

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANK MANAGER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

This Circular has been reviewed by UOB Kay Hian Securities (M) Sdn Bhd, being the Adviser to Matang Berhad for the Proposed Private Placement (as defined herein).

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, valuation certificate and report, if any, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



MATANG BERHAD

Registration No.: 201501017043 (1142377-X)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED PRIVATE PLACEMENT OF 181,000,000 NEW ORDINARY SHARES IN MATANG BERHAD ("PLACEMENT SHARE(S)") ("MATANG" OR THE "COMPANY"), REPRESENTING APPROXIMATELY 10% OF THE TOTAL ISSUED SHARES OF MATANG, TO HUAREN HOLDINGS SDN BHD, A MAJOR SHAREHOLDER OF THE COMPANY, AT AN ISSUE PRICE OF RM0.1108 PER PLACEMENT SHARE ("PROPOSED PRIVATE PLACEMENT")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB Kay Hian Securities (M) Sdn Bhd

Registration No.: 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting of Matang ("**EGM**") which is scheduled to be conducted virtually through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Friday, 28 May 2021 at 11.00 a.m. or at any adjournment thereof, together with the Proxy Form are enclosed herein.

A member entitled to attend, participate, speak and vote remotely at the EGM via the Remote Participation and Voting facilities provided is entitled to appoint a proxy or proxies (not more than 2) to attend, participate, speak and vote on his/ her behalf. In such event, the completed and signed Proxy Form should be lodged at the Share Registrar's Office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or by electronic lodgement via TIIH Online website at <https://tiih.online>, not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Wednesday, 26 May 2021 at 11.00 a.m.

Date and time of the EGM : Friday, 28 May 2021 at 11.00 a.m.

This Circular is dated 12 May 2021

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	The Companies Act 2016
"Board"	:	The Board of Directors of Matang
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Circular"	:	This circular dated 12 May 2021
"Director(s)"	:	The director(s) of Matang and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007
"EGM"	:	The forthcoming Extraordinary General Meeting of the Company
"EPS"	:	Earnings per share
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended/ ending
"Huaren" or the "Investor"	:	Huaren Holdings Sdn Bhd
"Issue Price"	:	RM0.1108 per Placement Share pursuant to the Subscription Agreement
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"LPD"	:	3 May 2021, being the latest practicable date prior to the printing and despatch of this Circular
"LTD"	:	5 April 2021, being the last trading date immediately preceding the date of the Subscription Agreement
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
"Matang" or the "Company"	:	Matang Berhad
"Matang Group" or the "Group"	:	Matang and its subsidiaries, collectively
"Matang Share(s)" or the "Share(s)"	:	Ordinary share(s) in Matang
"NA"	:	Net assets attributable to the owners of the Company
"PAT/ (LAT)"	:	Profit after taxation/ (Loss) after taxation
"PBT/ (LBT)"	:	Profit before taxation/ (Loss) before taxation
"Placement Share(s)"	:	181,000,000 new Matang Shares to be issued to the Investor pursuant to the Proposed Private Placement

DEFINITIONS (CONT'D)

"Proposed Placement"	Private	:	Proposed private placement of 181,000,000 new Matang Shares, representing approximately 10% of the total issued shares of Matang, to the Investor, a major shareholder of the Company, at the Issue Price
"RM" and "sen"		:	Ringgit Malaysia and sen, respectively
"Subscription Agreement"		:	The subscription agreement dated 6 April 2021 entered into between Matang and the Investor for the subscription of the Placement Shares at the Issue Price, to be satisfied in full via cash in accordance with the terms and conditions of the Subscription Agreement
"UOBKH" or "Adviser"	the	:	UOB Kay Hian Securities (M) Sdn Bhd
"VWAP"		:	Volume weighted average market price

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Private Placement. You are advised to read this Circular in its entirety for further details of the Proposed Private Placement and not to rely solely on this Executive Summary in forming a decision on the Proposed Private Placement before voting at the EGM.

Key information	Description	Reference to Circular															
Details of the Proposed Private Placement	<p>The Proposed Private Placement entails the issuance of 181,000,000 Placement Shares to the Investor, representing approximately 10% of the total issued shares of Matang. Accordingly, Bursa Securities had vide its letter dated 3 May 2021, resolved to approve the listing and quotation for 181,000,000 Placement Shares on the ACE Market of Bursa Securities, subject to the conditions as set out in Section 7 of this Circular.</p> <p>The Issue Price was arrived at between the Company and the Investor on a willing-buyer willing-seller basis after taking into consideration the 5-day VWAP of Matang Shares up to and including 5 April 2021, being the LTD, of RM0.1231 per Matang Share. Accordingly, the Issue Price represents a discount of approximately 9.99% to the 5-day VWAP of Matang Shares up to and including the LTD.</p> <p>Further, the Board had also taken into consideration the following justifications in arriving at the Issue Price:-</p> <ol style="list-style-type: none"> the historical market prices of Matang Shares for the past 12 months; the Board's intention to fully place out the 181,000,000 Placement Shares to meet the funding objectives of Matang Group as set out in Section 2.6 of this Circular; and the signing of the Subscription Agreement will secure the Investor upfront, which provides greater certainty that the Group will raise the necessary gross proceeds on an expedient basis to meet its fundraising objectives. 	Section 2															
Utilisation of proceeds	<p>Based on the Issue Price of RM0.1108 per Placement Share, the gross proceeds to be raised and the intended utilisation by Matang Group are set out below:-</p> <table border="1"> <thead> <tr> <th>Details of utilisation</th> <th>Timeframe for utilisation from receipt of placement funds</th> <th>Proceeds to be raised RM'000</th> </tr> </thead> <tbody> <tr> <td>Future acquisitions</td> <td>Within 18 months</td> <td>17,000</td> </tr> <tr> <td>For working capital</td> <td>Within 18 months</td> <td>2,950</td> </tr> <tr> <td>Estimated expenses</td> <td>Immediate</td> <td>105</td> </tr> <tr> <td>Total</td> <td></td> <td>20,055</td> </tr> </tbody> </table>	Details of utilisation	Timeframe for utilisation from receipt of placement funds	Proceeds to be raised RM'000	Future acquisitions	Within 18 months	17,000	For working capital	Within 18 months	2,950	Estimated expenses	Immediate	105	Total		20,055	Section 2.6
Details of utilisation	Timeframe for utilisation from receipt of placement funds	Proceeds to be raised RM'000															
Future acquisitions	Within 18 months	17,000															
For working capital	Within 18 months	2,950															
Estimated expenses	Immediate	105															
Total		20,055															
Rationale and justifications for the Proposed Private Placement	<ul style="list-style-type: none"> To raise the requisite funds to meet the Group's funding requirements as set out in Section 2.6 of this Circular. Enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings, which may affect the Group's bottom line. 	Section 3															

EXECUTIVE SUMMARY

Key information	Description	Reference to Circular
	<ul style="list-style-type: none">To provide an expeditious way of raising funds from the capital market as opposed to other forms of fund raising such as a rights issue. Upon completion of the Proposed Private Placement, the Company's enlarged capital base is also expected to further strengthen the financial position of the Company.The Subscription Agreement provides greater certainty that the Group will raise the gross proceeds to meet the fundraising objectives as set out in Section 2.6 of this Circular.	
Approvals required/ obtained	<p>The Proposed Private Placement is subject to the following approvals being obtained:-</p> <ul style="list-style-type: none">Bursa Securities, which was obtained on 3 May 2021;Shareholders of Matang, at the EGM; andAny other relevant authority, if required.	Section 7
Interests Of Directors, major shareholders, chief executive and/ or persons connected to them	<p>Save as disclosed below, none of the Directors, major shareholders, chief executive of Matang and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement:-</p> <ul style="list-style-type: none">the Investor (i.e. Huaren);MCA;Rohua Sdn Bhd;Datuk Ir Low Ah Keong; andDato' Ng Keng Heng. <p>Accordingly, the Investor, MCA, Rohua Sdn Bhd, Datuk Ir Low Ah Keong and Dato' Ng Keng Heng (collectively referred to as the "Interested Parties") are deemed interested in the Proposed Private Placement (Datuk Ir Low Ah Keong and Dato' Ng Keng Heng are collectively referred to as the "Interested Directors").</p> <p>As such, the Interested Directors have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings in relation to the Proposed Private Placement.</p> <p>Further, the Interested Parties will abstain from voting and will also ensure that the persons connected with them, if any, will abstain from voting in respect of their direct and/ or indirect shareholdings in the Company, if any, on the resolutions pertaining to the Proposed Private Placement to be tabled at the EGM.</p>	Section 8
Directors' statement And recommendation	<p>The Board (save for the Interested Directors), having considered all aspects of the Proposed Private Placement including, amongst others, the rationale of the Proposed Private Placement and the terms and conditions of the Subscription Agreement, is of the opinion that the Proposed Private Placement is in the best interest of the Company. Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the resolution pertaining to the Proposed Private Placement at the EGM.</p>	Section 11



MATANG BERHAD

Registration No.: 201501017043(1142377-X)
(Incorporated in Malaysia)

Registered Office

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

12 May 2021

Board of Directors

Dato' Foong Chee Meng (*Independent Non-Executive Chairman*)
Datuk Ir Low Ah Keong (*Executive Director*)
Dato' Ng Keng Heng (*Executive Director*)
Yeo Kwee Kwang (*Independent Non-Executive Director*)
Tew Boon Chin (*Independent Non-Executive Director*)
Datuk Teoh Sew Hock (*Non-Independent Non-Executive Director*)
Lim Chin Hock (*Non-Independent Non-Executive Director*)

To: The shareholders of Matang Berhad

Dear Sir/ Madam,

PROPOSED PRIVATE PLACEMENT

1. INTRODUCTION

On 6 April 2021, UOBKH had, on behalf of the Board, announced that the Company proposed to undertake, amongst others, a private placement of 181,000,000 Placement Shares, representing approximately 10% of the total issued shares of Matang, to Huaren, a major shareholder of the Company, at the Issue Price.

