

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For The Third Quarter Ended 30 September 2020

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30.9.2020 RM' 000	30.9.2019 RM'000	30.9.2020 RM' 000	30.9.2019 RM' 000
Revenue	95,604	73,974	250,787	224,229
Cost of sales	(78,434)	(66,224)	(215,600)	(201,029)
Gross profit	17,170	7,750	35,187	23,200
Other income	826	828	2,823	2,850
Administrative expenses	(3,456)	(3,097)	(9,386)	(9,264)
Other operating expenses	(1,411)	(1,588)	(3,972)	(4,752)
Operating profit	13,129	3,893	24,652	12,034
Finance costs	(1,462)	(1,861)	(4,596)	(5,292)
Profit/(Loss) before tax	11,667	2,032	20,056	6,742
Income tax expense	(2,881)	(68)	(5,251)	(2,255)
Profit/(Loss) after tax	8,786	1,964	14,805	4,487
Other comprehensive income				
Exchange difference on translation of foreign operations	39	(110)	116	(143)
Total comprehensive income for the period	8,825	1,854	14,921	4,344
Profit/(Loss) attributable to:				
Owners of the parent	5,243	1,397	9,217	2,496
Non-controlling interests	3,543	567	5,588	1,991
	8,786	1,964	14,805	4,487
Total comprehensive income attributable to:				
Owners of the parent	5,231	1,231	9,323	2,308
Non-controlling interests	3,594	623	5,598	2,036
	8,825	1,854	14,921	4,344
Weighted average number of shares in issue	196,544	196,544	196,544	196,544
Earnings per share in sen				
- Basic	2.67	0.71	4.69	1.27

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

MHC Plantations Bhd (4060-V)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position
as at 30 September 2020

	As at 30.9.2020 (Unaudited) RM'000	As at 31.12.2019 (Audited) RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	508,825	518,050
Investment properties	45,264	49,924
Deferred tax assets	7,724	11,903
Investment in securities	395	394
Trade and other receivables	-	-
Goodwill on consolidation	44,723	43,867
	<u>606,931</u>	<u>624,138</u>
Current assets		
Inventories	24,677	25,355
Biological assets	2,737	2,738
Trade and other receivables	25,011	20,125
Tax recoverable	921	1,503
Short term investments	18,476	16,320
Fixed deposits with licensed banks	6,918	7,624
Cash and bank balances	26,499	13,141
	<u>105,239</u>	<u>86,806</u>
TOTAL ASSETS	<u>712,170</u>	<u>710,944</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	196,544	196,544
Reserves	49,736	43,362
	<u>246,280</u>	<u>239,906</u>
Non-controlling interests	252,002	249,235
Total equity	<u>498,282</u>	<u>489,141</u>

**Condensed Consolidated Statement of Financial Position
as at 30 September 2020 (Contd.)**

	As at 30.9.2020 (Unaudited) RM'000	As at 31.12.2019 (Audited) RM'000
EQUITY AND LIABILITIES (CONTD.)		
Non-current liabilities		
Borrowings	45,038	55,163
Deferred tax liabilities	48,947	53,000
Lease liabilities	3,777	3,689
	97,762	111,852
Current liabilities		
Payables	28,603	31,799
Borrowings	81,838	76,100
Lease liabilities	1,259	1,143
Taxation	4,426	909
	116,126	109,951
Total liabilities	213,888	221,803
TOTAL EQUITY AND LIABILITIES	712,170	710,944
Net Tangible Asset Per Share (RM)	1.03	1.00
Net Asset Per Share (RM)	1.25	1.22

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statements of Changes in Equity (Unaudited)
For The Third Quarter Ended 30 September 2020

