



**Interim Financial Report on
Unaudited Consolidated Results for the
Second Quarter Ended**

30 June 2018

Contents:	Pages
Condensed Consolidated Statements of Profit or Loss	1
Condensed Consolidated Statements of Other Comprehensive Income	2
Condensed Consolidated Statements of Financial Position	3
Condensed Consolidated Statements of Changes in Equity	4
Condensed Consolidated Statements of Cash Flows	5 - 6
Explanatory Notes	7 - 17

KUB MALAYSIA BERHAD

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

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

The Board of Directors hereby announce the unaudited financial results of the Group for the financial period ended 30 June 2018.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	CURRENT YEAR QUARTER 30/6/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/6/2017 RM'000 (Restated)	% + / (-)	CURRENT YEAR YEAR TO DATE 30/6/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2017 RM'000 (Restated)	% + / (-)
CONTINUING OPERATIONS						
Revenue	111,810	113,453	(1.4)	232,550	249,074	(6.6)
Operating expenses	(111,555)	(115,355)		(231,830)	(244,376)	
Other operating income	4,748	8,146		12,415	9,511	
Results from operating activities	5,003	6,244	(19.9)	13,135	14,209	(7.6)
Finance income	535	788		915	1,423	
Finance costs	(1,918)	(137)		(3,820)	(278)	
Share of profit of associates	1,556	1,619		3,183	3,406	
Profit before tax	5,176	8,514	(39.2)	13,413	18,760	(28.5)
Zakat	(684)	(639)		(708)	(639)	
Income tax expense	(1,087)	(1,391)		(2,700)	(3,857)	
Profit for the period from continuing operations	3,405	6,484	(47.5)	10,005	14,264	(29.9)
DISCONTINUED OPERATIONS						
(Loss) for the period from discontinued operations	(1,082)	667		(581)	916	
Profit for the period	2,323	7,152	(67.5)	9,424	15,180	(37.9)
Profit / (Loss) attributable to :						
Owners of the parent						
- continuing operations	4,277	6,630		12,103	14,424	
- discontinued operations	(1,082)	667		(581)	916	
	3,195	7,297	(56.2)	11,522	15,340	(24.9)
Non-controlling interests	(872)	(145)		(2,098)	(160)	
	2,323	7,152	(67.5)	9,424	15,180	(37.9)
Earnings per share attributable to owners of the parent (sen) :						
Basic and diluted						
- continuing operations	0.77	1.19		2.17	2.59	
- discontinued operations	(0.19)	0.12		(0.10)	0.16	
	0.57	1.31	(56.2)	2.07	2.76	(24.9)

The Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the Group's Annual Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

KUB MALAYSIA BERHAD

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

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	CURRENT YEAR QUARTER 30/6/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/6/2017 RM'000	% + / (-)	CURRENT YEAR QUARTER 30/6/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2017 RM'000	% + / (-)
Profit for the period	2,323	7,152	(67.5)	9,424	15,180	(37.9)
Other comprehensive (loss)/profit that will not be reclassified subsequently to profit or loss :						
Net fair value changes in quoted share at fair value through other comprehensive income (FVTOCI)	(506)	2,816		(1,300)	4,405	
Total comprehensive income for the period, net of tax	1,817	9,968	(81.8)	8,124	19,585	(58.5)
Total comprehensive income/(loss) attributable to :						
Owners of the parent	2,689	10,113	(73.4)	10,222	19,745	(48.2)
Non-controlling interests	(872)	(145)		(2,098)	(160)	
	1,817	9,968		8,124	19,585	

The Condensed Consolidated Statements of Other Comprehensive Income should be read in conjunction with the Group's Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

