

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.

On 19 November 2011, the Malaysian Accounting Standards Board (“MASB”) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (“MFRS”). The MFRSs are to be applied by all entities Other Than The Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 (Agriculture) and IC Interpretation 15 (Agreement for Construction of Real Estate), including its parent, significant investor and venture (herein called “Transitioning Entities”).

With the issuance of MFRS 15 : Revenue from Contracts with Customers and Agriculture : Bearer Plants (Amendments to MFRS 116 and MFRS 141), all Transitioning Entities would be required to adopt the MFRS framework latest by 1 January 2017. 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.

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.

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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.

6. Dividends paid

A second interim single tier dividend of 3 sen per ordinary share amounting to RM15,940,179.75 in respect of the financial year ended 31 December 2014 was paid on 30 January 2015.

7. Segmental information

12 months ended 31 December 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	416,150	14,731	430,881	91,891
- Oil palm plantation	1,023	-	1,023	(9,343)
- Retrofitting special purpose vehicles	148,189	-	148,189	20,230
Elimination		(14,731)	(14,731)	-
	565,362	-	565,362	102,778
Share of results of associates				6,519
Share of result of joint venture				(236)
Total	565,362	-	565,362	109,061

12 months ended 31 December 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	328,250	19,248	347,498	80,877
- Oil palm plantation	222	-	222	(4,960)
- Retrofitting special purpose vehicles	261,969	-	261,969	41,671
Elimination		(19,248)	(19,248)	-
	590,441	-	590,441	117,588
Share of results of associates				7,531
Share of result of joint venture				2,020
Total	590,441	-	590,441	127,139

8. 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.

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9. 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:-

- i) On 12 November 2014, the issued and paid up capital of the Company was increased to RM268,618,959.50 by the creation of 265,229,446 new ordinary shares of RM0.50 each pursuant to the issuance of bonus on the basis of 1 new ordinary share for every 1 existing share (“Bonus issue”);
- ii) On 3 December 2014, the issued and paid-up capital of the Company was further increased to RM269,124,176 as a result of the allotment of 1,010,433 new ordinary shares of RM0.50 each arising from the conversion of 1,010,433 warrants at an exercise price of RM2.40 per share. As at the end of the current financial year, there were 87,399,382 warrants at an exercise price of RM2.40 per share; and
- iii) 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 130,000 of its issued ordinary shares from the open market at an average price of RM2.21 per share. The total consideration paid for the repurchase including transaction costs was RM288,548.42 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.

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:-

- i) On 6 February 2015, AVP Engineering (M) Sdn. Bhd. (“AVP”), a 51% subsidiary of the Company subscribed 60,000 ordinary shares of RM1.00 each, representing 60% equity interest in AVP EMDigital (M) Sdn. Bhd. (“AVPEM”) for a total cash consideration of RM60,000. Following the subscription, AVPEM becomes a 60% owned subsidiary of AVP. For further details, please refer to our announcements to Bursa Securities on 10 February 2015; and
- ii) On 11 February 2015, the Company acquired 2 ordinary shares of RM1.00 each representing 100% of the paid up capital of PalmitEco Engineering Sdn. Bhd. (“PEESB”) for a total cash consideration of RM2.00. In consequence thereof, PEESB become a wholly owned subsidiary of the Company. For further details, please refer to our announcements to Bursa Securities on 13 February 2015.

11. Changes in composition of the Group

There were no changes in the composition of the Group during the current quarter other than the following:-

On 8 October 2014, AVP Engineering (M) Sdn. Bhd. (“AVP”), a 51% subsidiary of the Company disposed of its entire shareholding in TPG Oil & Gas Sdn. Bhd. (“TPGOG”) comprising 500,000 ordinary shares of RM1.00 each for a total consideration of RM500,000, and the Company acquired 245,000 ordinary shares of RM1.00 each representing 49% of the paid up capital of TPGOG from AVP. In consequence thereof, TPGOG become a 49% direct owned company of the Company. For further details, please refer to our announcements to Bursa Securities on 13 October 2014.

