



**Interim Financial Report on
Unaudited Consolidated Results for the
Third Quarter Ended
30 September 2012**

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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 2012

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/9/2012 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2011 RM'000	CURRENT YEAR TO DATE 30/9/2012 RM'000	PRECEDING YEAR CORRESPONDING TO DATE 30/9/2011 RM'000
Revenue	191,628	181,639	604,249	521,896
Operating expenses	(194,383)	(186,505)	(618,055)	(536,027)
Other operating income	4,036	9,761	7,983	18,696
Results from operating activities	<u>1,281</u>	<u>4,895</u>	<u>(5,823)</u>	<u>4,565</u>
Impairment losses	(1,087)	(14,738)	(1,087)	(14,738)
Finance income	1,060	1,279	2,313	2,816
Finance costs	(1,954)	(4,113)	(6,145)	(9,192)
Share of profit of associates	1,378	773	4,863	2,294
(Loss) / Profit before tax	<u>678</u>	<u>(11,904)</u>	<u>(5,879)</u>	<u>(14,255)</u>
Income tax expense	(107)	(348)	(1,864)	(2,572)
(Loss) / Profit for the period	<u>571</u>	<u>(12,252)</u>	<u>(7,743)</u>	<u>(16,827)</u>
Other comprehensive income:				
Net gain / (loss) on available-for-sale financial assets	14	(1,349)	195	(1,463)
Foreign currency translation	244	(1,466)	(155)	66
Total comprehensive income for the period	<u>829</u>	<u>(15,067)</u>	<u>(7,703)</u>	<u>(18,224)</u>
(Loss) / Profit attributable to:				
Owners of the parent	(837)	(12,858)	(7,632)	(19,123)
Non-controlling interest	1,408	606	(111)	2,296
	<u>571</u>	<u>(12,252)</u>	<u>(7,743)</u>	<u>(16,827)</u>
Total comprehensive income attributable to:				
Owners of the parent	(579)	(15,673)	(7,592)	(20,520)
Non-controlling interest	1,408	606	(111)	2,296
	<u>829</u>	<u>(15,067)</u>	<u>(7,703)</u>	<u>(18,224)</u>
Loss per share attributable to owners of the parent (sen) :				
- Basic and diluted	<u>(0.15)</u>	<u>(2.31)</u>	<u>(1.37)</u>	<u>(3.44)</u>

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

KUB MALAYSIA BERHAD

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED AS AT END OF CURRENT QUARTER 30/9/2012 RM'000	AUDITED AS AT PRECEDING FINANCIAL YEAR END 31/12/2011 RM'000
Assets		
Property, plant and equipment	128,923	137,331
Land held for property development	4,607	4,605
Plantation development expenditure	38,549	39,268
Investment properties	52,546	54,122
Investment in associates	20,964	19,702
Other investments	4,538	4,343
Intangible assets	2,565	3,547
Deferred tax assets	4,877	5,050
Total non-current assets	257,569	267,968
Inventories	21,439	23,610
Trade and other receivables	197,481	183,963
Derivative financial asset	-	260
Tax recoverable	1,128	1,412
Cash and bank balances	163,330	164,128
Total current assets	383,378	373,373
Assets classified as held for sale	-	39
Total Assets	640,947	641,380
Equity		
Share capital	222,586	222,586
Reserves	46,999	46,959
Retained earnings	5,484	13,116
Total equity attributable to owners of the parent	275,069	282,661
Non-controlling interest	15,330	20,349
Total equity	290,399	303,010
Liabilities		
Borrowings	44,205	48,803
Deferred tax liabilities	14,600	15,000
Total non-current liabilities	58,805	63,803
Trade and other payables	203,302	188,029
Provision for tax	2,625	3,570
Borrowings	85,563	82,968
Derivative financial liability	253	-
Total current liabilities	291,743	274,567
Total liabilities	350,548	338,370
Total equity and liabilities	640,947	641,380
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.49	0.51