On 3 May 2021, UOBKH had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 3 May 2021, resolved to approve the listing and quotation for 181,000,000 Placement Shares on the ACE Market of Bursa Securities, subject to the conditions as set out in Section 7 of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED PRIVATE PLACEMENT AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED PRIVATE PLACEMENT TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

Matang had on 6 April 2021 entered into the Subscription Agreement with the Investor, for the Proposed Private Placement.

The subscription of the Placement Shares will be satisfied entirely via cash in accordance with the terms and conditions of the Subscription Agreement. Please refer to Appendix I of this Circular for the salient terms of the Subscription Agreement.

Pursuant to the terms and conditions of the Subscription Agreement, 181,000,000 Placement Shares will be placed out to the Investor, a major shareholder of the Company, at the Issue Price.

In accordance with the terms and conditions of the Subscription Agreement, the Investor has undertaken, subject to all approvals being obtained for the Proposed Private Placement, to subscribe and make payment for the 181,000,000 Placement Shares within 5 markets days from the date of the EGM.

2.1 Placement size

As at the LPD, the total issued share capital of Matang was RM183,870,827 comprising 1,810,000,256 Matang Shares. The Proposed Private Placement entails the issuance of 181,000,000 Placement Shares to the Investor, representing approximately 10% of the total issued shares of Matang.

2.2 Information on the Investor

Huaren was incorporated on 4 February 1977 in Malaysia under the Companies Act 1965 as a private limited company, and is deemed registered under the Act. It is principally involved in the business of investment holding.

As at the LPD, the issued share capital of Huaren is RM50,000,000 comprising 50,000,000 ordinary shares in Huaren. The directors of the Huaren are Dato' Lim Cheng Ling, Dato' Lee Chee Leong and Datuk Ir. Low Ah Keong, all of whom are Malaysian.

The details of the substantial shareholder and its shareholdings in Huaren as at the LPD are as follows:-

Shareholder	Place of incorporation	No. of shares	%
Malaysian Chinese Association (" MCA ")	Malaysia	49,999,998	100.00

Huaren is currently a major shareholder of Matang, holding 11.48% direct equity interest in the Company. As such, as set out in Section 8 of this Circular, Huaren will abstain from voting and will also ensure that the persons connected with it, if any, will abstain from voting in respect of their direct and/ or indirect shareholdings in the Company, if any, on the resolution pertaining to the Proposed Private Placement to be tabled at the EGM.

Huaren has confirmed, vide its funding confirmation letter dated 5 April 2021, that it has sufficient financial resources available to subscribe for 181,000,000 Placement Shares at the Issue Price, and such confirmation has been verified by UOBKH, being the Adviser and Placement Agent for the Proposed Private Placement.

The subscription of the Placement Shares by Huaren will not give rise to any mandatory general offer obligation pursuant to the Rules on Take-overs, Mergers and Compulsory Acquisitions.

2.3 Basis and justification for the Issue Price

The Issue Price was arrived at between the Company and the Investor on a willing-buyer willing-seller basis after taking into consideration the 5-day VWAP of Matang Shares up to and including 5 April 2021, being the LTD, of RM0.1231 per Matang Share.

Accordingly, the Issue Price represents a discount of approximately 9.99% to the 5-day VWAP of Matang Shares up to and including the LTD.

Further, the Board had also taken into consideration the following justifications in arriving at the Issue Price:-

- i. the Issue Price represents the following discount/ premium to the following historical market prices of Matang Shares up to and including the LTD:-

	Share price RM	(Discount)/ premium RM	%
Last transacted price of Matang Shares as at the LTD	0.1300	(0.0192)	(14.77)
Up to and including the LTD:-			
5-day VWAP of Matang Shares	0.1231	(0.0123)	(9.99)
1-month VWAP of Matang Shares	0.1167	(0.0059)	(5.06)
3-month VWAP of Matang Shares	0.1121	(0.0013)	(1.16)
6-month VWAP of Matang Shares	0.1075	0.0033	3.07
12-month VWAP of Matang Shares	0.0991	0.0117	11.81

- ii. the Board's intention to fully place out the 181,000,000 Placement Shares to the Investor at a price deemed attractive as well as acceptable to the Company to meet the funding objectives of Matang Group as set out in Section 2.6 of this Circular; and

- iii. as set out in Section 2.6 of this Circular, the majority of the proceeds to be raised from the Proposed Private Placement based on the Issue Price is intended to be utilised for the Group's future acquisition of oil palm plantation(s), durian plantation(s) and/ or land bank, of which the Group has already received several investment proposals and is currently in various stages of evaluation and/ or negotiation on the said proposals with the respective counterparties. Thus, the signing of the Subscription Agreement will secure the Investor upfront, which provides greater certainty that the Group will raise the necessary gross proceeds on an expedient basis to meet the abovementioned fundraising objectives, as part of the Group's business plan to expand its existing oil palm and durian business.

Premised on the above, the Board considers the Issue Price to be fair and reasonable.

2.4 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Placement Shares.

2.5 Listing and quotation for the Placement Shares

The Placement Shares to be issued will be listed and quoted on the ACE Market of Bursa Securities. Approval for the listing and quotation for the Placement Shares on the ACE Market of Bursa Securities has been obtained via Bursa Securities' approval letter dated 3 May 2021.

2.6 Utilisation of proceeds

Based on the Issue Price of RM0.1108 per Placement Share, the gross proceeds to be raised and the intended utilisation by Matang Group are set out below:-

Details of utilisation	Timeframe for utilisation from receipt of placement funds	Proceeds to be raised RM'000
Future acquisitions ^{*1}	Within 18 months	17,000
For working capital ^{*2}	Within 18 months	2,950
Estimated expenses ^{*3}	Immediate	105
Total		20,055

Notes:-

^{*1} The Group intends to utilise the above earmarked proceeds to be raised from the Proposed Private Placement 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.

As at the date of this Circular, the Group has received several investment proposals in relation to the abovementioned future acquisitions and is currently in various stages of evaluation and/ or negotiation on 6 such proposals with the respective counterparties. For shareholders' information, the investment proposals in various stages of evaluation and/ or negotiation involve plantations located in various states including Johor, Kelantan, Pahang, Selangor and Sarawak. Subject to, amongst others, the management's confirmation on the viability as well as the approval of the Board for the same, the Group anticipates that it shall be able to finalise the negotiation on any one of the said investment proposals by end-December 2021. The Group shall make the requisite announcements and/ or shall seek shareholders' approval in accordance with the Listing Requirements as and when new investment(s) and the terms of negotiation are finalised.

However, in the event the Group is unable to finalise any suitable and viable acquisitions of oil palm plantation(s), durian plantation(s) and/ or additional land bank within the permitted timeframe, the proceeds earmarked for future acquisitions will continue to be placed as deposits with licensed financial institutions or short-term money market instruments, until such time when the Board is able to finalise a suitable and viable investment opportunity. Any interest income earned from such deposits or any gains arising from the instruments will be used to fund the working capital of the Group, the details and breakdown of which has yet to be determined at this juncture.

^{*2} The Group intends to utilise the above earmarked proceeds from the Proposed Private Placement to partially finance the working capital requirements of the Group's abovementioned future acquisitions and existing durian plantation of 43.79 hectares ("**First Durian Plantation**"), which is located within the existing oil palm plantation estate of 1,094.15 hectares of Matang in Johor ("**Matang Estate**"). An indicative breakdown of the utilisation of proceeds from the Proposed Private Placement for working capital is as follows:-

Details of utilisation	Indicative percentage allocation (%)	Indicative amount allocation (RM'000)
Third-party contractor fees for the upkeep, maintenance and management of the First Durian Plantation.	24.0	700
Development and operational expenditure (including upkeep and maintenance costs) of new/ additional hectareage of durian plantation within the Matang Estate. Such costs shall include but not limited to purchase of equipment and raw materials, payment of third-party contractor fees and/ or staff costs for the purposes of land clearing, earthworks and planting as well as maintaining of durian trees.	34.0	1,000

Details of utilisation	Indicative percentage allocation (%)	Indicative amount allocation (RM'000)
<i>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). Such costs shall include but not limited to purchase of equipment and raw materials, payment of third-party contractor fees and/ or staff costs for the purposes of land clearing, earthworks and planting as well as maintaining of oil palm and/ or durian trees.</i>	42.0	1,250
Total	100.0	2,950

The actual breakdown of the utilisation of proceeds from the Proposed Private Placement for working capital is subject to the Group's operational requirements at the time of utilisation and as such can only be determined at a later stage.

³ *The proceeds earmarked for estimated expenses in relation to the Proposed Private Placement will be utilised as set out below:-*

	RM'000
<i>Professional fees</i>	65
<i>Regulatory fees</i>	15
<i>Other incidental expenses in relation to the Proposed Private Placement</i>	25
Total	105

Any variation in the actual amount of the expenses will be adjusted in the portion of the proceeds to be utilised for working capital.

Pending the utilisation of proceeds from the Proposed Private Placement for the above purposes, the proceeds would be placed as deposits with licensed financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits with financial institutions or any gains arising from the instruments will be used as working capital of the Group, the details and breakdown of which has yet to be determined at this juncture.

Should the Board wishes to vary the utilisation of proceeds as allocated above, Matang will first make the relevant announcement, and procure shareholders' approval for the variation of the use of funds if the variance of the utilisation of proceeds is equal to or more than 25% from the intended purpose of utilisation of proceeds as disclosed above.

