



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

30 June 2020

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KUB MALAYSIA BERHAD

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

INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

The Board of Directors hereby announce the unaudited financial results of the Group for the financial period ended 30 June 2020.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	CURRENT YEAR QUARTER 30/6/2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/6/2019 RM'000	% +/(-)	CURRENT YEAR TO DATE 30/6/2020 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2019 RM'000	% +/(-)
Revenue	62,306	101,216	(38.4)	171,688	203,476	(15.6)
Cost of sales and operating expenses	(65,958)	(106,570)		(171,117)	(208,654)	
Other income	32,129	1,051		33,574	1,790	
Other expenses	(1,026)	(4,798)		(2,299)	(5,858)	
Results from operating activities	27,451	(9,101)	401.6	31,846	(9,246)	444.4
Finance income	785	1,089		1,724	1,804	
Finance costs	(1,135)	(1,951)		(2,327)	(3,937)	
Share of profit of associates	929	457		2,973	2,817	
Profit/(loss) before tax	28,030	(9,506)	394.9	34,216	(8,562)	499.6
Zakat	-	7		-	(17)	
Income tax expense	457	(1,272)		(564)	(2,903)	
Profit/(Loss) for the period	28,487	(10,771)	364.5	33,652	(11,482)	393.1
Profit/(Loss) attributable to :						
- Owners of the parent	28,448	(9,150)	410.9	33,379	(9,219)	462.1
- Non-controlling interests	39	(1,621)		273	(2,263)	
	28,487	(10,771)	364.5	33,652	(11,482)	393.1
Earnings/(Loss) per share attributable to owners of the parent (sen) :						
Basic and diluted	5.11	(1.64)		6.00	(1.66)	

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 2019 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 2020****CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	CURRENT QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	% + / (-)	CURRENT QUARTER TO DATE	PRECEDING YEAR CORRESPONDING PERIOD	% + / (-)
	30/6/2020 RM'000	30/6/2019 RM'000		30/6/2020 RM'000	30/6/2019 RM'000	
Profit/(Loss) for the period	28,487	(10,771)	364.5	33,652	(11,482)	393.1
Other comprehensive income/(loss) 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)	866	72		(288)	289	
Total comprehensive income/(loss) for the period, net of tax	<u>29,353</u>	<u>(10,699)</u>	374.4	<u>33,364</u>	<u>(11,193)</u>	398.1
Total comprehensive income/(loss) attributable to :						
Owners of the parent	29,314	(9,078)	422.9	33,091	(8,930)	470.6
Non-controlling interests	<u>39</u>	<u>(1,621)</u>		<u>273</u>	<u>(2,263)</u>	
	<u>29,353</u>	<u>(10,699)</u>	374.4	<u>33,364</u>	<u>(11,193)</u>	398.1

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 2019 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 2020

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	AS AT END OF CURRENT QUARTER 30/6/2020 RM'000	AS AT PRECEDING FINANCIAL YEAR END 31/12/2019 RM'000
Assets		
Property, plant and equipment	253,518	273,935
Investment properties	11,172	11,383
Right-of-use assets	3,370	3,729
Investment in associates	-	47,700
Other investments	6,707	6,996
Finance Lease receivables	1,512	1,577
Total non-current assets	276,279	345,320
Inventories	5,972	4,821
Biological assets	1,139	1,274
Trade and other receivables	41,771	46,074
Contract assets	95	340
Finance lease receivables	125	115
Tax recoverable	2,024	910
Cash and bank balances	193,683	145,627
Total current assets	244,809	199,161
Non-current assets held for sale	16,020	1,840
Total Assets	537,108	546,321
Equity		
Share capital	228,863	228,863
Reserves	49,168	49,456
Retained earnings	90,192	56,813
Total equity attributable to owners of the parent	368,223	335,132
Non-controlling interest	(10,219)	(10,492)
Total equity	358,004	324,640
Liabilities		
Borrowings	70,932	71,033
Lease liabilities	2,150	2,480
Refundable cylinder deposits	20,522	17,778
Deferred tax liabilities	12,796	13,203
Total non-current liabilities	106,400	104,494
Trade and other payables	56,464	81,765
Contract liabilities	3,152	981
Lease liabilities	660	642
Borrowings	11,313	33,169
Provision for tax	1,115	630
Total current liabilities	72,704	117,187
Total liabilities	179,104	221,681
Total equity and liabilities	537,108	546,321
Net assets per share attributable to owners of the parent (RM)	0.66	0.60

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 2019 and the accompanying explanatory notes attached to this interim financial report.

