



**Interim Financial Report on
Unaudited Consolidated Results for the
Third Quarter Ended
30 September 2018**

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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 2018

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

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	INDIVIDUAL QUARTER		%	CUMULATIVE QUARTER		%
	CURRENT YEAR QUARTER 30/9/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2017 RM'000 (Restated)		CURRENT YEAR YEAR TO DATE 30/9/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2017 RM'000 (Restated)	
CONTINUING OPERATIONS						
Revenue	148,965	121,585	22.5	381,515	370,659	2.9
Operating expenses	(157,985)	(122,274)		(389,815)	(366,650)	
Other operating income	1,865	1,520		14,280	11,031	
Results from operating activities	(7,155)	831	(>100)	5,980	15,040	(60.2)
Finance income	565	754		1,480	2,177	
Finance costs	(2,231)	(719)		(6,051)	(997)	
Share of profit of associates	(251)	1,536		2,932	4,942	
(Loss) / Profit before tax	(9,072)	2,402	(>100)	4,341	21,162	(79.5)
Zakat	(120)	-		(828)	(639)	
Income tax expense	(919)	(2,553)		(3,619)	(6,410)	
(Loss) / Profit for the period from continuing operations	(10,111)	(151)	(>100)	(106)	14,113	(>100)
DISCONTINUED OPERATIONS						
Profit for the period from discontinued operations	18,525	1,010		17,944	1,926	
Profit for the period	8,414	859	>100	17,838	16,039	11.2
Profit / (Loss) attributable to :						
Owners of the parent						
- continuing operations	(8,307)	757		3,796	15,181	
- discontinued operations	18,525	1,010		17,944	1,926	
	10,218	1,767	>100	21,740	17,107	27.1
Non-controlling interests	(1,804)	(908)		(3,902)	(1,068)	
	8,414	859	>100	17,838	16,039	11.2
Earnings per share attributable to owners of the parent (sen) :						
Basic and diluted						
- continuing operations	(1.49)	0.14		0.68	2.73	
- discontinued operations	3.33	0.18		3.23	0.34	
	1.84	0.32	>100	3.91	3.07	27.4

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

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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	CURRENT YEAR QUARTER 30/9/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2017 RM'000 (Restated)	% + / (-)	CURRENT YEAR QUARTER 30/9/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2017 RM'000 (Restated)	% + / (-)
Profit for the period	8,414	859	>100	17,838	16,039	11.2
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)	(289)	(2,527)		(1,589)	1,878	
Total comprehensive income / (loss) for the period, net of tax	<u>8,125</u>	<u>(1,668)</u>	>100	<u>16,249</u>	<u>17,917</u>	(9.3)
Total comprehensive income / (loss) attributable to :						
Owners of the parent	9,929	(760)	>100	20,151	18,985	6.1
Non-controlling interests	<u>(1,804)</u>	<u>(908)</u>		<u>(3,902)</u>	<u>(1,068)</u>	
	<u>8,125</u>	<u>(1,668)</u>		<u>16,249</u>	<u>17,917</u>	(9.3)

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.

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	AS AT END OF CURRENT QUARTER 30/9/2018 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	329,046	228,159	212,868
Investment properties	13,046	12,520	15,629
Investment in associates	43,666	41,994	34,069
Other investments	3,679	5,268	3,824
Intangible assets	-	2,756	902
Deferred tax assets	2	2,094	3,224
Total non-current assets	389,439	292,791	270,516
Inventories	13,280	11,754	8,869
Biological assets	995	830	994
Trade and other receivables	107,267	102,844	83,288
Contract assets	6,974	17,273	2,513
Tax recoverable	2,102	789	365
Short-term investments	20,287	-	-
Cash and bank balances	108,293	119,088	133,865
Total current assets	259,198	252,578	229,894
Non-current assets held for sale	82	3,731	3,534
Total Assets	648,719	549,100	503,944
Equity			
Share capital	228,863	228,863	222,586
Reserves	47,656	49,245	54,078
Retained earnings	57,382	46,771	20,244
Total equity attributable to owners of the parent	333,901	324,879	296,908
Non-controlling interest	5,302	9,204	10,579
Total equity	339,203	334,083	307,487
Liabilities			
Borrowings	121,215	50,549	51,136
Deferred tax liabilities	12,242	12,312	12,584
Deferred income	2,539	2,620	2,673
Total non-current liabilities	135,996	65,481	66,393
Trade and other payables	119,219	141,684	113,396
Contract liabilities	747	1,433	966
Borrowings	53,461	6,269	11,951
Derivative financial liability	12	23	7
Provision for tax	81	127	3,744
Total current liabilities	173,520	149,536	130,064
Total liabilities	309,516	215,017	196,457
Total equity and liabilities	648,719	549,100	503,944
Net assets per share attributable to owners of the parent (RM)	0.60	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.