	Distributable								Non-controlling Interests	Total Equity	
	Share Capital RM' 000	Capital Reserve RM' 000	Other Reserve RM' 000	Revaluation Reserve RM' 000	Fair value adjustment reserve RM'000	Foreign currency translation reserve RM'000	Capital Reserve RM' 000	Retained Profits RM' 000			Total RM' 000
Opening balance at 1 Jan 2019	196,544	5,737	(32,100)	789	45	(289)	8	77,313	248,047	266,956	515,003
Effect of changes in accounting policies	-	-	-	-	-	-	-	(7,481)	(7,481)	(15,305)	(22,786)
Opening balance at 1 Jan 2019 (Restated)	196,544	5,737	(32,100)	789	45	(289)	8	69,832	240,566	251,651	492,217
Total comprehensive income for the period	-	-	-	-	-	(89)	-	2,496	2,407	2,036	4,443
Dividends	-	-	-	-	-	-	-	(2,948)	(2,948)	-	(2,948)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,452)	(3,452)
Effect of subsidiary's treasury share transaction	-	-	(141)	-	-	-	-	-	(141)	(88)	(229)
Closing balance at 30 September 2019	196,544	5,737	(32,241)	789	45	(378)	8	69,380	239,884	250,147	490,031
Opening balance at 1 Jan 2020	196,544	5,737	(32,266)	789	52	(343)	8	76,874	247,395	264,798	512,193
Effect of changes in accounting policies	-	-	-	-	-	-	-	(7,489)	(7,489)	(15,563)	(23,052)
Opening balance at 1 Jan 2020 (Restated)	196,544	5,737	(32,266)	789	52	(343)	8	69,385	239,906	249,235	489,141
Total comprehensive income for the period	-	-	-	-	-	105	-	9,217	9,322	5,598	14,920
Dividends	-	-	-	-	-	-	-	(2,948)	(2,948)	-	(2,948)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,650)	(3,650)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	819	819
Closing balance at 30 September 2020	196,544	5,737	(32,266)	789	52	(238)	8	75,654	246,280	252,002	498,282

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

MHC Plantations Bhd (4060-V)
Condensed Consolidated Statement of Cash Flows (Unaudited)
For The Third Quarter Ended 30 September 2020

	9 months ended	
	30.9.2020	30.9.2019
	(Unaudited)	(Unaudited)
	RM' 000	RM' 000
Operating activities		
Profit before taxation	20,056	6,742
Adjustments for:		
Depreciation and amortisation	22,650	20,786
Interest expense	4,596	5,292
(Gain)/Loss on disposal of property, plant and equipment	4	(2)
(Gain)/Loss on disposal of investment properties	260	-
Property, plant and equipment written off	35	52
Provision for doubtful debts no longer required	-	(115)
Unrealised loss/(gain) on foreign exchange	(53)	(36)
Interest income	(654)	(548)
Dividend income	(22)	(1)
Total adjustments	26,817	25,428
Operating cash flows before changes in working capital	46,873	32,170
Changes in working capital:		
Inventories	678	4,178
Receivables	(4,655)	748
Payables	(3,350)	(5,817)
Total changes in working capital	(7,326)	(891)
Cash generated from operations	39,547	31,279
Interest received	654	549
Interest paid	(4,591)	(5,292)
Tax paid	(1,020)	(1,410)
Net cash flows from/(used in) operating activities	34,589	25,126
Investing activities		
Dividend received	22	1
Proceeds from disposal of property, plant and equipment	6	5
Proceeds from disposal of investment properties	4,400	-
Purchase of property, plant and equipment	(12,641)	(19,623)
Purchase of investment property	-	(658)
Acquisition from non-controlling interests	(39)	-
Net redemption/(investment in) of short term investments	(2,157)	(222)
Net cash flows (used in)/from investing activities	(10,409)	(20,497)
Financing activities		
Drawdown of revolving credit	10,050	5,500
Drawdown of term loan	-	16,400
Repayment of revolving credit	(2,500)	(1,000)
Repayment of term loan	(11,938)	(16,842)
Repayment of lease liabilities	(626)	(821)
Dividends paid to shareholders	(2,948)	(2,948)
Dividends paid to non-controlling interests	(3,650)	(3,452)
Purchase of treasury shares in a subsidiary company	-	(229)
Net cash flows from/(used in) financing activities	(11,612)	(3,392)
Net increase/(decrease) in cash and cash equivalents	12,568	1,237
Effect on exchange rate changes on cash and cash equivalents	84	(124)
Cash and cash equivalents as at 1 January	17,432	20,166
Cash and cash equivalents as at 30 September	30,084	21,279
Cash and cash equivalents :		
Fixed deposits with licensed banks	6,918	4,995
Cash and bank balances	26,499	19,508
	33,417	24,503
Less : Fixed deposits pledged	(3,333)	(3,224)
	30,084	21,279

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2019.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed consolidated interim financial statements for the financial period ended 30 September 2020 have been prepared in compliance with Malaysian Financial Reporting Standards ("MFRS") 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2019.