KUB MALAYSIA BERHAD

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

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	AS AT END OF CURRENT QUARTER 30/6/2018 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31/12/2017 RM'000 (Restated)	AS AT BEGINNING OF THE PRECEDING FINANCIAL YEAR 1/1/2017 RM'000 (Restated)
Assets			
Property, plant and equipment	325,283	228,159	212,868
Investment properties	13,124	12,520	15,629
Investment in associates	43,917	41,994	34,069
Other investments	3,968	5,268	3,824
Intangible assets	-	2,756	902
Deferred tax assets	2	2,094	3,224
Total non-current assets	386,294	292,791	270,516
Inventories	13,989	11,754	8,869
Biological assets	1,106	830	994
Trade and other receivables	76,251	102,844	83,288
Contract assets	4,913	17,273	2,513
Tax recoverable	2,563	789	365
Short-term investments	20,273	-	-
Cash and bank balances	81,431	119,088	133,865
Total current assets	200,526	252,578	229,894
Non-current assets held for sale	339	3,731	3,534
Assets of disposal group held for sale	31,311	-	-
Total Assets	618,470	549,100	503,944
Equity			
Share capital	228,863	228,863	222,586
Reserves	47,945	49,245	54,078
Retained earnings	52,728	46,771	20,244
Total equity attributable to owners of the parent	329,536	324,879	296,908
Non-controlling interest	7,106	9,204	10,579
Total equity	336,642	334,083	307,487
Liabilities			
Borrowings	122,355	50,549	51,136
Deferred tax liabilities	12,266	12,312	12,584
Deferred income	2,566	2,620	2,673
Total non-current liabilities	137,187	65,481	66,393
Trade and other payables	100,203	141,684	113,396
Contract liabilities	747	1,433	966
Borrowings	26,192	6,269	11,951
Derivative financial liability	7	23	7
Provision for tax	1,276	127	3,744
Total current liabilities	128,425	149,536	130,064
Liabilities associated with disposal group held for sale	16,216	-	-
Total liabilities	281,828	215,017	196,457
Total equity and liabilities	618,470	549,100	503,944
Net assets per share attributable to owners of the parent (RM)	0.59	0.58	0.53

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Group's Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

KUB MALAYSIA BERHAD

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

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners		Attributable to owners of the parent				Non-distributable reserves					Non-controlling interests
	Equity, total	Equity of the parent, total	Non-distributable	Distributable	Other reserves, total	Capital reserve	Capital redemption reserve	Fair value adjustment	Premium paid on acquisition of non-controlling interests	Merger reserve	Non-controlling interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018 (restated)	334,083	324,879	228,863	-	46,771	49,245	34,016	-	3,111	971	11,147	9,204
Profit for the period	9,424	11,522	-	-	11,522	-	-	-	-	-	-	(2,098)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net of tax	(1,300)	(1,300)	-	-	-	(1,300)	-	-	(1,300)	-	-	-
Total comprehensive income / (loss)	8,124	10,222	-	-	11,522	(1,300)	-	-	(1,300)	-	-	(2,098)
Dividend paid	(5,565)	(5,565)	-	-	(5,565)	-	-	-	-	-	-	-
At 30 June 2018	336,642	329,536	228,863	-	52,728	47,945	34,016	-	1,811	971	11,147	7,106
At 1 January 2017	306,731	296,357	222,586	5,965	19,693	48,113	34,016	312	1,667	971	11,147	10,374
Effect of transition to MFRSs	756	551	-	-	551	-	-	-	-	-	-	205
At 1 January 2017 (restated)	307,487	296,908	222,586	5,965	20,244	48,113	34,016	312	1,667	971	11,147	10,579
Profit for the period	15,180	15,340	-	-	15,340	-	-	-	-	-	-	(160)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax	4,405	4,405	-	-	-	4,405	-	-	4,405	-	-	-
Total comprehensive income / (loss)	19,585	19,745	-	-	15,340	4,405	-	-	4,405	-	-	(160)
Dividend paid	(5,565)	(5,565)	-	-	(5,565)	-	-	-	-	-	-	-
Transfer pursuant to S618(2) of CA 2016*	-	-	6,277	(5,965)	-	(312)	-	(312)	-	-	-	-
At 30 June 2017	321,507	311,088	228,863	-	30,019	52,206	34,016	-	6,072	971	11,147	10,419

* Pursuant to Section 618(2) of the Companies Act, 2016 ("CA 2016"), any outstanding share premium and capital redemption reserve accounts shall become part of share capital.