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the parent		Attributable to owners of the parent						Non-distributable reserves		Non-controlling interests	
			Non-distributable	Distributable								
	Equity, total RM'000	Equity of the parent, total RM'000	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserves, total RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Fair value adjustment reserve RM'000	Premium paid on acquisition of non-controlling interests RM'000	Merger reserve RM'000	Non-controlling interests 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	17,838	21,740	-	-	21,740	-	-	-	-	-	-	(3,902)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net of tax	(1,589)	(1,589)	-	-	-	(1,589)	-	-	(1,589)	-	-	-
Total comprehensive income / (loss)	16,249	20,151	-	-	21,740	(1,589)	-	-	(1,589)	-	-	(3,902)
Dividend paid	(11,129)	(11,129)	-	-	(11,129)	-	-	-	-	-	-	-
At 30 September 2018	339,203	333,901	228,863	-	57,382	47,656	34,016	-	1,522	971	11,147	5,302
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	16,039	17,107	-	-	17,107	-	-	-	-	-	-	(1,068)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax	1,878	1,878	-	-	-	1,878	-	-	1,878	-	-	-
Total comprehensive income / (loss)	17,917	18,985	-	-	17,107	1,878	-	-	1,878	-	-	(1,068)
Dividend paid	(5,565)	(5,565)	-	-	(5,565)	-	-	-	-	-	-	-
Transfer pursuant to S618(2) of CA 2016*	-	-	6,277	(5,965)	-	(312)	-	(312)	-	-	-	-
At 30 September 2017	319,839	310,328	228,863	-	31,786	49,679	34,016	-	3,545	971	11,147	9,511

* 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.

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CUMULATIVE CURRENT YEAR TO DATE 30/9/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2017 RM'000 (Restated)
Profit/(Loss) before taxation		
- Continuing operations	4,341	21,162
- Discontinued operations	17,980	1,926
Profit/(Loss) before taxation including discontinued operations	22,321	23,088
Adjustments for :		
Amortisation of intangible assets:		
- Discontinued operations	211	164
Depreciation of property, plant and equipment:		
- Continuing operations	12,565	8,967
- Discontinued operations	1,808	1,688
Depreciation of investment properties	319	296
Loss on fair value changes of derivative instruments	12	12
Changes in fair value of short term investment	(287)	-
(Gain)/Loss on fair value changes in biological assets	(165)	130
Property, plant and equipment written off	10	289
Inventories written down:		
- Continuing operations	268	-
- Discontinued operations	258	-
Allowance for impairment on trade receivables	-	576
Impairment losses on property, plant and equipment		
- Discontinued operations	2,900	-
Unrealised loss on foreign exchange	175	81
Gain on disposal of property, plant and equipment	(202)	-
Gain on disposal of non-current assets held for sale	(6,276)	(5,969)
Gain on disposal leased computers	-	(674)
Gain on disposal of associate company	(800)	-
Gain on disposal of subsidiary	(23,222)	-
Reversal of allowance for impairment on receivables	(86)	(726)
Reversal of over provision of project costs	(3,609)	-
Reversal of provision for liquidated ascertained damages	-	(1,291)
Amortisation of deferred income	(81)	-
Interest income:		
- Continuing operations	(1,480)	(2,177)
- Discontinued operations	(59)	(3)
Finance costs:		
- Continuing operations	6,051	997
- Discontinued operations	219	157
Dividend income	(1,540)	(1,295)
Share of results of associates	(2,932)	(4,942)
Operating profit before working capital changes	6,378	19,368
Changes in working capital:		
Inventories	(2,052)	(4,029)
Trade and other payables	(33,508)	12,929
Trade and other receivables	33,524	3,956
	4,342	32,224
Tax paid	(4,852)	(8,479)
Net cash (used in)/generated from operating activities	(510)	23,745

