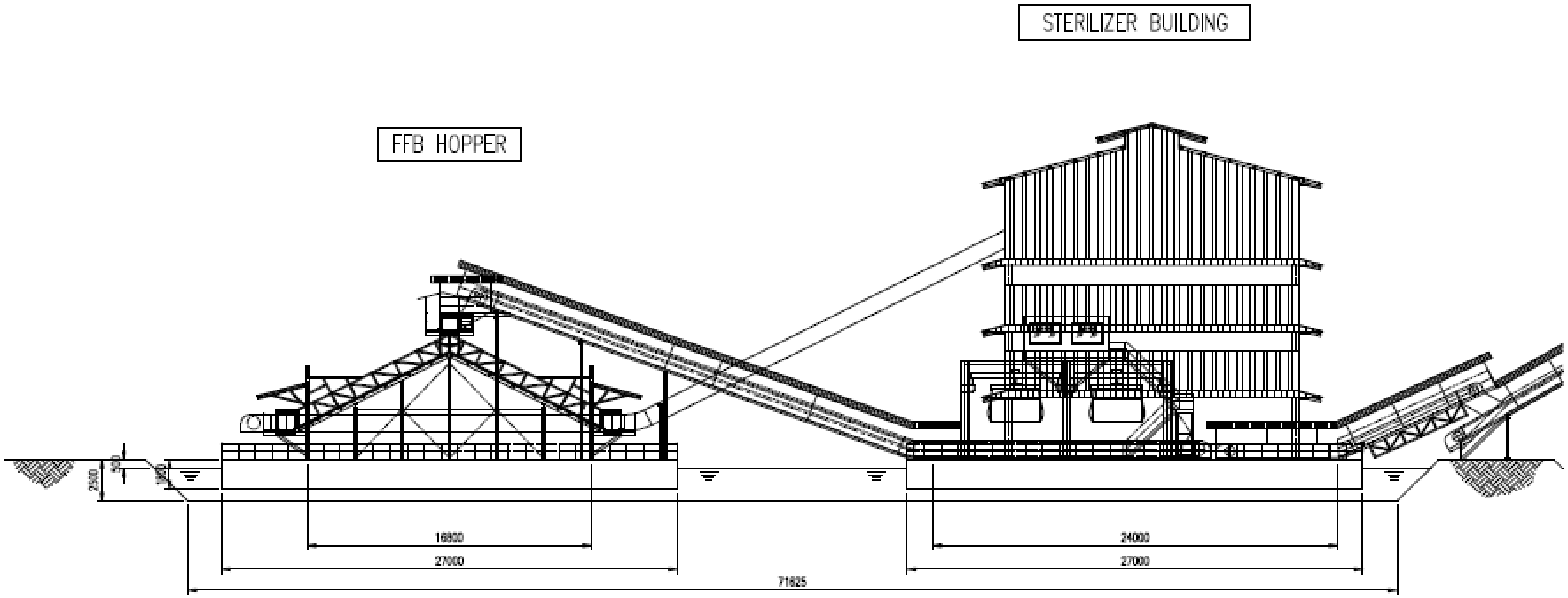
CB Industrial Product Holding Berhad

Equipping Palm Oil Industries Around The World

First Quarter 2019 Results Update



Review of Performance

Quarterly Review

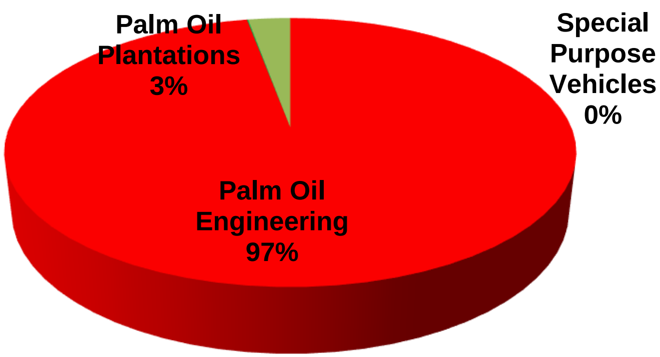
Continuing Operations	Quarter ended 31 March		% change	3 months period ended 31 March		% change
	2019	2018		2019	2018	
	(RM’000)	(RM’000)		(RM’000)	(RM’000)	
Revenue	85,902	131,290	(34.6)	85,902	131,290	(34.6)
Profit from operations	20,677	25,050	(17.5)	20,677	25,050	(17.5)
Share of results of associates and joint ventures	(3,731)	432	(963.7)	(3,731)	432	(963.7)
Profit before taxation	14,585	24,944	(41.5)	14,585	24,944	(41.5)
Profit after taxation	10,271	20,071	(48.8)	10,271	20,071	(48.8)

- Revenue for the quarter ended 31 March 2019 decreased 34.6% mainly due to lack of contribution from the special purpose vehicles segment, as most of the contracts have been completed in 3Q18. This is partially mitigated by higher revenue recognition in the palm oil engineering segment.
- Profit before taxation for the quarter ended 31 March 2018 decreased 41.5% mainly due to losses from special purpose vehicles segment, palm oil plantations segment as well as losses of associates and joint-venture (decreased 963.7%) due to lower prices and production of palm products during the quarter.