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Group's Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

KUB MALAYSIA BERHAD

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

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	CUMULATIVE CURRENT YEAR TO DATE 30/6/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2017 RM'000 (Restated)
Profit/(Loss) before taxation		
- Continuing operations	13,413	18,760
- Discontinued operations	(562)	922
Profit/(Loss) before taxation including discontinued operations	12,851	19,682
Adjustments for :		
Amortisation of intangible assets:		
- Discontinued operations	142	102
Depreciation of property, plant and equipment:		
- Continuing operations	8,337	5,431
- Discontinued operations	1,223	1,109
Depreciation of investment properties	211	199
Loss on fair value changes of derivative instruments	7	9
Gain on fair value changes in short term investment	(273)	-
(Gain)/loss on fair value changes in biological assets	(275)	66
Property, plant and equipment written off	10	36
Inventories written down	147	-
Allowance for impairment on trade receivables	-	576
Unrealised gain on foreign exchange	(44)	(36)
Gain on disposal of property, plant and equipment	(202)	(15)
Gain on disposal of non-current assets held for sale	(5,516)	(5,958)
Gain on disposal of associate company	(800)	-
Reversal of allowance for impairment on receivables	(86)	(75)
Reversal of over provision of project costs	(3,609)	-
Reversal of provision for liquidated ascertained damages	-	(1,291)
Amortisation of deferred income	(54)	-
Interest income:		
- Continuing operations	(915)	(1,423)
- Discontinued operations	(37)	(3)
Finance costs:		
- Continuing operations	3,820	278
- Discontinued operations	142	106
Dividend income	(1,540)	(1,295)
Share of results of associates	(3,183)	(3,406)
Operating profit before working capital changes	10,356	14,092
Changes in working capital:		
Inventories	(5,290)	(2,258)
Trade and other payables	(26,975)	(13,999)
Trade and other receivables	35,216	14,773
	13,307	12,608
Tax paid	(3,083)	(4,676)
Net cash generated from operating activities	10,224	7,932
Acquisition of property, plant and equipment	(122,193)	(18,071)
Acquisition of short-term investment	(20,000)	-
Additions to intangible asset	(349)	(2,017)
Additions to investment properties	(815)	-
Deposit for acquisition of land	-	(10,045)
Dividends received	1,540	1,295
Interest received	760	1,426
Proceeds from disposal of property, plant and equipment	202	15
Proceeds from disposal of non-current assets classified as held for sale	8,909	8,082
Proceeds from disposal of associate	800	-
Net cash used in investing activities	(131,146)	(19,315)

KUB MALAYSIA BERHAD

(Company No. 6022-D)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	CURRENT YEAR YEAR TO DATE 30/6/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2017 RM'000
Deposits pledged with licensed banks	(5,036)	3,026
Interest paid	(3,920)	(383)
Dividend paid	(5,565)	(5,565)
Net drawdown/(repayment) of short term borrowings	21,375	(406)
Drawdown of hire purchase	-	268
Repayment of hire purchase	(95)	(51)
Drawdown of term loans	77,246	793
Repayment of term loans	(2,001)	(1,678)
Net cash generated from/(used in) financing activities	82,004	(3,996)
Net decrease in cash and cash equivalents	(38,918)	(15,379)
Cash and cash equivalents at beginning of year	94,873	109,996
Cash and cash equivalents at end of period	55,955	94,617

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

Cash on hand and at banks	50,739	34,049
Deposits with licensed bank	30,692	79,364
Cash and cash equivalents of continuing operations (as per consolidated statement of financial position)	81,431	113,413
Cash and cash equivalents of discontinued operation	3,438	2,481
	84,869	115,894
Bank overdrafts	(565)	(859)
Deposits pledged with licensed banks	(28,349)	(20,418)
	55,955	94,617

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Group's Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to this interim financial report.

KUB MALAYSIA BERHAD

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

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 *Interim Financial Reporting* and Paragraph 9.22 of the Main Market 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 2017.

a) Transition to the MFRS Framework

The Group is a transitioning entity as defined by the Malaysian Accounting Standards Board and this is the Group's first interim financial report prepared in accordance with the MFRS, including the MFRS 1 - *First-time Adoption of MFRS* ("MFRS 1") and the Amendments to MFRS 116 and MFRS 141 *Agriculture : Bearer Plants* which is effective for annual periods beginning on or after 1 January 2016.

In the previous financial years, the financial statements of the Group were prepared in accordance with Financial reporting Standards (FRSs) in Malaysia. As required by MFRS 1, the Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017 and throughout all the financial years presented, as if these policies had always been in effect. Comparative information in this interim financial report have been restated to give effect to these changes and the financial impact on the transition from FRS to MFRS are disclosed as follows :

i. Effects of MFRS 1

No significant impact to the Group as the basis adopted previously are consistent with MFRS.

ii. Effects of Amendments to MFRS 116 and MFRS 141 *Agriculture : Bearer Plants*

Property, plant and equipment - Bearer plants

Prior to the adoption of the Amendments to MFRS 116 and MFRS 141 *Agriculture : Bearer Plants* ("*Amendments*"), all the new planting expenditure and replanting expenditure incurred from the land clearing to the point of harvesting were capitalised under plantation development expenditure accounts and were amortised based on estimated annual yield over 25 years upon maturity. Upon adoption of the amendments, the net carrying amount of the plantation development expenditure are now reclassified to bearer plants as part of the Group's property, plant and equipment.