2.7 Other fund raising exercises in the past 12 months

For shareholders' information, on 6 April 2021, the Company had announced, amongst others, the proposed private placement of up to 20% of the total issued shares of Matang (excluding treasury shares, if any) to third-party investor(s) to be identified later at an issue price to be determined later in accordance with the general mandate pursuant to Sections 75 and 76 of the Act ("**Proposed Private Placement II**").

On 3 May 2021, the Company had announced that Bursa Securities had vide its letter dated 3 May 2021, resolved to approve the listing and quotation for up to 398,200,051 new Matang Shares on the ACE Market of Bursa Securities, subject to the conditions as set out in the said announcement. As at the LPD, the price-fixing for the Proposed Private Placement II has yet to be implemented and no proceeds have been raised under this placement.

For avoidance of doubt, as at the LPD, the Company has yet to identify any third-party investor(s) for the Proposed Private Placement II, as such, the actual gross proceeds to be raised from the Proposed Private Placement II are dependent on the successful procurement/ identification of third-party investor(s), the issue price to be determined later and the actual number of placement shares to be issued.

For illustrative purpose, assuming 398,200,051 new Matang Shares are issued under the Proposed Private Placement II at an indicative issue price of RM0.1108 (which represents a discount of approximately 4.48% to the 5-day VWAP of Matang Shares up to and including the LPD of RM0.116 per Matang Share), the gross proceeds to be raised and the intended utilisation by Matang Group are set out below:-

Proposed utilisation	Timeframe for utilisation from receipt of placement funds	Proceeds to be raised RM'000
Future acquisitions ^{*1}	Within 18 months	16,500
For working capital ^{*2}	Within 18 months	27,516
Estimated expenses ^{*3}	Immediate	105
Total		44,121

Notes:-

^{*1} The Group intends to utilise the above earmarked proceeds to be raised from the Proposed Private Placement II 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.

As at the date of this Circular, the Board is still exploring potential acquisitions as mentioned above and the terms of any such acquisitions have yet to be determined. The Group shall make the requisite announcements and/ or shall seek shareholders' approval in accordance with the Listing Requirements as and when new investment(s) are identified and the terms of negotiation are finalised.

^{*2} The Group intends to utilise the above earmarked proceeds from the Proposed Private Placement II to partially finance the working capital requirements of the Group's abovementioned future acquisitions and the First Durian Plantation, which is located within the Matang Estate.

As the Company has yet to identify any third-party investor(s) for the Proposed Private Placement II as at the LPD, the actual gross proceeds to be raised from the Proposed Private Placement II are dependent on the successful procurement/ identification of third-party investor(s), the issue price to be determined later and the actual number of placement shares to be issued. As such, the breakdown of the utilisation of proceeds from the Proposed Private Placement II for working capital cannot be determined as at the LPD.

Nevertheless, an indicative breakdown of the utilisation of proceeds from the Proposed Private Placement II for working capital is as follows:-

Details of utilisation	Indicative percentage allocation (%)	Indicative amount allocation (RM'000)
Third-party contractor fees for the upkeep, maintenance and management of the First Durian Plantation.	1.0	264
Development and operational expenditure (including upkeep and maintenance costs) of new/ additional hectareage of durian plantation within the Matang Estate.	12.7	3,500
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).	86.3	23,752
Total	100.0	27,516

Any deficit in the actual quantum of funds raised for the above working capital purposes will be funded via internally generated funds and/ or borrowings. However, in the event of any excess in the actual quantum raised to meet the above working capital requirements at the relevant point in time, such proceeds amount will be adjusted against the existing working capital requirements of the Group, including amongst others fertilisers, chemicals and diesel, staff cost and administrative expenses (including, amongst others, foreign worker recruitment and renewal expenses, consultancy fees, staff medical expenses and insurance).

The Proposed Private Placement II may be implemented in tranches, and the breakdown of the utilisation of proceeds from each tranche for working capital is subject to the Group's operational requirements at the time of utilisation and as such can only be determined at a later stage.

³ *The proceeds earmarked for estimated expenses in relation to the Proposed Private Placement II will be utilised as set out below:-*

	RM'000
<i>Professional fees</i>	65
<i>Regulatory fees</i>	15
<i>Other incidental expenses in relation to the Proposed Private Placement II</i>	25
Total	105

Any variation in the actual amount of the expenses will be adjusted in the portion of the proceeds to be utilised for working capital.

The abovementioned proceeds earmarked for working capital may be partly reallocated towards the amount earmarked for potential future 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 acquisitions, which have yet to be determined or finalised.

The actual gross proceeds to be raised from the Proposed Private Placement II are dependent on, amongst others, the issue price to be determined later and the number of placement shares to be issued. Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount allocated for working capital.

Save for the Proposed Private Placement and the Proposed Private Placement II, the Company has not undertaken any other fund raising exercises in the 12 months prior to the date of this Circular.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement is undertaken by the Company to raise the requisite funds to meet the Group's funding requirements as set out in Section 2.6 of this Circular. A portion of the gross proceeds to be raised from the Proposed Private Placement is intended to finance 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). Such future acquisitions are anticipated to grow the Group's existing oil palm and durian plantation business. In line with the above, most of the balance proceeds from the Proposed Private Placement is intended to partially finance the working capital requirements of the Group's First Durian Plantation as well as of the abovementioned future acquisitions without first relying on internally generated funds and/ or bank borrowings, thereby providing the Group flexibility in respect of financial allocations for its operational requirements. Such financial flexibility is expected to enable the Group to carry out its future operations in a more efficient manner.

After due consideration of the various methods of fund raising, the Board opines that the Proposed Private Placement is the most appropriate avenue of fund raising as the Proposed Private Placement enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings, which may affect the Group's bottom line.

The Proposed Private Placement also provides the Company an expeditious way of raising funds from the capital market as opposed to other forms of fund raising such as a rights issue. Upon completion of the Proposed Private Placement, the Company's enlarged capital base is also expected to further strengthen the financial position of the Company.

In addition, the Board considers the Subscription Agreement and the Proposed Private Placement to provide greater certainty that the Group will raise the gross proceeds to meet the fundraising objectives as set out in Section 2.6 of this Circular. The intended subscription of Placement Shares by Huaren, being a major shareholder of the Company, indicates its continued commitment by making further investments into Matang Group to support its expansion and growth plan.

4. INDUSTRY OUTLOOK AND OVERVIEW AND FUTURE PROSPECTS OF THE GROUP

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy recorded a negative growth of 3.4% in the fourth quarter of 2020 (3Q 2020: -2.6%), largely attributable to the imposition of the Conditional Movement Control Order on a number of states since mid-October. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activity. Nevertheless, the continued improvement in external demand provided support to growth. Consequently, except for manufacturing, all economic sectors continued to record negative growth. On the expenditure side, moderating private consumption and public investment activities weighed on domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 0.3% (3Q 2020: +18.2%).

Domestic demand recorded a decline of 4.4% in the fourth quarter of 2020 (3Q 2020: -3.3%), mainly due to the subdued private consumption and public investment activities. Net exports grew by 12.4% (3Q 2020: 21.9%), with continued expansion in manufactured exports. Private consumption contracted by 3.4% (3Q 2020: -2.1%). Household spending was subdued amid continued weaknesses in income and employment conditions during the quarter. Spending was also affected by tighter movement restrictions in selected states. Nevertheless, the decline in physical spending was partly mitigated by the continued acceleration in online spending. During the quarter, consumer expenditure also remained supported by various stimulus measures including the EPF i-Lestari withdrawals, the continued support to affected borrowers under the Targeted Repayment Assistance and lower passenger car sales tax. Meanwhile, public consumption continued to expand, albeit at a more moderate pace of 2.7% in the fourth quarter of 2020 (3Q 2020: 6.9%), supported by spending in emoluments.

Gross fixed capital formation contracted further by 11.9% (3Q 2020: -11.6%), as capital spending from both private and public sectors remained relatively weak. By type of asset, investment in structures contracted by 13.1% (3Q 2020: -12.9) while investment in machinery & equipment declined by 9.0% during the quarter (3Q 2020: -8.3%). Private investment recorded a smaller decline of 7.0% (3Q 2020: -9.3%), mainly supported by continued capital spending in existing projects, particularly in the export-oriented industries. Meanwhile, public investment registered a larger decline of 19.8% (3Q 2020: -18.6%). This reflects lower spending on fixed assets by the general government and weaker demand in most sectors which continued to weigh on capital spending by public corporations.

(Source: Developments in the Malaysian Economy, Economic and Financial Developments in the Malaysian Economy in the Fourth Quarter of 2020, Bank Negara Malaysia)

The Government has announced several stimulus packages totalling RM305 billion to support both households and businesses. Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half. Thus, Malaysia's GDP is expected to contract by 4.5% in 2020 (2019: +4.3%), before rebounding between 6.5% and 7.5% in 2021. With the bold and swift measures undertaken Malaysia has been recognised as one of the most successful countries in managing the socio-economic impact of the pandemic.

Domestic demand is expected to contract by 3% in 2020, with private and public sectors' spending declining by 3.2% and 2.1%, respectively. In the first half of 2020, domestic demand declined significantly by 7.7%, amid restricted movements to contain the COVID-19 pandemic. Nevertheless, the announcement of various stimulus packages and the gradual resumption of economic activities are expected to restore business and consumer confidence in the second half of the year. Hence, domestic demand is anticipated to turnaround to 1.5% during the period and expand further by 6.9% in 2021.