KUB MALAYSIA BERHAD

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to owners of the parent →					← Non-distributable reserves →				
	Equity, total RM'000	Equity attributable of the parent, total RM'000	Share capital RM'000	Retained earnings RM'000	Other reserves, total RM'000	Capital reserve RM'000	Fair value adjustment reserve RM'000	Discount paid on acquisition of non-controlling interests RM'000	Merger reserve RM'000	Non- controlling interests RM'000
At 1 January 2020	324,640	335,132	228,863	56,813	49,456	34,016	3,322	971	11,147	(10,492)
Profit for the period	33,652	33,379	-	33,379	-	-	-	-	-	273
Other comprehensive loss not to be reclassified to profit or loss in subsequent year, net of tax	(288)	(288)	-	-	(288)	-	(288)	-	-	-
Total comprehensive income/(loss)	33,364	33,091	-	33,379	(288)	-	(288)	-	-	273
At 30 June 2020	358,004	368,223	228,863	90,192	49,168	34,016	3,034	971	11,147	(10,219)
At 1 January 2019	304,012	315,480	228,863	39,611	47,006	34,016	872	971	11,147	(11,468)
Effects of adoption of MFRS 16	(153)	(153)	-	(153)	-	-	-	-	-	-
At 1 January 2019 (restated)	303,859	315,327	228,863	39,458	47,006	34,016	872	971	11,147	(11,468)
Loss for the period	(11,482)	(9,219)	-	(9,219)	-	-	-	-	-	(2,263)
Other comprehensive income not to be reclassified to profit or loss in subsequent year, net of tax	289	289	-	-	289	-	289	-	-	-
Total comprehensive (loss)/income	(11,193)	(8,930)	-	(9,219)	289	-	289	-	-	(2,263)
At 30 June 2019	292,666	306,397	228,863	30,239	47,295	34,016	1,161	971	11,147	(13,731)

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 2019 and the accompanying explanatory notes attached to this interim financial report.

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	CUMULATIVE CURRENT YEAR TO DATE 30/6/2020 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2019 RM'000
Profit/(Loss) before taxation	34,216	(8,562)
Adjustments for :		
Depreciation of property, plant and equipment	8,700	7,597
Depreciation of right-of-use assets	359	329
Depreciation of investment properties	212	210
Impairment loss on property, plant and equipment	-	2,612
Fair value gain on short term investment	-	(274)
Loss on fair value changes in biological assets	134	33
Property, plant and equipment written off	-	1,002
Inventories written down	-	106
Allowance for impairment on receivables and contract assets	343	451
Unrealised loss on foreign exchange	263	136
Gain on disposal of property, plant and equipment	(132)	(160)
Gain on disposal of non-current assets held for sale	(969)	-
Gain on disposal of associate company	(31,397)	-
Reversal of allowance for impairment on receivables	(187)	(372)
Amortisation of deferred income	-	(86)
Finance income	(1,724)	(1,804)
Finance costs	2,327	3,937
Dividend income	(2,246)	-
Forfeiture of cylinder deposits payable	(543)	-
Share of results of associate	(2,973)	(2,817)
Operating profit before working capital changes	6,383	2,338
Changes in working capital:		
Inventories	(1,151)	(979)
Trade and other payables	(21,780)	(9,205)
Trade and other receivables	5,454	(1,083)
Contract assets	245	1,878
Contract liabilities	2,171	(238)
	(8,678)	(7,289)
Finance costs - lease liabilities	(78)	(86)
Net tax paid	(1,192)	(2,069)
Net cash used in operating activities	(9,948)	(9,444)
Acquisition of property, plant and equipment	(4,327)	(10,827)
Redemption of short-term investment	-	20,467
Dividends received	2,246	-
Finance income received	1,724	1,804
Proceeds from disposal of property, plant and equipment	217	161
Net proceeds from disposal of non-current assets held for sale	2,741	-
Proceeds from disposal of associate company	80,000	-
Net cash generated from investing activities	82,601	11,605
Increase of deposits pledged with licensed banks	(2,281)	(631)
Finance costs paid	(2,327)	(3,937)
Repayment of lease liabilities	(313)	(274)
Repayment of hire purchase	(111)	(114)
Repayment of term loans	(1,846)	(3,963)
Net repayment of short term borrowings	(20,000)	(33,632)
Net cash used in financing activities	(26,878)	(42,551)
Net increase/(decrease) in cash and cash equivalents	45,775	(40,390)
Cash and cash equivalents at beginning of year	113,609	92,834
Cash and cash equivalents at end of year	159,384	52,444
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following :		
Cash on hand and at banks	96,171	26,300
Deposits with licensed bank	97,512	57,373
	193,683	83,673
Deposits pledged with licensed banks	(34,299)	(31,229)
	159,384	52,444

