of low quarterly FFB productions and low FFB prices realised. The Group's other income for the current quarter increased by 100.2% from RM0.65 million in the preceding years' corresponding quarter mainly due to increase in interest income. The administration expenses registered a slight drop of approximately 6.4% from RM2.87 million in preceding year's corresponding quarter to RM2.69 million for the current quarter. The decrease was due to drop in bearer plant depreciation charges of RM0.37 million.

The Group registered a loss before taxation ("LBT") for current quarter of RM1.00 million as compared to the profit before taxation ("PBT") in the preceding year corresponding quarter of RM1.98 million, i.e., with a drop in profitability by about RM2.98 million. This was due to the

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

decrease in gross profit in the current quarter under review of about RM3.29 million as a result of reasons as explained above. Accordingly, the Group registered a loss after taxation for the current quarter of RM1.01 million.

On the financial year basis, the revenue for the Group for financial year 2023 decreased by about 18.7% from RM17.63 million recorded for financial year 2022 to RM14.33 million in financial year 2023. FFB production for the financial year under review was higher by 19.5% at 17,473 tonnes in financial year 2023 as compared to 14,619 tonnes in the previous financial year. However, the average FFB price realised in financial year 2023 was 32.0% lower, i.e., at RM820 per tonne as compared to RM1,206 per tonne in the previous financial year.

Gross profit of the Group was lower at RM8.24 million for the financial year under review as compared to RM13.26 million in the previous financial year due to the decrease in revenue as a result of lower FFB prices realised in current financial year under review as well as increase in cost of sales. The increase in cost of sales was mainly due to increase in overheads associated with labour of RM0.39 million as well as harvesting and cultivation expenses (excluding labour) of RM0.97 million and RM1.09 million respectively mitigated by the decrease in windfall tax of RM0.73 million.

The Group's PBT for current financial year was RM3.36 million as compared to RM8.62 million for the previous financial year due to the decrease in gross profit of about RM5.02 million or 37.9% as explained above and the increase in administration expenses of about 15.1% from RM7.40 million in financial year 2022 to RM8.52 million in current financial year under review. The increase in administration expenses for financial year 2023 was mainly because of the fair value adjustment on agriculture produce, increase in employee related benefits as well as the higher diminution in value of Larkin Investment Property. In addition, the other expenses rose by RM0.45 million due to the one-time write-off of corporate exercise expenses incurred for the proposed acquisition of two units of industrial property in Bukit Jelutong, Shah Alam to be developed by SMG Land Sdn Bhd for which the termination of the Sale and Purchase Agreement was announced on 17 July 2023. More details of the proposed acquisition of the said property can be found under Item B5.

The impacts of the increase in administrative expenses and other expenses were partially set-off with the increase in other income of RM1.33 million arising from the increase in interest income. As a result of the above, the Group registered a lower profit after taxation for the current financial year at RM2.63 million as compared to RM5.69 million for the previous financial year.

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

The Group reported LBT of RM1.00 million for the current quarter ended 30 June 2023 as compared to PBT of RM0.62 million for the immediate preceding quarter due to the lower gross profit at RM0.93 million for the current quarter under review as compared to gross profit of RM1.44 million for the immediate preceding quarter.

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

In addition, the administrative expenses for current quarter under review was higher at RM2.69 million as compared to RM1.94 million for the immediate preceding quarter. Administration expenses increased in the current quarter under review mainly due to the provision for diminution in value of RM0.88 million for Larkin Investment Property. In addition, RM0.53 million corporate expenses incurred for the Proposed Acquisition of Property were also charged out under other expenses following the announcement made on 17 July 2023 in relation to the termination of the SPA for the said proposed acquisition.

**B3. COMMENTARY ON PROSPECTS**

Monthly CPO prices averaged at about RM3,846 per tonne for the quarter under review as compared to the quarter average of RM6,552 per tonne for the corresponding quarter in preceding year. The monthly average CPO prices for July 2023 remained about the same at RM3,897 per tonne. For financial year ended 30 June 2023, the monthly average CPO prices hovered within the range of RM3,535 per tonne to RM4,169 per tonne. The average FFB price realised by Matang Group for financial year ended 30 June 2023 was RM820 per tonne.

For the remaining months of year 2023, Malaysia's CPO prices is anticipated to be trading between RM3,700 per tonne to RM4,200 per tonne as noted from a statement released by Malaysian Palm Oil Council on 1 August 2023. As for year 2024, there are projections of average CPO price level at RM3,900 per tonne with prices possibly higher in the second half of 2024 as the impact of El Nino weather phenomenon on oil palm could be felt. Nevertheless, the Group will be committed to improve its FFB production going forward barring unforeseen adverse weather conditions.

