

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 2015. 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 2015.

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; 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”).

As further announced by MASB, the transitioning entities are allowed to defer the adoption of MFRSs to annual periods beginning on or after 1 January 2018.

The Group falls within the definition of transitioning entities and has elected to defer the adoption of MFRSs and will only prepare its first set of MFRS financial statements for the financial year ending 31 December 2018. The Group is currently assessing the possible financial impacts that may arise from the adoption of MFRSs and the process is still on going.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015. The adoption of the new, revised accounting standards and interpretations (including the consequential amendments, if any) is 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 2015 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.

CB INDUSTRIAL PRODUCT HOLDING BERHAD (428930-H)
(Incorporated in Malaysia)

6. Dividends paid

A second interim single tier dividend of 3 sen per ordinary share amounting to RM15,723,707 in respect of the financial year ending 31 December 2016 was paid on 20 January 2017.

7. Segmental information

	12 months ended 31 December 2016			
	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	408,393	20,870	429,263	98,198
- Palm oil plantations	3,422	-	3,422	8,052
- Retrofitting special purpose vehicles	158,330	-	158,330	26,967
Elimination		(20,870)	(20,870)	-
	570,145	-	570,145	133,217
Share of results of associates				8,828
Share of result of joint venture				3,132
Total	570,145	-	570,145	145,177

	12 months ended 31 December 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	415,786	20,187	435,973	107,653
- Palm oil plantations	2,132	-	2,132	73
- Retrofitting special purpose vehicles	123,356	-	123,356	28,950
Elimination		(20,187)	(20,187)	-
	541,274	-	541,274	136,676
Share of results of associates				6,359
Share of result of joint venture				54
Total	541,274	-	541,274	143,089

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 2015.

9. Debt and equity securities

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

On 28 May 2016, 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 55,000 of its issued ordinary shares from the open market at an average price of RM1.97 per share. The total consideration paid for the repurchase including transaction costs was RM108,285 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.

CB INDUSTRIAL PRODUCT HOLDING BERHAD (428930-H)
(Incorporated in Malaysia)

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 2015.

CB INDUSTRIAL PRODUCT HOLDING BERHAD (428930-H)

(Incorporated in Malaysia)

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 2016 increased by 53% and 15% respectively as compared to the same period last year

The increase in the Group's revenue was mainly due to higher project billings by the special purposes vehicles segments during the financial year. The increase in the Group's profit before taxation was mainly due to higher contribution posted by the palm oil plantation segment and improved share of results by the associates and joint venture.

The palm oil mill equipment segment reported lower revenue and profit before taxation by 2% and 9% respectively as compared to the last financial year. The decreases were mainly due to the lower projects implementation and lower operating income resulting from the loss incurred by the investment in asset management during the current financial year.

The profit before taxation of the special purpose vehicles segment decreased by 7% despite an increase in revenue by 28% as compared to the last financial year. The decrease was mainly due to lower projects margin resulting from the higher operating expenses during the financial year.

The combined share of results of associates and joint venture improved by 87% as compared to the last financial year. The improved performance was mainly due to increase in prices of palm products.

14. Comparison with preceding quarter's result

The Group's revenue and profit before taxation for the current quarter increased by 27% and 52% respectively as compared to the immediate preceding quarter.

The increase in the Group's revenue was mainly due to higher project billings and completion by the special purpose vehicles segment resulting from the continuous implementation of new projects commenced in the previous quarters.

The increase in the Group's profit before taxation was mainly attributable to the higher contributions by the palm oil mill equipment and palm oil plantation segments. The increase was mainly due to improvement in project implementation and margin during the current quarter. In addition, the favorable foreign exchange gain also improved the Group's profit for the current quarter.

The combined share of results of the associates and joint venture were marginally lower as compared to the immediate preceding quarter, mainly due to higher production and operating expenses incurred during the current quarter.

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 mainly driven by the palm oil mill equipment and special purpose vehicles segments for the financial year ending 31 December 2017.

16. Profit forecast and profit guarantee

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

CB INDUSTRIAL PRODUCT HOLDING BERHAD (428930-H)

(Incorporated in Malaysia)

17. 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 23 June 2016, the following subsidiaries of the Company entered into three (3) conditional agreements of sale and purchase of shares with PT Jhonlin Agro Mandiri (“JAM”) for the disposal of shares in its subsidiaries (“Disposal of Shares”), as detailed below:

- i) Conditional agreement of sale and purchase of shares between Midas Portfolio Sdn. Bhd. (“MPSB”), a wholly-owned subsidiary of the Company and JAM for the disposal of 29,600 shares of Rp.1,000,000 each or 74% of the total issued shares of PT Gumas Alam Subur (“PT GAS”), a 94% owned subsidiary of MPSB, together with the receivables of MPSB against PT GAS with an amount of Rp.30,964,999,594 (equivalent to RM9,475,214), for a total cash consideration of Rp.49,201,072,278 (equivalent to RM15,055,408);
- ii) Conditional agreement of sale and purchase of shares between Accent Hectares Sdn. Bhd. (“AHSB”), a wholly-owned subsidiary of the Company and JAM for the disposal of 29,600 shares of Rp.1,000,000 each or 74% of the total issued shares of PT Kurun Sumber Rezeki (“PT KSR”), a 94% owned subsidiary of AHSB, together with the receivables of AHSB against PT KSR with an amount of Rp.31,033,038,596 (equivalent to RM9,496,034), for a total cash consideration of Rp. 49,269,111,280 (equivalent to RM15,076,227); and
- iii) Conditional agreement of sale and purchase of shares between Benar Optima Sdn. Bhd. (“BOSB”), a wholly-owned subsidiary of the Company and JAM for the disposal of 29,600 shares of Rp.1,000,000 each or 74% of the total issued shares of PT Manyangan Jaya (“PT MJ”), a 94% owned subsidiary of BOSB, together with the receivables of BOSB against PT MJ with an amount of Rp.6,781,243,757 (equivalent to RM2,074,998), for a total cash consideration of Rp. 25,017,316,441 (equivalent to RM7,655,192).

The Disposal of Shares are pending the completion of the conditions precedent as stated in the said agreements. For further details, please refer to our announcement to Bursa Securities on 23 June 2016.

18. Taxation

	Individual quarter 31/12/2016 RM'000	Cumulative period 31/12/2016 RM'000
Malaysian taxation	13,499	34,797
Foreign taxation	612	1,239
Under / (Over) provision in prior year	857	857
Deferred tax	(939)	(941)
Total	14,029	35,952

19. Borrowings and debt securities

Group borrowings as at 31 December 2016:-

	Current RM'000	Non-current RM'000	Total RM'000
<u>Secured borrowings</u>			
Ringgit Malaysia	19,196	12,777	31,973
US Dollar	-	-	-
Total	19,196	12,777	31,973

CB INDUSTRIAL PRODUCT HOLDING BERHAD (428930-H)
(Incorporated in Malaysia)

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.

23. Comprehensive Income Disclosure

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

	Individual quarter		Cumulative period	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Interest income	(206)	(1,036)	(922)	(2,564)
Interest expense	495	336	1,068	1,089
Depreciation/Amortization	1,441	2,147	6,035	6,549
Bad debts recovered/ Reversal of allowance for doubtful debts	-	(932)	-	(932)
Allowance for doubtful debts/Bad debts written off	6,517	19,810	6,599	20,474
(Gain)/Loss on disposal of property, plant and equipment	(126)	(147)	(460)	(987)
Inventories written down	-	-	-	-
Plant and equipment written off	-	-	-	-
Fair value (gain)/loss on :-				
- Derivative instruments	-	-	-	-
- Short term investments	526	1,104	2,770	2,021
(Gain)/Loss on foreign exchange	(14,559)	(12,927)	(14,257)	(16,020)

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.

	Individual quarter		Cumulative period	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
<u>Basic</u>				
Weighted average number of ordinary shares in issue ('000)	524,124	525,617	524,124	525,617
Basic earnings per share (sen)	8.07	8.24	18.71	18.64

The diluted earnings per share is not presented as the assumed conversion of the warrants would be unlikely as the average market price for the share is below the warrants exercise price.

CB INDUSTRIAL PRODUCT HOLDING BERHAD (428930-H)
(Incorporated in Malaysia)

25. Discontinued operations

Note 17 of this interim financial statements pertaining to the Disposal of Shares is referred.

At the end of the reporting period, the assets and liabilities of the said subsidiaries have been presented in the condensed consolidated statement of financial position as “Assets classified as held for sale” and “Liabilities classified as held for sale” respectively.

The assets and liabilities, measured at the lower of their carrying value and fair value less cost to sell, are as follows:-

	31/12/2016 RM'000
<u>Assets</u>	
Plantation development expenditure	31,571
Cash and bank balances	542
Assets classified as held for sale	32,113
<u>Liabilities</u>	
Other payables	-
Liabilities classified as held for sale	-

26. Realized and unrealized profits/losses

	31/12/2016 RM'000	31/12/2015 RM'000
Total retained profits of the Company and its subsidiaries:-		
- Realized	518,016	451,653
- Unrealized	11,717	18,593
	529,733	470,246
Total share of retained profits from associated companies:-		
- Realized	53,993	46,791
- Unrealized	(6,186)	(5,507)
	47,807	41,284
Total share of accumulated losses from a joint venture:-		
- Realized	6,314	3,718
- Unrealized	(237)	(134)
	6,077	3,584
Less : Consolidation adjustments	(109,005)	(86,156)
Total group retained profits as per consolidated accounts	474,612	428,958

27. 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 22 February 2017.