

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 prepare its first set of MFRS financial statements for the financial year ending 31 December 2018. The Group is currently finalising the financial impacts that may arise from the adoption of MFRSs.

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 second interim single tier dividend of 3 sen per ordinary share amounting to RM15,683,423 in respect of the financial year ended 31 December 2017 was paid on 30 January 2018.

7. Segmental information

12 months ended 31 December 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	344,063	22,373	366,436	43,365
- Palm oil plantations	5,566	-	5,566	(5,799)
- Retrofitting special purpose vehicles	320,148	-	320,148	35,085
Elimination	-	(22,373)	(22,373)	-
	669,777	-	669,777	72,651
Share of results of associates				14,573
Share of result of joint venture				764
Total	669,777	-	669,777	87,988

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 equipment, related products and engineering works	415,931	29,234	445,165	108,809
- Palm oil plantations	3,281	-	3,281	(7,558)
- Retrofitting special purpose vehicles	158,371	-	158,371	26,317
Elimination	-	(29,234)	(29,234)	-
	577,583	-	577,583	127,568
Share of results of associates				8,828
Share of result of joint venture				3,132
Total	577,583	-	577,583	139,528

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 433,800 of its issued ordinary shares from the open market at an average price of RM2.004 per share. The total consideration paid for the repurchase including transaction costs was RM786,187 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.

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 year ended 31 December 2017 decreased by 37% despite an increase in the Group's revenue by 63% as compared to the last financial 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 decrease in the Group's profit before taxation was mainly due to higher operating expenses and lower contribution by the palm oil equipment and engineering segment.

The palm oil equipment and engineering segment reported lower revenue and profit before taxation by 17% and 60% respectively as compared to the last financial year. The decreases in revenue was mainly due to the lower projects billing and implementation in the current financial year. The decrease in profit was mainly due losses in foreign exchange resulting from the unfavorable foreign exchange during the financial year.

The revenue and profit before taxation of the special purpose vehicles segment increased by 102% and 33% respectively as compared to the last financial year. The increase in revenue was mainly due to higher projects implementation and completion in the current financial year. The increase in profit was undermined by higher production costs resulted from the unfavorable foreign exchange.

The share of results of associates improved by 65% whereas the joint venture suffered a drop in contribution. The improved performance in associates was mainly due to higher prices and production of palm products whereas the lower contribution by joint venture was mainly due to lower FFB production during the current financial year.

14. Comparison with preceding quarter's result

	Current quarter 31/12/2017 RM'000	Preceding quarter 30/09/2017 RM'000	Changes %
Revenue	225,585	167,190	50.3%
Profit from operations	11,603	9,084	27,.7%
Profit before taxation	11,738	12,958	-9.4%
Profit after taxation	6,609	8,546	-22.7%
Profit attributable to owners of the parent	748	6,808	-89.0%

The Group's profit before taxation for the current quarter decreased by 9% despite an increase in revenue by 50% 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 due to higher operating expenses by 59% resulting from higher foreign exchange losses during the current quarter.

The combined share of results of the associates and joint ventures decreased by 70% as compared to the immediate preceding quarter. The decrease was mainly due to lower prices and 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 2018.

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 31/12/2017 RM'000	Cumulative period 31/12/2017 RM'000
Malaysian taxation	4,293	22,508
Foreign taxation	702	1,302
Under / (Over) provision in prior year	134	134
Deferred tax	-	-
Total	5,129	23,944

19. Borrowings and debt securities

Group borrowings as at 31 December 2017:-

	Current RM'000	Non-current RM'000	Total RM'000
<u>Secured borrowings</u>			
Ringgit Malaysia	50,082	17,185	67,267
US Dollar	-	-	-
Total	50,082	17,185	67,267

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 period	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Interest income	(1,376)	(2,308)	(3,386)	(3,024)
Interest expense	730	491	1,874	1,064
Depreciation/Amortization	2,325	2,702	7,225	7,296
Bad debts recovered/ Reversal of allowance for doubtful debts	-	(9,571)	-	(9,571)
Allowance for impairment of receivables/Bad debts written off	92	18,475	92	18,557
(Gain)/Loss on disposal of property, plant and equipment	4	(4)	147	(338)
Product development expenditure written down	-	2,699	-	2,699
Reversal of provision of warranty cost	(1,027)	(2,520)	(1,027)	(2,520)
Fair value (gain)/loss on :-				
- Derivative instruments	-	-	-	-
- Short term investments	(127)	1,685	(2,551)	3,929
(Gain)/Loss on foreign exchange	17,646	(16,380)	34,384	(16,078)

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	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Weighted average number of ordinary shares in issue ('000)	522,781	524,124	522,781	524,124
Basic earnings per share (sen)	0.14	8.75	9.65	19.39
Diluted earnings per share (sen)	0.14	8.75	9.65	19.39

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

	31/12/2017 RM'000	31/12/2016 RM'000
Total retained profits of the Company and its subsidiaries:-		
- Realized	560,476	513,961
- Unrealized	(24,279)	13,965
	536,197	527,926
Total share of retained profits from associated companies:-		
- Realized	64,471	54,158
- Unrealized	(5,886)	(6,351)
	58,585	47,807
Total share of accumulated losses from a joint venture:-		
- Realized	7,069	6,952
- Unrealized	(237)	(875)
	6,832	6,077
Less : Consolidation adjustments	(103,866)	(104,917)
Total group retained profits as per consolidated accounts	497,748	476,893

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 February 2018.