

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 2022. 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 2022.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2022. 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 auditors’ report on the audited financial statements for the year ended 31 December 2022 was not qualified.

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 2022.

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

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9. Segmental information

For the period ended 30 June 2023				
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	124,524	6,500	131,024	29,741
- Palm oil plantation	72,760	-	72,760	(6,393)
- Retrofitting special purpose vehicles	40,174	-	40,174	2,441
- Refinery	156,127	-	156,127	3,045
Elimination	-	(6,500)	(6,500)	-
	393,585	-	393,585	28,834
Share of results of associates				(1,130)
Share of result of joint ventures				(248)
Total	393,585	-	393,585	27,456

For the period ended 30 June 2022				
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	129,139	6,980	136,119	34,301
- Palm oil plantation	94,219	-	94,219	3,528
- Retrofitting special purpose vehicles	29,987	-	29,987	3,496
- Refinery	177,615	-	177,615	(8,816)
Elimination	-	(6,980)	(6,980)	-
	430,960	-	430,960	32,509
Share of results of associates				9,465
Share of result of joint ventures				3,260
Total	430,960	-	430,960	45,234

10. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter.

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 15 June 2023, the Company acquired 10,000 ordinary shares in Avecpalm Marketing Resources Sdn. Bhd. ("AMR"), representing the remaining 20% equity interest in AMR not already owned by the Company for a total consideration of RM1,650,000. In consequence thereof, TPGOG become a wholly owned subsidiary of the Company.

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 2022

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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 year ended 30 June 2023 decreased by 9% and 39% respectively as compared to the same financial period last year.

The decrease in the Group's revenue was mainly due to lower revenue generated by the palm oil plantation and refinery segments. The decrease in the Group's profit before taxation was mainly due to losses incurred by the palm oil plantation segment, associates and joint venture.

The palm oil equipment and engineering segment reported lower revenue and profit before taxation by 4% and 13% respectively as compared to the same financial period last year. The decreases were mainly due to the lower projects billing and implementation along with higher production costs during the current financial year.

The special purpose vehicles segment reported lower profit before taxation despite increase in revenue as compared to the same financial period last year. The increase in revenue was mainly due to higher projects implementation in the current financial period. The result for the same financial period last year was increased by higher other investment income.

The palm oil plantations segment reported lower revenue by 23% with a loss of RM6.4 million as compared to a profit in the same financial period last year. The performance was impacted by lower production and prices of palm products during the current financial year.

The refinery segment reported a profit of RM3 million despite decrease in revenue by 12% as compared the same financial period last year. The segment incurred a loss of RM8.8 million in the same financial period last year that was impacted by a loss on derivative.

The associates and joint venture reported a combined share of loss of RM1.4 million as compared to a profit of RM12.7 million in the same financial period last year. The loss was mainly due to lower production and prices of palm products during the current financial year.

14. Comparison with preceding quarter's result

	Current quarter 30/06/2023 RM'000	Preceding quarter 31/03/2023 RM'000	Changes %
Revenue	210,249	183,336	14.7%
Profit/(Loss) from operations	13,216	22,054	-40.1%
Profit/(Loss) before taxation	9,240	18,216	-49.3%
Profit/(Loss) after taxation	7,099	13,006	-45.4%
Profit/(Loss) attributable to owners of the parent	6,545	12,316	-46.9%

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

The increase in the Group's revenue was mainly due to higher revenue generated by the refinery segment. In addition, the palm oil equipment and engineering segment as well as the palm oil plantation segment also reported increase in revenue during the current quarter.

The decrease in the Group's profits before taxation was mainly due to lower contribution by the palm oil equipment and engineering segment resulting from higher project implementation expenditure during the current quarter. Furthermore the palm oil plantation segment reported higher loss along with a loss incurred by the refinery segment in 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 2023.

16. Corporate proposals

There were no corporate proposals announced but not completed as at the date of issue of these interim financial statements.

17. Taxation

	Individual quarter 30/06/2023 RM'000	Cumulative period 30/06/2023 RM'000
Malaysian taxation	2,726	7,259
Foreign taxation	(262)	415
Under / (Over) provision in prior year	(323)	(323)
Deferred tax	-	-
Total	2,141	7,351

18. 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	38,737	18,490	57,227
Rupiah	3,929	11,260	15,189
US Dollar	10,123	101,282	111,405
Total	52,789	131,032	183,821

19. 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	2,867	11

20. Profit forecast and profit guarantee

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

21. Material litigation

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

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22. Dividend payable

The Board of Directors proposed a first interim single tier dividend of 3 sen per ordinary share in respect of the financial year ending 31 December 2023. 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	
	30/06/2023 RM'000	30/06/2022 RM'000	30/06/2023 RM'000	30/06/2022 RM'000
Interest income	(1,268)	(850)	(1,407)	(1,482)
Interest expense	3,210	2,126	6,393	4,587
Depreciation/Amortization	6,714	5,699	12,559	11,405
Bad debts recovered/ Reversal of impairment loss on receivables	-	(749)	(49)	(1,508)
Allowance for impairment loss on receivables/Bad debts written off	-	-	-	-
Allowance for impairment loss on assets	-	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(303)	(160)	(303)	(246)
Other investment (income)/loss	2,329	6,640	(161)	5,541
Fair value (gain)/loss on :-				
- Biological assets	(141)	(88)	(422)	(527)
(Gain)/Loss on Derivative	(1,005)	68	(1,005)	13,121
(Gain)/Loss on foreign exchange	(974)	(1,456)	(169)	(1,450)

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	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
Weighted average number of ordinary shares in issue ('000)	477,955	477,955	477,955	477,955
Basic earnings per share (sen)	1.37	3.34	3.95	7.19
Diluted earnings per share (sen)	1.37	3.34	3.95	7.19

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 28 August 2023.