Private consumption declined by 6% during the first half of 2020, affected by the implementation of the Movement Control Order ("**MCO**"). However, household spending is anticipated to pick up during the second half of the year, on the back of various stimulus packages aimed at providing support to households and businesses. The measures include a moratorium on loan repayments, temporary optional reduction in employees' contributions to the Employees Provident Fund and discounts on electricity bill as well as low interest rates. As a result, private consumption is projected to rebound by 4.2% in the second half, cushioning overall consumption activities, which is expected to record a marginal decrease of 0.7% in 2020.

Private consumption is anticipated to increase by 7.1% in 2021, mainly supported by higher disposable income arising from buoyant domestic economic activities, stronger export earnings, accommodative financial stance, extension of tax relief on childcare and favourable stock market conditions. Better job prospects, following broader improvement in the economy and measures addressing employability, are also expected to contribute to household spending. Furthermore, the expected recovery in the tourism-related industries following tax incentives on domestic tourism expenses for households will also provide additional impetus to private sector spending. As the nation rapidly shifts towards adopting digitalisation, the broader availability of various e-commerce platforms and rollout of fifth generation cellular network ("**5G**") technology will facilitate economic activities.

(Source: *Economic Outlook 2021, Ministry of Finance Malaysia*)

4.2 Overview and outlook for the oil palm industry in Malaysia

In the fourth quarter of 2020, production of fresh fruit bunches ("**FFB**") decreased by 1.8 per cent with 22,821,087 tonnes (Q4 2019: 23,230,619 tonnes). However, production of FFB increased 0.7 per cent in January 2021 with 6,006,022 tonnes (January 2020: 5,966,128 tonnes).

In the meantime, the average production of FFB decreased from 1.19 tonnes/hectare in December 2020 to 1.04 tonnes/hectare in January 2021. The average production by region shows that Peninsular Malaysia produced 1.04 tonnes/hectare and Sabah/Sarawak was 1.05 tonnes/hectare in January 2021, as set out below:-

Average Production of Fresh Fruit Bunches, January 2020 - January 2021

Region	2020												2021
	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec	Jan
Malaysia	1.06	1.10	1.19	1.41	1.44	1.65	1.59	1.62	1.65	1.50	1.33	1.19	1.04
Peninsular Malaysia	0.96	1.15	1.30	1.57	1.49	1.84	1.76	1.77	1.77	1.55	1.37	1.23	1.04
Sabah/ Sarawak	1.13	1.06	1.06	1.27	1.40	1.50	1.45	1.50	1.55	1.47	1.29	1.16	1.05

The major exports' destination of palm oil remained to India (15.1%) and the People's Republic of China ("**China**") (12.0%) in January 2021. However, month-on-month comparison indicates that exports to China and India decreased 74.7 per cent and negative 23.0 per cent respectively. Besides India and China, Netherlands (6.9%), Iran (5.8%), Japan (5.1%) and Turkey (5.1%) which contributed 50 per cent of palm oil exports were also the major destinations for Malaysia. Exports to the European Union (EU) decreased 46.3 per cent compared to January 2020 (181,290 tonnes).

CPO ("**CPO**") production in 2020 was 19,140,613 tonnes, decreased 3.6 per cent from 2019 (19,858,367 tonnes). Highest CPO production was recorded in June 2020 (1,885,742 tonnes) which accounted for 9.9 per cent of total CPO production in 2020. This is due to the continued operation of the oil palm industry in the particular month as compared to the first quarter of 2020 which was disrupted by the MCO. In addition, it was also driven by tax exemptions provided under the "Pelan Jana Semula Ekonomi Negara" or "PENJANA" to assist the current country's stock level while stabilising CPO prices.

(Source: *Malaysian Economic Statistics Review Vol.2/2021, Department of Statistics, Malaysia*)

So far in 2021, palm oil production in January has not shown any signs of recovery primarily due to heavy rains and flooding which halted harvesting and processing activities. The re-imposition of MCO in mid-January will also impact production although palm oil industry is considered as an essential sector and activities are allowed to resume as normal. However, this is seen as a temporary setback as palm oil production in Malaysia is expected to recover from March onwards which is the peak production period of palm oil.

It is forecast that in 2021, Malaysian palm oil production will likely reach close to 20 million metric tonnes which will be contributed by the maturing oil palm areas that were replanted in 2018 as well as better FFB yields. The recent change in export tax structure in Indonesia which incentivizes processed palm oil exports and make CPO of Indonesian origin to be more costly will likely shift demand for CPO from Indonesia to Malaysia.

Malaysian crude palm oil ("**CPO**") production in 2021 will likely increase only slightly by 300,000 MT to 19.4 million MT while exports is forecast to increase to 4.5 million MT leaving about 15.1 million MT for domestic refining. As a result, a CPO supply deficit of at least 500,000 MT and this supply & demand scenario is postulated to create low month ending stocks for much of 2021, with low monthly stocks trending below 1.5 million MT. This appears a classic scenario for higher CPO prices for most parts of 2021.

Over the past few weeks in December 2020 the FCPO+3 (crude palm oil futures) price of palm oil has been steadily climbing reaching a high of RM3,850/MT. The price of palm oil ended firm in December 2020 at RM3,621/MT and there were heavy trading activities for CPO in the Bursa Malaysia Derivatives Berhad futures market. So far, in the first two weeks January 2021 CPO prices has been firm at an average of RM3,863/MT as concerns over supply has helped stabilize prices. For the first quarter of 2021, it is forecasted that palm oil price will range bound between RM3,500/MT to RM3,850/MT while for the rest of the year prices would likely ease but remain above RM3,300/MT as production of palm oil recovers in the second half of 2021.

(Source: Overview Of The Global Palm Oil Sector In 2020 And Outlook For 2021, Malaysian Palm Oil Council)

4.3 Overview and outlook for the durian industry in Malaysia

Malaysia's planted area of durian crops witnessed a decline from 73.7 thousand hectares in 2014 to 72.4 thousand hectares in 2017 before moderating at 72.5 thousand hectares in 2019. Nonetheless durian production rose from 351.5 thousand metric tonnes in 2014 to peak at 368.3 thousand metric tonnes in 2015 before dipping to a low of 210.9 thousand metric tonnes in 2017. In 2018, the production of durians saw improvement and rose to 341.3 thousand metric tonnes, registering a year-on-year growth rate of 61.9% compared to the production volume of 210.9 thousand metric tonnes in 2017. The long hot weather in 2018 increased the harvest of durians during the year, even in the off season. In 2019, durian production rose to 348.2 thousand metric tonnes at a year-on-year growth rate of 2.0%.

The Federal Agricultural Marketing Authority ("**FAMA**") anticipates that durian yield will be lower than normal in 2020 arising from a combination of factors, namely Malaysia experiencing high volumes of rainfall combined with a reduced labour force, due to restrictions in place to curb the spread of COVID-19. However, the long term prospects for durian supply remains positive as national durian production is expected to increase to 443.0 thousand metric tonnes by 2030 at a compound annual growth rate ("**CAGR**") of 2.2% between 2019 and 2030.

The majority of export-oriented fresh durian production is in Peninsular Malaysia, mainly in the states of Pahang, Johor, Kelantan and Perak. Johor was the second largest durian producing state in Malaysia with a production volume of 91.0 thousand metric tonnes in 2019, behind Pahang's production of 93.1 thousand metric tonnes.

Domestic durian prices have been on an upward trend since 2015 with average ex-farm, wholesale and retail prices rising at CAGRs of 34.2%, 37.1% and 32.6% respectively between 2015 and 2019. Limited production and increasing demand from the export markets, particularly from Singapore, Hong Kong Special Administrative Region ("**Hong Kong**") and China, have resulted in an increase in durian prices. In May 2019, China approved the import of frozen whole durians from Malaysia, further widening the market for Malaysian durians.

Malaysia is a net exporter of durian. Malaysia's exports of durian rose from United States Dollars ("**USD**") 10.2 million (or 13.2 thousand metric tonnes) in 2014 to USD29.3 million (23.4 thousand metric tonnes) in 2018 before dipping to USD22.3 million (22.2 thousand metric tonnes) in 2019. In 2020, Malaysia's exports of durians dipped to USD17.6 million at a year-on-year rate of 21.1% as lockdowns imposed to curb the spread of COVID-19 disrupted harvesting activities as well as global supply chains. The drop in Malaysia's durian exports in 2020 is expected to be short term. Providence Strategic Partners Sdn Bhd ("**Providence**") anticipates the recovery of Malaysia's exports of durians at a year-on-year growth rate of 29.0% in 2021. In comparison, Malaysia's imports of durians rose from USD4.3 million to USD4.8 million between 2014 and 2018 before dipping to USD4.1 million in 2019. In 2020, Malaysia's imports of durians dipped to USD2.4 million at a year-on-year rate of 41.5%.

The demand for durian from Malaysia has also supported the rise in export prices. Between 2014 and 2018, the global export prices for durians from Malaysia rose from USD0.77 per kg to USD1.25 per kg and settling at USD1.00 per kg in 2019 supported by rising demand for Malaysia's durians and influenced by shortage in supply for export. In particular, the export prices for durians to the Hong Kong and China have hovered between USD9 per kg and USD13 per kg during this period, peaking at USD12.20 per kg in 2017 due to the shortage in supply for the export market. In comparison, the export prices for durians to Singapore rose from USD0.44 per kg to USD0.65 per kg between 2014 and 2019.