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	CURRENT YEAR YEAR TO DATE 30/9/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2017 RM'000
Acquisition of property, plant and equipment	(131,346)	(25,118)
Acquisition of short-term investment	(20,000)	-
Additions to intangible asset	(523)	(2,027)
Additions to investment properties	(845)	-
Deposit for acquisition of land	(2,500)	(10,045)
Dividends received	1,540	1,295
Interest received	1,333	2,180
Realised gains on short term investment	273	-
Proceeds from disposal of property, plant and equipment	202	15
Proceeds from disposal of non-current assets classified as held for sale	9,926	8,193
Proceeds from disposal of associate	800	-
Net proceeds from disposal of subsidiary:		
- Proceeds from disposal of subsidiary	30,000	-
- Cash from discontinued operations	(3,760)	-
Net cash used in investing activities	(114,900)	(25,507)
Deposits pledged with licensed banks	(5,947)	(2,978)
Interest paid	(5,974)	(2,330)
Dividend paid	(11,129)	(5,565)
Net drawdown/(repayment) of short term borrowings	49,299	(2,539)
Drawdown of hire purchase	108	268
Repayment of hire purchase	(146)	(204)
Drawdown of term loans	77,246	-
Repayment of term loans	(3,887)	(2,526)
Net cash generated from/(used in) financing activities	99,570	(15,874)
Net decrease in cash and cash equivalents	(15,840)	(17,636)
Cash and cash equivalents at beginning of year	94,873	109,996
Cash and cash equivalents at end of period	79,033	92,360

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

Cash on hand and at banks	55,689	38,282
Deposits with licensed bank	52,604	81,367
Cash and cash equivalents of continuing operations (as per consolidated statement of financial position)	108,293	119,649
Bank overdrafts	-	(867)
Deposits pledged with licensed banks	(29,260)	(26,422)
	79,033	92,360

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.

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 9 months ended 30 September 2017		
		Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
Profit before taxation	1 (a) (ii)	21,292	(130)	21,162
Taxation	1 (a) (ii)	(6,441)	31	(6,410)
Non-controlling interests	1 (a) (ii)	(1,022)	(46)	(1,068)

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 9 months ended 30 September 2017		
		Previously reported under FRSs	Effect on adoption of MFRSs	Restated under MFRSs
Profit before taxation		21,292	(130)	21,162
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		-	(130)	130

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

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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 amounting to RM5,564,647 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 September 2018 to the date of this announcement which would substantially affect the financial results of the Group for the period ended 30 September 2018 that have not been reflected in the condensed financial statements.

9. Changes in the composition of the Group

Establishment of new companies

- a) On 8 August 2018, KIEV Energy Sdn Bhd ("KESB") was incorporated with its entire share capital of RM2 held by KUB Power Sdn Bhd (RM1) and Invest Energy Sdn Bhd (RM1). The principal activities of KESB are investment holding and to erect, build, operate and maintain all types of energy systems, renewable and non-renewable in nature, implement renewable energy and energy efficient project.
- b) On 20 August 2018, KIEV CRG Sdn Bhd ("KCSB") was incorporated with its entire share capital of RM1 held by KIEV Energy Sdn Bhd. The principal activities of KCSB are to erect, build, operate and maintain all types of energy systems, renewable and non-renewable in nature, implement renewable energy and energy efficient project.
- c) On 12 July 2018, KUB Gas Terminal Sdn Bhd ("KGTSB") was incorporated with its entire share capital of RM2 held by KUB Gaz Sdn Bhd. The principal activities of KGTSB are operating liquefied petroleum gas ("LPG") storage facilities, trading of LPG products including import and export and operating of an LPG terminal.

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

9. Changes in the composition of the Group (*cont'd*)

Disposal of a subsidiary (Discontinued Operations)

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 disposal was completed on 19 September 2018 with a gain on disposal of RM23.2 million. Following this, AWM ceased to be a subsidiary of RKSB.