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 2019 and the accompanying explanatory notes attached to this interim financial report.

KUB MALAYSIA BERHAD

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

1. Basis of preparation and accounting policies

The interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard ("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 2019.

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 2019, except for the mandatory adoption of the following amendments to MFRSs:

Amendments to MFRS 3	Business Combination - Definition of a Business
Amendments to MFRS 7, MFRS 9 and MFRS 139	Financial Instruments - Interest Rate, Benchmark Reform
Amendments to MFRS 101	Presentation of Financial Statements - Definition of Material
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material
Amendments to MFRS 16	Covid-19 Related Rent Concessions

The adoption of the above did not have any significant impact on the interim financial results upon their initial application.

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 financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current	1 January 2022
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

2. Seasonal or cyclicity 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.

3. Items of unusual nature, size or incidence

Save as disclosed below, there were no other unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review and financial period to-date.

- (i) The imposition of the Movement Control Order (MCO) by the Government in response to the COVID-19 pandemic between 18 March 2020 to 9 June 2020 had an adverse impact on business operations across all divisions (as disclosed in Note 13).
- (ii) On 10 June 2020, the Group entered into a Sales and Purchase Agreement to dispose its two (2) oil palm estates in Kluang, Johor (as disclosed in Note 22 of this report). Following this, the Group has classified the carrying amount of the estates as assets held for sale amounting to RM16.0 million.
- (iii) During the current quarter, the Group disposed its 40% equity interest in KUB Berjaya Enviro Sdn Bhd for a total cash consideration of RM80 million. Following this, the Group recognised a gain on disposal of RM31.4 million.

EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

4. Changes in estimates

There were no major changes in estimates that have had a material effect on the financial statements of the current quarter under review and financial period to-date.

5. Debt and equity securities

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

6. Dividends paid

No dividend was paid in the current quarter under review and financial period to-date.

7. Subsequent events

There were no items, transactions or events of a material and unusual nature which have arisen since 30 June 2020 to the date of this announcement which would substantially affect the financial results of the Group for the period ended 30 June 2020 that have not been reflected in the condensed financial statements.

8. Changes in the composition of the Group

On 25 June 2020, the Company has disposed its 40% equity interest in KUB Berjaya Enviro Sdn Bhd comprising 9,000,000 ordinary shares to Berjaya Group Berhad for a total cash consideration of RM80 million. The gain on disposal arising from this transaction is RM31.4 million. Following the disposal, KUBE has therefore ceased to be an associate company of KUB.

Save as disclosed above, there were no other changes in the composition of the Group for the current quarter under review and financial period to-date.

9. Changes in contingent liabilities

There were no changes in contingent liabilities of the Group since the last reported in the audited financial statements.

10. Capital commitments

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

	As at 30/6/2020 RM'000	As at 31/12/2019 RM'000
Property, plant and equipment		
Approved and contracted for	13,766	1,054
Approved but not contracted for	17,867	6,353
	31,633	7,407

11. Related Party Transactions

There were no significant related party transactions reported in the current quarter under review and financial period to-date.

**INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

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 which organised into several divisions i.e. importation, bottling, marketing and distribution of Liquefied Petroleum Gas ("LPG"), oil palm plantation ("Agro"), information and communications technology ("ICT"), construction of substations, transmission lines and interconnection facilities ("Power") and Others. The division's head of each business unit reports directly to the Group Chief Executive Officer who regularly reviews the divisions' results with regards to performance assessment and resource allocations.