**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**

(1) On 10 February 2023, the Company announced that it entered into a conditional sale and purchase agreement ("SPA") with Star Media Group Berhad ("Star Media") and SMG Land Sdn Bhd ("SMG Land") for the Proposed Acquisition of Property, i.e., two (2) units of double-storey semi-detached factory and warehouse annexed with a one-and-a-half (1 ½) storey office building and other ancillary buildings to be erected upon part of the land held under Geran 204624, Lot 78658, Mukim Damansara, Daerah Petaling, Negeri Selangor ("Property") for a total purchase consideration of RM33 million to be satisfied via the allotment and issuance of 357,000,000 new ordinary shares in Matang to SMG Production & Distribution Sdn Bhd, a wholly-owned subsidiary of the SMG Land at an issue price of RM0.0809 each and cash payment amounting to approximately RM4.12 million. On even date, the Company also announced the proposed diversification of the existing principal activities of the Group to include property investment ("Proposed

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

Diversification"). The Proposed Acquisition of Property and the Proposed Diversification shall be herein referred to as "Proposal".

On 31 May 2023, the Company announced that it has secured the approvals of its shareholders for the Proposal. However, the Company received a request from Star Media on 14 July 2023 to mutually terminate the SPA as Star Media was not able to secure its shareholders' approval at its Extraordinary General Meeting on 31 May 2023 for the proposed disposal of the Property to Matang and they do not foresee their ability to have the same resolution passed. On 17 July 2023, the Company had written to Star Media to state its agreement to mutually terminate the SPA with effect from 17 July 2023, the announcement of which has been made on even date.

(2) On 2 May 2023, the Company announced that it had on 2 May 2023 entered into a conditional share sale agreement ("SSA") with Tan Chor Wee, Teyu Soo Moi, Lim Pon Chuan, Bu Yau Hoi, Tan Yu Kung, Tan Yue Teck, Tan Yew Hock, Tan Yu Chuan, Tew Han Kiong and Ngah Seng Moe (collectively referred to as the "Sellers") for the proposed acquisition of 2,500,000 GFSB Shares, representing 100% equity interest in GFSB for a purchase consideration of RM30,566,196.61 ("Purchase Consideration") to be satisfied entirely via cash ("Proposed Acquisition of GFSB").

On 25 July 2023, the Company announced that all the conditions precedent under the SSA have been fulfilled, and with the full settlement of the Purchase Consideration in accordance with the terms of the SSA, the completion of the Proposed Acquisition of GFSB has taken place on 25 July 2023.

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

## B6. INCOME TAX EXPENSE

| | Quarter ended 30 June 2023 RM | Year-to-date 30 June 2023 RM |
|---|---|---|
| Income tax expense | | |
| - Current financial period | 26,257 | 1,265,757 |
| - (Over) provision in prior years | - | (38,608) |
| Deferred tax | | |
| - Current financial period | 657,122 | 178,094 |
| - Over provision in prior years | (676,014) | (676,014) |
| Total tax expense | 7,365 | 729,229 |

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

### B7. UTILISATION OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING AND PRIVATE PLACEMENTS UNDERTAKEN

**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 | Revised expected time frame for utilisation |
|---|---|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | |
| Future acquisitions | 23,635[(2)] | (3,171) | - | 20,464 | Within 30 months[(1)] |
| For working capital | 16,265[(3)] | (2,938) | 2[(4)] | 13,329 | Within 30 months[(1)] |
| Estimated expenses | 210 | (208) | (2)[(4)] | - | Immediate |
| **Total** | **40,110** | **(6,317)** | **0** | **33,793** | |

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.

The Board had on 22 November 2022 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.

Kindly also refer to the quarterly financial result announced by the Company on 22 November 2022 for more details in connection with above.

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

(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 hectarage 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.

(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.

**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.

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

(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 no debt securities in issue as at 30 June 2023.

### 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

The Board has proposed to declare the first and final dividend of 0.16 sen (FY2022: 0.22 sen) per ordinary share in the Company in respect of financial year ended 30 June 2023, the payment of which shall be subject to the shareholders' approval in the Ninth Annual General Meeting of the Company. The entitlement and payment dates shall be determined by the Board and announced later.

### 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 June 2023** | **Year-to-date 30 June 2023** |
|---|---|---|
| Net (loss)/profit attributable to ordinary equity holders of the Company (RM'000) | (1,011) | 2,627 |
| Number of ordinary shares in issue (unit) | 2,389,200,276 | 2,389,200,276 |
| Weighted average number of ordinary shares in issue (unit) | 2,389,200,276 | 2,385,629,865 |
| Basic EPS (sen)(1) | (0.04) | 0.11 |

Note:
(1) Diluted EPS for the quarter and year to date ended 30 June 2023 is equivalent to the basic EPS as the Company does not have convertible options and securities as at the end of the reporting period.

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

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

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

| | Quarter ended 30 June 2023 RM'000 | Year-to-date 30 June 2023 RM'000 |
|---|---|---|
| Interest income | (830) | (2,795) |
| Rental income | (206) | (837) |
| Depreciation and amortisation | 517 | 2,113 |
| Gain on disposal of property, plant and equipment | - | (36) |
| Fair value loss on investment property | 878 | 878 |

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 29 August 2023.

**BY ORDER OF THE BOARD OF DIRECTORS**
**29 AUGUST 2023**