

**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**

There were no dividends paid during the current quarter

A first interim single tier dividend of 2 sen per ordinary share amounting to RM9,675,857 in respect of the financial year ending 31 December 2021 was paid on 28 October 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 30 September 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	160,136	4,694	164,830	34,535
- Palm oil plantation	103,850	-	103,850	(1,936)
- Retrofitting special purpose vehicles	18,242	-	18,242	1,723
- Refinery plant	114,422	-	114,422	7,778
Elimination	-	(4,694)	(4,694)	-
	396,650	-	396,650	42,100
Share of results of associates				10,737
Share of result of joint ventures				6,409
Total	396,650	-	396,650	59,246

For the period ended 30 September 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	226,085	8,350	234,435	59,850
- Palm oil plantation	44,573	-	44,573	(11,604)
- Retrofitting special purpose vehicles	11,693	-	11,693	(10,305)
- Refinery plant	86,343	-	86,343	(2,722)
Elimination	-	(8,350)	(8,350)	-
	368,694	-	368,694	35,219
Share of results of associates				1,023
Share of result of joint ventures				(927)
Total	368,694	-	368,694	35,315

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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 28 June 2021, 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 1,605,000 of its issued ordinary shares from the open market at an average price of RM1.283 per share. The total consideration paid for the repurchase including transaction costs was RM2,059,295 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 30 September 2021 increased by 8% and 68% 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 plantation segments. The increase in the Group's profit before taxation was mainly due to higher contribution posted by refinery segment, lower loss by the palm oil plantation segment as well as the improved share of results of associates and joint ventures.

The palm oil equipment and engineering segment reported lower revenue and profit before taxation by 30% and 42% respectively as compared to the same financial period last year. The decrease was mainly due to the lower projects billing and implementation resulting from the restriction of movement order following the surge in COVID-19 cases in early of the financial period. The much higher profit in the same financial period last year was mainly attributed to a gain on disposal of property.

The special purpose vehicles segment reported a profit of RM1.7 million as compared to a loss of RM10.3 million in the same financial period last year. The result for the same financial period last year was affected by higher operating expenses and underprovided tax in previous years.

The palm oil plantation segment reported higher revenue by 133% while the loss before taxation decreased by 83%. The increase in revenue was mainly due to higher revenue generated from its palm oil milling operation along with higher prices and production of palm products. The result for the current financial period was undermined by an allowance for impairment loss on bearer plants under dispute of RM5.7 million.

The refinery segment reported a profit before taxation of RM7.8 million with an increase in revenue by 33% as compared to the same financial period last year. The improved performance was mainly due to higher other income together with increase in production activities during the current financial period.

The associates and joint venture reported a combined share of profit of RM17.1 for the current financial period. The encouraging improvement was mainly due to higher prices of palm products during the current financial period.

#### 14. Comparison with preceding quarter's result

	Current quarter 30/09/2021 RM'000	Preceding quarter 30/06/2021 RM'000	Changes %
Revenue	136,555	102,779	32.7%
Profit from operations	14,921	13,502	10.5%
Profit/(Loss) before taxation	20,194	17,669	14.3%
Profit/(Loss) after taxation	18,135	15,497	17.0%
Profit attributable to owners of the parent	16,201	15,455	4.8%

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 project billings and implementation by the special purpose vehicles and palm oil equipment and engineering segments as well as higher revenue generated by the palm oil plantation segment resulting from higher prices of palm products.

The increase in the Group's profits before taxation was mainly due to the higher contributions by the special purpose vehicles and palm oil equipment and engineering segments following the higher revenue generated by both segments during the current quarter.

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The associates and joint venture reported a combined share of profit of RM7.1 million, an improvement of 12% as compared to the immediate preceding quarter. The higher profit was mainly due to higher production and prices 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 30/09/2021 RM'000	Cumulative period 30/09/2021 RM'000
Malaysian taxation	991	4,666
Foreign taxation	1,068	1,750
Under / (Over) provision in prior year	-	-
Deferred tax	-	-
Total	2,059	6,416

**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	26,375	4,764	31,139
Rupiah	2,746	17,942	20,688
US Dollar	6,219	107,931	114,150
Total	35,340	130,637	165,977

**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	34,987	(2,194)

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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**

The Board of Directors proposed second interim single tier dividend of 2 sen per ordinary share in respect of the financial year ending 31 December 2021. 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	
	30/09/2021 RM'000	30/09/2020 RM'000	30/09/2021 RM'000	30/09/2020 RM'000
Interest income	(2,687)	(455)	(3,776)	(1,765)
Interest expense	1,830	2,581	6,052	7,920
Depreciation/Amortization	7,312	5,197	16,752	13,746
Bad debts recovered/ Reversal of impairment loss on receivables	(38)	(225)	(280)	(315)
Allowance for impairment loss on receivables/Bad debts written off	-	-	-	-
Allowance for impairment loss on assets	5,742	-	5,742	-
(Gain)/Loss on disposal of property, plant and equipment	70	(8,821)	(495)	(8,845)
Reversal of provision of warranty cost	-	-	-	-
Other investment income	(1919)	(1,066)	(4,117)	(1,516)
Fair value (gain)/loss on :-				
- Biological assets	(202)	168	(288)	(97)
(Gain)/Loss on Derivative	(1,653)	-	(2,179)	-
(Gain)/Loss on foreign exchange	(421)	129	(1,046)	(1,552)

**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	
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
Weighted average number of ordinary shares in issue ('000)	483,793	491,331	483,793	491,331
Basic earnings per share (sen)	3.35	2.18	10.38	5.47
Diluted earnings per share (sen)	3.35	2.18	10.38	5.47

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 25 November 2021.