



**Interim Financial Report on
Unaudited Consolidated Results for the
Third Quarter Ended
30 September 2016**

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KUB MALAYSIA BERHAD

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

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

The Board of Directors hereby announce the unaudited financial results of the Group for the financial period ended 30 September 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | CURRENT YEAR QUARTER 30/9/2016 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 30/9/2015 RM'000 (Re-presented) | CURRENT YEAR TO DATE 30/9/2016 RM'000 | PRECEDING YEAR CORRESPONDING TO DATE 30/9/2015 RM'000 (Re-presented) |
| CONTINUING OPERATIONS | | | | |
| Revenue | 113,068 | 101,732 | 364,451 | 312,150 |
| Operating expenses | (108,613) | (108,607) | (354,244) | (323,831) |
| Other operating income | 1,366 | 3,024 | 5,869 | 22,393 |
| Results from operating activities | 5,821 | (3,851) | 16,076 | 10,712 |
| Finance income | 749 | 758 | 2,156 | 1,655 |
| Finance costs | (125) | 31 | (891) | (1,147) |
| Share of profit of associates | 2,216 | 1,940 | 5,821 | 6,560 |
| Profit / (loss) before zakat and tax | 8,661 | (1,122) | 23,162 | 17,780 |
| Zakat | - | - | (202) | (301) |
| Income tax expense | (3,042) | (2,546) | (8,097) | (3,634) |
| Profit / (loss) for the period from continuing operations | 5,619 | (3,668) | 14,863 | 13,845 |
| DISCONTINUED OPERATIONS | | | | |
| Loss for the period from discontinued operations | (464) | (1,552) | (464) | (11,649) |
| Profit / (loss) for the period | 5,155 | (5,220) | 14,399 | 2,196 |
| Other comprehensive income: | | | | |
| Net (loss)/gain on available-for-sale financial assets | 123 | (1,104) | (36) | (6) |
| Foreign currency translation | - | 80 | - | 140 |
| Total comprehensive income / (loss) for the period | 5,278 | (6,244) | 14,363 | 2,330 |
| Profit / (loss) attributable to : | | | | |
| Owners of the parent | | | | |
| - from continuing operations | 5,196 | (4,778) | 15,464 | 12,982 |
| - from discontinued operations | (464) | (1,552) | (464) | (11,649) |
| | 4,732 | (6,330) | 15,000 | 1,333 |
| Non-controlling interest | 423 | 1,110 | (601) | 863 |
| | 5,155 | (5,220) | 14,399 | 2,196 |
| Total comprehensive income / (loss) attributable to : | | | | |
| Owners of the parent | 4,855 | (7,354) | 14,964 | 1,467 |
| Non-controlling interest | 423 | 1,110 | (601) | 863 |
| | 5,278 | (6,244) | 14,363 | 2,330 |
| Earnings / (Loss) per share attributable to owners of the parent (sen) : | | | | |
| Basic and diluted | | | | |
| - from continuing operations | 0.93 | (0.86) | 2.78 | 2.33 |
| - from discontinued operations | (0.08) | (0.28) | (0.08) | (2.09) |
| | 0.85 | (1.14) | 2.70 | 0.24 |

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 2015.

