KUB MALAYSIA

Interim Financial Report on

Unaudited Consolidated Results for the

Second Quarter Ended

30 June 2012

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KUB MALAYSIA BERHAD

(Company No. 6022-D)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

The Board of Directors hereby announce the unaudited financial results of the Group for the financial period ended 30 June 2012.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/6/2012 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/6/2011 RM'000	CURRENT YEAR TO DATE 30/6/2012 RM'000	PRECEDING YEAR CORRESPONDING TO DATE 30/6/2011 RM'000
Revenue	205,232	179,270	412,621	340,257
Operating expenses	(211,810)	(180,712)	(423,672)	(349,522)
Other operating income	2,910	1,750	3,947	7,398
Results from operating activities	(3,668)	308	(7,104)	(1,867)
Finance income	843	861	1,253	1,537
Finance costs	(2,060)	(1,656)	(4,191)	(3,542)
Share of profit of associates	1,992	720	3,485	1,521
(Loss) / Profit before tax	(2,893)	233	(6,557)	(2,351)
Income tax expense	(528)	(942)	(1,757)	(2,224)
(Loss) / Profit for the period	(3,421)	(709)	(8,314)	(4,575)
Other comprehensive income:				
Net gain / (loss) on available-for-sale financial assets	116	(498)	181	(114)
Foreign currency translation	(1,307)	(485)	(399)	1,532
Total comprehensive income for the period	(4,612)	(1,692)	(8,532)	(3,157)
(Loss) / Profit attributable to:				
Owners of the parent	(2,657)	(1,229)	(6,795)	(6,265)
Non-controlling interest	(764)	520	(1,519)	1,690
	(3,421)	(709)	(8,314)	(4,575)
Total comprehensive income attributable to:				
Owners of the parent	(3,848)	(2,212)	(7,013)	(4,847)
Non-controlling interest	(764)	520	(1,519)	1,690
	(4,612)	(1,692)	(8,532)	(3,157)
Loss per share attributable to owners of the parent (sen) :				
- Basic and diluted	(0.48)	(0.22)	(1.22)	(1.13)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Group's Annual Audited Financial Statements for the financial year ended 31 December 2011.

KUB MALAYSIA BERHAD

(Company No. 6022-D)

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT END OF CURRENT QUARTER 30/6/2012 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 31/12/2011 RM'000
Assets		
Property, plant and equipment	131,869	137,331
Land held for property development	4,607	4,605
Plantation development expenditure	38,832	39,268
Investment properties	52,746	54,122
Investment in associates	19,586	19,702
Other investments	4,524	4,343
Intangible assets	3,332	3,547
Deferred tax assets	4,645	5,050
Total non-current assets	260,141	267,968
Inventories	22,923	23,610
Trade and other receivables	188,673	183,963
Derivative financial asset	-	260
Tax recoverable	981	1,412
Cash and bank balances	149,564	164,128
Total current assets	362,141	373,373
Assets classified as held for sale	989	39
Total Assets	**623,271**	**641,380**
Equity		
Share capital	222,586	222,586
Reserves	46,741	46,959
Retained earnings	6,321	13,116
Total equity attributable to owners of the parent	275,648	282,661
Non-controlling interest	18,830	20,349
Total equity	294,478	303,010
Liabilities		
Borrowings	45,403	48,803
Deferred tax liabilities	14,602	15,000
Total non-current liabilities	60,005	63,803
Trade and other payables	188,842	188,029
Provision for tax	3,396	3,570
Borrowings	76,297	82,968
Derivative financial liability	253	-
Total current liabilities	268,788	274,567
Total liabilities	328,793	338,370
Total equity and liabilities	**623,271**	**641,380**
Net assets per share attributable to ordinary equity holders of the parent (RM)	**0.50**	**0.51**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's Annual Audited Financial Statements for the financial year ended 31 December 2011.

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent												
		Non-distributable reserves											
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Translation reserve RM'000	Premium paid on acquisition of non-controlling interests RM'000	Fair value adjustment reserve RM'000	Merger reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012	222,586	5,965	34,016	312	353	(7,019)	2,185	11,147	-	13,116	282,661	20,349	303,010
Total comprehensive income	-	-	-	-	(399)	-	181	-	-	(6,795)	(7,013)	(1,519)	(8,532)
At 30 June 2012	222,586	5,965	34,016	312	(46)	(7,019)	2,366	11,147	-	6,321	275,648	18,830	294,478
At 1 January 2011	222,586	5,965	34,016	312	(204)	(8,248)	2,273	11,147	4,613	78,920	351,380	22,167	373,547
Total comprehensive income	-	-	7,288	-	1,532	-	(114)	-	-	(6,265)	2,441	1,690	4,131
Total transaction with owners:													
Premium paid on acquisition of non controlling interest	-	-	-	-	-	1,229	-	-	-	-	1,229	-	1,229
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	257	257
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,729)	(2,729)
Total transaction with owners	-	-	-	-	-	1,229	-	-	-	-	1,229	(2,472)	(1,243)
Dividend paid	-	-	-	-	-	-	-	-	-	(10,016)	(10,016)	(900)	(10,916)
At 30 June 2011	222,586	5,965	41,304	312	1,328	(7,019)	2,159	11,147	4,613	62,639	345,034	20,485	365,519

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's Annual Audited Financial Statements for the financial year ended 31 December 2011.