Beyond domestic consumption, the potential for Malaysia's durian industry is strongly supported by demand growth from its trading partners. Malaysia's main export partners are Singapore, Hong Kong and China, whereby between 2014 and 2020:-

- durian exports to Singapore rose from USD5.3 million in 2014 to USD13.2 million in 2019 at a CAGR of 20.0%;
- durian exports to Hong Kong rose from USD2.6 million in 2014 to USD5.5 million in 2019 at a CAGR of 16.2%; and
- durian exports to Singapore and Hong Kong dipped slightly to USD10.7 million and USD4.9 million respectively in 2020 due to supply chain disruptions arising from lockdowns imposed to curb the spread of COVID-19. This is anticipated to be a short term impact arising from the COVID-19 pandemic, as the exports of durian are expected to recover in line with the recovery in global supply chains.

In the past, China had primarily imported durians from Thailand. Nonetheless, in recent years, China has begun shifting its demand for durians to Malaysia, specifically for the Musang King variety. Following Government negotiations, China approved the import of frozen whole durians from Malaysia in May 2019, in time for the durian season from June to September 2019. Though Malaysia has been exporting frozen durian pulp to China since 2011, this new agreement allows the whole fruit to be shipped to China commencing August 2019, where premium durians are rapidly gaining popularity. Many local orchards in Malaysia have started to ramp up their production of durians, recognising this as a growth opportunity.

Malaysia's advantage is that the flavours of ripened durian are more in line with Chinese tastes. Premium variants such as the Musang King or Mao Shan Wang durians are among the widely sought after in China due to its sticky, creamy texture and rich bittersweet flavour, and are expected to be sold there for USD29 per kilogram.

For farmers, one hectare of Musang King trees can yield RM155,250 a year, nearly nine times RM17,500 harvest from a hectare of oil palm. This lucrative crop has prompted companies in the private sector to cash in on the trend, with some converting their palm oil estates into durian plantations.

The Government of Malaysia is leading the charge for the large-scale farming of durians, in hopes of achieving a 50% rise in exports for the fruit by 2030 and boosting the country's declining agricultural industry. According to Malaysia's then Minister of Agriculture and Agro-based Industry, Dato' Haji Salahuddin bin Ayub, durian exports to China are expected to contribute close to RM500 million to the nation's total export value annually. In August 2019, the FAMA announced its intentions to cultivate durian on idle endowment land especially on the fringes of towns and isolated areas nationwide. Further, the private sector-led, multi-stakeholder Electronic World Trade Platform (eWTP) initiative provides resources for local durian suppliers in Malaysia to enter the Chinese market to sell its frozen whole Musang King durians.

According to the Commercial Counsellor at the Embassy of the People's Republic of China in Malaysia, Shi Ziming, the interest from Chinese consumers for the fruit has not waned although the supply chain for Malaysian durian was affected early 2020 due to the COVID-19 pandemic, with demand picking up once the pandemic was successfully controlled. Presently, durian from Malaysia is available in several major cities in China and via online platforms.

Despite the COVID-19 pandemic and the off-season period, Malaysia's exports of durian to China in the first quarter of 2020 was equivalent to that in the first quarter of 2019 (approximately USD22 million), illustrating that Malaysia's durian export to China was not affected. The sales of Malaysian durians in China began rising following promotions organised by Chinese e-commerce fresh fruit platform FreshHema and takeaway food platform Meituan Waimai in March 2020 and May 2020 respectively.

(Source: Independent Market Researcher's report by Providence)

4.4 Additional information

As at the LPD, Matang Group is principally involved in the following:-

- i. ownership and management of oil palm plantation as well as sale of FFB ("**Oil Palm Business**");
- ii. ownership, operation and management of durian plantation, processing, production and distribution of durian, and any related downstream business activities ("**Durian Business**"); and
- iii. investment and property holding.

4.4.1 Current financial performance and financial position of the Group

The financial summary of the Group for the past 3 financial years up to the latest audited FYE 30 June 2020 and for the latest unaudited 6-month FPE 31 December 2020 is set out below:-

	←-----Audited-----→			<--Unaudited-->
	FYE 30 June 2018 RM'000	FYE 30 June 2019 RM'000	FYE 30 June 2020 RM'000	6-month FPE 31 December 2020 RM'000
Revenue	12,641	9,749	9,614	6,318
Gross profit	9,774	6,901	7,443	5,385
PBT	5,879	3,102	2,923	3,404
PAT	4,090	1,832	1,614	2,372
Earnings per Share (sen)	0.23	0.10	0.09	0.13
Gross profit margin (%)	77.32	70.78	77.41	85.23
Total interest-bearing borrowings	-	-	-	-
Total cash, bank balances and short term funds	38,675	39,178	40,806	43,907
Net cash generated from/ (used in) operating activities	5,764	2,770	3,181	3,011
Non-current assets	151,231	148,773	146,477	145,732
Current assets	40,082	40,519	42,261	45,671
Non-current liabilities	1,516	1,532	1,778	1,725
Current liabilities	1,382	1,176	1,552	1,859
Shareholders' funds/ NA	188,416	186,583	185,408	187,819
Total equity	188,416	186,583	185,408	187,819
Weighted average no. of Shares outstanding ('000)	1,810,000	1,810,000	1,810,000	1,810,000
NA per Share	0.10	0.10	0.10	0.10
Current ratio (times)	29.01	34.45	27.23	24.57
Gearing ratio (times)	-	-	-	-

FYE 30 June 2018

For the FYE 30 June 2018, the Group recorded revenue of RM12.64 million which represents an increase of RM2.44 million or 23.92% as compared to the preceding financial year of RM10.20 million. The increase in revenue was mainly due to the increase in the Group's FFB production from 15,983 tonnes for the FYE 30 June 2017 to 22,974 tonnes for the FYE 30 June 2018 as a result of improvement in the production yield of the Group's oil palm plantation estate, i.e. Matang Estate. The improvement in production yield of Matang Estate was primarily due to the Group's increased efforts in enhancing yield performances of its oil palm trees in Matang Estate as well as favourable weather conditions during the financial year under review. The impact on revenue from the increase in the Group's FFB production was partially offset by the decrease in average selling price of the Group's FFB from RM638 per tonne for the FYE 30 June 2017 to RM550 per tonne for the FYE 30 June 2018 in line with the lower CPO prices in Malaysia during the financial year under review as compared to the preceding financial year.

The Group recorded PBT of RM5.88 million for the FYE 30 June 2018 which represents an increase of RM3.30 million or 127.91% as compared to the preceding financial year of RM2.58 million. The increase in PBT was mainly due to the increase in revenue of RM2.44 million recorded by the Group during the financial year under review and the absence of expenses of RM1.71 million in relation to the listing of Matang Shares on the ACE Market of Bursa Securities, which the Company had recognised in the FYE 30 June 2017.

FYE 30 June 2019

For the FYE 30 June 2019, the Group recorded revenue of RM9.75 million which represents a decrease of RM2.89 million or 22.86% as compared to the preceding financial year of RM12.64 million. The decrease in revenue was mainly due to the decline in CPO prices in Malaysia, which led to the average selling price of the Group's FFB decreasing from RM550 per tonne for the FYE 30 June 2018 to RM406 per tonne for the FYE 30 June 2019. The impact on revenue from the decrease in average selling price of the Group's FFB was partially offset by the increase in the Group's FFB production from 22,974 tonnes for the FYE 30 June 2018 to 24,029 tonnes for the FYE 30 June 2019 as a result of continued improvement in the production yield of Matang Estate. The improvement in production yield of Matang Estate was primarily due to the Group's increased efforts in monitoring and enhancing yield performances of its oil palm trees in Matang Estate during the financial year under review.

The Group recorded PBT of RM3.10 million for the FYE 30 June 2019 which represents a decrease of RM2.78 million or 47.28% as compared to the preceding financial year of RM5.88 million. The decrease in PBT was in line with the decrease in revenue of RM2.89 million recorded by the Group during the financial year under review.

FYE 30 June 2020

For the FYE 30 June 2020, the Group recorded revenue of RM9.61 million which represents a decrease of RM0.14 million or 1.44% as compared to the preceding financial year of RM9.75 million. The decrease in revenue was mainly due to the decrease in the Group's FFB production from 24,029 tonnes for the FYE 30 June 2019 to 20,677 tonnes for the FYE 30 June 2020 as a result of lower crop pattern due to lower rainfall in Matang Estate for a number of months immediately preceding the financial year under review. The impact on revenue from the decrease in the Group's FFB production was partially offset by the increase in average selling price of the Group's FFB from RM406 per tonne for the FYE 30 June 2019 to RM465 per tonne for the FYE 30 June 2020 in line with the increase in CPO prices in Malaysia during the financial year under review.

The Group recorded PBT of RM2.92 million for the FYE 30 June 2020 which represents a decrease of RM0.18 million or 5.81% as compared to the preceding financial year of RM3.10 million. The decrease in PBT was mainly due to the increase in the Group's administrative expenses of RM0.59 million from RM6.03 million for the FYE 30 June 2019 to RM6.62 million for the FYE 30 June 2020. The increase in administrative expenses was primarily due to the increase in depreciation of bearer plant (i.e. oil palm trees) of RM0.45 million as a result of a one-time depreciation charge for oil palm trees that were felled and cleared for the First Durian Plantation during the financial year under review.

6-month FPE 31 December 2020

For the 6-month FPE 31 December 2020, the Group recorded revenue of RM6.32 million which represents an increase of RM1.99 million or 45.96% as compared to the preceding financial period of RM4.33 million. The increase in revenue was mainly attributable to the increase in average selling price of the Group's FFB from RM439 per tonne for the 6-month FPE 31 December 2019 to RM613 per tonne for the 6-month FPE 31 December 2020 in line with the increase in CPO prices in Malaysia during the financial period under review. The increase in revenue was also partly due to an increase in the Group's FFB production from 9,874 tonnes for the 6-month FPE 31 December 2019 to 10,307 tonnes for the 6-month FPE 31 December 2020 as a result of an increase in production yield of Matang Estate.