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 revenue and profit before taxation for the financial year ended 31 December 2014 decreased by 4% and 14% respectively as compared to the last financial year

The decrease in the Group's revenue was mainly due to lower project billing by the special purposes vehicles segment during the financial year. The decrease in the Group's profit before taxation was mainly due to lower contribution by the special purpose vehicles segment and the share of result of the associates. In addition, the loss incurred by the oil palm plantation segment also increased as compared to the last financial year.

The palm oil mill equipment segment reported higher revenue and profit before taxation by 43% and 52% respectively as compared to the last financial year. The increase in profit was mainly due to the improvement in project completion and billing.

The revenue and profit before taxation of the special purpose vehicles segment decreased by 47% and 42% respectively as compared to the same period last year. The decreases were mainly due to lower project implementation during the financial year.

The share of result of associates decreased by 13% whereas the joint venture suffered a loss as compared to a profit in the last financial year. The decrease and loss by associates and joint venture respectively were mainly due to higher operating expenses incurred during the financial year.

14. Comparison with preceding quarter's result

The Group's revenue and profit before taxation for the current quarter increased by 14% and 24% respectively as compared to the immediate preceding quarter.

The increase in the Group's revenue was mainly due to higher project billing and completion by the special purpose vehicles and palm oil mill equipment segments.

The increase in the Group's profit before taxation was also mainly attributable to the improvement in the special purpose vehicles and palm oil mill equipment segments as compared to the immediate preceding quarter.

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 2015.

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 31/12/2014 RM'000	Cumulative quarter 31/12/2014 RM'000
Malaysian taxation	3,098	8,088
Foreign taxation	1,431	2,091
Under / (Over) provision in prior year	-	(12)
Deferred tax	(291)	(291)
Total	4,238	9,876

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:-

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.

19. Borrowings and debt securities

Group borrowings as at 31December 2014:-

	Current RM'000	Non-current RM'000	Total RM'000
<u>Secured borrowings</u>			
Ringgit Malaysia	5,223	17,202	22,425
US Dollar	-	-	-
Total	5,223	17,202	22,425

20. 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.

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21. Derivative financial instruments

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

22. Dividend payable

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

23. Comprehensive Income Disclosure

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

	Individual quarter		Cumulative quarter	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
Interest income	(301)	(3,867)	(1,353)	(5,338)
Interest expense	312	193	582	322
Depreciation/Amortization	1,842	1,193	5,966	4,374
Bad debts recovered/ Reversal of allowance for doubtful debts	(328)	(1,004)	(328)	(1,004)
Allowance for doubtful debts/Bad debts written off	-	3,239	-	3,241
(Gain)/Loss on disposal of property, plant and equipment	100	(1)	(21)	(66)
Inventories written down	-	-	-	-
Plant and equipment written off	-	-	-	15
Fair value (gain)/loss on :-				
- Derivative instruments	-	433	-	433
- Short term investments	4,896	356	1,178	240
Other income	(1,042)	(1,637)	(5,474)	(3,849)
(Gain)/Loss on foreign exchange	(3,436)	(7,610)	(291)	(5,297)

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. The diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue during the period after the adjustment for the effect of dilutive potential ordinary shares (Adjusted for bonus shares and on assumption that all warrants are exercised).

	Individual quarter		Cumulative quarter	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
i) <u>Basic</u>				
Weighted average number of ordinary shares in issue ('000)	531,339	265,299	531,339	265,299
Basic earnings per share (sen)	4.83	14.66	17.44	37.10
ii) <u>Diluted</u>				
Weighted average number of ordinary shares outstanding ('000)	618,738	619,008	618,738	619,008
Basic earnings per share (sen)	4.15	6.28	14.98	15.90

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25. Realized and unrealized profits/losses

	31/12/2014 RM'000	31/12/2013 RM'000
Total retained profits of the Company and its subsidiaries:-		
- Realized	380,142	454,927
- Unrealized	(5,312)	(19,069)
	374,830	435,858
Total share of retained profits from associated companies:-		
- Realized	44,192	41,651
- Unrealized	(5,622)	(5,409)
	38,570	36,242
Total share of accumulated losses from a joint venture:-		
- Realized	4,042	4,278
- Unrealized	(237)	(237)
	3,805	4,041
Less : Consolidation adjustments	(51,882)	(41,674)
Total group retained profits as per consolidated accounts	365,323	434,467

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 February 2015.