Disposal of an associate

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.

Strike off of dormant subsidiaries

During the current period under review, the following dormant subsidiaries, have been struck-off from the register pursuant to Section 550 of the Companies Act 2016 and are accordingly dissolved.

- (i) Pelita Espipi Sdn Bhd
- (ii) ITTAR-ILP (Prai) Sdn Bhd
- (iii) Affluent Vision Sdn Bhd
- (iv) KUB Expertise A&I Sdn Bhd

10. Contingent liabilities

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

11. Capital commitments

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

	As at 30/9/2018 RM'000	As at 31/12/2017 RM'000
Capital expenditure:		
Property, plant and equipment		
Approved and contracted for	30,719	77,144
Approved but not contracted for	43,904	52,838
	<u>74,623</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 September 2018 is as follows:

	<u>Continuing Operations</u>							Total	Discontinued Operations*	Total
	Energy	Agro	ICT	Power	Property	Others	Eliminations			
RM'000										
Revenue										
External sales	289,106	53,972	19,236	16,950	1,971	280	-	381,515	47,136	428,651
Inter-segment sales	-	-	156	-	-	26,410	(26,566)	-	-	-
Total revenue	289,106	53,972	19,392	16,950	1,971	26,690	(26,566)	381,515	47,136	428,651
Results										
Profit / (Loss) from operating activities	15,239	(4,166)	(1,487)	3,587	3,788	(10,981)	-	5,980	20,240	26,220
Interest income	738	199	337	7	2	197	-	1,480	59	1,539
Finance costs	(708)	(5,225)	(22)	(4)	(2)	(90)	-	(6,051)	(219)	(6,270)
Share of results of associates	-	-	-	-	-	2,932	-	2,932	-	2,932
Profit/(Loss) before tax	15,269	(9,192)	(1,172)	3,590	3,788	(7,942)	-	4,341	20,080	24,421
Zakat	(591)	(237)	-	-	-	-	-	(828)	-	(828)
Income tax expense	(2,641)	(546)	(412)	-	16	(36)	-	(3,619)	(2,136)	(5,755)
Profit/(Loss) for the period	12,037	(9,975)	(1,584)	3,590	3,804	(7,978)	-	(106)	17,944	17,838

* 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 September 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	293,911	37,452	25,055	10,999	1,947	1,295	-	370,659	44,639	415,298
Inter-segment sales	-	-	164	-	-	15,046	(15,210)	-	-	-
Total revenue	293,911	37,452	25,219	10,999	1,947	16,341	(15,210)	370,659	44,639	415,298
Results										
Profit / (Loss) from operating activities	18,455	5,969	1,922	1,775	959	(14,040)	-	15,040	2,085	17,125
Finance income	1,351	287	214	3	49	273	-	2,177	3	2,180
Finance costs	-	(847)	(3)	(26)	-	(121)	-	(997)	(156)	(1,153)
Share of results of associates	-	-	-	-	-	4,942	-	4,942	-	4,942
Profit / (Loss) before tax	19,806	5,409	2,133	1,752	1,008	(8,946)	-	21,162	1,932	23,094
Zakat	(495)	(144)	-	-	-	-	-	(639)	-	(639)
Income tax expense	(3,130)	(2,962)	(189)	-	(123)	(6)	-	(6,410)	(6)	(6,416)
Profit / (Loss) for the period	16,181	2,303	1,944	1,752	885	(8,952)	-	14,113	1,926	16,039

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

12. Segmental reporting (cont'd)

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

As at 30 September 2018	<u>Continuing Operations</u>						Eliminations	Total
	Energy	Agro	ICT	Power	Property	Others		
<i>RM'000</i>								
Assets								
Segment assets	186,240	265,020	44,906	18,324	13,741	85,740	(9,000)	604,971
Investment in Associates	-	-	-	-	-	43,666	-	43,666
Deferred Tax Assets	-	-	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	82	-	-	82
Total Assets	186,240	265,020	44,906	18,324	13,823	129,406	(9,000)	648,719
Liabilities								
Segment Liabilities	129,962	158,853	6,823	12,080	746	1,052	-	309,516
As at 31 December 2017 (Restated)	Energy	Agro	ICT	Power	Properties	Others	Eliminations	Total
<i>RM'000</i>								
Assets								
Segment assets	126,107	202,092	53,505	28,526	11,671	61,030	(9,000)	473,931
Investment in Associates	-	-	-	-	-	41,994	-	41,994
Deferred Tax Assets	-	-	1	-	-	-	-	1
Non-current assets held for sale	2,976	-	-	-	755	-	-	3,731
Total Assets	129,083	202,092	53,506	28,526	12,426	103,024	(9,000)	519,657
Liabilities								
Segment Liabilities	82,183	84,347	7,979	25,751	754	(1,692)	-	199,322

