

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 2019. 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 2019.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2019. 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 2019:-

Audit of joint venture - Gulf Lubes Malaysia Sdn. Bhd. (“GLM”)

The audited financial statements and auditors’ report of GLM are not available and the Group has not performed a Purchase Price Allocation for the acquisition of the joint venture. The audited financial statements of the Group have been consolidated using the unaudited management accounts of the joint venture for the financial year ended 31 December 2019.

Further, the total advances to GLM as at 31 December 2019 amounted to RM49.2 million which has been classified as other receivables. The Group is unable to reliably perform impairment assessment on the said other receivables.

Audit of associates and joint ventures

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 2019. The audited financial statements and auditors’ report of the associates and joint venture were not available to the Group’s auditors.

Impairment loss on bearer plants

PT Sawit Lamandau Raya (“SLR”), a subsidiary of the Group is in dispute with Koperasi Karang Indah Cahaya Taba over a portion of the planted area of 353.73 ha which is outside the Hak Guna Usaha area granted to SLR. The amount of plantation costs of RM7.69 million included in the property, plant and equipment as bearer plants. No impairment loss is being provided on the said bearer plant under dispute as at 31 December 2019.

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.

CB INDUSTRIAL PRODUCT HOLDING BERHAD (428930-H)

(Incorporated in Malaysia)

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 RM9,819,967 in respect of the financial year ending 31 December 2020 was paid on 28 October 2020.

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 2019.

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 year ended 31 December 2020				
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	300,455	13,423	313,878	90,532
- Palm oil plantations	76,587	-	76,587	(12,764)
- Retrofitting special purpose vehicles	15,455	-	15,455	(7,417)
- Refinery plant	149,695	-	149,695	(3,744)
Elimination	-	(13,423)	(13,423)	-
	542,192	-	542,192	66,607
Share of results of associates				4,549
Share of result of joint venture				1,709
Total	542,192	-	542,192	72,865

For the year ended 31 December 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	399,693	20,133	419,826	61,916
- Palm oil plantations	50,037	-	50,037	(19,737)
- Retrofitting special purpose vehicles	2,757	-	2,757	2,395
Elimination	-	(20,133)	(20,133)	-
	452,487	-	452,487	44,574
Share of results of associates				(1,173)
Share of result of joint venture				(5,683)
Total	452,487	-	452,487	37,718

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

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 July 2020, 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 1,976,400 of its issued ordinary shares from the open market at an average price of RM0.947 per share. The total consideration paid for the repurchase including transaction costs was RM1,871,393 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.

On 5 October 2020, the Company cancelled 45,000,000 treasury shares with carrying amount of RM64,749,364.

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 2019.

CB INDUSTRIAL PRODUCT HOLDING BERHAD (428930-H)

(Incorporated in Malaysia)

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 year ended 31 December 2020 increased by 20% and 93% respectively as compared to the last financial year.

The increase in the Group's revenue was mainly due to a new stream of revenue generated by the refinery segment as well as the increase in revenue by the palm oil plantations and special purpose vehicles segments. The increase in the Group's profit before taxation was mainly due to higher contribution from the palm oil equipment and engineering segment, lower loss incurred by the palm oil plantations segment and the improved share of results of associates and joint venture.

The palm oil equipment and engineering segment reported higher profit before taxation by 46% despite a 25% lower revenue as compared to the last financial year. The decrease in revenue was mainly due to the lower projects billing and implementation during the current financial year. The increase in profit was mainly due to higher project margin resulting from lower production costs. Furthermore the profit in the last financial year was undermined by the impairment losses on receivables, goodwill and investment in associates.

The special purpose vehicles segment incurred a loss despite higher revenue. The loss was mainly due to higher operating expenses incurred during the current financial period. The segment incurred further loss after taxation with the underprovided tax in previous years.

The palm oil plantations segment reported higher revenue mainly due to the higher revenue generated from its palm oil milling operation. The segment incurred lower loss of RM12.8 million as compared to a loss of RM19.7 million in the last financial year. The improvement was mainly due to higher prices during the current financial period.