The accounting policies used in the preparation of condensed consolidated interim financial statements are consistent with those previously adopted in the audited financial statements of the Group for the year ended 31 December 2019. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

2. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following new/revised MFRSs and amendments to MFRSs and the change in accounting policy as disclosed below:

Effective for financial periods beginning on or after 1 January 2020:

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 "Definition of a Business"
- Amendments to MFRS 101 "Presentation of Financial Statements" and MERS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendments to MFRS 7 "Financial Instruments: Disclosures", MERS 9 "Financial Instruments" and MFRS 139 "Financial Instruments: Recognition and Measurement"

The adoption of the above new/revised MFRSs and Amendments do not have any significant financial impact on the Group.

2. Significant accounting policies (Cont'd)

At the date of authorisation of these interim financial statements, the following MFRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:

MFRS, IC Interpretation and Amendments to IC Interpretations	Effective for annual periods beginning on or after
MFRS 17 : Insurance Contracts	1 Jan 2021
Classification of Liabilities as Current or Non-Current (Amendments to MFRS 101 : Presentation of Financial Statements)	1 Jan 2022
Amendments to MFRS 10 and MFRS 128 : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Change in Accounting Policy

During the current quarter, the Group has undertaken a detailed reassessment of facts and information with regards to the Renewable Energy Power Purchase Agreements ("REPPAs") entered into by its subsidiaries, Cash Horse Sdn Bhd. ("CHSB") and Mistral Engineering Sdn Bhd ("MESB") with Sabah Electricity Sdn Bhd ("SESB") for their biomass and biogas power plants respectively.

Based on the above reassessment of the terms and conditions of the REPPAs and recoverability of the biomass and biogas power plants at the end of the term of the REPPAs, the Group has determined that residual interest in the infrastructure at the end of the term of the arrangement is significant and which SESB has no control over. Consequently, the Group restated the biomass and biogas power plants initially recognised under IC 12 Service Concession Agreements ("IC 12") under financial assets to plant and equipment under MFRS 116 Property, plant and equipment as required conditions pursuant to IC 12 is not met.

The above restatement has been affected retrospectively. This involved reclassification of service concession receivables to plant and equipment and adjustment for the recomputed depreciation to date, net of the resulting deferred taxation impact.

Due to the restatement of the account balances mentioned in the above paragraph, the corresponding comparative figures which conform with the current presentation are as summarised below:

2. Significant accounting policies (Cont'd)

Change in Accounting Policy (Cont'd)

Condensed Consolidated Statement of Comprehensive Income					
			As Previously		
			reported	Adjustments	Restated
			RM'000	RM'000	RM'000
9 months ended 30 September 2019					
Revenue			215,624	8,605	224,229
Cost of sales			(197,900)	(3,129)	(201,029)
Other income			8,330	(5,480)	2,850
Profit before tax			6,746	(4)	6,742
Income tax expense			(2,256)	1	(2,255)
Profit after tax			4,490	(3)	4,487
Total comprehensive income for the period			4,347	(3)	4,344
Profit attributable to :-					
Owners of the Parent			2,455	41	2,496
Non-Controlling interest			2,035	(44)	1,991
Total comprehensive income attributable to:					
Owners of the Parent			2,365	(57)	2,308
Non-Controlling interest			1,982	54	2,036
Basic Earnings per share (sen)					
			1.25		1.27
3 months ended 30 September 2019					
Revenue			69,781	4,193	73,974
Cost of sales			(64,111)	(2,113)	(66,224)
Other income			2,805	(1,977)	828
Profit before tax			1,929	103	2,032
Income tax expense			(44)	(24)	(68)
Profit after tax			1,885	79	1,964
Total comprehensive income for the period			1,775	79	1,854
Profit attributable to :-					
Owners of the Parent			1,366	31	1,397
Non-Controlling interest			519	48	567
Total comprehensive income attributable to:					
Owners of the Parent			1,298	(67)	1,231
Non-Controlling interest			477	146	623
Basic Earnings per share (sen)					
			0.70		0.71

2. Significant accounting policies (Cont'd)

Change in Accounting Policy (Cont'd)