KUB MALAYSIA BERHAD

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

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | UNAUDITED AS AT END OF CURRENT QUARTER 30/9/2016 RM'000 | AUDITED AS AT PRECEDING FINANCIAL YEAR END 31/12/2015 RM'000 |
|--|---|--|
| Assets | | |
| Property, plant and equipment | 159,020 | 181,834 |
| Land held for property development | 4,612 | 4,612 |
| Plantation development expenditure | 52,994 | 50,902 |
| Investment properties | 11,011 | 11,369 |
| Investment in associates | 34,115 | 28,294 |
| Other investments | 4,430 | 4,466 |
| Intangible assets | 822 | 818 |
| Deferred tax assets | 2,919 | 3,202 |
| Total non-current assets | 269,923 | 285,497 |
| Inventories | 6,671 | 12,614 |
| Trade and other receivables | 82,975 | 61,515 |
| Tax recoverable | 417 | 509 |
| Cash and bank balances | 132,897 | 105,150 |
| Total current assets | 222,960 | 179,788 |
| Non-current assets held for sale | 2,221 | - |
| Total Assets | 495,104 | 465,285 |
| Equity | | |
| Share capital | 222,586 | 222,586 |
| Reserves | 54,684 | 51,918 |
| Retained earnings | 12,065 | 2,649 |
| Total equity attributable to owners of the parent | 289,335 | 277,153 |
| Non-controlling interest | 10,859 | 11,460 |
| Total equity | 300,194 | 288,613 |
| Liabilities | | |
| Borrowings | 55,351 | 48,116 |
| Deferred Tax Liabilities | 12,324 | 12,382 |
| Total non-current liabilities | 67,675 | 60,498 |
| Trade and other payables | 116,819 | 104,106 |
| Provision for tax | 5,263 | 3,253 |
| Borrowings | 5,108 | 8,794 |
| Derivative financial liability | 45 | 21 |
| Total current liabilities | 127,235 | 116,174 |
| Total liabilities | 194,910 | 176,672 |
| Total equity and liabilities | 495,104 | 465,285 |
| Net assets per share attributable to ordinary equity holders of the parent (RM) | 0.52 | 0.50 |

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 2015.

KUB MALAYSIA BERHAD

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | CURRENT YEAR YEAR TO DATE 30/9/2016 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 30/9/2015 RM'000 |
|---|--|--|
| Profit / (loss) before taxation | | |
| - Continuing Operations | 23,162 | 17,780 |
| - Discontinued Operations | (464) | (11,649) |
| Adjustments for : | | |
| Depreciation of property, plant and equipment | 8,842 | 9,660 |
| Depreciation of investment properties | 220 | 381 |
| Amortisation of plantation development expenditure | 1,932 | 1,784 |
| Amortisation of intangible assets | 112 | 128 |
| Loss on disposal of subsidiary | 4,764 | - |
| (Gain) on disposal of property, plant and equipment | (31) | (135) |
| (Gain) on disposal of assets held for sale | - | (8,845) |
| Loss on fair value changes of derivative instruments | 45 | 56 |
| Provision of liquidated ascertained damages | - | 2,039 |
| Impairment loss on receivables | - | 9,809 |
| Write-off of assets | 1,356 | - |
| Reversal of impairment loss on receivables | (1,958) | - |
| Reversal of provision for liquidated ascertained damages | (638) | - |
| Reversal of impairment of stock | (318) | - |
| Unrealised loss on foreign exchange | 1,799 | 465 |
| Interest income | (2,156) | (1,655) |
| Finance costs | 891 | 1,147 |
| Share of profit of associates | (5,821) | (6,560) |
| Operating profit before working capital changes | 31,737 | 14,405 |
| Changes in working capital: | | |
| Inventories | 5,943 | (2,384) |
| Payables | 13,888 | 3,308 |
| Receivables | (22,691) | (3,781) |
| | (2,860) | (2,857) |
| Zakat and Tax paid | (6,530) | (5,016) |
| Net cash generated / (used) from operating activities | 22,347 | 6,532 |
| Acquisition of property, plant and equipment | (13,155) | (36,128) |
| Addition of plantation development expenditure | (4,026) | (3,614) |
| Addition to intangible assets | (115) | (519) |
| Disposal of property, plant and equipment, net of cash disposed | 31 | 179 |
| Disposal of assets held for sale, net of cash disposed | - | 29,000 |
| Proceeds from disposal of subsidiary | 19,000 | - |
| Interest received | 4,068 | 1,739 |
| Net cash used in investing activities | 5,803 | (9,343) |
| Deposit and cash pledged with licensed banks | 3,355 | 644 |
| Interest paid | (1,175) | (1,912) |
| Dividend paid | (2,782) | - |
| Net repayment of finance lease | (304) | (2,000) |
| Net drawdown of term loan | 6,486 | 1,847 |
| Net drawdown of short term borrowings | 1,032 | 5,217 |
| Net cash generated from financing activities | 6,612 | 3,796 |
| Net increase/(decrease) in cash and cash equivalents | 34,762 | 985 |
| Effect of exchange rate fluctuations on cash held | - | (38) |
| Cash and cash equivalents classified as held for sale | - | (14,996) |
| Cash and cash equivalents at beginning of period | 74,725 | 76,584 |
| Cash and cash equivalents at end of period | 109,487 | 62,535 |