The Group recorded PBT of RM3.40 million for the 6-month FPE 31 December 2020 which represents an increase of RM2.20 million or 183.33% as compared to the preceding financial period of RM1.20 million. The increase in PBT was in line with the increase in revenue of RM1.99 million recorded by the Group during the financial period under review. The increase in PBT was to a lesser extent partly due to the decrease in cost of sales of RM0.21 million as a result of lesser upkeep and maintenance activities in Matang Estate arising from the implementation of the MCO (including the conditional MCO) in Malaysia during the financial period under review.

4.4.2 Value creation of the Proposed Private Placement to the Group and its shareholders

As set out in Section 2.6 of this Circular, the Proposed Private Placement is expected to raise proceeds that will allow the Group to finance future acquisitions of new oil palm plantation(s), durian plantation(s) and/ or additional land bank for the development of new oil palm and/ or durian plantation(s). Such future acquisitions are intended to expand the Group's existing Oil Palm Business and Durian Business. In addition, proceeds to be raised from the Proposed Private Placement will also enable the Group to partially finance the working capital requirements of its First Durian Plantation as well as of the abovementioned future acquisitions without first relying on internally generated funds and/ or bank borrowings, thereby providing the Group flexibility in respect of financial allocations for its operational requirements. Such financial flexibility is expected to enable the Group to carry out its future operations in a more efficient manner.

The Proposed Private Placement will allow the Group to raise funds without incurring interest expense as compared to conventional bank borrowings. In addition, the Proposed Private Placement as compared to conventional bank borrowings is expected to improve the Group's cash flow by reducing the Group's requirement to periodically service interest and repay principal sums. Further, the Board considers the Subscription Agreement to provide greater certainty that the Group will raise the gross proceeds to meet the abovementioned fundraising purposes.

As set out in Section 4.4.3 of this Circular, the Proposed Private Placement is expected to enlarge the share capital of the Company from approximately RM183.87 million to RM203.93 million and increase its shareholders' funds/ NA from approximately RM185.41 million to RM205.36 million. The management of Matang considers the Proposed Private Placement to be more expedient as compared to other larger scale equity fund raising exercises such as a rights issue, hence the Group will be able to raise necessary funds for the intended purposes on an expedient basis.

4.4.3 Impact of the Proposed Private Placement to the Group and its shareholders

The pro forma effects of the Proposed Private Placement on the Company's issued share capital and substantial shareholding structure as well as on the Group's earnings, EPS, NA and gearing level are disclosed in Section 5 of this Circular.

Based on the Issue Price of RM0.1108 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of approximately RM20.06 million, which is expected to result in the following effects:-

	Audited as at 30 June 2020 RM'000	After the Proposed Private Placement*¹ RM'000
Issued share capital	183,871	203,926
No. of Shares ('000)	1,810,000	1,991,000
Current assets	42,261	62,211
Current liabilities	1,552	1,552
Current ratio (times)	27.23	40.08
NA	185,408	205,358
NA per Share (RM)	0.10	0.10
Total borrowings	-	-
Gearing ratio (times)	-	-

Note:-

*¹ Assuming 181,000,000 Placement Shares are issued at the Issue Price of RM0.1108 per Placement Share and after deducting the estimated expenses of RM105,000 in relation to the Proposed Private Placement and before the other utilisation of proceeds of the Proposed Private Placement.

The Proposed Private Placement, which is expected to be completed by the second quarter of 2021, is not expected to have any material effect on the earnings of Matang Group for the FYE 30 June 2021. However, there will be a dilutive effect on the EPS of the Group for the FYE 30 June 2021 due to the increase in number of Matang Shares arising from the Proposed Private Placement, as and when implemented. Notwithstanding that, the Proposed Private Placement is anticipated to contribute positively to the future earnings of the Group as and when the benefits from the utilisation of proceeds are realised.

The Proposed Private Placement will have a dilutive effect on the Company's existing shareholders' shareholdings. Nevertheless, the Proposed Private Placement is expected to improve the Group's current ratio, enlarge its share capital and increase its shareholders' funds.

4.4.4 Adequacy of the Proposed Private Placement in addressing the Group's financial concerns

As set out in Section 4.4.1 of this Circular, the Group has recorded PAT for each of the past 3 financial years up to the latest audited FYE 30 June 2020 and for the latest unaudited 6-month FPE 31 December 2020. However, the Group's PAT over the financial years under review has decreased from RM4.09 million (FYE 31 June 2018) to RM1.83 million (FYE 31 June 2019) and RM1.61 million (FYE 31 June 2020).

In view of the above, the Group is seeking potential 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) to grow the Group's existing business. The Group had received several investment proposals in relation to the abovementioned potential acquisitions and is currently in various stages of evaluation and/ or negotiation on 6 such proposals with the respective counterparties. For shareholders' information, the investment proposals in various stages of evaluation and/ or negotiation involve plantations located in various states including Johor, Kelantan, Pahang, Selangor and Sarawak. Subject to, amongst others, the management's confirmation on the viability as well as the approval of the Board for the same, the Group anticipates that it shall be able to finalise the negotiation on any one of the said investment proposals by end-December 2021.

The Company had undertaken the Proposed Private Placement to raise the necessary proceeds for the anticipated funding requirements of such potential acquisitions. The Proposed Private Placement is also intended to partially finance the Group's working capital requirements for its First Durian Plantation and the abovementioned potential acquisitions, which will afford the Group greater flexibility in its financial allocations for operational requirements, which in turn may allow the Group to carry out its operations in a more efficient and timely manner. Based on the foregoing, the proceeds to be raised from the Proposed Private Placement are expected to grow the Group's existing business and contribute positively to its financial performance, as and when the benefits therefrom are realised.

4.4.5 Steps or actions taken to improve the financial condition of the Group

As mentioned in Section 4.4.4 of this Circular, the management is of the view that the Group may expand its existing Oil Palm Business and Durian Business through potential 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). As such, the Company had undertaken the Proposed Private Placement to raise the necessary proceeds for said potential acquisitions and the Group's working capital requirements in relation to the First Durian Plantation and any newly acquired oil palm plantation(s), durian plantation(s) and/ or additional land bank.

In addition, the Company had undertaken the diversification of the Group's principal activities to include the Durian Business ("**Diversification**"), with the intention of growing the Group's future earnings. As set out in Section 4.5 of this Circular, Matang had obtained shareholders' approval for the Diversification at the Company's fifth AGM on 26 November 2019. In line with the foregoing, the Group is in the midst of developing its First Durian Plantation. As at mid-February 2021, the land for the Group's First Durian Plantation measuring 43.79 hectares has been cleared and further development work involving the planting of durian trees has also been completed. Barring any unforeseen circumstances, the management anticipates that the First Durian Plantation may start flowering and bear durian fruits by 2025.

Barring any unforeseen circumstances, the Board is of the view that the abovementioned steps may improve the Group's financial performance in the future. At this juncture, the Board is not considering any other corporate exercises to improve the Group's financial performance and condition. Nevertheless, the Board will continue to evaluate the Group's financial performance as well as the ongoing COVID-19 pandemic moving forward, and will consider undertaking future corporate exercises should the need/ opportunity arise. Should the Board identify any suitable and viable corporate exercises, the Board shall make the requisite announcements and/ or shall seek shareholders' approval in accordance with the Listing Requirements.

4.5 Future prospects of the Group

Within its principal activities as set out in Section 4.4.1 of this Circular, the Group is primarily focused on its Oil Palm Business, i.e. the ownership and management of oil palm plantation as well as the sale of FFB from the Matang Estate (the existing oil palm plantation estate measuring 1,094.15 hectares of Matang in Johor). The sole revenue contributor to the Group is the sale of FFB from its Oil Palm Business. The key financial performance of the Group for the past 3 audited financial years up to the FYE 30 June 2020 and for the latest unaudited 6-month financial period ended ("FPE") 31 December 2020 is as follows:-

	<----- Audited ----->			<--Unaudited-->
	FYE 30 June 2018	FYE 30 June 2019	FYE 30 June 2020	6-month FPE 31 December 2020
	RM'000	RM'000	RM'000	RM'000
Revenue	12,641	9,749	9,614	6,318
PAT	4,090	1,832	1,614	2,372
FFB (tonnes)	22,974	24,029	20,677	10,307
Average selling price of FFB per tonne (RM)	550	406	465	613

Matang had obtained shareholders' approval at the Company's fifth AGM on 26 November 2019 for the diversification of the Group's principal activities to include the Durian Business. The Company had undertaken the Diversification to diversify and expand its earnings base. As at 30 June 2020, felling and clearing of the land for the Group's First Durian Plantation measuring 43.79 hectares located within the Matang Estate has been completed and further development work involving the planting of durian trees for the First Durian Plantation has also been completed as at mid-February 2021. Barring any unforeseen circumstances, the management anticipates that the First Durian Plantation may start flowering and bear durian fruits by 2025.

At this juncture, the Group is evaluating potential investment opportunities for the expansion of its core Oil Palm Business via the acquisition of suitable and viable oil palm estates and/ or land for the development of new oil palm estates. In addition, the Group is also continuing to explore suitable opportunities to expand its durian plantation to accelerate the Durian Business, which may include the further conversion of oil palm plantation areas in Matang Estate with lower FFB yield and stands per hectare due for replanting into additional durian plantations. Potential acquisitions of land for the development of new durian plantations of the Group may also be considered.

