

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 2018. 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 2018.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2018. 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 independent auditors reported the following qualified opinion on the audited financial statements for the year ended 31 December 2018:-

The audited financial statements of the Group have been consolidated using the unaudited management accounts of the associates and joint venture for the financial year ended 31 December 2018. The audited financial statements and auditors’ report of the associates and joint venture were not available to the Group’s auditors.

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 second interim single tier dividend of 2 sen per ordinary share amounting to RM10,215,339 in respect of the financial year ended 31 December 2018 was paid on 18 April 2019.

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 2018.

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8. Material subsequent events

There were no material subsequent events after the end of the current quarter that have not been reflected in the interim financial statements.

9. Segmental information

For the period ended 30 June 2019				
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	164,272	10,573	174,845	33,430
- Palm oil plantations	12,930	-	12,930	(14,400)
- Retrofitting special purpose vehicles	1,125	-	1,125	(1,335)
Elimination	-	(10,573)	(10,573)	-
	178,327	-	178,327	17,695
Share of results of associates				(2,185)
Share of result of joint venture				(3,798)
Total	178,327	-	178,327	11,712

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

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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 31 May 2019, 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 1,019,600 of its issued ordinary shares from the open market at an average price of RM1.099 per share. The total consideration paid for the repurchase including transaction costs was RM1,121,036 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 significant changes in the composition of the Group during the current quarter other than the following:-

On 3 May 2019, The Company and TPG Oil & Gas Sdn. Bhd., a 80% owned subsidiary of the Company acquired 63,670,000 ordinary shares and 6,330,000 ordinary shares respectively in Gulf Lubes Malaysia Sdn. Bhd. ("GLSB"), representing an aggregate 70% of the total share capital in GLSB for a total cash consideration of RMM2,112,168. As a result thereof, GLSB became a 68.73% owned subsidiary of the Group. For further details, please refer to our announcements to Bursa Securities on 3 May 2019.

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 2018.

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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 revenue and profit before taxation for the financial period ended 30 June 2019 decreased by 38% and 81% respectively as compared to the same financial period last year.

The decrease in the Group's revenue was mainly due to decrease in 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 losses incurred by special purpose vehicles segment, palm oil plantations segment and share of losses of associates and joint venture.

The palm oil equipment and engineering segment reported lower revenue and profit before taxation by 6% and 3% respectively as compared to the same financial 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 in line with the decrease in revenue albeit it was mitigated by lower other operating expenses for the current financial period.

The much decrease in revenue by the special purpose vehicles segment was largely due to lack of replenishment of new project following the completion of projects implementation in last financial year. As a result, the segment suffered a loss as compared to a profit for the same financial period last year.

The palm oil plantations segment reported higher revenue by 64% largely due to the commencement of its maiden palm oil milling operation during the current financial period. The segment remain in losses despite the increase in revenue mainly due to the low prices of palm products and higher operating expenses.

The share of losses in associates and joint venture increased by 177% to RM6 million as compared to combined losses of RM2.1 million in the same financial 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 30/06/2019 RM'000	Preceding quarter 31/03/2019 RM'000	Changes %
Revenue	92,425	85,902	7.6%
Profit from operations	1,781	20,677	-91.4%
Profit/(Loss) before taxation	(2,873)	14,585	-119.7%
Profit after taxation	562	10,271	-94.5%
Profit attributable to owners of the parent	1,237	11,018	-88.8%

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

The increase in the Group's revenue was mainly due to the new stream of revenue from sale of palm crude oil by the palm oil plantations segment following the commencement of its maiden palm oil milling operation.

The Group incurred loss before taxation largely due to the higher loss incurred by the palm oil plantation segment resulting from the low prices of palm products and higher operating expenses.

In addition, the joint venture also incurred higher loss by 11% as compared to the immediate preceding quarter. The higher loss was mainly due to lower production of palm products and higher production costs 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 palm oil equipment and engineering segment for the financial year ending 31 December 2019.

16. Profit forecast and profit guarantee

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

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 30/06/2019 RM'000	Cumulative period 30/06/2019 RM'000
Malaysian taxation	(465)	3,567
Foreign taxation	330	665
Under / (Over) provision in prior year	-	(53)
Deferred tax	(3,300)	(3,300)
Total	(3,435)	879

19. Borrowings and debt securities

Group borrowings as at the date of issue of these interim financial statements:-

	Current RM'000	Non-current RM'000	Total RM'000
Ringgit Malaysia	32,169	12,237	44,406
Rupiah	131	30,272	30,403
US Dollar	-	80,037	80,037
Total	32,300	122,546	154,846

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	
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Interest income	(424)	(599)	(707)	(1,274)
Interest expense	2,326	573	4,608	1,030
Depreciation/Amortization	2,251	1,194	4,968	3,081
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	(76)	96	(76)	(15)
Reversal of provision of warranty cost	-	-	-	-
Other investment income	(572)	(865)	(1,399)	(1,598)
Fair value (gain)/loss on :-				
- Biological assets	(12)	18	(115)	(118)
- Short term investments	5	548	10	2,039
(Gain)/Loss on foreign exchange	(98)	4,643	21	4,397

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	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Weighted average number of ordinary shares in issue ('000)	509,747	522,576	509,747	522,776
Basic earnings per share (sen)	0.24	3.34	2.40	6.75
Diluted earnings per share (sen)	0.24	3.34	2.40	6.75

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 21 August 2019.