Biological assets

Prior to the adoption of the Amendments, agricultural produce growing on bearer plants were not recognised. Following the adoption of the Amendments, these biological assets within the scope of MFRS 141 are measured at fair value less costs to sell. The changes in fair value less costs to sell of the biological assets were recognised in profit or loss.

iii. Effects of MFRS 15 *Revenue from Contracts with Customers*

The Group will be applying the full retrospective approach and will be availing the practical expedients for its completed contracts as at 31 December 2017 that have variable consideration ("VC"). The Group will be using the transaction price at the date the contract was completed rather than estimating the VC amounts in the comparative reporting periods. These are applicable on the following, the VCs arising from liquidated ascertained damages ("LAD"), variation orders and extension of contract period which are applicable to Group's ICT and Power segments.

Other than reclassification of balances due from/to customers under construction contracts which were previously categorised under trade and other receivables to contract assets and contract liabilities in the statement of financial position, the adoption of MFRS 15 has no other impact to the financial statements of the Group.

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies (cont'd)

a) Transition to the MFRS Framework (cont'd)

iv. Reconciliations

Condensed Consolidated Statements of Profit or Loss

RM'000	Note	Preceding year corresponding quarter 6 months ended 30 June 2017		
		Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
Profit before taxation	1 (a) (ii)	18,826	(66)	18,760
Taxation	1 (a) (ii)	(3,873)	16	(3,857)
Non-controlling interests	1 (a) (ii)	(139)	(21)	(160)

Condensed Consolidated Statements of Financial Position

RM'000	Note	As at beginning of the preceding financial year 1 January 2017		
		Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
<u>Assets</u>				
<u>Non-Current Assets</u>				
Property, plant and equipment	1 (a) (ii)	160,325	52,543	212,868
Plantation development expenditure	1 (a) (ii)	52,543	(52,543)	-
<u>Current Assets</u>				
Biological assets	1 (a) (ii)	-	994	994
Trade and other receivables	1 (a) (iii)	84,835	(1,547)	83,288
Contract assets	1 (a) (iii)	-	2,513	2,513
<u>Non-Current Liabilities</u>				
Deferred tax liabilities	1 (a) (ii)	12,346	238	12,584
<u>Current Liabilities</u>				
Contract liabilities	1 (a) (iii)	-	966	966
<u>Equity</u>				
Retained earnings	1 (a) (ii)	19,693	551	20,244
Non-controlling interests	1 (a) (ii)	10,374	205	10,579

RM'000	Note	As at preceding financial year end 31 December 2017		
		Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
<u>Assets</u>				
<u>Non-Current Assets</u>				
Property, plant and equipment	1 (a) (ii)	177,029	51,130	228,159
Plantation development expenditure	1 (a) (ii)	51,130	(51,130)	-
<u>Current Assets</u>				
Biological assets	1 (a) (ii)	-	830	830
Trade and other receivables	1 (a) (iii)	118,684	(15,840)	102,844
Contract assets	1 (a) (iii)	-	17,273	17,273
<u>Non-Current Liabilities</u>				
Deferred tax liabilities	1 (a) (ii)	12,113	199	12,312
<u>Current Liabilities</u>				
Contract liabilities	1 (a) (iii)	-	1,433	1,433
<u>Equity</u>				
Retained earnings	1 (a) (ii)	46,293	478	46,771
Non-controlling interests	1 (a) (ii)	9,051	153	9,204

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies (cont'd)

a) Transition to the MFRS Framework (cont'd)

Condensed Consolidated Statements of Cash Flows

RM'000	Note	Preceding year corresponding quarter 6 months ended 30 June 2017		
		Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
Profit before taxation		18,826	(66)	18,760
Adjustments for :				
Amortisation of plantation on development expenditure	} 1 (a) (ii)	1,425	(1,425)	-
Depreciation of property, plant and equipment		5,115	1,425	6,540
Loss on fair value changes in biological assets		-	(66)	66

b) New MFRSs that have been issued but not yet effective

The standards and amendments that are issued but not yet effective up to the date of this interim report are disclosed below :