KUB MALAYSIA BERHAD

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2012

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT YEAR YEAR TO DATE 30/6/2012 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2011 RM'000
Loss before taxation	(6,557)	(2,351)
Adjustments for :		
Depreciation of property, plant and equipment	8,760	6,145
Amortisation of plant development expenses	1,247	1,337
Amortisation of intangible assets	231	380
Gain on disposal of property, plant and equipment	(2)	-
Gain on disposal of subsidiaries	(15)	(3,459)
Share of profit / (loss) of associates	(3,485)	(1,520)
Others	3,446	1,285
Operating profit / (loss) before working capital changes	3,625	1,817
Changes in working capital:		
Inventories	687	3,294
Receivables	(2,872)	27,510
Payables	(731)	(16,792)
	(2,916)	14,012
Tax paid	(1,924)	938
Net cash (used in)/generated from operating activities	(1,215)	16,767
Acquisition of property, plant and equipment	(2,917)	(36,461)
Acquisition of non-controlling interest	-	(1,500)
Disposal of subsidiaries, net of cash disposed	24	2,938
Dividend received	3,810	282
Increase in plantation development expenditure	(811)	(3,389)
Interest received	1,253	1,537
Other investing activities	-	(1)
Net cash used in investing activities	1,359	(36,594)
Changes in deposit pledged with licensed banks	(8,136)	6,290
Dividend paid	-	(900)
Interest paid	(4,191)	(3,542)
Net (repayment)/drawdown of term loan	(4,155)	26,557
Net (repayment)/drawdown of short term borrowings	(16,363)	193
Other financing activities	(9)	(169)
Net cash generated from/(used in) financing activities	(32,854)	28,429
Net increase/(decrease) in cash and cash equivalents	(32,710)	8,602
Effect in exchange rate fluctuations on cash held	(447)	1,532
Cash and cash equivalents at beginning of period	85,764	69,044
Cash and cash equivalents at end of period	52,607	79,178

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following:

Cash in hand and at banks	36,352	28,747
Deposits (excluding deposits pledged)	67,950	106,918
Bank overdrafts	(51,695)	(56,487)
	52,607	79,178

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's Annual Audited Financial Statements for the financial year ended 31 December 2011.

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The interim financial statements have been prepared in accordance with Financial Reporting Standards ("FRS") 134: Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2011.

The accounting policies and methods of computation adopted by the Group for the interim financial statements are consistent with those adopted for the audited financial statements for the year ended 31 December 2011, except for the mandatory adoption of the following new/revised FRSs and Issues Committee ("IC") Interpretations effective for the financial period beginning on 1 January 2012:

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets
FRS 124	Related Party Disclosures

The application of the above revised FRSs and IC Interpretations are expected to have no significant impact on the accounting policies and presentation of the financial results of the Group.

<u>Malaysian Financial Reporting Standards</u>

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS") Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The Group falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

2. Audit report of the preceding annual financial statements

The auditors have expressed an unqualified opinion on the Group's statutory financial statements for the year ended 31 December 2011.

3. Seasonal or cyclicality of operations

The business operations of the Group are not materially affected by seasonal or cyclical fluctuations.

4. Items of unusual nature, size or incidence

There are no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial year-to-date.

5. Changes in estimates

There are no changes in estimates that have had a material effect on the financial statements of the current quarter and financial year-to-date.

6. Debt and equity structure

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and financial year-to-date.

7. Dividends paid

There was no dividend paid in the current quarter and financial year-to-date.

8. Segment reporting

The Group's primary format for reporting segment information is business segments based on the Group's management and internal reporting structure and organised into Information & Communication Technology ("ICT"), Energy, Food & Beverages ("Food"), Agro Business ("Agro") and Properties, Engineering & Construction ("PEC").