Condensed Consolidated Statement of Comprehensive Income					
			As Previously reported RM'000	Adjustments RM'000	Restated RM'000
6 months ended 30 June 2020					
Revenue			146,933	8,250	155,183
Cost of sales			(132,912)	(4,254)	(137,166)
Other income			5,555	(3,558)	1,997
Profit before tax			7,951	438	8,389
Income tax expense			(2,265)	(105)	(2,370)
Profit after tax			5,686	333	6,019
Total comprehensive income for the period			5,763	333	6,096
Profit attributable to :-					
Owners of the Parent			3,823	151	3,974
Non-Controlling interest			1,863	182	2,045
Total comprehensive income attributable to:					
Owners of the Parent			3,941	151	4,092
Non-Controlling interest			1,822	182	2,004
Basic Earnings per share (sen)					
			1.95		2.02
3 months ended 30 June 2020					
Revenue			77,805	4,125	81,930
Cost of sales			(67,655)	(1,995)	(69,650)
Other income			2,554	(1,779)	775
Profit before tax			6,939	351	7,290
Income tax expense			(1,915)	(84)	(1,999)
Profit after tax			5,024	267	5,291
Total comprehensive income for the period			5,417	267	5,684
Profit attributable to :-					
Owners of the Parent			2,562	115	2,677
Non-Controlling interest			2,462	152	2,614
Total comprehensive income attributable to:					
Owners of the Parent			2,857	115	2,972
Non-Controlling interest			2,560	152	2,712
Basic Earnings per share (sen)					
			1.30		1.36

2. Significant accounting policies (Cont'd)

Change in Accounting Policy (Cont'd)

Condensed Consolidated Statement of Financial Position					
			As Previously		
			reported	Adjustments	Restated
			RM'000	RM'000	RM'000
As at 31 December 2019					
Non-current assets					
Property, plant and equipment			404,149	113,901	518,050
Deferred tax assets			4,623	7,280	11,903
Trade and other receivables			134,849	(134,849)	-
Current assets					
Trade and other receivables			29,509	(9,384)	20,125
Equity					
Retained earnings			76,874	(7,489)	69,385
Total equity attributable to owners					
of the parent			247,395	(7,489)	239,906
Non-Controlling interest			264,798	(15,563)	249,235
As at 1 January 2019					
Non-current assets					
Property, plant and equipment			397,058	119,289	516,347
Deferred tax assets			3,031	7,196	10,227
Trade and other receivables			140,836	(140,836)	-
Current assets					
Trade and other receivables			24,989	(8,436)	16,553
Equity					
Retained earnings			77,313	(7,481)	69,832
Total equity attributable to owners					
of the parent			248,047	(7,481)	240,566
Non-Controlling interest			266,956	(15,305)	251,651
Condensed Consolidated Statement of Cash Flows					
9 months ended 30 September 2019					
Profit before tax			6,746	(4)	6,742
Depreciation and amortisation			14,443	6,343	20,786
Interest income			(6,028)	5,480	(548)
Operating profit before capital changes			20351	11,819	32,170
Receivables			9,354	(8,606)	748
Cash generated from operations			28,066	3,213	31,279
Net cash flows generated from operating activities			21,912	3,213	25,125
Purchase of property, plant and equipment			(16,410)	(3,213)	(19,623)
Net cash flows used in investing activities			(17,284)	(3,213)	(20,497)

3. Auditors' report

The auditor's report on the preceding annual financial statements was not qualified.

4. Seasonal and cyclical factors

The business of the Group is cyclical in nature and the third quarter is normally the peak production season.

5. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 30 September 2020.

6. Changes in estimates

There were no changes in estimates that have had a material effect in the current quarter results.

7. Equity and debt securities

There were no issuance, cancellation, resale, repurchase and repayment of equity or debt securities during the financial period ended 30 September 2020.

8. Dividend paid

A Single tier dividend of 1.5 sen on 196,543,970 ordinary shares amounting to RM2,948,160 that was approved by the directors on 14 May 2020 was paid on 12 June 2020.

No interim dividend has been paid during the current quarter ended 30 September 2020.

9. Segment information

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- a. Plantation - Cultivation of oil palm
- b. Oil Mill - Milling and sales of oil palm products
- c. Power Plant - Power Generation and sales of biomass by-products

9. Segment information (Contd.)

Information about reportable segments

	Results for 3 months ended 30 September								
	Plantation		Oil Mill		Power Plant		Total		
	2020	2019	2020	2019	2020	2019	2020	2019	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	8,335	5,762	74,043	59,126	16,510	8,643	98,888	73,531	
Inter-segment revenue	12,138	8,628	-	-	-	-	12,138	8,628	
Segment profit/(loss)	6,252	(694)	3,562	3,468	3,626	348	13,440	3,122	

Segment profit is reconciled to consolidated profit before tax as follows:	3 months ended	3 months ended
	30.9.2020 (Unaudited)	30.9.2019 (Unaudited)
	RM'000	RM'000
Segment profit	13,440	3,122
Other non-reportable segments	(270)	57
Amortisation of group land cost	(631)	(631)
Elimination of inter-segment profits	(8)	(19)
Unallocated corporate (expenses)/income	(864)	(497)
Consolidated profit/(loss) before tax	<u>11,667</u>	<u>2,032</u>