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 September 2018, the Group registered revenue of RM381.5 million and a profit after zakat and tax ("PAT") of RM17.8 million, representing an increase of 3% and 11% 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 PAT fell by 2% or RM4.8 million and 26% or RM4.1 million respectively resulting from the weaker sales volume recorded in most of product segments due to adverse market conditions and stiff competition. These led to further margin compression and negatively impacted the sector's core operating performance.

Agro Sector : The significant increase in revenue by 44% or RM16.5 million was 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 primarily 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 sector's revenue dropped by 23% or RM5.8 million largely due to the reduction in the value of contracts recognised in the current period and the delay in contract fulfillment for certain other projects. As a result of these factors and combined with the effects of lower operating margins and higher administrative expenses, the sector recorded a loss of RM1.6 million in the current period as opposed to a PAT of RM1.9 million previously.

Power Sector : The increase in the number of projects undertaken during the current period resulted in a rise in revenue of RM6.0 million to RM17.0 million compared to the previous year. The PAT of RM3.6 million however, was substantially contributed by the reversal of over provision of costs 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 shop offices in Gombak, Selangor, Pekan Razaki and Batu Gajah, Ipoh amounting to RM3.3 million.

Food Sector (classified under discontinued operations) : Included in the segment is a gain on disposal of A&W Malaysia Sdn Bhd of RM23.2 million netted off with its loss in operations of RM5.3 million. The disposal was completed on 19 September 2018.

14. Profit for the period for the current quarter compared to the immediate preceding quarter

	Individual Quarter		%
	3 months 30/9/2018 RM'000	3 months 30/6/2018 RM'000	
Revenue	148,965	111,810	33.2
Results			
Profit from operations	(7,155)	5,003	(>100)
Finance income	565	535	
Finance costs	(2,231)	(1,918)	
Share of profit of associates	(251)	1,556	
(Loss) / Profit before tax	(9,072)	5,176	(>100)
Zakat	(120)	(684)	
Income tax expense	(919)	(1,087)	
(Loss) / Profit for the period from continuing operations	(10,111)	3,405	(>100)
Profit/(Loss) from discontinued operations	18,525	(1,082)	
Profit for the period	8,414	2,323	>100

In comparison with the preceding quarter, the revenue rose 33% or RM37.2 million in the current quarter mainly attributable to the higher average Contract Price coupled with higher sales volume by the Energy sector. Despite the higher revenue, the result from operations was significantly impacted by the unfavourable financial performances of the Agro and ICT sectors resulting from lower operating margins as well as higher administrative expenses. The profit for the period was however substantially mitigated by the gain on disposal of subsidiary of RM23.2 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 towards the end 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. However, the Group foresees the performance of the sector for the remaining period of the year to be challenging due to intense competition and escalating input costs which will continue to exert pressure on the operating margins. With the determined effort to counter these factors through aggressive marketing strategies, renegotiation of our LPG supply contract, improvement in supply chain management and our plans to boost distribution capacity by the establishment of a satellite bottling plant (which is expected to commence operations in Q1 2019), the Group expects the future performance for the sector to be better.

Agro Sector : We anticipate the performance of our plantation estates in the final quarter of the year to be neutral owing to the subdued outlook of CPO prices offset by the potential seasonal uptrend in crop production. Going forward, and considering that our performance is largely dependent on the direction of CPO prices, we will accelerate our efforts in productivity improvement strategies, yield enhancement initiatives and optimise our production costs in order to preserve our bottom line.

