

# **CB INDUSTRIAL PRODUCT HOLDING BERHAD (428930-H)**

(Incorporated in Malaysia)

## **PART A – EXPLANATORY NOTES PURSUANT TO FRS 134**

### **1. Accounting policies and method of computation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (“FRS”) 134 : Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

The Group falls within the definition of Transitioning Entities and has elected to present its first Malaysian Financial Reporting Standards (“MFRS”) financial statements when MFRS framework become mandatory. Currently the Malaysian Accounting standards Board has not announced as to when the Transitioning Entities are mandated to comply with the MFRS framework. Accordingly, the group is unable to assess the potential financial effects of the differences between the accounting standards under FRSs and MFRSs.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013 except for the adoption of the following FRS, Amendments to FRS and Interpretations which were adopted by the Group with effect from 1 January 2014:-

Amendments to FRS 10, FRS 12 and FRS 127 (2011) : Investment Entities  
Amendments to FRS 132 : Offsetting financial Assets and Financial Liabilities  
Amendments to FRS 136 : Recoverable Amount Disclosures for Non-Financial Assets  
Amendments to FRS 139 : Novation of Derivatives and Continuation of Hedging Accounting  
IC Interpretation 21 Levies

The adoption of the above standards and interpretations did not have any material impact on the Group’s financial statements.

### **2. Auditors’ report on preceding annual financial statements**

The auditors’ report on the audited financial statements for the year ended 31 December 2013 was not qualified.

### **3. Seasonal and cyclical factors**

Except for the production of fresh fruit bunches (“FFB”) which is cyclical in nature, the Group’s operations were not significantly affected by seasonal or cyclical factors.

### **4. Unusual items**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter.

### **5. Changes in estimates**

There were no changes in estimates of amounts reported in prior financial year that have a material effect in the current quarter.

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### 6. Dividends paid

A first interim single tier dividend of 5 sen per ordinary share amounting to RM13,261,472.30 in respect of the financial year ending 31 December 2014 was paid on 21 July 2014.

### 7. Segmental information

6 months ended 30 June 2014				
Revenue			Profit/(loss) before tax	
External	Inter- segment	Total		
RM'000	RM'000	RM'000	RM'000	
<u>Business segments</u>				
- Palm oil mill equipment and related products & Contracting works	184,160	6,629	190,789	46,363
- Oil palm plantation	408	-	408	(4,196)
- Retrofitting special purpose vehicles	60,893	-	60,893	3,994
Elimination		(6,629)	(6,629)	-
	245,461	-	245,461	46,161
Share of results of associates				3,500
Share of result of joint venture				(1,075)
Total	245,461	-	245,461	48,586

6 months ended 30 June 2013				
Revenue			Profit/(loss) before tax	
External	Inter- segment	Total		
RM'000	RM'000	RM'000	RM'000	
<u>Business segments</u>				
- Palm oil mill equipment and related products & Contracting works	164,752	13,000	177,752	40,395
- Oil palm plantation	46	-	46	(3,050)
- Retrofitting special purpose vehicles	128,970	-	128,970	8,442
Elimination		(13,000)	(13,000)	-
	293,768	-	293,768	45,787
Share of results of associates				78
Share of result of joint venture				(2,020)
Total	293,768	-	293,768	43,845

### 8. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during current quarter other than the following:-

On 29 May 2014, the shareholders of the Company approved the renewal of authority for the Company's plan to repurchase its own shares. During the current quarter, the Company repurchased 70,000 of its issued ordinary shares from the open market at an average price of RM4.49 per share. The total consideration paid for the repurchase including transaction costs was RM315,790.03 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

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### **9. Carrying amount of revalued assets**

The valuations of property, plant and equipment have been brought forward without amendment from the audited financial statements for the year ended 31 December 2013.

### **10. Material subsequent events**

There were no material events subsequent to the end of the current quarter that have not been reflected in the interim financial statements other than the following:-

On 30 July 2014, the Company acquired 2 ordinary shares of RM1.00 each representing 100% of the paid up capital of Benar Optima Sdn. Bhd. (“BOSB”) for a total cash consideration of RM2.00. In consequence thereof, BOSB become a wholly owned subsidiary of the Company. For further details, please refer to our announcements to Bursa Securities on 18 August 2014.

### **11. Changes in composition of the Group**

There were no changes in the composition of the Group during the current quarter.

### **12. Changes in contingent liabilities or contingent assets**

There were no significant changes in contingent liabilities or assets of the Company since the last audited statement of financial position as at 31 December 2013 other than the following:-

The issuance of corporate guarantee of RM20 million to a financial institution in respect of banking facility granted to a subsidiary of the Company.

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### **PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES**

#### **13. Review of performance**

The Group's profit before taxation for the financial period ended 30 June 2014 increased by 11% despite a decrease in the Group's revenue by 16% as compared to the same period last year.

The decrease in the Group's revenue was mainly due to lower project billing by the special purposes vehicles segment during the financial period. The increase in the Group's profit before taxation was mainly due to the improvement in the palm oil equipment segment and the share of results of the associates. In addition, the other operating income also improved as compared to the same period last year.

The palm oil mill equipment segment reported higher revenue and profit before taxation by 12% and 15% respectively as compared to the same period last year. The increase in profit was mainly due to the improvement in project billing and profit margin.

The revenue and profit before taxation of the special purpose vehicles segment decreased by 53% as compared to the same period last year. The decreases were mainly due to lower project completion and billing during the current financial period.

The combined result of the associates and joint venture improved to a profit from a combined loss in the same financial period last year. The improvement was mainly attributable to higher prices of palm products and FFB production.

#### **14. Comparison with preceding quarter's result**

The Group's profit before taxation for the current quarter decreased by 12% despite an increase in the Group's revenue by 3% as compared to the immediate preceding quarter.