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

| | CURRENT YEAR YEAR TO DATE 30/9/2016 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 30/9/2015 RM'000 |
|---|--|--|
| Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following : | | |
| Cash in hand and at banks | 32,010 | 27,637 |
| Deposits with licensed bank | <u>100,887</u> | <u>59,097</u> |
| Cash and cash equivalents (as per consolidated statement of financial position) | 132,897 | 86,734 |
| Bank overdrafts | (400) | (287) |
| Deposits and cash pledged with licensed banks | <u>(23,010)</u> | <u>(23,912)</u> |
| | <u>109,487</u> | <u>62,535</u> |

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 2015.

KUB MALAYSIA BERHAD

(Company No. 6022-D)
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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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 audited financial statements for the year ended 31 December 2015.

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 2015, except for the mandatory adoption of the following new/revised FRSs and amendments to FRSs :

| | Effective for annual period beginning on or after |
|---|--|
| Annual Improvements to FRSs 2012-2014 Cycle | 1 January 2016 |
| Amendments to FRS 11: Accounting for Acquisition of Interests in Joint Operations | 1 January 2016 |
| Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to FRS 116 and FRS 141: Agriculture: Bearer Plants | 1 January 2016 |
| Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an investor and its Associate or Joint Venture | 1 January 2016 |
| Amendments to FRS 127: Equity Method in Separate Financial Statements | 1 January 2016 |
| Amendments to FRS 101: Disclosure Initiatives | 1 January 2016 |
| Amendments FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| FRS 14: Regulatory Deferral Accounts | 1 January 2016 |

Malaysian Financial Reporting Standards

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework"), a fully-IFRS compliant framework. Entities other than private entities should apply the MFRS Framework for annual periods beginning on or after 1 January 2012, with the exception of Transitioning Entities.

Transitioning Entities, being entities within the scope of MFRS 141 Agriculture and/or IC Interpretation 15: Agreements for the Construction of Real Estate, including its parents, significant investors and venturers were allowed to defer the adoption of the MFRS Framework until such time as mandated by the MASB.

The Malaysian Accounting Standards Board (MASB) has, on 8 September 2015, confirmed that the effective date of MFRS 15, Revenue from Contracts with Customers will be deferred to annual periods beginning on or after 1 January 2018, following the recent press release by the International Accounting Standard Board (IASB) confirming a one-year deferral of IFRS 15, Revenue from Contract with Customers.

The Group falls within the scope definition of Transitioning Entities and has availed itself of this transitional arrangement and will continue to apply FRSs in the preparation of its financial statements. Accordingly, the Group will be required to apply MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards in its financial statements for the financial year ending 31 December 2018, being the first set of financial statements prepared in accordance with the new MFRS Framework.

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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 2015.

3. Seasonal or cyclicity of operations

The Group's operations are not materially affected by seasonal or cyclical factors except for Agro business which is influenced by both CPO prices and FFB crop production which may be affected by weather and cropping patterns. The cyclical swing in FFB crop production is generally at its lowest in the first half of the year, with gradual increase to peak production towards the second half.

The remainder of the Group's operations are not materially affected by any seasonal or cyclical events.

4. Items of unusual nature, size or incidence

As announced in the previous quarter, one of the palm oil mill effluent ("POME") digestive tanks of the Group's palm oil mill in Mukah, Sarawak collapsed on 7 May 2016 during the testing and commissioning phase. The related tank, which has an asset value of RM1.4 million was subsequently written-off in the current quarter.

The Group has completed a preliminary assessment on the incident and is currently implementing the necessary corrective measures including reconfiguring the POME system process and undertaking further testing and commissioning on the mill's machinery and equipment. The estimated capital expenditure relating to this is RM8.1million. Additionally, another POME tank with an asset value of RM1.4 million was deemed inoperable following the aforesaid assessment and will be written-off during the following quarter.

