

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

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134**

**1. Accounting policies and method of computation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 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 2017. 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 2017.

The financial statements of the Group for the financial period ended 31 March 2018 are the first set of financial statements prepared in accordance with the MFRS Framework. The date of transition to the MFRS Frameworks was on 1 January 2017.

The Group has consistently applied the same accounting policies in its opening MFRS statement of the financial position as at 1 January 2017 and throughout all comparable interim periods presented, as if these policies has always been in effect. Comparative information in these interim financial statements have been restated to give effect to these changes and the financial impact on the transition from Financial Reporting Standards to MFRS as disclosed as follows :-

MFRS 116 : Property, Plant and Equipment and MFRS 141 : Agriculture

Biological assets that meet the definition of bearer plants will be within the scope of MFRS 116. Bearer plants will now be measured under MFRS 116 at accumulated cost using either the cost or revaluation model. The Group is currently measuring the bearer plants/plantation development expenditure at cost less amortisation, the change of accounting policies is limited to reclassification of accounts and will not impact comprehensive income or equity.

The unripe fresh fruit bunch (“FFB”) on bearer plant is within the scope of MFRS 141. Prior to the adoption of 141, biological assets which form part of the bearer plants were not recognised. With the adoption of the MFRS, the biological assets are measured at fair value less cost to sell with the changes in fair value recognised in profit and loss.

The effect of the changes in accounting policy on comparatives are as follows :-

Condensed Consolidated Statement of Financial Position

	As at 31 December 2017			As at 1 January 2017		
	Under FRS RM'000	Effects RM'000	Under MFRS RM'000	Under FRS RM'000	Effects RM'000	Under MFRS RM'000
Non-Current assets						
Property, plant & equipment	342,679	(68,424)	274,255	350,127	(67,621)	282,506
Land use rights	-	68,424	68,424	238,676	67,621	171,055
Current assets						
Biological assets	-	3,128	3,128	-	1,542	1,542
Equity						
Reserves	491,224	2,089	493,313	590,746	1,019	591,765
Non-controlling interests	61,131	257	61,388	48,436	138	48,574
Non-current liabilities						
Deferred tax liabilities	267	782	1,049	715	385	1,100

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Condensed Consolidated Statement of Comprehensive Income

	For the period ended 30 June 2017		
	Under FRS RM'000	Effects RM'000	Under MFRS RM'000
Other operating income	3,990	418	4,408
Profit before taxation	63,292	418	63,710
Taxation	(14,403)	(105)	(14,508)
Profit after taxation	48,889	313	49,202
Profit attributable to :-			
Owners of the parent	42,905	276	43,181
Non-controlling interests	5,984	37	6,021
	48,889	313	49,202

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2017. 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 2017 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.

**6. Dividends paid**

There were no dividends paid during the current quarter.

**7. 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 2017.

**8. 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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**9. Segmental information**

For the period ended 30 June 2018				
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	174,375	11,212	185,587	34,414
- Palm oil plantations	7,897	-	7,897	(1,487)
- Retrofitting special purpose vehicles	107,123	-	107,123	32,269
Elimination	-	(11,212)	(11,212)	-
	289,395	-	289,395	65,196
Share of results of associates				(668)
Share of result of joint venture				(1,491)
Total	289,395	-	289,395	63,037

For the period ended 30 June 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	179,212	10,938	190,150	39,242
- Palm oil plantations	3,981	-	3,981	(1,035)
- Retrofitting special purpose vehicles	93,809	-	93,809	15,505
Elimination	-	(10,938)	(10,938)	-
	277,002	-	277,002	53,712
Share of results of associates				8,414
Share of result of joint venture				1,584
Total	277,002	-	277,002	63,710

**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 28 May 2018, 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 205,000 of its issued ordinary shares from the open market at an average price of RM1.385 per share. The total consideration paid for the repurchase including transaction costs was RM283,958 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 2017.