The increase in the Group's revenue was mainly due to the improvement in project billing and implementation by the palm oil equipment segment during the current quarter.

The decrease in the Group's profit before taxation was mainly due to lower other operating income and share of results of associates together with a loss suffered by the joint venture as compared to the immediate preceding quarter. The lower other operating income was mainly due to lower investment income whereas the lower contribution by the associates and the loss by the joint venture were mainly due to higher production expenditure.

#### **15. Commentary on prospects**

In view of the progress in the implementation of the projects secured in hand, the Board expects the Group to achieve satisfactory results driven by the palm oil mill equipment and special purpose vehicles segments for the financial year ending 31 December 2014.

#### **16. Profit forecast and profit guarantee**

No profit forecast and profit guarantee were issued by the Company during the current financial period.

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### 17. Taxation

	Individual quarter 30/06/2014 RM'000	Cumulative quarter 30/06/2014 RM'000
Malaysian taxation	1,013	2,772
Foreign taxation	215	420
Under / (Over) provision in prior year	-	-
Deferred tax	-	-
Total	1,228	3,192

The effective tax rate of the Group is lower than the statutory tax rate mainly due to the availability of tax exemption granted under pioneer status to a subsidiary of the Company.

### 18. Corporate proposals

There were no corporate proposals announced but not completed as at the date of issue of these interim financial statements other than the following:-

- i) On 20 June 2014, the Company entered into a conditional share sale and purchase agreement with PT Manyangan Jaya (“PTMJ”), Gunter and Cornelis N. Antun to acquire 940 shares of Rp1,000,000 each representing 94% of the issued and paid-up share capital in PTMJ for a total purchase price of up to Rp29,209,121,000 only or equivalent to RM8,227,921. The said agreement is pending the completion of the conditions precedent as stated in the said agreement. For further details, please refer to our announcements to Bursa Securities on 20 June 2014; and
- ii) On 11 August 2014, the Company proposed to undertake a proposed bonus issue of up to 272,008,473 new ordinary shares on the basis of 1 bonus share for every 1 existing ordinary share held on an entitlement date to be determined (“Entitlement Date”) and a proposed bonus issue of up to 90,669,491 warrants on the basis of 1 warrant for every 3 existing shares held on the Entitlement Date. For further details, please refer to our announcements to Bursa Securities on 11 August 2014.

### 19. Borrowings and debt securities

Group borrowings as at 30 June 2014:-

	Current RM'000	Non-current RM'000	Total RM'000
<u>Secured borrowings</u>			
Ringgit Malaysia	8,058	465	8,523
US Dollar	-	-	-
Total	8,058	465	8,523

### 20. Derivative financial instruments

There were no outstanding derivative financial instruments as at the date of issue of these interim financial statements.

### 21. Dividend payable

No dividend has been proposed or declared for the current quarter.

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### 22. Material litigation

There were no material litigations as at the date of issue of these interim financial statements other than the following:-

Modipalm Engineering Sdn. Bhd., a wholly owned subsidiary, has taken a civil suit as plaintiffs in relation to the loss of their cargo on a voyage to Bintulu Port on board a dumb barge "Bina II" on tow by a tugboat "Bina I" against the insurer who insured the cargo in the Kuching High Court vide Suit No: 22-238-08-I. The High Court in Kuching decided against the plaintiff and the plaintiff filed an appeal against the High Court's decision. On 29 August 2013, the Court of Appeal allowed the appeal and the High Court's decision has been set aside. The defendant has since then filed a notice of motion for leave to appeal to the Federal Court. No date for the hearing of the notice has been fixed yet.

### 23. Comprehensive Income Disclosure

Profit before taxation is arrived at after charging/(crediting):-

	Individual quarter		Cumulative quarter	
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Interest income	(74)	(221)	(710)	(1,099)
Interest expense	70	20	100	91
Depreciation/Amortization	1,333	1,128	2,772	1,992
Bad debts recovered/ Reversal of allowance for doubtful debts	(129)	-	(129)	-
Allowance for doubtful debts/Bad debts written off	-	2	-	2
(Gain)/Loss on disposal of property, plant and equipment	(93)	-	(93)	-
Inventories written down	-	-	-	-
Plant and equipment written off	-	15	-	15
Fair value (gain)/loss on :-				
- Derivative instruments	-	(374)	-	148
- Short term investments	887	1,056	(2,025)	673
Other income	(1,299)	(2,251)	(2,635)	(2,257)
(Gain)/Loss on foreign exchange	143	618	758	433

### 24. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to the shareholders by the weighted average number of ordinary shares of RM0.50 each in issue during the period, excluding treasury shares held by the Company. There were no diluted earnings per share as there were no potentially dilutive ordinary shares.

	Individual quarter		Cumulative quarter	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
Weighted average number of ordinary shares in issue ('000)	265,229	265,369	265,229	265,369
Basic earnings per share (sen)	7.96	7.11	16.74	14.14

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**25. Realized and unrealized profits/losses**

	30/06/2014 RM'000	30/06/2013 RM'000
Total retained profits of the Company and its subsidiaries:-		
- Realized	469,003	399,333
- Unrealized	(3,670)	(2,755)
	465,333	396,578
Total share of retained profits from associated companies:-		
- Realized	44,434	35,229
- Unrealized	(5,567)	(4,929)
	38,867	30,300
Total share of accumulated losses from a joint venture:-		
- Realized	3,203	238
- Unrealized	(237)	(237)
	2,966	1
Less : Consolidation adjustments	(41,556)	(40,036)
Total group retained profits as per consolidated accounts	465,610	386,843

**26. Authorization for issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the directors dated 25 August 2014.