		Effective for annual period beginning on or after
MFRS 16	Leases	1 January 2019
Amendments to MFRSs	Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to MFRS 9	Financial Instruments - Prepayment Features With Negative Compensation	1 January 2019
Amendments to MFRS 119	Employee Benefits - Plan Amendment, Curtailment and Settlement	1 January 2019
Amendments to MFRS 128	Investments in Associates and Joint Ventures - Long Term Interests in Associates and Joint Ventures	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021

KUB MALAYSIA BERHAD

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

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

2. Audit Report of preceding annual financial statements

The auditors have expressed an unqualified opinion on the Group's statutory financial statements for the year ended 31 December 2017.

3. Seasonal or cyclical nature of operations

The Group's Agro business is influenced by both Crude Palm Oil ("CPO") prices and Fresh Fruit Bunches ("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

There were 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 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 securities

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

An interim single tier dividend of 1.0 sen per share in respect of the financial year ending 31 December 2018 amounting to RM5,564,647 was paid on 13 April 2018.

The first and final single tier dividend of 1.0 sen per share in respect of the financial year ended 31 December 2017 was approved by the shareholders at the Annual General Meeting on 28 June 2018 and was paid on 31 July 2018.

8. Subsequent events

There are no items, transactions or events of a material and unusual nature which have arisen since 30 June 2018 to the date of this announcement which would substantially affect the financial results of the Group for the period ended 30 June 2018 that have not been reflected in the condensed financial statements.

9. Changes in the composition of the Group

The Company had on 26 February 2018 entered into a Share Sale Agreement with Star Career Sdn Bhd for the disposal of 400,000 units of ordinary shares representing 20% of the issued and paid up capital in Rimba Raya Sdn Bhd ('RIMBA') for a total cash consideration of RM800,000.

The transaction was completed on the same date and following this, RIMBA ceased to be an associate company of KUB. The gain on disposal of RIMBA is RM800,000 as the cost of investment had been fully impaired in the previous years.

10. Contingent liabilities

There were no contingent liabilities or contingent assets as at 30 June 2018.

11. Capital commitments

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

	As at 30/6/2018 RM'000	As at 31/12/2017 RM'000
Capital expenditure:		
Property, plant and equipment		
Approved and contracted for	5,141	77,144
Approved but not contracted for	84,856	52,838
	<u>89,997</u>	<u>129,982</u>

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

12. 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 Energy, Agricultural Business ("Agro"), Information, Communications and Technology ("ICT"), Power, Food Business ("Food") and Property. The segment head of each business unit reports directly to the President/Group Managing Director who regularly reviews the segment results with regards to resource allocations and segment's performance assessment.

Segment information for the current financial period 30 June 2018 is as follows:

	<u>Continuing Operations</u>							Total	<u>Discontinued Operations*</u>	Total
	<u>Energy</u>	<u>Agro</u>	<u>ICT</u>	<u>Power</u>	<u>Property</u>	<u>Others</u>	<u>Eliminations</u>			
RM'000										
Revenue										
External sales	170,882	35,475	13,724	10,749	1,440	280	-	232,550	31,658	264,208
Inter-segment sales	-	-	94	-	-	21,185	(21,279)	-	-	-
Total revenue	170,882	35,475	13,818	10,749	1,440	21,465	(21,279)	232,550	31,658	264,208
Results										
Profit/(Loss) from operations	11,023	1,125	(545)	3,471	3,223	(5,162)	-	13,135	(457)	12,678
Interest income	396	160	231	7	-	121	-	915	37	952
Finance costs	(347)	(3,442)	(2)	(1)	(2)	(26)	-	(3,820)	(142)	(3,962)
Share of results of associates	-	-	-	-	-	3,183	-	3,183	-	3,183
Profit/(Loss) before zakat and tax	11,072	(2,157)	(316)	3,477	3,221	(1,884)	-	13,413	(562)	12,851
Zakat	(591)	(117)	-	-	-	-	-	(708)	-	(708)
Income tax expense	(1,688)	(1,020)	-	-	-	8	-	(2,700)	(19)	(2,719)
Profit/(Loss) for the period	8,793	(3,294)	(316)	3,477	3,221	(1,876)	-	10,005	(581)	9,424