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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 year ended 30 June 2018 decreased by 1% despite an increase in the Group's revenue by 4% 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 purpose vehicles segment during the current financial period. The decrease in the Group's profit before taxation was mainly due to share of losses incurred by the associates and joint ventures.

The palm oil equipment and engineering segment reported lower revenue and profit before taxation by 2% and 12% respectively as compared to the same period last year. The decrease in revenue was mainly due to the lower project billings and implementation in the current financial period. The decrease in profit was mainly due to higher production costs and operating expenses. The higher operating expenses were mainly due to losses incurred by the investment in asset management resulting from the poor performance in the equity market during the current financial period.

The revenue of the special purpose vehicles segment increased by 14% whereas the profit before taxation increased by 108% as compared to the same period last year. The increase in revenue was mainly due to higher projects implementation and completion in the current financial year. The increase in profit was mainly due to higher project margin resulting from lower production costs.

The share of results of associates and joint venture incurred losses of RM2.2 million as compared to a combined profits of RM10.0 million in the same period last year. The losses were mainly due to lower prices and production of palm products during the current financial period.

#### 14. Comparison with preceding quarter's result

	Current quarter 30/06/2018 RM'000	Preceding quarter 31/03/2018 RM'000	Changes %
Revenue	158,105	131,290	20.4%
Profit from operations	41,284	25,050	64.8%
Profit before taxation	38,093	24,944	52.7%
Profit after taxation	27,663	20,071	37.8%
Profit attributable to owners of the parent	17,457	17,821	-2.0%

Both the Group's revenue and profit before taxation for the current quarter improved 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 palm oil equipment and engineering and special purpose vehicles segments during the current quarter.

The improvement in the Group's profits before taxation was mainly due to higher contribution by the special purpose vehicles segment resulting from lower production and project costs.

The combined share of results of the associates and joint ventures suffered a loss of RM2.6 million as compared to a marginal profit in the immediate preceding quarter. The loss was mainly due to lower prices and production of palm products during the current quarter.

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### 15. Commentary on prospects

Considering the progress of the projects secured in hand and the current challenging environment, the Board is optimistic that the Group will be able 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 30/06/2018 RM'000	Cumulative period 30/06/2018 RM'000
Malaysian taxation	10,186	14,804
Foreign taxation	230	470
Under / (Over) provision in prior year	-	-
Deferred tax	14	29
Total	10,430	15,303

### 19. Borrowings and debt securities

Group borrowings as at 30 June 2018:-

	Current RM'000	Non-current RM'000	Total RM'000
<u>Secured borrowings</u>			
Ringgit Malaysia	29,396	15,672	45,068
US Dollar	-	-	-
Total	29,396	15,672	45,068

### 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

A first interim single tier dividend of 2 sen per ordinary share amounting to RM10,451,515 in respect of the financial year ending 31 December 2018 was paid on 31 July 2018.

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	
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Interest income	(599)	(550)	(1,274)	(1,056)
Interest expense	573	391	1,030	662
Depreciation/Amortization	1,194	1,709	3,081	3,175
Bad debts recovered/ Reversal of allowance for doubtful debts	-	-	-	-
Allowance for impairment of receivables/Bad debts written off	-	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	96	(40)	(15)	148
Reversal of provision of warranty cost	-	-	-	-
Other investment income	(865)	438	(1,598)	(12)
Fair value (gain)/loss on :-				
- Biological assets	18	(271)	(118)	(418)
- Short term investments	548	(519)	2,039	(2,462)
(Gain)/Loss on foreign exchange	4,643	7,092	4,397	6,948

**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	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Weighted average number of ordinary shares in issue ('000)	522,576	523,261	522,576	523,261
Basic earnings per share (sen)	3.34	4.71	6.75	8.25
Diluted earnings per share (sen)	3.34	4.71	6.75	8.25

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.

**25. 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 23 August 2018.