	Results for 9 months ended 30 September								
	Plantation		Oil Mill		Power Plant		Total		
	2020	2019	2020	2019	2020	2019	2020	2019	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	23,200	10,604	195,352	183,797	26,558	28,157	245,110	222,558	
Inter-segment revenue	28,405	31,456	-	-	-	-	28,405	31,456	
Segment profit/(loss)	10,440	(748)	8,204	8,135	5,737	2,450	24,381	9,837	

9. Segment information (Contd.)

Segment profit is reconciled to consolidated profit before tax as follows:	9 months ended 30.9.2020 (Unaudited) RM'000	9 months ended 30.9.2019 (Unaudited) RM'000
Segment profit	24,381	9,837
Other non-reportable segments	(465)	246
Amortisation of group land cost	(1,892)	(1,892)
Elimination of inter-segment profits	(28)	(142)
Unallocated corporate (expenses)/income	(1,940)	(1,307)
Consolidated profit/(loss) before tax	<u>20,056</u>	<u>6,742</u>

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 September 2020 except for an internal restructuring exercise to increase its effective interest in a subsidiary, Mistral Engineering Sdn. Bhd. from 62.71% to 81.73% as disclosed in Note 7, Part B of this report.

This internal restructuring does not have any material impact on the consolidated earnings of the Group for the financial year ending 31 December 2020 and have been included in the nine month's Condensed Consolidated Statement of Changes in Equity.

11. Contingent Assets and Liabilities

There were no contingent assets and contingent liabilities at the end of this quarter and as at the date of this report.

12. Capital commitments

	RM'000
Capital expenditure	
Approved and contracted for	11,353
Approved but not contracted for	<u>19,498</u>
	<u>30,851</u>

13. Significant event

The rapid spread of the ongoing COVID-19 pandemic throughout the country and the world has a significant impact on the overall economy including the palm oil sector. On 16 March 2020, the Malaysian Government issued the Movement Control Order ("MCO") from 18 to 31 March 2020 as a preventive measure against the spread of COVID-19 which requires the closure of all government and private premises except for those involved in the provision of essential services and those industries given special permission to operate. As the Group's principal activities comprise mainly oil palm milling, operation of plantations, where special permission has been granted and power plants, which fall under the essential services category, there was no major disruption to the Group's operations. However, on 24 March 2020, the Kinabatangan District Council in Sabah issued a notice to cease the operations of mills, plantation estates and collection centres from 27 to 31 March 2020 in selected areas of Lahad Datu, Tawau and Kinabatangan. Hence, certain plantation subsidiaries operating in Kinabatangan were affected as a result of the closure notice. Following the successful appeal made by industry associations and major oil palm players operating in the affected areas, the entities were permitted to resume operations on 12 April 2020.

These temporary shutdowns had minimal disruption to the Group for approximately half a month and pose no significant impact to the Group's operating results, cash flow and financial condition.

The Malaysian Government has resumed Conditional Movement Control Order (CMCO) throughout Sabah effective from 13 Oct 2020 until 6 December 2020 due to the rising number of COVID-19 cases in Sabah. However, as of the date of this report, economic activities including plantations are allowed to operate as usual, subject to stricter compliance of the SOP issued by the National Security Council (MKN).

Palm oil is headed towards recovery in the second half of the year in view of improving global demand as the lockdowns from the Global COVID-19 outbreak begin to ease. The management expects CPO prices could be traded above RM2,800 per MT in the near term in view of rising demand from India and China as well as the anticipation of lower FFB production. However, the Group is facing challenges from the shortage of foreign labour in the Malaysian palm oil industry resulting from the international travel restriction that was implemented to prevent the spread of COVID-19. Hence, the Group expects a threat to its FFB production in the fourth quarter of financial year 2020.

The Group will continue to monitor and assess the impacts and at the same time adhering to all preventive and control measures to curb the spread of COVID-19.

14. Subsequent event

There were no material subsequent events to the end of the current quarter.