Following the above, the mill is expected to be operational in Quarter 2, 2017.

5. Changes in estimates

There were no major 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

The first and final single tier dividend of 0.5 sen on 556,464,690 ordinary shares amounting to RM2,782,367 in respect of the financial year ended 31 December 2015 was paid on 30 June 2016.

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

8. Segmental reporting

The Group's primary format for reporting segmental information is business segments based on the Group's management and internal reporting structure and organised into Information, Communications and Technology ("ICT"), Energy, Agro Business ("Agro"), Food Business ("Food"), Properties and Power.

Segment information for the current financial period ended 30 September 2016 is as follows:

| | ICT | Energy | Agro | Food | Properties | Power | Others | Eliminations | Total |
|---|---------------|----------------|---------------|---------------|--------------|--------------|-----------------|-----------------|----------------|
| RM'000 | | | | | | | | | |
| Revenue | | | | | | | | | |
| External sales | 63,851 | 229,381 | 26,693 | 33,733 | 1,976 | 8,572 | 245 | - | 364,451 |
| Inter-segment sales | 6,026 | - | 3,745 | - | - | - | 7,500 | (17,271) | - |
| Total revenue | 69,877 | 229,381 | 30,438 | 33,733 | 1,976 | 8,572 | 7,745 | (17,271) | 364,451 |
| Results | | | | | | | | | |
| Profit / (loss) from operations | 7,728 | 19,468 | 4,195 | 248 | (156) | 1,457 | (16,864) | - | 16,076 |
| Interest income | 231 | 1,163 | 379 | 17 | 11 | 41 | 314 | - | 2,156 |
| Finance costs | (219) | (64) | (245) | (95) | (4) | (43) | (221) | - | (891) |
| Share of results of associates | - | - | - | - | - | - | 5,821 | - | 5,821 |
| Profit / (loss) before zakat and tax | 7,740 | 20,567 | 4,329 | 170 | (149) | 1,455 | (10,950) | - | 23,162 |
| Zakat | - | - | (202) | - | - | - | - | - | (202) |
| Income tax expense | (1,871) | (4,391) | (1,650) | (5) | (126) | - | (54) | - | (8,097) |
| Profit / (loss) for the period | 5,869 | 16,176 | 2,477 | 165 | (275) | 1,455 | (11,004) | - | 14,863 |

Discontinued Operations*

| | EC* | Total |
|----------------------------|---------------|---------------|
| RM'000 | | |
| Revenue | | |
| External sales | 11,103 | 11,103 |
| Inter-segment sales | - | - |
| Total revenue | 11,103 | 11,103 |
| Results | | |
| Loss from operations | (181) | (181) |
| Interest income | - | - |
| Finance costs | (283) | (283) |
| Loss before tax | (464) | (464) |
| Income tax expense | - | - |
| Loss for the period | (464) | (464) |

* Discontinued operations refers to KUB Precast

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

8. Segmental reporting (cont'd)

Segmental information for the preceding year corresponding period ended 30 September 2015 is as follows:

Continuing Operations

| | ICT | Energy | Agro | Food | Properties | Power | Others | Eliminations | Total |
|---|---------------|----------------|---------------|---------------|-------------------|-----------------|---------------|---------------------|----------------|
| RM'000 | | | | | | | | | |
| Revenue | | | | | | | | | |
| External sales | 26,931 | 219,460 | 28,501 | 33,150 | 1,844 | 2,036 | 228 | - | 312,150 |
| Inter-segment sales | 172 | - | - | - | - | - | 15,584 | (15,756) | - |
| Total revenue | 27,103 | 219,460 | 28,501 | 33,150 | 1,844 | 2,036 | 15,812 | (15,756) | 312,150 |
| Results | | | | | | | | | |
| Profit / (loss) from operations | 3,947 | 5,658 | 9,241 | 936 | (77) | (19,307) | 10,314 | - | 10,712 |
| Interest income | 245 | 764 | 290 | - | 8 | 88 | 260 | - | 1,655 |
| Finance costs | (87) | (64) | (338) | (23) | (1) | (106) | (528) | - | (1,147) |
| Share of results of associates | - | - | - | - | - | - | 6,560 | - | 6,560 |
| Profit / (loss) before zakat and tax | 4,105 | 6,358 | 9,193 | 913 | (70) | (19,325) | 16,606 | - | 17,780 |
| Zakat | - | - | (301) | - | - | - | - | - | (301) |
| Income tax expense | (234) | (1,589) | (1,554) | (13) | (219) | - | (25) | - | (3,634) |
| Profit / (loss) for the period | 3,871 | 4,769 | 7,338 | 900 | (289) | (19,325) | 16,581 | - | 13,845 |

