

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 2014. 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 2014.

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 2014. The adoption of the new, revised Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations with effect from 1 January 2015, are expected to have no significant 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 2014 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 3 sen per ordinary share amounting to RM15,928,314.75 in respect of the financial year ended 31 December 2015 was paid on 2 July 2015.

7. Segmental information

6 months ended 30 June 2015			
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	199,695	6,632	206,327
- Oil palm plantation	891	-	891
- Retrofitting special purpose vehicles	32,679	-	32,679
Elimination		(6,632)	(6,632)
	233,265	-	233,265
Share of results of associates			49,575
Share of result of joint venture			1,332
			(2,257)
Total	233,265	-	233,265
			48,650

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
- Oil palm plantation	408	-	408
- Retrofitting special purpose vehicles	60,893	-	60,893
Elimination		(6,629)	(6,629)
	245,461	-	245,461
Share of results of associates			46,161
Share of result of joint venture			3,500
			(1,075)
Total	245,461	-	245,461
			48,586

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 2014.

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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:-

On 28 May 2015, 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 522,600 of its issued ordinary shares from the open market at an average price of RM2.08 per share. The total consideration paid for the repurchase including transaction costs was RM1,085,427 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.

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 2014 other than the following:-

The issuance of corporate guarantee of RM3 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 2015 increased marginally despite a decrease in the Group's revenue by 5% 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, down by 46% as compared to the same period last year. The marginal increase in the Group's profit before taxation was mainly due to higher contribution from the palm oil equipment segment despite lower contributions from the special purpose vehicles segment and the share of results of the associates

The palm oil mill equipment segment reported higher revenue and profit before taxation by 8% and 11% 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.

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

The combined result of the associates and joint venture declined to a loss from a combined profit in the same financial period last year. The loss was mainly due to lower prices of palm products.

14. Comparison with preceding quarter's result

The Group's profit before taxation for the current quarter increased by 4% despite a decrease in the Group's revenue by 2% as compared to the immediate preceding quarter.

The decrease in the Group's revenue was mainly due to lower project billing and completion by the special purpose vehicles segment which declined by 26% as compared to the immediate preceding quarter.

The increase in the Group's profit before taxation was mainly attributable to the improvement by the palm oil equipment segment and the share of results of associates despite lower contributions from other operating income and the special purpose vehicles segment together with a higher loss posted 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 loss by the joint venture were mainly due to lower prices of palm products and higher production expenditure

15. Commentary on prospects

In view of the progress in the implementation of the projects secured in hand and the current challenging environment, 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. Corporate proposals

There were no corporate proposals announced but not completed as at the date of issue of these interim financial statements.

18. Taxation

	Individual quarter 30/06/2015 RM'000	Cumulative quarter 30/06/2015 RM'000
Malaysian taxation	7,196	7,707
Foreign taxation	60	710
Under / (Over) provision in prior year	-	-
Deferred tax	-	-
Total	7,256	8,417

The effective tax rate for the financial period ended 30 June 2015 is lower than the statutory tax rate mainly due to the tax exemption granted under pioneer status to a subsidiary of which expired in March 2015.

19. Borrowings and debt securities

Group borrowings as at 30 June 2015:-

	Current RM'000	Non-current RM'000	Total RM'000
<u>Secured borrowings</u>			
Ringgit Malaysia	4,938	15,992	20,930
US Dollar	-	-	-
Total	4,938	15,992	20,930

20. Material litigation

There were no material litigations as at the date of issue of these interim financial statements.

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.

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23. Comprehensive Income Disclosure

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

	Individual quarter		Cumulative quarter	
	30/06/2015 RM'000	30/06/2014 RM'000	30/06/2015 RM'000	30/06/2014 RM'000
Interest income	(3,214)	(74)	(4,463)	(710)
Interest expense	260	70	502	100
Depreciation/Amortization	1,437	1,333	3,074	1,772
Bad debts recovered/ Reversal of allowance for doubtful debts	-	(129)	-	(129)
Allowance for doubtful debts/Bad debts written off	-	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(764)	(93)	(859)	(93)
Inventories written down	-	-	-	-
Plant and equipment written off	-	-	-	-
Fair value (gain)/loss on :-				
- Derivative instruments	-	-	-	-
- Short term investments	2,665	887	1,609	(2,025)
Other income	-	(1,299)	-	(2,633)
(Gain)/Loss on foreign exchange	(243)	143	(1,627)	758

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	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
i) <u>Basic</u>				
Weighted average number of ordinary shares in issue ('000)	530,816	265,229	530,816	265,229
Basic earnings per share (sen)	3.35	7.96	7.49	16.74
ii) <u>Diluted</u>				
Weighted average number of ordinary shares outstanding ('000)	618,215	618,868	618,215	618,868
Basic earnings per share (sen)	2.87	3.41	6.43	7.18

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25. Realized and unrealized profits/losses

	30/06/2015 RM'000	30/06/2014 RM'000
Total retained profits of the Company and its subsidiaries:-		
- Realized	404,079	469,003
- Unrealized	3,346	(3,670)
	407,425	465,333
Total share of retained profits from associated companies:-		
- Realized	42,337	44,434
- Unrealized	(4,952)	(5,567)
	37,385	38,867
Total share of accumulated losses from a joint venture:-		
- Realized	1,788	3,203
- Unrealized	(237)	(237)
	1,551	2,966
Less : Consolidation adjustments	(59,841)	(41,556)
Total group retained profits as per consolidated accounts	386,520	465,610

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 18 July 2015.