

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 2016. 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 2016.

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 2016. 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 2016 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 RM15,697,816.74 in respect of the financial year ending 31 December 2017 was paid on 16 August 2017.

7. Segmental information

9 months ended 30 September 2017				
Revenue			Profit/(loss) before tax	
External	Inter- segment	Total		
RM'000	RM'000	RM'000	RM'000	
<u>Business segments</u>				
- Palm oil equipment, related products and engineering works	245,085	15,551	260,636	44,355
- Palm oil plantations	3,917	-	3,917	(3,291)
- Retrofitting special purpose vehicles	195,190	-	195,190	20,794
Elimination	-	(15,551)	(15,551)	-
	444,192	-	444,192	61,858
Share of results of associates				13,302
Share of result of joint venture				1,090
Total	444,192	-	444,192	76,250

9 months ended 30 September 2016				
Revenue			Profit/(loss) before tax	
External	Inter- segment	Total		
RM'000	RM'000	RM'000	RM'000	
<u>Business segments</u>				
- Palm oil equipment, related products and engineering works	312,850	16,054	328,904	64,622
- Palm oil plantations	1,978	-	1,978	(3,199)
- Retrofitting special purpose vehicles	76,845	-	76,845	15,211
Elimination	-	(16,054)	(16,054)	-
	391,673	-	391,673	76,634
Share of results of associates				6,536
Share of result of joint venture				63
Total	391,673	-	391,673	83,233

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 2016.

9. 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.

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10. 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 30 May 2017, 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 46,000 of its issued ordinary shares from the open market at an average price of RM1.975 per share. The total consideration paid for the repurchase including transaction costs was RM90,853 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

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 2016.

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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 September 2017 decreased by 8% despite an increase in the Group's revenue by 13% 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 period. The decrease in the Group's profit before taxation was mainly due to lower contribution posted by the palm oil equipment and engineering segment.

The palm oil equipment and engineering segment reported lower revenue and profit before taxation by 22% and 31% respectively as compared to the last financial period. The decreases in revenue was mainly due to the lower projects billing and implementation in the current financial period. The decrease in profit was mainly due to losses in foreign exchange of RM17 million resulting from the unfavorable foreign exchange during the current financial period.

The revenue and profit before taxation of the special purpose vehicles segment increased by 154% and 37% respectively as compared to the last financial period. The increase in revenue was mainly due to higher projects implementation and completion in the current quarter. The increase in profit was undermined by higher production costs resulted from the unfavorable foreign exchange.

The share of results of associates and joint venture improved by 118% as compared to the same period last year. The improved performance was mainly due to higher prices and production of palm products during the current financial period.

14. Comparison with preceding quarter's result

	Current quarter 30/09/2017 RM'000	Preceding quarter 30/06/2017 RM'000	Changes %
Revenue	167,190	144,665	15.6%
Profit from operations	9,084	25,924	-65.0%
Profit before taxation	12,958	29,122	-55.5%
Profit after taxation	8,546	22,097	-61.3%
Profit attributable to owners of the parent	6,808	18,334	-62.9%

The Group's profit before taxation for the current quarter decreased by 56% despite an increase in revenue by 16% as compared to the immediate preceding quarter.

The increase in the Group's revenue was mainly due to higher project billings and implementation by the special purpose vehicles segment during the current quarter.

The decrease in the Group's profits before taxation was mainly attributable to the higher production costs and operating expenses resulting from the foreign exchange losses incurred during the current quarter.

The combined share of results of the associates and joint ventures improved by 17% as compared to the immediate preceding quarter. The increase was mainly due to higher production of palm products during the current quarter.

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15. Commentary on prospects

In view of the progress of the projects secured in hand and the current challenging environment, the Board expects the Group to achieve satisfactory results mainly driven by the special purpose vehicles and palm oil equipment and engineering 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.

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 30/09/2017 RM'000	Cumulative period 30/09/2017 RM'000
Malaysian taxation	4,297	18,215
Foreign taxation	115	600
Under / (Over) provision in prior year	-	-
Deferred tax	-	-
Total	4,412	18,815

19. Borrowings and debt securities

Group borrowings as at 30 September 2017:-

	Current RM'000	Non-current RM'000	Total RM'000
<u>Secured borrowings</u>			
Ringgit Malaysia	52,769	11,604	64,373
US Dollar	-	-	-
Total	52,769	11,604	64,373

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

The Board of Directors proposed a second interim single tier dividend of 3 sen per ordinary share in respect of the financial year ending 31 December 2017. The interim dividend is to be paid on a date to be announced later.

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23. Comprehensive Income Disclosure

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

	Individual quarter		Cumulative period	
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Interest income	(954)	(209)	(2,010)	(716)
Interest expense	482	185	1,144	573
Depreciation/Amortization	1,725	1,588	4,900	4,594
Bad debts recovered/ Reversal of allowance for doubtful debts	-	-	-	-
Allowance for doubtful debts/Bad debts written off	92	-	92	82
(Gain)/Loss on disposal of property, plant and equipment	(5)	(234)	143	(334)
Inventories written down	-	-	-	-
Plant and equipment written off	-	-	-	-
Fair value (gain)/loss on :-				
- Derivative instruments	-	-	-	-
- Short term investments	38	(2,184)	(2,424)	2,244
(Gain)/Loss on foreign exchange	9,790	(5,080)	16,738	302

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	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Weighted average number of ordinary shares in issue ('000)	523,215	524,179	523,215	524,179
Basic earnings per share (sen)	1.30	5.44	9.50	10.64
Diluted earnings per share (sen)	1.30	5.44	9.50	10.64

The potential conversion of warrants is anti-dilutive as their exercise prices are higher than the average market price of the Company's shares during the current financial period. Accordingly, the exercise of warrants has been ignored in the calculation of diluted earnings per share.

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25. Realized and unrealized profits/losses

	30/09/2017 RM'000	30/09/2016 RM'000
Total retained profits of the Company and its subsidiaries:-		
- Realized	559,063	490,331
- Unrealized	(6,910)	1,292
	552,153	491,623
Total share of retained profits from associated companies:-		
- Realized	63,868	52,251
- Unrealized	(5,886)	(6,186)
	57,982	46,065
Total share of accumulated losses from a joint venture:-		
- Realized	7,318	3,884
- Unrealized	(237)	(237)
	7,081	3,647
Less : Consolidation adjustments	(104,533)	(93,292)
Total group retained profits as per consolidated accounts	512,683	448,043

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 28 November 2017.