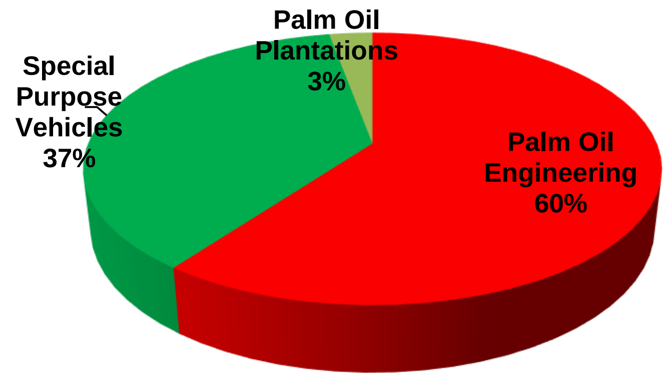
Review of Performance

Revenue Breakdown

3 months period ended 31 March 2019



3 months period ended 31 March 2018

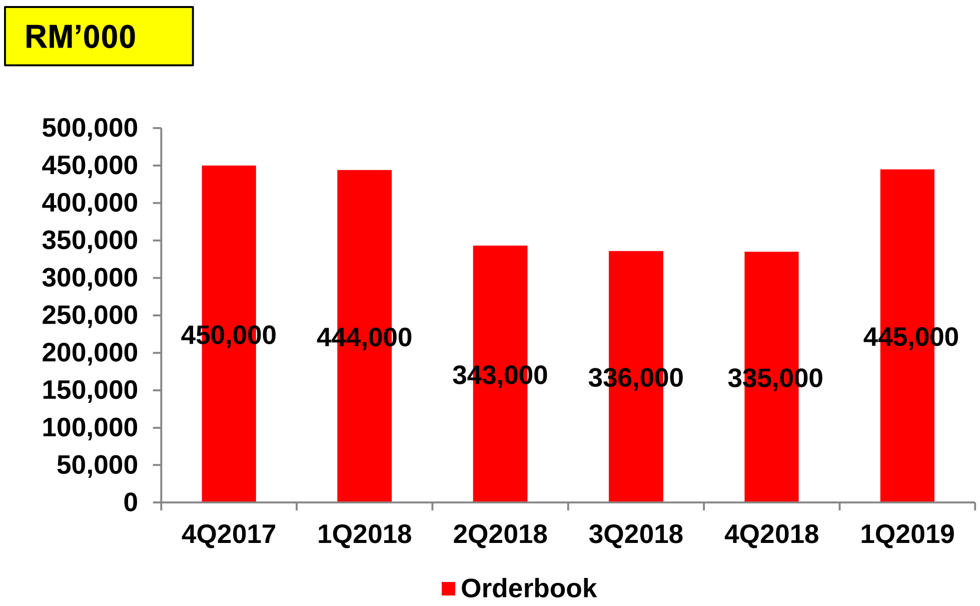


Profit Before Taxation Breakdown

Profit Before Taxation	3 months period ended 31 March		% change
	2019	2018	
	(RM'000)	(RM'000)	
Palm Oil Engineering	23,818	19,304	23.4
Palm Oil Plantations	(4,510)	(487)	1026.1
Special Purpose Vehicles	(992)	5,695	(117.4)
Share of results of associates and jointly-controlled entity	(3,731)	432	(963.7)
Total	**14,585**	**24,944**	**(41.5)**

