

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 2020. 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 2020.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2020. 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 2020:-

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 2020.

Further, the total advances to GLM as at 31 December 2020 amounted to RM50.5 million which has been classified as other receivables. The Group is unable to reliably perform impairment assessment on the said other receivables.

Investment in GLM – Company Level

No impairment assessment has been performed on the carrying amount of the investment in GLM amounting to RM4.0 million.

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 RM7.5 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 2020.

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.

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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 RM9,715,963 in respect of the financial year ended 31 December 2020 was paid on 10 May 2021.

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 2020.

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 31 March 2021				
Revenue			Profit/(loss) before tax	
External	Inter- segment	Total		
RM'000	RM'000	RM'000	RM'000	
<u>Business segments</u>				
- Palm oil equipment and engineering works	64,459	2,672	67,131	15,275
- Palm oil plantations	30,079	-	30,079	1,784
- Retrofitting special purpose vehicles	4,453	-	4,453	(174)
- Refinery plant	58,325	-	58,325	851
Elimination	-	(2,672)	(2,672)	-
	157,316	-	157,316	17,736
Share of results of associates				2,030
Share of result of joint venture				1,617
Total	157,316	-	157,316	21,383

For the period ended 31 March 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 and engineering works	64,249	2,250	66,499	13,810
- Palm oil plantations	14,288	-	14,288	128
- Retrofitting special purpose vehicles	6,557	-	6,557	202
- Refinery plant	22,931	-	22,931	2,322
Elimination	-	(2,250)	(2,250)	-
	108,025	-	108,025	16,462
Share of results of associates				(358)
Share of result of joint venture				(1,145)
Total	108,025	-	108,025	14,959

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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 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 3,555,800 of its issued ordinary shares from the open market at an average price of RM1.104 per share. The total consideration paid for the repurchase including transaction costs was RM3,927,378 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 2020.

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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 31 March 2021 increased by 46% and 43% respectively as compared to the same financial period last year.

The increase in the Group's revenue was mainly due to higher revenue generated by the refinery and palm oil plantations segments. The increase in the Group's profit before taxation was mainly due to higher contribution posted by palm oil equipment and engineering segment, palm oil plantations segment as well as the improved share of results of associates and joint ventures.

The palm oil equipment and engineering segment reported higher profit before taxation by 11% while the revenue increased marginally. The increase in profit was mainly due to higher project margin and lower operating expenses during the current financial period.

The special purpose vehicles segment incurred a loss with a decrease in revenue by 32% as compared to the same financial period last year. The decrease in revenue was mainly due to lack of replenishment of new project following the restriction of movement resulting the outbreak of COVID-19 since early last year.

The palm oil plantations segment reported higher revenue and profit before taxation for the current financial period. The increase in revenue was mainly due to higher revenue generated from its palm oil milling operation along with higher prices of palm products.

The refinery segment posted a lower profit before tax despite an increase in revenue as compared to the same financial period last year. The lower profit was mainly due to lower operation margin together with higher operating expenses in the current financial period.

The associates and joint venture improved to a combined share of profit of 3.6 million from a combined loss of RM1.5 million in the same financial period last year. The improvement was mainly due to higher prices of palm products during the current financial period.

14. Comparison with preceding quarter's result

	Current quarter 31/03/2021 RM'000	Preceding quarter 31/12/2020 RM'000	Changes %
Revenue	157,316	171,687	-8.4%
Profit from operations	19,931	33,549	-40.6%
Profit/(Loss) before taxation	21,383	37,395	-42.8%
Profit/(Loss) after taxation	19,198	32,950	-41.75%
Profit attributable to owners of the parent	18,578	28,021	-33.7%

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 segment together with lower revenue generated by the palm oil plantations and refinery segments. The lower revenue by the palm oil plantations segment was mainly due to lower production of palm products during the current quarter.

The decrease in the Group's profits before taxation was mainly due to the lower contribution by the palm oil equipment and engineering segment along with a loss incurred by the special purpose vehicles segment.

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In addition the associates and joint venture posted a lower combined share of profit of RM3.6 million as compared to a combined profit of RM6.3 million in the immediate preceding quarter. The lower profit was mainly due to lower 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 31/03/2021 RM'000	Cumulative period 31/03/2021 RM'000
Malaysian taxation	1,618	1,618
Foreign taxation	567	567
Under / (Over) provision in prior year	-	-
Deferred tax	-	-
Total	2,185	2,185

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	27,813	5,212	33,025
Rupiah	2,754	19,662	22,416
US Dollar	1,022	112,978	114,000
Total	31,589	137,852	169,441

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	7,788	(138)

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21. Material litigation

There were no material litigations 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.

23. Comprehensive Income Disclosure

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

	Individual quarter		Cumulative period	
	31/03/2021 RM'000	31/03/2020 RM'000	31/03/2021 RM'000	31/03/2020 RM'000
Interest income	(354)	(709)	(354)	(709)
Interest expense	2,145	2,573	2,145	2,573
Depreciation/Amortization	5,038	3,942	5,038	3,942
Bad debts recovered/ Reversal of impairment loss on receivables	(242)	(141)	(242)	(141)
Allowance for impairment loss on receivables/Bad debts written off	-	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(9)	(20)	(9)	(20)
Reversal of provision of warranty cost	-	-	-	-
Other investment income	(208)	(71)	(208)	(71)
Fair value (gain)/loss on :-				
- Biological assets	-	-	-	-
(Gain)/Loss on Derivative	378	-	378	-
(Gain)/Loss on foreign exchange	(969)	208	(969)	208

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	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
Weighted average number of ordinary shares in issue ('000)	485,798	496,377	485,798	496,377
Basic earnings per share (sen)	3.82	2.48	3.82	2.48
Diluted earnings per share (sen)	3.82	2.48	3.82	2.48

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 10 June 2021.