Segment information for the current financial period ended 30 June 2020 is as follows:

	LPG	Agro	ICT	Power	Others	Eliminations	Total
RM'000							
Revenue							
External sales	135,562	23,078	9,605	2,146	1,297	-	171,688
Inter-segment sales	-	-	405	-	(12,751)	12,346	-
Total revenue	135,562	23,078	10,010	2,146	(11,454)	12,346	171,688
Results							
Profit/(Loss) from operating activities	1,991	4,007	(410)	(410)	26,668	-	31,846
Finance income	678	21	126	6	893	-	1,724
Finance costs	(382)	(1,939)	(3)	-	(3)	-	(2,327)
Share of results of associates	-	-	-	-	2,973	-	2,973
Profit/(Loss) before tax	2,287	2,089	(287)	(404)	30,531	-	34,216
Zakat	-	-	-	-	-	-	-
Income tax expense	(288)	(226)	(39)	-	(11)	-	(564)
Profit/(Loss) for the period	1,999	1,863	(326)	(404)	30,520	-	33,652

**INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

12. Segmental reporting (cont'd)

Segmental information for the period ended 30 June 2019 is as follows:

<i>RM'000</i>	LPG	Agro	ICT	Power	Others	Eliminations	Total
Revenue							
External sales	173,077	16,981	10,637	1,354	1,427	-	203,476
Inter-segment sales	-	-	150	-	26,136	(26,286)	-
Total revenue	173,077	16,981	10,787	1,354	27,563	(26,286)	203,476
Results							
Profit/(Loss) from operating activities	8,455	(2,858)	(3,307)	(1,089)	(10,447)	-	(9,246)
Finance income	1,179	47	180	16	382	-	1,804
Finance costs	(514)	(3,372)	(12)	(1)	(38)	-	(3,937)
Share of results of associates	-	-	-	-	2,817	-	2,817
Profit/(Loss) before tax	9,120	(6,183)	(3,139)	(1,074)	(7,286)	-	(8,562)
Zakat	31	(48)	-	-	-	-	(17)
Income tax expense	(1,955)	(710)	-	-	(238)	-	(2,903)
Profit/(Loss) for the period	7,196	(6,941)	(3,139)	(1,074)	(7,524)	-	(11,482)

**INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

12. Segmental reporting (cont'd)

Segmental assets and liabilities as at 30 June 2020 as compared with the last annual financial statements:

As at 30 June 2020	LPG	Agro	ICT	Power	Others	Total
RM'000						
Assets						
Segment assets	126,361	164,059	22,545	13,073	195,050	521,088
Non-current assets held for sale	-	16,020	-	-	-	16,020
Total Assets	126,361	180,079	22,545	13,073	195,050	537,108
Liabilities						
Segment liabilities	70,276	91,302	5,172	4,636	7,718	179,104
As at 31 December 2019	LPG	Agro	ICT	Power	Others	Total
RM'000						
Assets						
Segment assets	162,627	187,333	23,841	12,350	110,630	496,781
Investment in associates	-	-	-	-	47,700	47,700
Non-current assets held for sale	-	-	-	-	1,840	1,840
Total Assets	162,627	187,333	23,841	12,350	160,170	546,321
Liabilities						
Segment liabilities	106,516	97,558	3,380	6,491	7,736	221,681

**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 2020, the Group registered revenue of RM171.7 million and a profit after zakat and tax ("PAT") of RM33.7 million as compared to a top line of RM203.5 million and a loss after zakat and tax ("LAT") of RM11.5 million in the corresponding period last year.

The overall Group results in the current period were largely impacted by the depressed global oil market, the imposition of the Movement Control Order (MCO) by the Government due to the COVID-19 pandemic, and gain on disposal of an associate company, KUB Berjaya Enviro Sdn Bhd ("KUBE") of RM31.4 million.

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

LPG Division : The division's revenue declined substantially by 22% or RM37.5 million primarily as a result of a lower average Contract Price ("CP") and weaker sales volume resulting from the adverse impact of the declining crude oil prices and the MCO particularly in the month of April and May. The intense market competition and higher cost of production also caused further margin compression which negatively impacted the overall operating margins for the division.

As a result of this, the sector recorded a substantially lower PAT (by 72%) from RM7.2 million to RM2.0 million.

Agro Division : The revenue grew significantly by 36% or RM6.1 million predominantly due to higher average crude palm oil ("CPO") prices with year-on-year fresh fruit bunches ("FFB") production remaining unchanged. Although the oil palm operations in Sabah were temporarily shutdown during the MCO period, the increase in revenue combined with the absence of contribution from the loss-making Mill in Mukah, Sarawak which was disposed in the previous year, reversed the division's overall performance from a loss position of RM6.9 million in the corresponding period last year to a PAT of RM1.9 million.