Prospect

Palm Oil Engineering

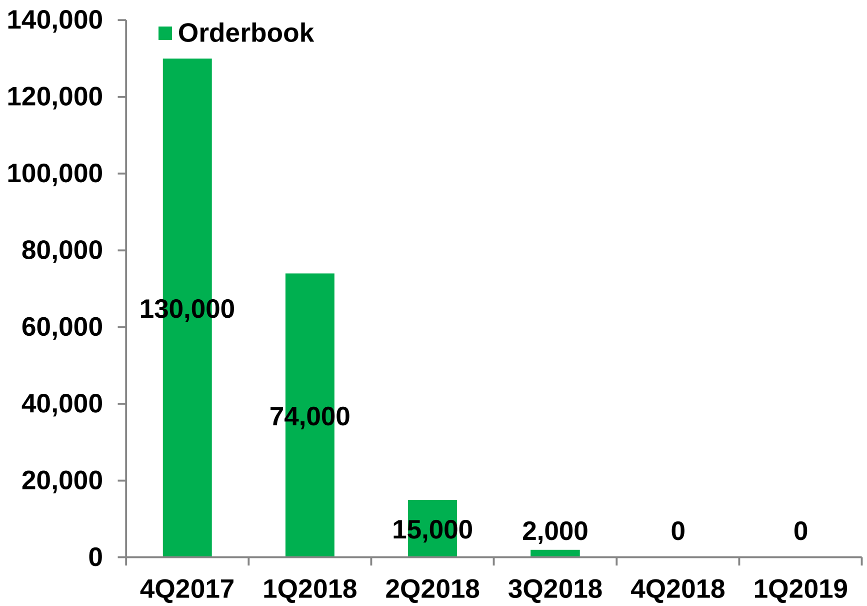


- Orderbook as at 1Q19 stands at RM445 million
- The orderbook is expected to bode well for the performance of the palm oil engineering sector for the financial year ending 2019 and 2020

Prospect

Special Purpose Vehicles

RM'000



- A 49% owned subsidiary, our SPV arm is primarily in bulky supply of specialised vehicles for government authorities and agencies
- The decrease in revenue and loss incurred by the special purpose vehicles segment were mainly due to lack of replenishment of new project following the completion of projects implementation in last financial year
- We continue to perform regular maintenance, refurbishment and overhaul jobs for our existing clients, which are not included in the orderbook
- We will continue to pursue business developments with government bodies not only in Malaysia, but also in overseas market through marketing of existing core product lines

Prospect

Palm Oil Plantations - Indonesia

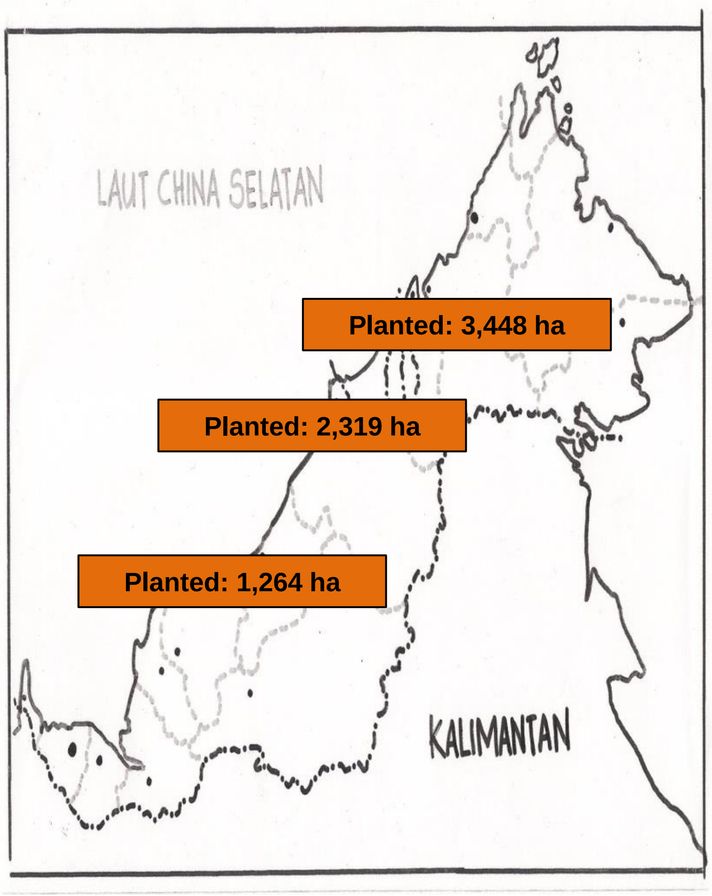
- With current landbank of approximately 32,000 ha in Central Kalimantan, Indonesia aggressive plantation development has commenced since first half of 2013
- Of the 32,000 ha in Indonesia, approximately 13,000 ha has been planted as at March 2019 with approximately 2,000 ha targeted to be planted for the year 2019
- Our strategy for the oil palm plantation in Indonesia remains to complete our planting development. With the commissioning of the palm oil mill in late 2018, we will add another revenue stream to our Group which is negligible at present
- Movement in prices of crude palm oil products is the main external factor affecting the business operations of our oil palm plantation division

Prospect

Oil Palm Plantation – Associates and JV

- With effective planted area attributable to CBIP of 7,000 ha, the associates and JV plantation assets has posted a combined losses of RM3,731 million for the quarter ended 31 March 2019, compared to a profit of RM0.432 million in the corresponding quarter in 2018. The decrease is mainly due to lower prices and production of palm products.