Segment information for the current financial period ended 30 June 2012 is as follows:

	ICT RM'000	Energy RM'000	Food RM'000	Agro RM'000	PEC RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue								
External sales	53,717	261,559	39,468	18,012	39,621	244	-	412,621
Inter-segment sales	292	-	71	-	-	3,692	(4,055)	-
Total revenue	54,009	261,559	39,539	18,012	39,621	3,936	(4,055)	412,621
Results								
(Loss)/profit from operations	(82)	2,640	(6,102)	5,274	(2,193)	8,418	(15,059)	(7,104)
Interest income	83	279	-	235	548	696	(588)	1,253
Finance costs	(475)	(44)	(29)	(303)	(2,800)	(1,128)	588	(4,191)
Share of results of associates	-	-	-	-	-	-	3,485	3,485
Income tax expense	-	-	-	(1,522)	(232)	(3)	-	(1,757)
(Loss)/profit for the period	(474)	2,875	(6,131)	3,684	(4,677)	7,983	(11,574)	(8,314)

Below are the segmental review as compared to previous year corresponding period:

ICT Sector : Despite of higher revenue, this sector recorded higher loss due to lower gross profit margin (2012 : 9%, 2011: 19%). The Group is exploring new business opportunity that generates recurring income and high margins particularly with government agencies and Government Linked Companies. At the meantime, the management shall forge ahead strongly with specific efforts undertaken to improve its profit margin through productivity enhancement and cost optimisation initiatives.

Energy Sector : This sector experienced an increase in its operational profit by RM1.1 million as compared to previous year corresponding period mainly due to higher sales volume by 26% and Government subsidy despite higher LPG cost in the current period. The Group is currently exploring other means to strengthen the LPG business to include efforts to contain costs and expand market share through mergers and acquisitions into related areas such as oil and gas support industries.

Food Sector : During the current period, this sector experienced a decline in its operational loss by RM3.8 million as compared to corresponding period last year mainly due to closure of underperforming outlet coupled with lower administrative and depreciation expenses. Other than closing down of non-performing outlet, A&W management is currently focusing on cost cutting measures and local store marketing for the remaining outlets that show potential for improvements.

Agro Sector : A decline in crop harvested by 12% coupled with lower average CPO price has resulted this sector to record a lower operational profit by RM6.9 million or 57%. Nevertheless, the Group is strategising to invest further into this sector to capitalise on the increasing demand for bio-fuels and commodities and in anticipation that palm oil prices will move upwards in the long term due to ever increasing demand. The Group plan to increase the size of the plantation land and move into downstream activities to enhance income and profit margins.

PEC Sector : This sector recorded an operational loss in the current period as opposed to an operational profit of RM2.5 million in the corresponding period last year as a result of delay in projects execution. Close supervision and strict monitoring are done at project sites to ensure that the projects are progressing according to schedule in order to meet the completion deadlines.

9. Notes to profit/(loss) before tax

	6 months ended 30/6/2012 RM'000	6 months ended 30/6/2011 RM'000
Profit/(loss) before tax is arrived after crediting/(charging):		
Other income including investment income	3,024	2,416
Gain on disposal of subsidiary	15	3,459
Gain on disposal of property, plant and equipment	2	200
Foreign exchange gain	901	1,335
Interest income	1,253	1,537
(Loss)/gain on derivatives	(513)	253
Depreciation and amortisation	(10,238)	(11,347)
Interest expense	(4,191)	(3,542)

Save as disclosed above, other items as required to be disclosed under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

10. Carrying amount of revalued assets

There is no revaluation of property, plant and equipment brought forward from the previous audited annual financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

11. Subsequent events

There are no items, transactions or events of a material and unusual nature which have arisen since 30 June 2012 to the date of this announcement which would substantially affect the financial results of the Group for the period ended 30 June 2012 that have not been reflected in the condensed financial statements.

12. Changes in the composition of the group

In April 2012, a 55% subsidiary of the Group, Bina Alam Bersatu Sdn Bhd., has disposed its wholly owned subsidiary, Bina Alam Bersatu Development Sdn Bhd for a total consideration of RM24,871 .

Save as disclosed above, there were no major changes in the composition of the Group during the financial year-to-date except as disclosed in the audited financial statement ended 31 December 2011.

13. Capital commitments

There are no capital commitments except as disclosed below:

	6 months ended 30/6/2012 RM'000
Capital expenditure:	
Property, plant and equipment	
Approved and contracted for	2,443
Approved but not contracted for	30,812

14. Contingent liabilities

There are no changes in the contingent liabilities as at the date of this announcement since the preceding financial year ended 31 December 2011.

15. Tax

	3 months ended		6 months ended	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current tax	528	982	1,757	2,224
Over provision in prior year	-	-	-	-
	528	982	1,757	2,224
Deferred tax:				
Current	-	-	-	-
Under/(over) provision in prior year	-	-	-	-
	-	-	-	-
Foreign income tax	-	(40)	-	-
	528	942	1,757	2,224

The effective tax rate for the current financial year under review is higher than the statutory tax rate as certain expenses which are not deductible for tax purposes and profits of certain subsidiaries cannot be offset against losses of other subsidiaries for income tax purposes.