The new refinery segment incurred a loss of RM3.7 million with a revenue of RM150 million following the commencement of its palm oil pre-treatment plant operation in the current financial period.

The associates and joint venture improved from a combined losses of RM6.9 million in the last financial year to a combined share of profit of 6.3 million in the current financial year. The improvement was mainly due to higher prices of palm products during the current financial year.

14. Comparison with preceding quarter's result

	Current quarter 31/12/2020 RM'000	Preceding quarter 30/09/2020 RM'000	Changes %
Revenue	173,498	156,418	10.9%
Profit from operations	34,002	15,821	114.9%
Profit/(Loss) before taxation	37,550	15,264	146.0%
Profit/(Loss) after taxation	33,515	(2,589)	-1394.5%
Profit attributable to owners of the parent	29,794	10,712	178.1%

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

The increase in the Group's revenue was mainly due to higher revenue generated by the palm oil plantations segments resulting from the improved prices of palm products.

The increase in the Group's profits before taxation was mainly due to the improvement by the palm oil plantations segment following the increases in palm oil milling operation and prices of palm products. In addition the special purpose vehicles segment recovered from a loss in previous quarter to profit generating in current quarter.

CB INDUSTRIAL PRODUCT HOLDING BERHAD (428930-H)

(Incorporated in Malaysia)

The associates and joint venture reported much higher profit as compared to the immediate preceding quarter mainly due to higher prices and production of palm products during the current quarter.

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 2021.

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 31/12/2020 RM'000	Cumulative period 31/12/2020 RM'000
Malaysian taxation	2,226	6,548
Foreign taxation	1,936	3,259
Under / (Over) provision in prior year	(127)	15,474
Deferred tax	-	-
Total	4,035	25,281

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	27,571	5,056	32,627
Rupiah	5,909	13,573	19,482
US Dollar	16,442	105,348	121,790
Total	49,922	123,977	173,899

20. Derivative financial instruments

There were no outstanding derivative financial instruments as at the date of issue of these interim financial statements other than the following:-

	Contract/Notional value RM'000	Fair value assets/(liabilities) RM'000
Commodity Future contracts - Less than 1 year	7,005	(629)

CB INDUSTRIAL PRODUCT HOLDING BERHAD (428930-H)

(Incorporated in Malaysia)

21. Material litigation

There were no material litigations as at the date of issue of these interim financial statements.

22. Dividend payable

The Board of Directors proposed a second interim single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2020. The interim dividend is to be paid on a date to be announced later.

23. Comprehensive Income Disclosure

Profit before taxation is arrived at after charging/(crediting):-

	Individual quarter		Cumulative period	
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Interest income	(1,566)	(1,817)	(3,331)	(3,146)
Interest expense	2,366	3,855	10,286	10,828
Depreciation/Amortization	4,247	8,327	17,993	16,108
Bad debts recovered/ Reversal of impairment loss on receivables	(9,013)	(7,747)	(9,328)	(7,747)
Allowance for impairment loss on receivables/Bad debts written off	9,657	15,092	9,657	15,092
Impairment loss on goodwill	-	16,341	-	16,341
Impairment loss on investment in associates	-	15,000	-	15,000
(Gain)/Loss on disposal of property, plant and equipment	(391)	(9,587)	(9,236)	(9,659)
Reversal of provision of warranty cost	-	-	-	-
Other investment income	(2,782)	(4,749)	(4,298)	(5,760)
Fair value (gain)/loss on :-				
- Biological assets	(136)	(3,033)	(233)	(3,532)
- Short term investments	-	(933)	-	(928)
(Gain)/Loss on foreign exchange	5,526	1,077	3,974	1,037

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	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Weighted average number of ordinary shares in issue ('000)	489,354	505,037	489,354	505,037
Basic earnings per share (sen)	6.09	4.45	11.58	7.03
Diluted earnings per share (sen)	6.09	4.45	11.58	7.03

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 March 2021.