

**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 September 2017		
	Under FRS RM'000	Effects RM'000	Under MFRS RM'000
Other operating income	6,138	756	6,894
Profit before taxation	76,250	756	77,006
Taxation	(18,815)	(537)	(19,352)
Profit after taxation	57,435	219	57,654
Profit attributable to :-			
Owners of the parent	49,713	182	49,895
Non-controlling interests	7,722	37	7,759
	57,435	219	57,654

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**

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.

**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 September 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	241,023	41,564	282,587	45,089
- Palm oil plantations	13,085	-	13,085	(1,515)
- Retrofitting special purpose vehicles	118,885	-	118,885	43,490
Elimination	-	(41,564)	(41,564)	-
	372,993	-	372,993	87,064
Share of results of associates				(182)
Share of result of joint venture				(2,618)
Total	372,993	-	372,993	84,264

For the period 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	(2,535)
- Retrofitting special purpose vehicles	195,190	-	195,190	20,794
Elimination	-	(15,551)	(15,551)	-
	444,192	-	444,192	62,614
Share of results of associates				13,302
Share of result of joint venture				1,090
Total	444,192	-	444,192	77,006

**10. Debt and equity securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter.

**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 period ended 30 September 2018 increased by 9% despite a decrease in the Group's revenue by 16% as compared to the same period last year.

The decrease in the Group's revenue was mainly due to lower project billings by the special purpose vehicles segment during the current financial period. The increase in the Group's profit before taxation was mainly due to improved result by the special purpose vehicles segment despite share of losses incurred by the associates and joint ventures.

The palm oil equipment and engineering segment reported higher profit before taxation by 2% despite a lower revenue by 2% as compared to the same period last year. The decrease in revenue was mainly due to the lower project billings and higher elimination of inter-segment revenue in the current financial period. The increase in profit was mainly due to lower foreign exchange losses despite the 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 decreased by 39% whereas the profit before taxation increased by 109% as compared to the same period last year. The decrease in revenue was mainly due to lower 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 RM2.8 million as compared to a combined profits of RM14.4 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 30/09/2018 RM'000	Preceding quarter 31/06/2018 RM'000	Changes %
Revenue	83,598	158,105	-47.1%
Profit from operations	23,194	41,284	-43.8%
Profit before taxation	21,227	38,093	-44.3%
Profit after taxation	13,327	27,663	-51.08%
Profit attributable to owners of the parent	9,021	17,457	-48.3%

Both the Group's revenue and profit before taxation for the current quarter decreased as compared to the immediate preceding quarter.

The decrease in the Group's revenue was mainly due to lower project billings and implementation by the palm oil equipment and engineering and special purpose vehicles segments during the current quarter.

The Group's profits before taxation decreased in line with the decrease in revenue with mitigation from lower operating expenses resulting from lower foreign exchange loss during the current quarter.

The combined share of results of the associates and joint ventures improved with a loss of RM0.6 million as compared to a loss of RM2.6 million in the immediate preceding quarter. The improvement was mainly due to higher 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 30/09/2018 RM'000	Cumulative period 30/09/2018 RM'000
Malaysian taxation	6,520	21,324
Foreign taxation	1,378	1,848
Under / (Over) provision in prior year	-	-
Deferred tax	2	31
Total	7,900	23,203

**19. Borrowings and debt securities**

Group borrowings as at 30 September 2018:-

	Current RM'000	Non-current RM'000	Total RM'000
<u>Secured borrowings</u>			
Ringgit Malaysia	32,235	30,667	62,902
US Dollar	-	41,506	41,506
Total	32,235	72,173	104,408

**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	
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Interest income	(504)	(954)	(1,778)	(2,010)
Interest expense	1,179	482	2,209	1,144
Depreciation/Amortization	1,714	1,725	4,795	4,900
Bad debts recovered/ Reversal of allowance for doubtful debts	-	-	-	-
Allowance for impairment of receivables/Bad debts written off	-	92	-	92
(Gain)/Loss on disposal of property, plant and equipment	(17)	(5)	(32)	143
Reversal of provision of warranty cost	-	-	-	-
Other investment income	(876)	(1,018)	(2,474)	(1,030)
Fair value (gain)/loss on :-				
- Biological assets	162	(338)	44	(756)
- Short term investments	(158)	38	1,881	(2,424)
(Gain)/Loss on foreign exchange	1,697	9,790	6,094	16,738

**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	
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
Weighted average number of ordinary shares in issue ('000)	522,576	523,261	522,576	523,261
Basic earnings per share (sen)	1.73	1.28	8.48	9.54
Diluted earnings per share (sen)	1.73	1.28	8.48	9.54

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 22 November 2018.