* Discontinued operations refers to Food segment ie. A&W Malaysia Sdn Bhd

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

12. Segmental reporting (cont'd)

Segmental information for the cumulative quarter corresponding period ended 30 June 2017 is as follows:

(Restated)

	<u>Continuing Operations</u>							Total	Discontinued Operations	Total
	Energy	Agro	ICT	Power	Property	Others	Eliminations			
<i>RM'000</i>										
Revenue										
External sales	201,970	20,703	17,849	5,939	1,318	1,295	-	249,074	28,175	277,249
Inter-segment sales	-	-	115	-	-	13,251	(13,366)	-	-	-
Total revenue	201,970	20,703	17,964	5,939	1,318	14,546	(13,366)	249,074	28,175	277,249
Results										
Profit / (Loss) from operations	13,725	4,207	2,232	1,076	1,310	(8,341)	-	14,209	1,025	15,234
Finance income	796	213	141	3	49	221	-	1,423	3	1,426
Finance costs	-	(167)	(2)	(20)	-	(89)	-	(278)	(106)	(384)
Share of results of associates	-	-	-	-	-	3,406	-	3,406	-	3,406
Profit/(Loss) before zakat and tax	14,521	4,253	2,371	1,059	1,359	(4,803)	-	18,760	922	19,682
Zakat	(495)	(144)	-	-	-	-	-	(639)	-	(639)
Income tax expense	(2,099)	(1,434)	(247)	-	(71)	(6)	-	(3,857)	(6)	(3,863)
Profit / (Loss) for the period	11,927	2,675	2,124	1,059	1,288	(4,809)	-	14,264	916	15,180

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

12. Segmental reporting (cont'd)

Segmental assets and liabilities as at 30 June 2018 as compared with the last annual financial statements :

As at 30 June 2018	Energy	Agro	ICT	Continuing Operations			Eliminations	Total	Discontinued Operations	Total
				Power	Property	Others				
RM'000										
Assets										
Segment assets	148,527	270,994	45,729	16,505	15,941	54,207	(9,000)	542,903	29,217	572,120
Investment in Associates	-	-	-	-	-	43,917	-	43,917	-	43,917
Deferred Tax Assets	-	-	-	-	-	-	-	-	2,094	2,094
Non-current assets held for sale	-	-	-	-	339	-	-	339	-	339
Total Assets	148,527	270,994	45,729	16,505	16,280	98,124	(9,000)	587,159	31,311	618,470
Liabilities										
Segment Liabilities	94,818	157,812	6,488	10,323	656	(4,485)	-	265,612	16,216	281,828
As at 31 December 2017 (Restated)	Energy	Agro	ICT	Power	Properties	Others	Eliminations	Total	Food	Total
RM'000										
Assets										
Segment assets	126,107	202,092	53,505	28,526	11,671	61,030	(9,000)	473,931	27,350	501,281
Investment in Associates	-	-	-	-	-	41,994	-	41,994	-	41,994
Deferred Tax Assets	-	-	1	-	-	-	-	1	2,093	2,094
Non-current assets held for sale	2,976	-	-	-	755	-	-	3,731	-	3,731
Total Assets	129,083	202,092	53,506	28,526	12,426	103,024	(9,000)	519,657	29,443	549,100
Liabilities										
Segment Liabilities	82,183	84,347	7,979	25,751	754	(1,692)	-	199,322	15,695	215,017

EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

13. Group's Financial Performance Review and Segmental Analysis

For the period ended 30 June 2018, the Group registered revenue of RM232.6 million and a profit before zakat and tax ("PBT") of RM13.4 million, representing a decrease of 7% and 29% respectively as compared to the corresponding period last year.

The segmental performance review as compared to the corresponding period last year are as follows:

Energy Sector : The sector's revenue and PBT fell by 15% or RM31.1 million and 24% or RM3.4 million respectively primarily as a result of weaker sales volume recorded in all product segments due to adverse market conditions and stiff competition which led to further margin compression and negatively impacted the sector's core operating performance.

Agro Sector : The revenue grew 71% or RM14.8 million contributed mainly from the palm oil mill in Mukah, Sarawak which began operations in July 2017 and the newly acquired plantation land in Sabah since January 2018. Despite the higher turnover, the sector registered losses in the current period predominantly due to lower average crude palm oil ("CPO") prices, higher field upkeep expenses by the estates as well as operating losses incurred by the mill due to low fresh fruit bunches ("FFB") processed and low oil extraction rates ("OER") recorded.

