

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 2023 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 2023 including the adoption of the following, where applicable, during the financial period which were effective from 1 January 2023:

MFRS (including the consequential amendments)

- MFRS 17 Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts
- Amendments to MFRS 17 Initial Application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101 Disclosure of Accounting Policies
- Amendments to MFRS 108 Definition of Accounting Estimates
- Amendments to MFRS 112 Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
- Amendments to MFRS 112 International Tax Reform – Pillar Two Model Rules

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:

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

Effective for annual periods commencing on or after 1 January 2024

- Amendments to MFRS 16 Lease Liability in a sale and leaseback
- Amendments to MFRS 101 Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101 Non-current Liabilities with Covenants
- Amendments to MFRS 107 and MFRS 7 Supplier Finance Arrangements

A3. AUDITORS’ REPORT ON PRECEDING AUDITED FINANCIAL STATEMENTS

The preceding year’s audited financial statements, i.e., for financial year ended 30 June 2023, 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.

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

A9. SEGMENTAL INFORMATION

The Group is primarily involved in the cultivation of oil palm and the sale of fresh fruit bunches (“FFB”). The Group operates two plantation estates in Johor, Malaysia. The estate in Tangkak and Segamat spans 1,094.15 hectares (“ha”) with 975.39Ha planted with mature oil palm tree, and 100.94 ha planted with immature durian trees. Another estate in Batu Pahat District covers an area of 56.226 ha out of which 37.64 ha are planted with mature oil palm and 17.09 ha is mature durian plantation. The operating revenue reflected in the financial quarter under review was derived mainly from the operation of the oil palm plantations in both estates.

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 RM10.45 million as at 30 June 2023 which was reflected in the financial year ended 30 June 2023.

A11. CAPITAL COMMITMENTS

There are no material capital commitments incurred by the Group as of 31 December 2023.

A12. EFFECT OF CHANGES IN THE 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 of 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 second financial quarter ended 31st December 2023, the Group recorded operating revenue of RM4.45 million as compared to RM3.88 million in the preceding year's corresponding quarter. Out of the total revenue for the current financial quarter of RM4.45 million, the revenue derived from the sales of FFB was RM4.37 million and the balance of RM0.08 million was from sales of durian from Matang's estate located in Mukim Parit Jawa, Daerah Batu Pahat, Johor.

In comparison with the corresponding quarter in the previous financial year, the increase in operating revenue from oil palm of RM0.49 million, i.e., about 12.6%, was due to the increase FFB production of 1,082 tonnes or 22.7% despite the drop in average price realized for FFB of RM67 per tonne or 8.2%. The FFB production for the current quarter under review was 5,842 tonnes as compared to 4,760 tonnes in the corresponding quarter in the preceding year, while the average FFB price realized decreased from RM815 per tonne in the corresponding quarter in the preceding year to RM748 per tonne in the current quarter.

The cost of sales remains consistent with a slight decrease of RM8,000 as compared to the corresponding quarter in the preceding year. As a result, the Group's gross profit for the current quarter increased from RM2.18 million in the corresponding quarter in the preceding year to RM2.76 million for the current financial quarter under review, reflecting a rise of RM0.58 million or 26.6%.

The Group's other income for the current quarter was lower at RM0.91 million against RM0.98 million for the corresponding quarter in the preceding year. The administration expenses increased from RM1.85 million in the corresponding quarter in the preceding year to RM2.54 million in the current quarter under review mainly due to the higher depreciation of bearer plant and PPE recorded following the successful acquisition of Matang Agriculture and Plantation (Yong Peng) Sdn Bhd.

The Group's profits before taxation for the current quarter were lower at RM1.11 million as compared to RM1.30 million in the preceding year's corresponding quarter, reflecting a decrease of RM0.19 million or about 14.6% primarily because of a decrease in other income and an increase in administrative expenses as explained above. The Group's profit after taxation for the current quarter was slightly lower at RM0.65 million as compared to RM0.95 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 RM1.11 million for the current quarter ended 31 December 2023 as compared to profit before taxation of RM3.01 million for the immediately preceding quarter (i.e., the quarter ended 30 September 2023). Despite the increase in gross profit of RM 0.58 million, profit before tax decreased by RM1.90 million mainly due to the decrease in other income. Higher other income recorded in the immediate preceding quarter mainly due to the assignment of an amount owing of RM1.75 to Matang arising from the acquisition of a subsidiary.

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

B3. COMMENTARY ON PROSPECTS

Monthly CPO price averaged at about RM3,665 per tonne for the current quarter under review which saw slightly lower than the average RM3,810 per tonne for the immediately preceding quarter, i.e., quarter ended 30 September 2023.

Beyond December 2023, the monthly average CPO prices for January 2024 was RM3,783 per tonne with daily prices staying above RM3,622 per tonne in early Jan 2024 to slightly over RM3,980 per tonne on 26 Jan 2024. Barring unforeseen weather conditions, the Group continues its effort to improve FFB production and FFB 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.