In line with the above, the proceeds to be raised from the Proposed Private Placement are earmarked for the potential future acquisition of additional oil palm plantation(s), durian plantation(s) and/ or land bank for the development of new oil palm and/ or durian plantation(s). The acquisitions are intended to grow the existing businesses of the Group and contribute positively to future profitability. Additionally, part of the proceeds have been allocated for the working capital requirements of the First Durian Plantation and future oil palm/ durian plantation(s) and/ or land to be acquired, which will further support the Group in expanding its Oil Palm Business and Durian Business.

For shareholders' information, the ongoing COVID-19 pandemic has caused disruptions to the supply of labour for the oil palm plantation industry of Malaysia, which in turn has affected Matang Group, in particular due to the disruptions in new intake of foreign workers in Malaysia. As a result, certain upkeep and maintenance activities (including, amongst others, fertilising, pruning and spraying) for Matang Estate have been delayed/ postponed. To mitigate such impact, the management had undertaken a re-scheduling of the Group's workforce, wherein FFB harvesters had been mobilised to perform any delayed/ postponed upkeep and maintenance activities. The Group had also hired third-party contractors for harvesting, upkeep and maintenance activities, when necessary, to support the Group's workforce. In view of the above mitigating action undertaken by the Group, the management does not expect the COVID-19 pandemic to have a significant financial or operational impact on the Group.

Barring any unforeseen circumstances and premised on the above, the Board, having considered the economy and industry outlook, is cautiously optimistic of the future prospects of Matang Group.

(Source: Management of Matang)

5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

5.1 Issued share capital

As at the LPD, the Company has no treasury shares.

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are set out below:-

	No. of Shares	RM
Issued share capital as at the LPD	1,810,000,256	183,870,827
Issuance of Placement Shares	181,000,000	20,054,800 ^{*1}
Enlarged issued share capital	1,991,000,256	203,925,627

Note:-

^{*1} Computed based on the Issue Price of RM0.1108 per Placement Share under the Proposed Private Placement.

5.2 Net assets ("NA") per Share and gearing

Based on the latest audited consolidated statements of financial position of the Group as at 30 June 2020, the pro forma effects of the Proposed Private Placement on the NA per Share and gearing of the Group are set out as follows:-

	Audited as at 30 June 2020 RM	After the Proposed Private Placement RM
Share capital	183,870,827	203,925,627 ^{*1}
Reserves	1,536,924	1,431,924 ^{*2}
Shareholders' funds/ NA	185,407,751	205,357,551
No. of Shares in issue	1,810,000,256	1,991,000,256 ^{*1}
NA per Share (RM)	0.10	0.10
Total borrowings (RM)	-	-
Gearing ratio (times)	-	-

Notes:-

^{*1} Assuming 181,000,000 Placement Shares are issued at the Issue Price of RM0.1108 per Placement Share.

^{*2} After deducting estimated expenses of RM105,000 in relation to the Proposed Private Placement.

5.3 Earnings and EPS

The Proposed Private Placement, which is expected to be completed by the second quarter of 2021, is not expected to have any material effect on the earnings of Matang Group for the FYE 30 June 2021. However, there will be a dilutive effect on the EPS of the Group for the FYE 30 June 2021 due to the increase in number of Matang Shares arising from the Proposed Private Placement, as and when implemented.

5.4 Substantial shareholding structure

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of the Company as at the LPD are set out below:-

Substantial shareholders	Shareholdings as at the LPD				After the Proposed Private Placement ^{*1}			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Huaren	207,858	11.48	-	-	388,858	19.53	-	-
MCA	-	-	227,626 ^{*2}	12.58	-	-	408,626 ^{*2}	20.52

Notes:-

^{*1} Assuming the Investor (i.e. Huaren) subscribes for 181,000,000 Placement Shares pursuant to the Proposed Private Placement.

^{*2} Deemed interest by virtue of its shareholdings in Huaren and Rohua Sdn Bhd pursuant to Section 8 of the Act.

5.5 Convertible securities

As at the LPD, the Company does not have any convertible securities.

6. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Matang Shares as traded on Bursa Securities for the past 12 months from May 2020 to April 2021 are set out below:-

	High RM	Low RM
2020		
May	0.079	0.059
June	0.079	0.064
July	0.093	0.064
August	0.108	0.074
September	0.098	0.079
October	0.084	0.074
November	0.088	0.074
December	0.093	0.080
2021		
January	0.085	0.080
February	0.090	0.075
March	0.130	0.080

	High RM	Low RM
April	0.140	0.110
Last transacted market price of Matang Shares as at 5 April 2021 (being the latest trading day prior to the announcement on the Proposed Private Placement)		RM0.130
Last transacted market price on 3 May 2021 (being the LPD)		RM0.115

(Source: Bloomberg)

7. APPROVALS REQUIRED/ OBTAINED

The Proposed Private Placement is subject to the following approvals being obtained:-

- i. Bursa Securities, for which the approval for the listing and quotation for the Placement Shares on the ACE Market of Bursa Securities was obtained vide its letter dated 3 May 2021, subject to the following conditions:-

Conditions	Status of compliance
a. Matang and UOBKH must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement;	To be complied
b. Matang and UOBKH to inform Bursa Securities upon the completion of the Proposed Private Placement; and	To be complied
c. Matang to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed.	To be complied

- ii. the approval of the shareholders of Matang at the EGM; and
- iii. any other relevant authority, if required.

The Proposed Private Placement is not conditional upon any other proposals undertaken or to be undertaken by the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED TO THEM

Save as disclosed below, none of the Directors, major shareholders, chief executive of Matang and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement:-

- i. the Investor (i.e. Huaren) is a major shareholder of Matang (with 11.48% direct shareholding);
- ii. MCA is an indirect major shareholder of Matang (with 12.58% indirect shareholding). It is also a major shareholder of the Investor;
- iii. Rohua Sdn Bhd, being a person connected to MCA, is also a shareholder of Matang (with 1.09% direct shareholding);
- iv. Datuk Ir Low Ah Keong is an Executive Director of Matang. He is also a Director of the Investor; and
- v. Dato' Ng Keng Heng is an Executive Director of Matang and is also a shareholder of Matang (with less than 0.01% direct shareholding). He is also a Director of Rohua Sdn Bhd.

Accordingly, the Investor, MCA, Rohua Sdn Bhd, Datuk Ir Low Ah Keong and Dato' Ng Keng Heng (collectively referred to as the Interested Parties) are deemed interested in the Proposed Private Placement, by virtue of the Subscription Agreement involving the specific allotment and issuance of Placement Shares to the Investor (Datuk Ir Low Ah Keong and Dato' Ng Keng Heng are collectively referred to as the Interested Directors).

As such, the Interested Directors have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings in relation to the Proposed Private Placement.

Further, the Interested Parties will abstain from voting and will also ensure that the persons connected with them, if any, will abstain from voting in respect of their direct and/ or indirect shareholdings in the Company, if any, on the resolutions pertaining to the Proposed Private Placement to be tabled at the EGM.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Private Placement is expected to be completed by the second quarter of 2021.

10. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Private Placement II (details of which are set out in Section 2.7 of this Circular), the Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the LPD.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Directors), having considered all aspects of the Proposed Private Placement including, amongst others, the rationale of the Proposed Private Placement and the terms and conditions of the Subscription Agreement, is of the opinion that the Proposed Private Placement is in the best interest of the Company. Accordingly, the Board (save for the Interested Directors) recommends that you vote in favour of the resolution pertaining to the Proposed Private Placement at the EGM.

12. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be conducted virtually through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia on Friday, 28 May 2021 at 11.00 a.m. or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolution to give effect to the Proposed Private Placement.

If you are unable to attend, participate, speak and vote remotely at the EGM via the Remote Participation and Voting facilities provided, you are entitled to appoint a proxy or proxies (not more than 2) to attend, participate, speak and vote on your behalf. As such, you are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions contained therein, to be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or by electronic lodgement via TIIH Online website at <https://tiih.online>, not less than 48 hours before the time appointed for holding the EGM. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting at the EGM should you subsequently wish to do so.

13. FURTHER INFORMATION

Shareholders are advised to refer to the appendices set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board
MATANG BERHAD

DATO' FOONG CHEE MENG
Independent Non-Executive Chairman

APPENDIX I – SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT

The salient terms of the Subscription Agreement are as follows:

1. SUBSCRIPTION FOR PLACEMENT SHARES

- (a) Subject to the terms and conditions of the Subscription Agreement, the Company agrees to issue and allot, and the Investor agrees to subscribe for the Placement Shares at an amount equivalent to the Issue Price multiplied by the number of Placement Shares ("**Subscription Price**").

2. CONDITIONS

- (a) The Proposed Private Placement is subject to and conditional upon all the following conditions ("**Conditions**") being satisfied (or waived by the parties in accordance with the Subscription Agreement) within 6 months from the date of the Subscription Agreement or such other extended period as mutually agreed by the parties ("**Cut-Off Date**"):
 - (i) the approval of Bursa Securities for the listing and quotation for the Placement Shares on the ACE Market of Bursa Securities;
 - (ii) the approval of the Company's shareholders at a general meeting of the Company to be convened; and
 - (iii) any other relevant authority and/or party, if required.
- (b) If any of the Conditions are not satisfied or waived (to the extent permitted by law) by the Cut-Off Date, either of the parties shall have the right to terminate the Subscription Agreement by giving written notice to the other party, and upon the exercise of such right to terminate, neither party shall have any claims against the other party nor further rights or obligations under the Subscription Agreement except in respect of any rights or obligations under the Subscription Agreement which is expressed to apply after the termination of the Subscription Agreement.