Discontinued Operations*

| | Food* | EC* | Others* | Eliminations | Total |
|----------------------------|---------------|-----------------|----------------|---------------------|-----------------|
| RM'000 | | | | | |
| Revenue | | | | | |
| External sales | 11,278 | 13,207 | - | - | 24,485 |
| Inter-segment sales | - | 593 | - | (593) | - |
| Total revenue | 11,278 | 13,800 | - | (593) | 24,485 |
| Results | | | | | |
| Loss from operations | (577) | (10,017) | (374) | - | (10,968) |
| Interest income | - | 84 | - | - | 84 |
| Finance costs | - | (765) | - | - | (765) |
| Loss before tax | (577) | (10,698) | (374) | - | (11,649) |
| Income tax expense | - | - | - | - | - |
| Loss for the period | (577) | (10,698) | (374) | - | (11,649) |

* Discontinued operations refers to A&W Thailand (Food), KUB Builders and KUB Precast (EC) and Bina Alam (Others).

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

8. Segmental reporting (cont'd)

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

ICT Sector : The substantial increase in the sector's revenue and profit before zakat and tax by 137% and 89% respectively as compared to the preceding year, was largely attributable to the RM42 million Automatic Fare Collection ("AFC") system contract secured from the Ministry of Transport and a RM16 million Telecommunication Tower ("TT") construction contract awarded by the Malaysian Communications and Multimedia Commission ("MCMC").

Energy Sector : The sector registered a significant improvement of 223% or RM14.2 million in profit before zakat and tax despite the lower average contract price ("CP") in the current period. This was mainly due to the increase in sales volume of LPG, the upward revision in the Automatic Pricing Mechanism ("APM") structure, improved dealer margins and higher foreign exchange gains recognised in the current period.

Agro Sector : The reduction in the sector's profit before zakat and tax by 53% from RM9.2 million to RM4.3 million was contributed from the losses incurred by the palm oil mill in Mukah. Excluding the mill's results, the profit before zakat and tax would have recorded a profit of RM11.0 million or 19% higher than the previous year due to the increase in crude palm oil (CPO) prices and lower cost of production.

Food Sector : The sector recorded an 81% or RM0.7 million drop in profit before zakat and tax as compared to the previous year due to the decline in same-store sales and the lackluster performance of its new outlets.

Properties Sector : The sector remained stagnant in the current period and the higher losses were caused by higher administrative expenses.

Power Sector : The significant turnaround in performance by the sector was predominantly due to the write-back of provision for doubtful debts and reversal of liquidated ascertained damages (LAD) which were previously provided for certain projects. The substantial losses recorded in the preceding year were mainly from cost overruns and impairment of receivables.

9. Notes to profit/(loss) before tax

| | 9 months ended 30/9/2016 RM'000 | 9 months ended 30/9/2015 RM'000 |
|---|---------------------------------------|---------------------------------------|
| Profit/(loss) before tax is arrived after crediting/(charging): | | |
| Interest income | 2,156 | 1,655 |
| Other income including investment income | 4,533 | 13,413 |
| Interest expense | (891) | (1,147) |
| Depreciation and amortisation | (10,163) | (9,932) |
| Allowance for impairment on receivables | - | (9,809) |
| Write-off of assets | (1,356) | - |
| Gain on disposal of property, plant and equipment | 31 | 135 |
| Gain on disposal of assets held for sale | - | 8,845 |
| Loss on disposal of subsidiaries | (4,764) | - |
| Foreign exchange gain/(loss) - realised | 1,545 | 334 |
| - unrealised | (1,709) | (409) |
| Loss on derivatives | (45) | (56) |

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.