Included in the financial results of corresponding period last year was a recognition of impairment loss on the mill's assets amounting to RM2.6 million.

ICT Division : The division's revenue fell by 10% or RM1.0 million primarily due to the reduction in the value of contracts recognised in the current period attributable to the delay in contract fulfillment and commencement for certain projects which were partly disrupted by the MCO. Nevertheless, with the effects of higher operating margins in the current period and higher manpower expenses arising from a staff voluntary separation scheme ("VSS") in the previous year, the division recorded a minimal LAT of RM0.3 million as compared to RM3.1 million in the corresponding period last year.

Power Division : Lower loss in the current period was attributable to higher revenue recognised from a new project which was awarded in the second half of the previous year.

Others : This segment includes the property management businesses for several properties owned by the Group, corporate expenses and share of profit from associate. The favourable results achieved for the division were mainly contributed by a significant gain on disposal of KUBE amounting to RM31.4 million coupled with substantially lower manpower expenses (due to staff rationalisation exercise carried out last year) and a gain on disposal of an office floor amounting to RM0.9 million.

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

	Individual Quarter		%
	3 months 30/6/2020 RM'000	3 months 31/3/2020 RM'000	
Revenue	62,306	109,382	(43.0)
Results			
Profit from operations	27,451	4,395	524.6
Finance income	785	939	
Finance costs	(1,135)	(1,192)	
Share of profit of associates	929	2,044	
Profit before tax	28,030	6,186	353.1
Income tax expense	457	(1,021)	
Profit for the period	28,487	5,165	451.5

The drop of 43% or RM47.1 million in Group's revenue in the current quarter was significantly impacted by a lower average CP due to sharp decline in crude oil prices, lower average CPO as well as FFB production and the imposition of the MCO that led to the subdued consumer demand and various business operational disruptions. The impact of this to the Group's operating results were however offset by the gain on disposal of KUBE of RM31.4 million.

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

15. Prospects

The Group foresees economic uncertainty, market turbulence and weak consumer sentiment to remain as issues throughout FY 2020 mainly due to the COVID-19 pandemic and extreme volatility in global crude oil prices.

The growth in demand for LPG was dampened in March to May 2020 with the implementation of Movement Control Order (MCO) and slowly recovered in June as the MCO eased up gradually. However, the disruption from the COVID-19 situation is expected to persist throughout the next few months, compounded by potential adverse effects from CP instability in the medium term. Notwithstanding, the Group will implement mitigation measures to cushion the impact including enhancing the robustness of our customer and product mix model, improving supply and inventory management capabilities and initiate cost containment efforts across the division.

For the Agro division, although the overall performance has improved following the operational and cost optimisation initiatives that have been carried out combined with the absence of loss making mill, the Group intends to review the position, plan and strategies of the division with priority given to the effective management of our Group's balance sheet and cash flows. In view of this, the Group has decided to monetise the value of its oil palm estate in Kluang, Johor through disposal and would also be able to avoid incurring significant capital expenditure for the disposing estate going forward. The Group will reinvest the proceeds for its operations and expansion of its core businesses and future business opportunities as and when they arise.

The Group has secured a new ICT maintenance contract recently and hopes to expand the Group's telecommunication business and potentially securing higher margin opportunities following the joint venture arrangement with HFR, Inc. ("HFR"). HFR mainly provides telecommunication network infrastructure equipment and services to mobile operators, carriers, enterprises and data centres in the Korean, Japanese and American markets. With HFR, KUBTEL will be able to penetrate the more lucrative segments within the telecommunication industry.

Pre-emptive balance sheet and effective cash flow management will also be the Group's priority in the coming quarters in order to provide us with the resilience to weather the current storm. As such, we will proactively re-assess our capital expenditure plans, tighten up operating expenditure, review investment decisions and re-optimize our capital structure where necessary.

16. Profit forecast / profit guarantee

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

17. 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 2019.