Information required by BMSB Listing Requirements

1. Review of performance

Financial review for current quarter and financial year to date

		Individual Period (3rd Quarter)			Cumulative Period (9 months ended)		
		Current year Quarter	Preceding Year Corresponding Quarter	Changes (%)	Current Year To- date	Preceding Year Corresponding Period	Changes (%)
		30.9.2020	30.9.2019		30.9.2020	30.9.2019	
		(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
		RM'000	RM'000		RM'000	RM'000	
Revenue		95,604	73,974	29%	250,787	224,229	12%
Operating profit		13,129	3,893	237%	24,652	12,034	105%
Profit before tax		11,667	2,032	474%	20,056	6,742	197%
Profit after tax		8,786	1,964	347%	14,805	4,487	230%
Profit attributable to ordinary equity holders of the Parent		5,243	1,397	275%	9,217	2,496	269%
<i>Operational Statistics</i>							
Production:							
FFB	(mt)	41,270	40,651	2%	110,921	120,349	-8%
CPO	(mt)	23,865	25,160	-5%	66,538	79,180	-16%
PK	(mt)	6,311	6,505	-3%	17,428	20,489	-15%
Average selling price:							
FFB	(RM/mt)	496	363	37%	462	350	32%
CPO	(RM/mt)	2,706	1,997	36%	2,544	1,965	29%
PK	(RM/mt)	1,454	1,138	28%	1,475	1,171	26%
Quantity sold:							
CPO	(mt)	23,973	25,851	-7%	66,762	81,338	-18%
PK	(mt)	6,305	6,592	-4%	17,306	20,467	-15%
Oil Extraction Rate (%)		19.77	19.79	0%	19.39	19.59	-1%
Electricity Export(MWh)		16,383	16,686	-2%	47,071	57,165	-18%

1. Review of performance (Cont'd)

Current Quarter vs. Previous Year Corresponding Quarter

The Group recorded a revenue of RM95.60 million and profit before tax of RM11.67 million for the current quarter ended 30 September 2020 as compare to a revenue of RM73.97 million and profit before tax of RM2.03 million in the preceding year quarter ended 30 September 2019. The increases in revenue and profit before tax were mainly due to:

- a) Increases in selling prices of CPO, PK and FFB by 36%, 28% and 37% respectively; and
- b) Increase in segment contribution by Power Plant as a result of a higher average selling price of EFB oil by 75%.

Performance of the respective operating business segments for this quarter under review as compared to the previous corresponding quarter was analysed as follows:

- (i) Plantation – The increase in Segment profit by RM6.94 million (>100%) from a Segment loss of RM0.69 million to a Segment profit of RM6.25 million was mainly due to an increase in average FFB selling price by 37% and an increase in FFB production by 2%.
- (ii) Oil Mill – The slight increase in Segment profit by RM0.09 million (3%) from RM3.47 million to RM3.56 million was mainly due to a lower mill maintenance cost for the quarter under review.
- (iii) Power Plant – The increase in Segment profit by RM3.28 million (>100%) from RM0.35 million to RM3.63 million was mainly due to a higher average selling price of EFB oil by 75% for the quarter under review.

1. Review of performance (Cont'd)

Current Year-to-date vs. Previous Year-to-date

For this financial period under review, the Group recorded a revenue of RM250.79 million and profit before tax of RM20.06 million as compared to a revenue of RM224.23 million and profit before tax of RM6.74 million in the preceding year corresponding period. The increases in revenue and profit before tax were mainly due to:

- a) Increases in selling prices of CPO, PK and FFB by 29%, 26% and 32% respectively; and
- b) Increase in segment contribution by Power Plant as a result of a higher average selling price of EFB oil by 58%.

Performance of the respective operating business segments for this financial period under review as compared to the previous financial corresponding period was analysed as follows:

- (i) Plantation – The increase in Segment profit by RM11.19 million (>100%) from a Segment loss of RM0.75 million to a Segment profit of RM10.44 million was mainly due to an increase in average FFB selling price by 32% despite a decrease in FFB production by 8%.
- (ii) Oil Mill – The slight increase in Segment profit by RM0.07 million (1%) from RM8.13 million to RM8.20 million was mainly due to a lower mill maintenance cost for the period under review.
- (iii) Power Plant – The increase in Segment profit by RM3.29 million (>100%) from RM2.45 million to RM5.74 million was mainly due to a higher average selling price of EFB oil by 58% for the period under review.