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

11. Subsequent events

There are no items, transactions or events of a material and unusual nature which have arisen since 30 September 2016 to the date of this announcement which would substantially affect the financial results of the Group for the period ended 30 September 2016 that have not been reflected in the condensed financial statements.

12. Changes in the composition of the group

The Company had on 6 June 2016 entered into a Share Sale Agreement with JEKS Precast Sdn. Bhd. for the disposal of 13,830,000 ordinary shares of RM1.00 each representing 100% of the issued and paid up capital of KUB Precast Sdn. Bhd. at a consideration of RM19.0 million.

The sale was completed on 23 August 2016 with a loss on disposal of RM4.8 million. Following this, KUB Precast has ceased to be a subsidiary of the Company.

13. Capital commitments

The capital expenditures that have not been provided for in the interim financial report is as follows :

| | 9 months ended 30/09/2016 RM'000 |
|---------------------------------|--|
| Capital expenditure: | |
| Property, plant and equipment | |
| Approved and contracted for | 1,034 |
| Approved but not contracted for | 31,770 |
| | <hr/> |

14. Contingent liabilities

There were no material changes in the contingent liabilities as at the date of this announcement since the preceding financial year ended 31 December 2015.

15. Tax

| | 3 months ended | | 9 months ended | |
|--|----------------|------------|----------------|------------|
| | 30/09/2016 | 30/09/2015 | 30/09/2016 | 30/09/2015 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian income tax: | | | | |
| Current tax | 3,042 | 1,977 | 8,631 | 3,856 |
| (Over) / under provision in prior year | - | 569 | (534) | (222) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 3,042 | 2,546 | 8,097 | 3,634 |

The effective tax rate for the current period under review is higher than the statutory tax rate as certain expenses are not deductible for tax purpose 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 have yet to be completed.

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

17. Group borrowings and debt securities

| | | As at end of current quarter 30/09/2016 RM'000 |
|---------------------------------------|-----------|---|
| <u>Non-current</u> | | |
| Term loans | - secured | 54,721 |
| Finance leases | | 630 |
| | | <u>55,351</u> |
| <u>Current</u> | | |
| Term loans | - secured | 2,428 |
| Bank overdrafts | - secured | 400 |
| Bankers' acceptances / Trust receipts | - secured | 2,038 |
| Finance leases | | 242 |
| | | <u>5,108</u> |

18. Material litigation

Transmission Grid Ventures Sdn Bhd v. KUB Power Sdn Bhd
Shah Alam High Court Summons No. 22NCVC-543-11/2014

On 21 November 2014, Transmission Grid Ventures Sdn Bhd ("TGV") filed a Writ of Summons and Statement of Claim in the Shah Alam High Court against KUB Power Sdn Bhd ("KUBP") for outstanding due for works carried out and completed amounting to RM1,025,844.13. KUBP filed an application for stay of proceedings pursuant to an arbitration clause in the Letter of Award dated 3 November 2005 ("Letter of Award") between the parties. The High Court had on 28 May 2015 granted a stay of proceedings for the matter to be referred to arbitration.

On 15 February 2016, TGV issued Notice of Arbitration to KUBP. On 20 April 2016, KUBP gave confirmation to Kuala Lumpur Regional Centre for Arbitration ("KLRCA") to adopt KLRCA Arbitration Rules as the procedural rules in the proceedings. On 17 June 2016, Dato' Mohd Hishamudin Bin Md Yunus has been appointed as the Arbitrator for this matter. The preliminary meeting date has yet to be set.

The relevant provision relating to the above has been reflected in the financial statements.