18. Notes to the profit/(loss) before tax

	Current Quarter		Cumulative Quarter	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived after crediting/(charging) - continuing operations:				
Finance income	785	1,089	1,724	1,804
Other income including investment income	881	556	1,342	888
Finance costs	(1,135)	(1,951)	(2,327)	(3,937)
Depreciation and amortisation	(4,660)	(4,081)	(9,271)	(8,136)
Inventories written down	-	46	-	(106)
(Write-off)/(Impairment)/reversal on receivables (net)	(177)	334	(156)	355
Gain on disposal of property, plant and equipment	37	61	132	160
Gain on disposal of assets held for sale	67	-	969	-
Gain on disposal of associate company	31,397	-	31,397	-
Gain on disposal of short-term investments	-	-	-	274
Foreign exchange gain/(loss)				
- realised	(76)	(3)	(110)	12
- unrealised	(21)	213	(263)	(136)

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.

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

19. Gains or losses arising from fair value changes of financial liabilities

There were no material gains or losses arising from changes on the fair values of financial liabilities for the current quarter under review.

20. Tax

	3 months ended		6 months ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current tax	(457)	1,263	564	2,912
Deferred tax:				
Current	-	9	-	(9)
	<u>(457)</u>	<u>1,272</u>	<u>564</u>	<u>2,903</u>

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

21. Group borrowings and debt securities

<i>RM'000</i>	As at 30 June 2020		
	Long Term	Short Term	Total Borrowings
Secured			
Term loans	70,657	3,098	73,755
Revolving Credit	-	8,000	8,000
Hire purchase payables	275	215	490
	70,932	11,313	82,245
<i>RM'000</i>	As at 30 June 2019		
	Long Term	Short Term	Total Borrowings
Secured			
Term loans	110,344	8,850	119,194
Revolving Credit	-	11,100	11,100
Bankers acceptances/Trust Receipts	-	2,209	2,209
Hire purchase payables	490	227	717
	110,834	22,386	133,220

22. Status of corporate proposals

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

On 10 June 2020, KUB Agro Holdings Sdn Bhd, a wholly-owned subsidiary of KUB Ekuiti Sdn Bhd, which in turn is a wholly-owned subsidiary of KUB, had entered into a conditional Sale and Purchase Agreement with Beradin Plantation Sdn Bhd for the disposal of two oil palm estates known as Kahang Estate and Sungai Yong Estate measuring in aggregate 2,656.16 hectares for a total cash consideration of RM158,000,000 ("Proposed Disposal").

The Proposed Disposal is expected to be completed in the first quarter of financial year 2021.

23. Dividend Declared

No dividend has been declared for the quarter under review.

**INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

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

24. Material litigation

Save as disclosed below, there were no other material litigation matters involving the Company and/or its subsidiaries as at the latest practicable date of this quarterly report.

On 28 November 2019, a winding up petition was filed in the High Court at Shah Alam against a subsidiary, KUB Sepadu Sdn Bhd ("KUB Sepadu") by its minority shareholders, Medan Sepadu Sdn Bhd and Lembaga Amanah Kebajikan Kaum Melanau Sarawak ("Minority Shareholders").

On 2 December 2019, the Minority Shareholders filed an application for the appointment of interim liquidators for KUB Sepadu. The High Court granted the order for the appointment of interim liquidators on 9 December 2019 ("Order for IL").

The Winding Up Petition together with the Order for IL was served on KUB Sepadu on 16 December 2019.

On 18 December 2019, KUB Agro Holdings Sdn Bhd, the immediate holding company of KUB Sepadu as the Opposing Contributory filed an application to set aside the Order for IL ("Setting Aside Application"). On 20 December 2019, the High Court granted a stay on the Order for IL pending the disposal of the Winding Up Petition and/ or Setting Aside Application.

The court hearing which was fixed on 4 March 2020, 18 May 2020 and 27 July 2020 did not proceed and was adjourned to 22 September 2020.

The Group sought legal advice in respect of this matter and believes that it has good grounds to defend and contest against the case.

25. Earnings per share

(a) Basic earnings per share

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

	3 months ended		6 months ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	RM'000	RM'000	RM'000	RM'000
Earnings for the period attributable to owners of the parent	28,448	(9,150)	33,379	(9,219)
Weighted average number of ordinary shares in issue ('000)	556,465	556,465	556,465	556,465
Basic earnings/(loss) per share (sen)	5.11	(1.64)	6.00	(1.66)

(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.

By Order of the Board

Sharina Saidon
Mohamat Yusof Abu Bakar
Company Secretaries

27 August 2020