2. Financial review for current quarter compared with immediate preceding quarter

			Current quarter 30.9.2020 (Unaudited) RM'000	Immediate Preceding Quarter 30.6.2020 (Unaudited) RM'000	Changes (%)
Revenue			95,604	81,930	16.7%
Operating profit			13,129	8,877	48%
Profit before tax			11,667	7,290	60%
Profit after tax			8,786	5,291	66%
Profit attributable to ordinary equity holders of the Parent			5,243	2,677	96%
<i>Operational Statistics</i>					
Production:					
FFB	(mt)		41,270	37,796	9%
CPO	(mt)		23,865	24,464	-2%
PK	(mt)		6,311	6,311	0%
Average selling price:					
FFB	(RM/mt)		496	407	22%
CPO	(RM/mt)		2,706	2,278	19%
PK	(RM/mt)		1,454	1,310	11%
Quantity sold:					
CPO	(mt)		23,973	24,632	-3%
PK	(mt)		6,305	6,175	2%
Oil Extraction Rate (%)			19.77	19.27	3%
Electricity Export(MWh)			16,383	15,967	3%

The Group recorded a profit before tax of RM11.67 million in the quarter under review as compared to a profit before tax of RM7.29 million in the immediate preceding quarter. The increase in profit before tax was mainly due to:

- a) Increase in FFB production by 9%;
- b) Increases in selling prices of CPO, PK and FFB by 19%, 11% and 22% respectively; and
- c) Increase in sales of electricity by 3% and a higher average selling price of EFB oil by 26%.

3. Commentary on prospects

Palm oil is headed towards recovery in the second half of the year in view of improving global demand as the lockdowns from the Global COVID-19 pandemic begin to ease. The management expects CPO prices to be traded above RM2,800 per MT in the near term in view of rising demand from India and China, as well as the anticipation of lower FFB production.

The Group is facing challenges from the shortage of foreign labour in the Malaysian palm oil industry resulting from the international travel restriction that was implemented to prevent the spread of COVID-19. Hence, the Group expects a threat to its FFB production in the fourth quarter of financial year 2020.

On the whole, the Board is confident that, barring any unforeseen circumstances, the Group will continue to perform satisfactorily for the fourth quarter of financial year 2020 in view of favourable palm oil prices.

4. Profit forecast

Not applicable as there was no profit forecast published.

5. Profit/(Loss) before taxation

This is arrived at after crediting/ (charging):

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Gain/(Loss) on disposal of plant and equipment	-	-	(4)	2
Loss on disposal of investment properties	(260)	-	(260)	-
Interest income	191	176	654	548
Interest expense	(1,462)	(1,861)	(4,596)	(5,292)
Depreciation and amortisation	(7,904)	(7,366)	(22,650)	(20,786)
Dividend	-	-	22	1
Property, plant and equipment written off	2	(21)	(35)	(52)
Provision for doubtful debts no longer required	-	-	-	115
Unrealised (loss)/gain on foreign exchange	53	41	53	36

Save as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

6. Income tax expense

Taxation is provided at the prevailing statutory rate based on the operating profit for the quarter as follows.

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Current tax:				
-Malaysian income tax	2,197	384	5,109	1,256
-Under/(over) provision of tax	41	164	41	164
	2,238	548	5,150	1,420
Deferred tax				
- relating to origination and reversal of temporary differences	653	(832)	121	483
- under/(over) provision of tax	(10)	352	(20)	352
	643	(480)	101	835
Total income tax expense	2,881	68	5,251	2,255

The Group's effective tax rate for the current quarter and cumulative quarter was higher than the statutory tax rate of 24% principally due to certain expenses was disallowed for tax purposes.

7. Corporate proposal

The Company has an indirect subsidiary, Cash Nexus (M) Sdn. Bhd. ("Cash Nexus") which holds 62.71% equity interest in Timah Resources Ltd. ("TML"), a company listed on the Australia Securities Exchange Ltd. ("ASX"). In turn, TML holds 100% equity interest in Mistral Engineering Sdn. Bhd. ("Mistral").

Mistral is principally engaged in power generation to supply electricity under the Feed-in Approval to participate in the Feed-in Tariff scheme granted by the Sustainable Energy Development Authority Malaysia ("SEDA") in February 2015, while it was still a wholly-owned subsidiary of Cash Nexus. In July 2015, Cash Nexus undertook a corporate exercise involving a reverse take-over of TML by way of disposal of the entire equity interest in Mistral to TML, resulting in current corporate structure.

On 20 August 2019, Mistral received a written notice from SEDA requesting Mistral to provide written submission as to why Mistral's Feed-in Approval to participate in the Feed-in Tariff scheme should not be revoked. Mistral is alleged to have failed to comply with Rule 15 of the Renewable Energy (Feed-in Approval and Feed-in Tariff Rate) Rules 2011 ("2011 Rules") in failing to notify SEDA in writing, as soon as possible, of any change in the particulars of information submitted to SEDA under Rule 10 and Rule 13(1)(a) for failure to comply with the eligibility criteria under Rule 3 (c)(i) of the 2011 Rules. Rule 3 (c)(i), stipulates the following:

"3. An eligible producer shall be as follows:

(c) a company incorporated in Malaysia other than-

(i) a company in which a foreign person holds, directly or indirectly, more than forty-nine per centum of the voting power or issued share capital (excluding preference shares)".