ICT Sector : The decline in revenue by 23% or RM4.1 million was largely due to the reduction in the value of contracts recognised in the current period and delay in commencement of several projects. As a result of this and combined with the effect of lower operating margins and higher administrative expenses, the sector recorded a loss before tax of RM0.3 million in the current period.

Power Sector : The increase in the number of projects undertaken during the current period resulted in a two-fold rise in revenue to RM10.7 million compared to the previous year. The PBT however, was substantially contributed by the reversal of over provision of costs of RM3.6 million relating to projects performed in previous years.

Property Sector : The sector's profit in the current period was enhanced by the gain on disposal of a building in Gombak, Selangor and Pekan Razaki, Ipoh amounting to RM2.6 million.

Food Sector (classified under discontinued operations) : The increase in revenue in the current period was largely supported by the opening of an additional eight (8) restaurant outlets since the previous corresponding period. The sector, however, registered losses of RM0.5 million as compared to a PBT of RM0.9 million previously due to the decline in same-store sales as well as the lackluster performance of its new outlets.

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

	Individual Quarter		%
	3 months 30/6/2018 RM'000	3 months 31/3/2018 RM'000	
<u>Continuing Operations</u>			
Revenue	111,810	120,740	(7.4)
Results			
Profit from operations	5,003	8,132	(38.5)
Finance income	535	380	
Finance costs	(1,918)	(1,902)	
Share of profit of associates	1,556	1,627	
Profit before tax	5,176	8,237	(37.2)
Zakat	(684)	(24)	
Income tax expense	(1,087)	(1,613)	
Profit for the period	3,405	6,600	(48.4)

In comparison with the preceding quarter, the revenue and PBT in the current quarter were impacted by the unfavourable financial performances of the Energy, Agro and ICT sectors. This however was mitigated by the lower administrative expenses in the current quarter as well as several exceptional items namely the reversal of over provision of project costs amounting to RM1.6 million by the Power sector and a gain on disposal of properties of RM0.6 million (preceding quarter of RM4.8 million).

EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15. Prospects

The Group continues to foresee a challenging and competitive economic environment for the second half of the year particularly in the core sectors ie. Energy, Agro and ICT sectors.

The prospects of the Group's business sectors are as follows :

Energy Sector : The sector will remain as the leading revenue and earnings contributor to the Group in FY2018. Demand for LPG is expected to remain robust but nonetheless, intense competition and escalating input costs will continue to exert pressure on the operating margins. With the determined effort to counter these factors through aggressive marketing strategies, improvement in supply chain management specifically in the areas of inventory and dealer management, and our plans to boost distribution capacity by the establishment of a satellite bottling plant (which is expected to commence operations in Q4 2018), the Group anticipates the second half year performance for the sector to be better.

Agro Sector : We anticipate our performance to be neutral owing to continuous subdued outlook of CPO prices due to the higher palm oil production supply in the market which is predicted to outpace consumption.

On the other hand, and barring adverse weather conditions, we expect FFB production prospects to be potentially encouraging. While our replanting activities are projected to reduce the contribution of our Johor estates, an overall uptrend in FY2018 is anticipated from our newly acquired plantation land in Sabah which has a much robust yield and age profile. We will also undertake efforts to optimise our production costs in order to preserve our bottom line.

Meanwhile for our Mill in Mukah, we will continue to focus on mitigating its operational challenges in order to meet its planned production capacity targets and ideal oil extraction rates.

ICT and Power Sectors : These sectors will continue to aggressively bid for further sizeable contracts whenever the opportunity arises to enhance our order book and at the same time focus on the execution of existing projects. Both sectors will also actively explore new sources of revenue growth to create more recurring and sustainable income in the future.

In addition, the Group will continue to further strengthen the various operational improvement and cost management initiatives that have been carried out since previous years.

16. 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.

