

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

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 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 September 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	245,071	15,121	260,192	38,521
- Palm oil plantations	30,607	-	30,607	(17,266)
- Retrofitting special purpose vehicles	4,565	-	4,565	(22)
Elimination	-	(15,121)	(15,121)	-
	280,243	-	280,243	21,233
Share of results of associates				(2,933)
Share of result of joint venture				(4,351)
Total	280,243	-	280,243	13,949

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

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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 3,277,000 of its issued ordinary shares from the open market at an average price of RM0.939 per share. The total consideration paid for the repurchase including transaction costs was RM3,078,005 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.

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 September 2019 decreased by 25% and 83% 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 despite an increase in revenue by the palm oil plantation segment. 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 profit before taxation despite a marginal increase in revenue by 2% as compared to the same financial period last year. The decrease in profit was mainly due to higher production costs and operating expenses resulting from the inclusion of pre-operational expenditure incurred by the Biofuel plants.

The special purpose vehicles segment remain in loss position for the financial period mainly due to lack of replenishment of new project following the completion of projects implementation in last financial year.

The palm oil plantations segment reported higher revenue by 134% following the commencement of its 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, higher operating and financial expenses.

The associates and joint venture incurred a combined share of loss of RM7.3 million, an increase of 160% as compared to a combined loss of RM2.8 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 30/09/2019 RM'000	Preceding quarter 30/06/2019 RM'000	Changes %
Revenue	101,916	92,425	10.3%
Profit from operations	6,252	1,781	251.0%
Profit/(Loss) before taxation	2,237	(2,873)	-177.9%
Profit after taxation	829	562	47.5%
Profit attributable to owners of the parent	746	1,237	-39.7%

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 the increase in project billing by the special purpose vehicles segment as well as the increase in revenue by the palm oil plantation segment.

The Group recovered from a loss position in the immediate preceding quarter to a profit before taxation of RM2.2 million in the current quarter. The improvement was mainly due to profit contributed by the special purpose vehicles segment and lower loss incurred by the palm oil plantation segment resulting from the higher prices of palm products during the current quarter.

In addition, the share of results of associates and joint venture improved with a combined loss of RM1.3 million as compared to a loss of RM2.2 million in the immediate preceding quarter. This was mainly due to higher 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 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 30/09/2019 RM'000	Cumulative period 30/09/2019 RM'000
Malaysian taxation	128	3,695
Foreign taxation	480	1,145
Under / (Over) provision in prior year	-	(53)
Deferred tax	800	(2,500)
Total	1,408	2,287

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	34,717	11,887	46,604
Rupiah	173	29,863	30,036
US Dollar	-	80,037	80,037
Total	34,890	121,787	156,677

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	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Interest income	(622)	(504)	(1,329)	(1,778)
Interest expense	2,365	1,179	6,973	2,209
Depreciation/Amortization	2,813	1,725	7,781	4,795
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	-	(17)	(76)	(32)
Reversal of provision of warranty cost	-	-	-	-
Other investment income	388	(876)	(1,011)	(2,474)
Fair value (gain)/loss on :-				
- Biological assets	(114)	162	(229)	44
- Short term investments	(5)	(158)	5	1,881
(Gain)/Loss on foreign exchange	(61)	1,697	(40)	6,094

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	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Weighted average number of ordinary shares in issue ('000)	506,470	522,576	506,470	522,776
Basic earnings per share (sen)	0.15	1.73	2.57	8.48
Diluted earnings per share (sen)	0.15	1.73	2.57	8.48

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 2019.