7. Corporate proposal (Cont'd)

Mistral had replied in writing to SEDA's notice on 12 September 2019 explaining that the effective equity interest of Cash Nexus in Mistral is 62.71% held through TML and had on 15 October 2019 also sought indulgence from SEDA to grant Mistral 12 months to complete the restructuring of its shares.

On 8 January 2020, Mistral received an official letter from SEDA dated 24 December 2019 informing Mistral that SEDA had decided at its committee meeting on 14 November 2019 not to revoke Mistral's Feed-in Approval, subject to Mistral complying with Rule 3(c)(i) of the 2011 Rules within six months from 24 December 2019. Mistral has also written to SEDA on 25 March 2020 seeking an extension of another 6 months to complete the Proposed Restructuring.

To fully comply with SEDA's requirement of Mistral being a Malaysian majority-owned entity, CGB Group has proposed to undertake a restructuring of its shareholdings by converting a part of Mistral's existing debt owed to CGB into new ordinary shares of Mistral to be subscribed by Cash Nexus where Mistral has proposed to issue 9,627,552 new ordinary shares at an issue price of RM1.60 by reducing the amount owing to CGB by RM15,421,108. ("Proposed Restructuring"). The Proposed Restructuring will result in Cash Nexus holding directly 51% of the equity interest in Mistral.

The Proposed Restructuring was approved by the shareholders of TML at the Extraordinary General Meeting ("EGM") held on 15 July 2020 and completed on 7 August 2020.

Mistral has also written to SEDA on 26 Aug 2020 on the completion of the restructuring exercise in compliance with Rule 3 (c)(i) of the Renewable Energy (Feed-in Approval and Feed-in Tariff rate) Rules 2011.

8. Borrowings

The total borrowings incurred by the Group and outstanding as at end of the current quarter are as follows:

		Current quarter			
		9 months ended			
		30.9.2020	30.9.2019		
		(Unaudited)	(Unaudited)		
		RM'000	RM'000		
Short term borrowings					
Secured:					
Term loans		20,938	22,763		
Short term revolving credits		59,800	56,550		
Unsecured:					
Short term revolving credits		1,100	1,100		
		81,838	80,413		
Long term borrowings					
Secured:					
Term loans		45,038	60,788		
Total borrowings					
Secured:					
Term loans		65,976	83,551		
Short term revolving credits		59,800	56,550		
Unsecured:					
Short term revolving credits		1,100	1,100		
		126,876	141,201		

9. Trade and Other Receivables

		As at	
		30.9.2020	31.12.2019
		(Unaudited)	(Audited)
		RM'000	RM'000
Current			
Trade receivables:			
- Non-related parties		15,091	14,624
Less: Allowance for doubtful debts		(325)	(325)
		14,766	14,299
Other receivables, net		10,245	5,311
		25,011	19,610

The credit period of trade receivables is generally for a period of one month.

The ageing analysis of trade receivables is as follows:

		As at	
		30.9.2020	31.12.2019
		(Unaudited)	(Audited)
		RM'000	RM'000
Ageing analysis of Current trade receivables :-			
Neither past due nor impaired			
1 - 30 days		14,677	14,238
31 - 60 days		120	20
61 - 90 days		17	23
More than 90 days		277	343
		15,091	14,624
Impaired		(325)	(325)
		14,766	14,299

10. Disclosure of derivatives

The Group did not enter into any derivative contract and accordingly there were no outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 September 2020.

11. Changes in material litigation

There are no pending material litigations as at the date of this report.

12. Dividend payable

No interim ordinary dividend has been declared for the current quarter ended 30 September 2020 (30 September 2020: Nil).

13. Earnings per share

a) Basic

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares of 196,543,970 (2019 – 196,543,970) in issue during the financial period.

	Current quarter		Cumulative quarter	
	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to the owners of the Company	5,243	1,397	9,217	2,496
Weighted average number of ordinary shares in issue	196,544	196,544	196,544	196,544
Basic earnings per share (sen)	2.67	0.71	4.69	1.27

b) Diluted

The Group has no potential ordinary shares in issue as at balance sheet date and therefore, diluted earnings per share have not been presented.

14. Authorisation for issue

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors on 17 November 2020.