Meanwhile for our Mill in Mukah, our focus will be on mitigating operational challenges in order to meet 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 9 months ended	
	30/9/2018	30/9/2017
	RM'000	RM'000
Profit before tax is arrived after crediting/(charging) - continuing operations:		
Interest income	1,480	2,177
Other income including investment income	4,851	2,300
Interest expense	(6,051)	(997)
Depreciation and amortisation	(12,565)	(8,967)
Write-off of property, plant and equipment	(10)	(289)
Inventories written down	(268)	-
Gain on disposal of property, plant and equipment	202	-
Gain on disposal of assets held for sale	6,276	5,969
Gain on disposal of associate company	800	-
Reversal on impairment of receivables	86	150
Foreign exchange gain/(loss) - realised	2,241	2,020
- unrealised	(175)	(82)
Loss on derivatives	(12)	(12)

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		9 months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current tax	726	2,563	3,363	6,441
Over provision in prior year	217	-	217	-
	<u>943</u>	<u>2,563</u>	<u>3,580</u>	<u>6,441</u>
Deferred tax:				
Current	(24)	(10)	39	(31)
	<u>919</u>	<u>2,553</u>	<u>3,619</u>	<u>6,410</u>

The effective tax rate for the current period under review is higher than the statutory tax rate as 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 September 2018		
	Long Term	Short Term	Total Borrowings
Secured			
Term loans	120,624	3,956	124,580
Trust Receipts	-	1,071	1,071
Revolving Credit	-	7,228	7,228
Bankers Acceptances	-	41,000	41,000
Hire purchase payables	591	206	797
	121,215	53,461	174,676

RM'000	As at 30 September 2017		
	Long Term	Short Term	Total Borrowings
Secured			
Term loans	47,887	7,211	55,098
Bank overdrafts	-	134	134
Trust Receipts	-	867	867
Hire purchase payables	413	518	931
	48,300	8,730	57,030

20. Status of corporate proposals

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

On 25 September 2018, KUB Gas Terminal Sdn Bhd, a wholly-owned subsidiary of KUB Gaz Sdn Bhd, which in turn is a subsidiary of the Company, has entered into a Sale and Purchase Agreement with Universal Lubricants Factory Zinol (M) Sdn Bhd for the acquisition of a piece of leasehold land held under H.S. (D) 67801, PT 64539, Mukim Klang, Daerah Klang, Negeri Selangor, measuring approximately 31,014.61 square meters for a total purchase consideration of RM25.0 million ("Proposed Acquisition").

The Proposed Acquisition is expected to be completed in the fourth quarter of year 2018.

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 4th October 2017, 9th October 2017, 8th January 2018, 9th January 2018, 30th April 2018, 7th May 2018, 8th May 2018, 9th May 2018 and on 15th August 2018 both parties agreed to negotiate for a settlement. The Arbitrator has given parties time to negotiate and fixed 28th August 2018 as the next hearing date for continued hearing if both parties fail to reach a settlement.

On 17th October 2018, both Parties have reached a full and final settlement and entered into a Consent Award. KUBP is to pay to TGV the amount of RM710,000 in two (2) instalments. The first instalment amounting to RM355,000 was paid on 18th October 2018. The second instalment amounting to RM355,000 was paid on 30th November 2018.

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		9 months ended	
	30/9/2018	30/9/2017	30/9/2018	30/9/2017
	RM'000	RM'000	RM'000	RM'000
Earnings for the period attributable to owners of the parent				
- From continuing operations	(8,307)	757	3,796	15,181
- From discontinued operations	18,525	1,010	17,944	1,926
	10,218	1,767	21,740	17,107
Weighted average number of ordinary shares in issue	(’000)	556,465	556,465	556,465
Basic earnings per share (Sen)				
- From continuing operations	(sen)	(1.49)	0.14	0.68
- From discontinued operations	(sen)	3.33	0.18	3.23
		1.84	0.32	3.91
				3.07

(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.

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

24. Related Party Transactions

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

	9 months ended 30/9/2018 RM'000	9 months ended 30/9/2017 RM'000
a. Transactions with Zul Rafique & Partners, a firm which YM Tunku Alizan Raja Muhammad Alias is a partner		
- Provision of legal services.	241	160

By Order of the Board

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