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

During the current quarter, the Group recorded a higher profit before zakat and tax, up by 26% or RM8.7 million as compared to RM6.9 million in the immediate preceding quarter mainly from the improved operating margins achieved in the ICT and Energy sectors and from the increase in share of profit from an associate company. This was however offset from a loss on disposal of a subsidiary of RM4.8 million and an asset write-off of RM1.4 million by the Agro sector in the current quarter.

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

For the current financial period ended 30 September 2016, the Group recorded an increase of 17% or RM52.3 million in revenue and 30% or RM5.4 million increase in the profit before zakat and tax largely contributed by the improved operating margins in the Energy and ICT sectors. The upward revision in the APM structure and higher LPG sales significantly boosted the earnings for KUB Gaz Sdn Bhd*. Similarly, the ICT sector displayed stronger performance supported by two major projects (AFC and TT) undertaken during the period.

Included in the profit achieved last year were several exceptional items, namely goodwill settlement received for PJ land of RM9.0 million and the gain on disposal of the assets held for sale of RM8.9 million. Hence on a normalised basis, the earnings for the current period were significantly higher than 2015.

21. Prospects

Notwithstanding the challenging operating environment and economic outlook, the Group expects the Energy and Agro sectors (excluding mill) to contribute positively to the overall financial performance for the remaining period of the year. This is following the encouraging LPG sales volumes and improvement in the overall crop production and relatively higher CPO prices in recent months. The results of the other sectors are projected to be satisfactory. Additionally, the operational improvement and cost management initiatives that have been carried out are starting to bear fruit and will likely enhance the Group's results in the coming quarters.

* formerly known as Summit Petroleum (Malaysia) Sdn Bhd

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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

No dividend has been declared for the quarter under review.

24. Realised and Unrealised Profit/(Losses)

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

| | As at 30/09/2016 RM'000 | As at 30/09/2015 RM'000 |
|--|-------------------------------|-------------------------------|
| Total accumulated loss of the Company and its subsidiaries | | |
| - Realised | (518,875) | (547,593) |
| - Unrealised | (8,130) | (4,226) |
| | <u>(527,005)</u> | <u>(551,819)</u> |
| Total share of retained earnings / (loss) from associated companies | | |
| - Realised | 32,547 | 24,650 |
| - Unrealised | (7,431) | (2,043) |
| | <u>25,116</u> | <u>22,607</u> |
| Group consolidation adjustments | 513,954 | 533,588 |
| Total Group retained earnings as per consolidated financial statements | <u><u>12,065</u></u> | <u><u>4,376</u></u> |

25. Earnings / (loss) per share

(a) Basic earnings / (loss) per share

The basic earnings / (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 | | 9 months ended | |
|---|----------------|--------------------------|----------------|--------------------------|
| | 30/09/2016 | 30/09/2015 | 30/09/2016 | 30/09/2015 |
| | RM'000 | RM'000 (Re-presented) | RM'000 | RM'000 (Re-presented) |
| Earnings / (Loss) for the period attributable to owners of the parent | | | | |
| - From continuing operations | 5,196 | (4,778) | 15,464 | 12,982 |
| - From discontinued operations | (464) | (1,552) | (464) | (11,649) |
| | 4,732 | (6,330) | 15,000 | 1,333 |
| Weighted average number of ordinary shares in issue | ('000) 556,465 | 556,465 | 556,465 | 556,465 |
| Basic earnings / (loss) per share | | | | |
| - From continuing operations | (sen) 0.93 | (0.86) | 2.78 | 2.33 |
| - From discontinued operations | (sen) (0.08) | (0.28) | (0.08) | (2.09) |
| | 0.85 | (1.14) | 2.70 | 0.24 |

(b) Diluted earnings / (loss) per share

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

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

26. Related Party Transactions

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

| | As at end of current quarter 30/09/2016 RM'000 |
|---|---|
| a. Transactions with Zul Rafique & Partners, a firm which YM Tunku Alizan Raja Muhammad Alias is a partner. - Provision of legal services. | 107 |
| b. Transactions with Putrade Property Management Sdn. Bhd., a company which Datuk Mohd Hafarizam Harun is a common Director. - Rental of venue and provision of food and beverages. | 112 |

By Order of the Board

Sharina Saidon
Company Secretary