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

B5. INCOME TAX EXPENSE

	Quarter ended 31 December 2023 RM	Year-to-date 31 December 2023 RM
Income tax expense		
- Current financial period	457,991	799,608
Deferred tax		
- Current financial period	-	-
Total tax expense	<u>457,991</u>	<u>799,608</u>

B6. 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:

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

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
For working capital	16,265 ⁽³⁾	(4,560)	2 ⁽⁴⁾	11,707	Within 18 months	Within 30 months ⁽¹⁾
Estimated expenses	210	(208)	(2) ⁽⁴⁾	-	Immediate	Immediate
Total	40,110	(28,403)	0	11,707		

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⁾ (a) The initial time frame for utilisation of the proceeds were as follows:
- (i) 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
 - (ii) 18 months from the date of receipt of funds on 19 May 2021 for RM20.05 million in respect of Proposed Private Placement II.
- (b) The Board had earlier on 22 November 2022 resolved that the period of utilisation of proceeds from PP 2021 for the future acquisitions and for working capital purposes of the new oil palm plantations, durian plantations, and/or new land bank acquired be extended within 30 months from the date of receipt of the funds, i.e., to 7 December 2023 in respect of proceeds from Proposed Private Placement I and to 18 November 2023 in respect of proceeds from Proposed Private Placement II.
- (c) Subsequently, the Company had on 25 July 2023 completed the acquisition of the entire shares in Matang Agriculture and Plantation (Yong Peng) Sdn Bhd (formerly known as Greencode Farm Sdn Bhd) ("MAPYP") for which the total purchase consideration of RM30.566 million together with some incidental costs and expenditure of RM0.29 million less retention sum of RM0.20 million has been paid using:
- (i) RM23.635 million proceeds from PP 2021 allocated for acquisition purposes; and
 - (ii) RM7.021 million proceeds from PP 2022 allocated for acquisition purposes. Kindly refer to Page 8 to Page 9 for further details of PP 2022.
- (d) Further to the above, as of 31 December 2023, the Company has a balance of RM11.71 million unutilised proceeds out of total proceeds of RM40.11 million raised from PP2021.

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

- (e) Premised on:
- (i) the intention of the Board to continue securing additional acquisitions of new oil palm plantation(s) and/or durian plantation(s) and/or additional plantation land bank within Malaysia further to the completion of the acquisition of MAPYP, and
 - (ii) the condition as set out in the Circular to shareholders of the Company dated 12 May 2021 that the proceeds of the PP 2021 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,

the Board has on the date of announcement of this quarterly result resolved that:

- (i) the balance unutilised working capital of RM11.71 million as at 31 December 2023 be used in the future for working capital purposes of the Group, and
- (ii) in the event of any of the future acquisition(s) of new oil palm plantation(s), durian plantation(s), and/or new land bank for the aforesaid plantation purposes arise or materialise, the Board shall re-allocate any balance amount unutilised to satisfy the purchase consideration arising from such acquisition(s).

The Board shall continue to expeditiously utilise the balance proceeds from the PP 2021 in cautious and prudent manners.

- (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.

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	Initial time frame for utilisation	Revised expected time frame for utilisation
	RM'000	RM'000	RM'000	RM'000		
Future acquisitions	21,010	(7,021)	31 ⁽²⁾	14,020	Within 18 months	Within 30 months ⁽¹⁾
Estimated expenses	80	(49)	(31) ⁽²⁾	-	Immediate	Immediate
Total	21,090	(7,070)	0	14,020		

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⁾ The initial time frame for utilisation of the proceeds was 18 months from the date of receipt of the funds on 6 July 2022 for RM21.09 million in respect of PP2022.

Up to 31 December 2023, out of the total proceeds of RM21.09 million raised in total under PP 2022, the Group has utilised approximately RM7.07 million, most of which formed partial payment made on 25 July 2023 to the vendors of shares in MAPYP towards satisfying the total purchase consideration of RM30.566 million less retention sum of RM0.20 million.

Further to 25 July 2023, the Company has been evaluating a number of potential acquisitions including eventually submitting a tender bid in early December 2023 for the acquisition of 442 hectares or approximately 1,092.20 acres of oil palm plantations identified as Muar Itam Estate located in Mukim of Parit Jawa, Daerah of Muar, in State of Johor. However, the Company was informed on 17 January 2024 of its unsuccessful bid for the Muar Itam Estate.

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

As of the date of this quarterly report, the Company is evaluating a durian plantation in Negeri Sembilan and an oil palm plantation in Johor. As a continuous effort in securing additional new oil palm plantation(s) and/or durian plantation(s) and/or additional land bank for the same, the Board has on the date of this quarterly financial report resolved that the period of utilisation of proceeds from PP 2022 for the future acquisitions to be extended within 30 months from the date of receipt of the funds, i.e., to 5 January 2025.

The above extension of timeframe to utilisation the proceeds raised from PP 2022 shall be herein referred to as "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 2022 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) RM31,061 balance unutilised for estimated expenses has subsequently been re-allocated for future acquisition purposes.

B7. GROUP'S BORROWINGS AND DEBT SECURITIES

The Group has no borrowing and the Group has no debt securities in issue as at 31 December 2023.

B8. 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.

B09. DIVIDEND

On 29 August 2023, 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 scheduled on 22 November 2023.

The entitlement and payment dates for the final dividend in respect of financial year ended 30 June 2023 is 18 December 2023 and 8 January 2024 respectively.

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

B10. 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 31 December 2023	Year-to-date 31 December 2023
Net profit attributable to ordinary equity holders of the Company (RM'000)	654	3,325
Number of ordinary shares in issue (unit)	2,389,200,276	2,389,200,276
Basic EPS (sen) ⁽¹⁾	0.03	0.14

Note:

⁽¹⁾ Diluted EPS of the Company for the quarter and year to date ended 31 December 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.

B11. 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 31 December 2023 RM'000	Year-to-date 31 December 2023 RM'000
Interest income	(574)	(1,185)
Rental income	(207)	(413)
Depreciation and amortisation	1,045	1,641

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

B12. AUTHORISATION FOR ISSUE

The interim financial report was authorised for issue by the Board of Directors on 28 February 2024.

**BY ORDER OF THE BOARD OF DIRECTORS
 28 FEBRUARY 2024**