3. COMPLETION

- (a) Within 5 business days from the day where the last Condition is fulfilled or waived, the Subscription Price shall be deposited by the Investor with the Placement Agent (the date of such deposit shall be referred to as the "**Payment Date**").
- (b) Upon the Placement Agent receiving the Subscription Price and within 5 business days from the Payment Date:
 - (i) the Placement Agent shall confirm to the Company of such receipt;
 - (ii) the Company shall issue and allot the Placement Shares to the Investor;
 - (iii) the Company shall deliver or cause to be delivered to Bursa Depository the share certificates for the Placement Shares registered in the name of Bursa Depository; and
 - (iv) the Company shall instruct and procure Bursa Depository to credit the securities account of the Investor with the Placement Shares.

4. TERMINATION

- (a) If at any time prior to the completion, any party does not perform its obligations under the Subscription Agreement and fails to rectify such breach within 30 days of the receipt of a written notice from the other party, or any party is or becomes insolvent or enters into any arrangement for the benefit of its creditors or a receiver and manager is appointed over its assets or undertaking, then the non-defaulting party may give notice in writing to the defaulting party to terminate the Subscription Agreement.

- (b) The non-defaulting party shall be entitled to, but without prejudice to its rights and remedies including but not limited to its right to sue for specific performance of the Subscription Agreement upon the terms thereof, terminate the Subscription Agreement whereupon the non-defaulting party shall be entitled to claim for the actual cost and expenses incurred by the non-defaulting party pursuant to or arising from the Subscription Agreement.

APPENDIX II - FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT

UOBKH, being the Adviser for the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Providence, being the Independent Market Researcher for the Proposed Private Placement, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

UOBKH and Providence have given their written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to their respective roles as the Adviser and Independent Market Researcher to Matang for the Proposed Private Placement.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and has no knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the Group's financial position or business.

5. MATERIAL COMMITMENTS

As at the LPD, save as disclosed below, the Board is not aware of any material commitments incurred or known to be incurred by the Group that has not been provided for which, upon becoming enforceable, may have a material impact on the Group's financial results/ position:-

RM'000

Contracted but not provided for:-

For a work agreement entered with a contractor for the First Durian Plantation

768

6. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the Group's financial results/ position.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

- i. Constitution of Matang;
- ii. Audited consolidated financial statements of the Group for the past 2 financial years up to the FYE 30 June 2020 and the latest unaudited quarterly report of the Group for the 6-month FPE 31 December 2020;
- iii. The letter of consent and declaration of conflict of interests referred to in Sections 2 and 3 of Appendix II above, respectively;
- iv. The Subscription Agreement; and
- v. The Independent Market Researcher's report prepared by Providence dated 3 May 2021.



MATANG BERHAD

Registration No.: 201501017043(1142377-X)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Matang Berhad ("**Matang**" or the "**Company**") ("**EGM**") will be conducted virtually through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("**Broadcast Venue**") using the Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn Bhd ("**Tricor**") via TIH Online website at <https://tiah.online> on Friday, 28 May 2021 at 11.00 a.m. for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

ORDINARY RESOLUTION

PROPOSED PRIVATE PLACEMENT OF 181,000,000 NEW ORDINARY SHARES IN MATANG ("PLACEMENT SHARE(S)", REPRESENTING APPROXIMATELY 10% OF THE TOTAL ISSUED SHARES OF MATANG, TO HUAREN HOLDINGS SDN BHD ("HUAREN"), A MAJOR SHAREHOLDER OF THE COMPANY, AT AN ISSUE PRICE OF RM0.1108 ("ISSUE PRICE") PER PLACEMENT SHARE ("PROPOSED PRIVATE PLACEMENT")

"THAT subject to the approvals of all relevant authorities being obtained, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to allot and issue 181,000,000 ordinary shares in Matang ("**Matang Share(s)**"), representing approximately 10% of the total issued shares of Matang, to Huaren, a major shareholder of the company, at the Issue Price of RM0.1108 per Placement Share.

THAT the Placement Shares will, upon allotment and issuance, rank equally and carry the same rights with the current existing Matang Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Placement Shares.

THAT the proceeds of the Proposed Private Placement be utilised for the purpose as set out in the circular to shareholders dated 12 May 2021 ("**Circular**"), and the Board be and is hereby authorised with full power to vary the manner and/ or purpose of utilisation of such proceeds in such manner as the Board deems fit, necessary and/ or expedient or in the best interest of the Company, subject (where required) to the approval of the relevant authorities.

THAT the Placement Shares shall be listed on the ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Private Placement with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps to enter into all such agreement, arrangement, undertaking, indemnities, transfer, assignment and guarantee with any party or parties and to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Private Placement."

By Order of the Board

LIM HOOI MOOI (SSM PC NO. 201908000134) (MAICSA 0799764)

LAU YEN HOON (SSM PC NO. 202008002143) (MAICSA 7061368)

Company Secretaries

Kuala Lumpur
12 May 2021

Notes:

1. *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Member(s), proxy(ies), attorney(s) or authorised representative(s) **WILL NOT BE ALLOWED** to attend the EGM in person at the Broadcast Venue on the day of the meeting. Members are to attend, participate (including posing questions via real time submission of typed texts) and vote remotely at the EGM via the RPV provided by Tricor. A member who has appointed a proxy or attorney or authorised representative to participate in this EGM via the RPV must request his/ her proxy or attorney or authorised representative to register himself/herself for RPV via Tricor's TIIH Online website at <https://tiih.online>. Please refer to the procedures set out in the Administrative Guide for the EGM to register, participate and vote remotely via the RPV.*
2. *For the purpose of determining a member who shall be entitled to attend and vote at the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 21 May 2021 and only a depositor whose name appears in the Record of Depositors shall be entitled to attend, participate, speak and vote at EGM or to appoint proxy(ies) to attend, participate. speak and vote on his/her behalf.*
3. *A member shall be entitled to appoint not more than 2 proxies to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the proxy.*
4. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
5. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. An Exempt Authorised Nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
6. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.*
7. *Any alterations in the Proxy Form must be initialed by the member.*
8. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof:-*

In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited at the Share Registrar's office at Unit 32- 01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

By electronic means
The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at <https://tiih.online>. Please refer to the Administrative Guide for the EGM on the procedures for electronic lodgement of Proxy Form via TIIH Online.
9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar's office at the above address not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned general meeting at which the persons named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/ or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
10. *For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL/DULY CERTIFIED certificate of appointment of authorised representative with the Share Registrar of the Company at the above address. The certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two (2) authorised officers, of whom one shall be a director; or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.*



MATANG BERHAD
201501017043 (1142377-X)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.	
No of Shares Held	

I/We, NRIC/Passport/Company No.
(FULL NAME IN BLOCK LETTERS)

of
(FULL ADDRESS)

contact no. email address being a member/ members of **Matang Berhad** ("**Company**") hereby appoint the person(s) below as my/our proxy(ies) to vote for me/us and on my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company which will be conducted virtually through live streaming from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia ("**Broadcast Venue**") using the Remote Participation and Voting facilities ("**RPV**") provided by Tricor Investor & Issuing House Services Sdn Bhd ("**Tricor**") via TIH Online website at <https://tjih.online> on Friday, 28 May 2021 at 11.00 a.m., or at any adjournment thereof.

Full Name (in capital letters):	NRIC/Passport No.:
Full Address:	Contact No.: Email Address:

*and/or

Full Name (in capital letters):	NRIC/Passport No.:
Full Address:	Contact No.: Email Address:

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the EGM of the Company.

*Strike out whichever is not applicable

I/We direct my/our proxy to vote for or against the resolutions to be proposed at the EGM as indicated hereunder:-

ORDINARY RESOLUTION	FOR	AGAINST
1. PROPOSED PRIVATE PLACEMENT		

Dated this day of 2021.

Signature/Common Seal of Member(s)

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:

	No of shares	Percentage	%
Proxy 1	_____	_____	%
Proxy 2	_____	_____	%
Total			100%

Notes:

- The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Member(s), proxy(ies), attorney(s) or authorised representative(s) **WILL NOT BE ALLOWED** to attend the EGM in person at the Broadcast Venue on the day of the meeting. Members are to attend, participate (including posing questions via real time submission of typed texts) and vote remotely at the EGM via the RPV provided by Tricor. A member who has appointed a proxy or attorney or authorised representative to participate in this EGM via the RPV must request his/ her proxy or attorney or authorised representative to register himself/herself for RPV via Tricor's TIH Online website at <https://tjih.online>. Please refer to the procedures set out in the Administrative Guide for the EGM to register, participate and vote remotely via the RPV.
- For the purpose of determining a member who shall be entitled to attend and vote at the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 21 May 2021 and only a depositor whose name appears in the Record of Depositors shall be entitled to attend, participate, speak and vote at EGM or to appoint proxy(ies) to attend, participate, speak and vote on his/her behalf .
- A member shall be entitled to appoint not more than 2 proxies to exercise all or any of his/her rights to attend, participate, speak and vote in his/her stead pursuant to Section 334 of the Companies Act 2016. There shall be no restriction as to the qualification of the proxy.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**Omnibus Account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. An Exempt Authorised Nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.
- Any alterations in the Proxy Form must be initialed by the member.
- The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof:
In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited at the Share Registrar's office at Unit 32- 01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
By electronic means
The proxy form can be electronically lodged with the Share Registrar of the Company via TIH Online at <https://tjih.online>. Please refer to the Administrative Guide for the EGM on the procedures for electronic lodgement of Proxy Form via TIH Online.
- Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar's office at the above address not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned general meeting at which the persons named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/ or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL/DULY CERTIFIED certificate of appointment of authorised representative with the Share Registrar of the Company at the above address. The certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least two (2) authorised officers, of whom one shall be a director; or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Registrar
MATANG BERHAD
Registration No.: 201501017043(1142377-X)
c/o Tricor Investor & Issuing House Services Sdn Bhd
Registration No.:197101000970 (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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