- With a non-controlling interest, performance of the associates and JV plantation assets is to a large extent, dependent upon the crude palm oil selling price and yield.



New Prospect – Biodiesel Project

Two biodiesel plants with combined capacity of 470k mt/year

TPG Oil & Gas (80.0% subsidiary of CBIP)

- Location – Tanjung Langsat, Johor Bahru
- Production capacity - 120k mt/year for Biodiesel, 120k mt/year for refinery
- Acquisition price – RM25 million
- Plant refurbishment on-going, ready by 3Q19

Gulf Lubes (68.73% subsidiary of CBIP)

- Location – Port Klang Free Trade Zone
- Production capacity - 350k mt/year for Biodiesel, 250k mt/year for refinery
- Acquisition price – RM45.3 million
- Plant refurbishment on-going, ready by 3Q19

New Prospect – Biodiesel Project

Key to Success of This Business

- Cheap start-up cost (to construct a new plant with similar capacity will cost at least RM300-400 million)
- Increasing demand from both exports and local consumption
- Government's implementation of the B10 mandate in 2019 and B20 by 2020
- Good spread between input and output prices. For example, current CPO price between RM1900-2000/T versus biodiesel price of USD649/MT or Glycerin price of USD250/MT ensures a good spread for better margins

New Prospect – Biodiesel Project

Local Consumption vs Exports

Biodiesel (million liters)										
Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019e**
Beginning stock	-	-	-	-	-	-	-	-	-	-
Production (k MT)	130	204	271	507	611	660	724	907	1,089	1,560
Imports	-	-	-	-	-	-	-	-	-	-
Exports (k MT)	97	54	31	192	95	204	94	267	516	600
Consumption (k MT)	33	150	240	315	516	456	630	640	429	940
Ending stock (k MT)	-	-	-	-	-	-	-	-	-	20
Production Capacity (million liters)										
Number of bio refineries	13	13	14	15	16	18	17	16	16	16
Capacity	2,050	1,363	2,101	3,010	2,726	2,647	2,350	2,340	2,340	2,340
Utilization (%)	6	15	13	17	22	25	31	39	40	67
Feedstock use for fuel (1,000 MT)										
Crude Palm Oil (CPO)	119	188	249	466	562	607	666	834	1,122	1,435

Source: GAIN Report – Biofuels Annual 2018

- Total production for biodiesel is expected to increase 43.3% to 1,560k MT in 2019
- Meanwhile, local biodiesel consumption is expected to increase 119.1% to 940k MT in 2019
- Utilization is expected to improve from below 40% to above 60% by 2019
- According to our Primary Industries minister Teresa Kok, Malaysia targets to raise its biofuel mandate in the transport sector to B20 by 2020, from B10 currently. As for industrial sector, the mandate will increase from B7 to B10
- Expect significant improvement of utilization rate across the industry going forward

Other Issues

Qualified Audit Opinion

- As per our announcement on 3 May 2019, a qualified opinion was issued by our external auditors on our annual audited accounts
- Quoting the announcement on Bursa, "*The audited financial statements and auditors' report of the Associates and Joint Venture were not available to the Company's External Auditors. There has been a delay in completing the unaudited management accounts of the Associates and Joint Venture for audit by the component auditors mainly due to the assessment and adoption of the new Malaysia Financial Reporting Standards by the Management of the Associates and Joint Venture*"
- During the point of finalizing our annual audited accounts, our Associates and Joint Venture were not able to furnish the audited accounts to our external auditors.
- *"Our external auditors were unable to perform appropriate audit procedures to obtain sufficient and appropriate audit evidence that are considered necessary for the said Associates and Joint Venture during the audit of the financial statements of the Group. Therefore, we could not determine whether any adjustments were necessary in respect of the financial information of the unaudited management accounts for the Associates and Joint Venture"*
- Hence, an opinion could not be made on the numbers provided for the entire financial year 2018
- We reassure our shareholders that we did our best in resolving the issue. Measures have been taken ie. constant communication between the Group and the management from the Associates and Joint Venture, in order to prevent recurrence of such situation

Further Information

Registered Office

CB Industrial Product Holding Berhad
Lot 4, Jalan Waja 15
Kawasan Perusahaan Telok Panglima Garang
42500 Telok Panglim Garang
Selangor Darul Ehsan

Telephone No.: 03 3122 7117
Facsimile No.: 03 2122 2629
E-mail: info@cbip.com.my
Website: www.cbip.com.my

Contact Person

Jonathan Lai
Investor Relations & Corporate Affairs
CB Industrial Product Holding Berhad

Telephone No.: 013 349 1193
Facsimile No.: 03 2122 2629
E-mail: jonathanlai@cbip.com.my

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