16. Status of corporate proposals

As at the date of this report, there were no corporate proposals announced by the Group but yet to be completed.

17. Group borrowings and debt securities

		As at end of current quarter 30/6/2012 RM'000
Non-current		
Term loans	- secured	45,017
Finance leases		386
		45,403
Current		
Term loans	- secured	5,915
Bank overdrafts	- secured	51,695
Bankers' acceptances / Trust receipts	- secured	17,635
Finance leases		1,052
		76,297

18. Material litigation

As at the date of this report, the Group does not have any material litigation which would have a material adverse effect on the financial position of the Group.

19. Profit before tax for the current quarter compared to the immediate preceding quarter

During the current quarter, the Group recorded a loss before tax of RM2.9 million as compared to a loss before tax of RM3.7 million in the immediate preceding quarter, due to improved performance from ICT sector and lower administrative expenses as a result of cost optimisation initiatives adopted by the Group .

20. Review of performance for the current interim financial period compared to the corresponding period in the preceding year

For current financial period ended 30 June 2012, the Group recorded a revenue of RM412.6 million and a loss before tax of RM6.6 million as compared to revenue of RM340.3 million and a loss before tax of RM2.4 million in the previous year corresponding period. The unfavourable results during the period was mainly due to lower crop and price of FFB of Agro sector and delay in project execution for PEC sector. Included in the corresponding period last year was an extraordinary gain of RM3.5 million due to the disposal of a subsidiary.

21. Prospects

The Group expects to improve its performance in the second half of 2012 as some projects and strategies currently been pursuit are anticipated to materialise later in the year. The Agro Sector is expected to perform better due to the upcoming peak production season and this will boost the revenue and profitability of the Group. Efforts are also being made to secure ICT and PEC businesses with higher margins. In addition, management continues to enhance values and maximise growth by optimising its operating costs and improve efficiences.

Nevertheless , barring any unforeseen changes in the global climate and market conditions, the Group will remain cautious on the challenges ahead.

22. Profit forecast / profit guarantee

The Group has neither made any profit forecast nor issued any profit guarantee during the current quarter and financial year to-date.

23. Dividends

The Board has not made any decision in respect of dividend for the current quarter and for the year ended 31 December 2012.

24. Realised and Unrealised Profit/(Losses)

The breakdown of the Group's retained earnings as at reporting dates, into realised and unrealised is as follows:

	As at 30/6/2012 RM'000	As at 31/12/2011 RM'000
Total accumulated loss of the Company and its subsidiaries		
- Realised	(580,332)	(580,587)
- Unrealised	(9,957)	(9,597)
Total share of retained earnings from associated companies		
- Realised	15,929	12,444
- Unrealised	(1,742)	(1,742)
	(576,102)	(579,482)
Group consolidation adjustments	582,423	592,598
Total Group retained earnings as per consolidated financial statements	6,321	13,116

25. Loss per share

(a) Basic loss per share

The basic loss per share is calculated by dividing the profit for the period attributable to ordinary owners of the parent by the weighted average number of ordinary shares in issue during the financial period.

		3 months ended		6 months ended	
		30/6/2012	30/6/2011	30/6/2012	30/6/2011
Loss for the period attributable to owners of the parent	(RM'000)	(2,657)	(1,229)	(6,795)	(6,265)
Weighted average number of ordinary shares in issue	('000)	556,465	556,465	556,465	556,465
Basic loss per share	(sen)	(0.48)	(0.22)	(1.22)	(1.13)

(b) Diluted loss per share

The Group has no dilution in its loss per ordinary share in the quarter under review and financial year to-date.

26. Related Party Transactions

As at the end of the current period under review, the Group has entered into/or completed the following related party transactions:

	6 months ended 30/6/2012 RM'000
Transactions with Jeks Engineering Sdn Bhd, a major shareholder of Precast Products Sdn Bhd with 30% equity interest, a Company with interested directors:	
- Sales of precast products	6,315
Transactions with Jeks Engineering Pte Ltd, a wholly own subsidiary of Jeks Engineering Sdn Bhd which in turn is a major shareholder of Precast Products Sdn Bhd with 30% equity interest, a Company with interested directors:	
- Sales of precast products	2,986
Transactions with Jeks Trading Sdn Bhd, a wholly own subsidiary of Jeks Engineering Sdn Bhd which in turn is a major shareholder of Precast Products Sdn Bhd with 30% equity interest, a Company with interested directors:	
- Purchase of raw materials	(3,844)

The above related party transactions are recurrent transactions of a revenue and expense nature and are entered into in the ordinary course of business on terms not more favourable to the related party than those generally available to the public.

By Order of the Board

WAN NURZALIZA WAN OTHMAN
Company Secretary
27 Aug 2012