17. Notes to the profit before tax

	Cumulative Quarter 6 months ended	
	30/6/2018 RM'000	30/6/2017 RM'000
Profit before tax is arrived after crediting/(charging) - continuing operations:		
Interest income	915	1,423
Other income including investment income	4,604	2,095
Interest expense	(3,820)	(278)
Depreciation and amortisation	(8,548)	(5,630)
Write-off of property, plant and equipment	(10)	(36)
Inventories written down	(147)	-
Gain on disposal of property, plant and equipment	202	15
Gain on disposal of assets held for sale	5,516	5,958
Gain on disposal of associate company	800	-
Reversal / (impairment) on receivables	86	(501)
Foreign exchange gain - realised	1,163	1,364
- unrealised	44	36
Loss on derivatives	(7)	(9)

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.

**EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

18. Tax

	3 months ended		6 months ended	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current tax	1,098	1,436	2,637	3,878
Deferred tax:				
Current	(11)	(45)	63	(21)
	<u>1,087</u>	<u>1,391</u>	<u>2,700</u>	<u>3,857</u>

The effective tax rate for the current period under review is lower than the statutory tax rate as certain gain or income are not taxable and the profits of certain subsidiaries cannot be offset against losses of other subsidiaries for income tax purposes.

19. Group borrowings and debt securities

RM'000	As at 30 June 2018		
	Long Term	Short Term	Total Borrowings
Secured			
Term loans	121,800	4,632	126,432
Trust Receipts	-	1,375	1,375
Bankers Acceptances	-	20,000	20,000
Hire purchase payables	555	185	740
	122,355	26,192	148,547

RM'000	As at 30 June 2017		
	Long Term	Short Term	Total Borrowings
Secured			
Term loans	49,132	7,447	56,579
Bank overdrafts	-	859	859
Trust Receipts	-	3,094	3,094
Hire purchase payables	447	133	580
	49,579	11,533	61,112

20. Status of corporate proposals

Save as below, there were no corporate proposals announced by the Group but have yet to be completed.

On 6 July 2018, Restoran Kualiti Sdn Bhd, a wholly owned subsidiary of the Company, entered into a Sale and Purchase Agreement ("Agreement") with Inter Mark Resources Sdn Bhd ("IMRB") and KUB as the Guarantor for the sale and transfer of the entire interest in A&W (Malaysia) Sdn Bhd ("AWM") for a total consideration of RM34 million comprising :

- (a) RM30 million for AWM's entire equity interest ("Equity Portion"); and
- (b) RM4 million for reimbursement of intercompany balances.

Under this Agreement, RKSB agreed to dispose its 61,406,092 issued shares representing a 100% equity interest in AWM to IMRB.

The proposed disposal above is expected to be completed within three (3) months (with three (3)-month extension option) from the date of Agreement. Upon the completion, AWM will cease to be a subsidiary of RKSB.

21. Dividend Declared

No dividend has been declared for the quarter under review.

EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

22. Material litigation

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

On 21st 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 3rd November 2005 (“Letter of Award”) between the parties. The High Court had on 28th May 2015 granted a stay of proceedings for the matter to be referred to arbitration.

On 15th February 2016, TGV issued Notice of Arbitration to KUBP. On 20th 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 17th June 2016, Dato’ Mohd Hishamudin Bin Md Yunus has been appointed as the Arbitrator for this matter. Parties had filed all the cause papers in accordance to Arbitrator’s instruction and the hearing had commenced on 28th August 2018. The Arbitrator had then fixed a new date for a continued hearing on 19th September 2018.

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

23. Earnings per share

(a) Basic earnings per share

The basic earnings 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	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM’000	RM’000	RM’000	RM’000
Earnings for the period attributable to owners of the parent				
- From continuing operations	4,277	6,630	12,103	14,424
- From discontinued operations	(1,082)	667	(581)	916
	3,195	7,297	11,522	15,340
Weighted average number of ordinary shares in issue	(’000) 556,465	556,465	556,465	556,465
Basic earnings per share (Sen)				
- From continuing operations	(sen) 0.77	1.19	2.17	2.59
- From discontinued operations	(sen) (0.19)	0.12	(0.10)	0.16
	0.57	1.31	2.07	2.76

(b) Diluted earnings per share

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

24. Related Party Transactions

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

	6 months ended 30/6/2018 RM’000	6 months ended 30/6/2017 RM’000
a. Transactions with Zul Rafique & Partners, a firm which YM Tunku Alizan Raja Muhammad Alias is a partner		
- Provision of legal services.	174	117

By Order of the Board

Sharina Saidon
Mohd Afendy Md Yazim
Nani Suryani Ahmad Tajudin
 Company Secretaries
 30 August 2018