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

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Attributable to owners of the parent →												
	← Non-distributable reserves →												
	Share capital RM'000	Share premium RM'000	Capital reserve RM'000	Capital redemption reserve RM'000	Translation reserve RM'000	Premium paid on acquisition of non-controlling interests RM'000	Fair value adjustment reserve RM'000	Merger reserve RM'000	Revaluation reserve RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January 2012	222,586	5,965	34,016	312	353	(7,019)	2,185	11,147	-	13,116	282,661	20,349	303,010
Total comprehensive income	-	-	-	-	(155)	-	195	-	-	(7,632)	(7,592)	(111)	(7,703)
Capital reduction in subsidiary	-	-	-	-	-	-	-	-	-	-	-	(4,500)	(4,500)
Dividend paid to minority interest at subsidiary	-	-	-	-	-	-	-	-	-	-	-	(408)	(408)
At 30 September 2012	222,586	5,965	34,016	312	198	(7,019)	2,380	11,147	-	5,484	275,069	15,330	290,399
At 1 January 2011	222,586	5,965	34,016	312	(204)	(8,248)	2,273	11,147	4,613	78,920	351,380	22,167	373,547
Total comprehensive income	-	-	-	-	66	-	(1,463)	-	-	(19,123)	(20,520)	2,296	(18,224)
Total transaction with owners:													
Acquisition of non-controlling interests	-	-	-	-	-	1,229	-	-	-	-	1,229	(2,729)	(1,500)
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	257	257
Realisation of reserves	-	-	-	-	-	-	-	-	(4,613)	4,613	-	-	-
Total transaction with owners	-	-	-	-	-	1,229	-	-	(4,613)	4,613	1,229	(2,472)	(1,243)
Dividend paid	-	-	-	-	-	-	-	-	-	(10,016)	(10,016)	(900)	(10,916)
At 30 September 2011	222,586	5,965	34,016	312	(138)	(7,019)	810	11,147	-	54,394	322,073	21,091	343,164

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

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT YEAR YEAR TO DATE 30/9/2012 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2011 RM'000
Loss before taxation	(5,879)	(14,255)
Adjustments for :		
Depreciation of property, plant and equipment	12,354	8,794
Depreciation of investment property	636	297
Amortisation of plant development expenses	1,864	2,073
Amortisation of intangible assets	339	241
Gain on disposal of property, plant and equipment	(2,571)	(4,702)
Gain on disposal of subsidiaries	(15)	(3,459)
Share of profit of associates	(4,863)	(2,293)
Impairment losses	1,807	14,738
Others	2,533	693
Operating profit / (loss) before working capital changes	6,205	2,127
Changes in working capital:		
Inventories	2,171	7,318
Receivables	(12,491)	20,984
Payables	10,228	(8,619)
	(92)	19,683
Tax paid	(3,036)	(173)
Net cash (used in)/generated from operating activities	3,077	21,637
Acquisition of property, plant and equipment	(4,487)	(37,901)
Acquisition of non-controlling interest	-	(1,500)
Disposal of subsidiaries, net of cash disposed	24	2,938
Disposal of property, plant and equipment, net of cash disposed	3,914	-
Dividend received	3,810	354
Increase in plantation development expenditure	(1,145)	(4,393)
Interest received	2,313	2,816
Other investing activities	(2)	(2)
Net cash used in investing activities	4,427	(37,688)
Changes in deposit pledged with licensed banks	(9,658)	5,813
Dividend paid	-	(10,916)
Interest paid	(6,145)	(9,192)
Net (repayment)/drawdown of term loan	(5,299)	-
Net (repayment)/drawdown of short term borrowings	(9,047)	10,039
Other financing activities	-	27,138
Net cash generated from/(used in) financing activities	(30,149)	22,882
Net increase/(decrease) in cash and cash equivalents	(22,645)	6,831
Effect in exchange rate fluctuations on cash held	(155)	617
Cash and cash equivalents at beginning of period	85,764	69,044
Cash and cash equivalents at end of period	62,964	76,492
Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following:		
Cash in hand and at banks	44,787	29,501
Deposits (excluding deposits pledged)	71,759	102,609
Bank overdrafts	(53,582)	(55,618)
	62,964	76,492

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

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INTERIM FINANCIAL REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

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

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

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

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

Malaysian Financial Reporting Standards

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

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

Based on MASB announcement on 30 June 2012, Transitioning Entities will be allowed to defer the adoption of the new MFRS Framework from the previous adoption date of 1 January 2013 to 1 January 2014. Consequently, the adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2014. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

2. Audit report of the preceding annual financial statements

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

3. Seasonal or cyclicity of operations

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

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

4. Items of unusual nature, size or incidence

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 structure

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

7. Dividends paid

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

8. Segment reporting

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

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

	ICT RM'000	Energy RM'000	Food RM'000	Agro RM'000	PEC RM'000	Others RM'000	Eliminations RM'000	Total RM'000
Revenue								
External sales	73,303	370,907	54,978	29,031	75,654	376	-	604,249
Inter-segment sales	484	-	116	-	1,865	9,685	(12,150)	-
Total revenue	<u>73,787</u>	<u>370,907</u>	<u>55,094</u>	<u>29,031</u>	<u>77,519</u>	<u>10,061</u>	<u>(12,150)</u>	<u>604,249</u>
Results								
(Loss)/Profit from operations	165	3,760	(9,848)	10,332	(1,106)	30,475	(40,688)	(6,910)
Interest income	246	533	-	358	1,025	1,019	(868)	2,313
Finance costs	(650)	(66)	(33)	(440)	(4,141)	(1,683)	868	(6,145)
Share of profit of associates	-	-	-	-	-	-	4,863	4,863
Profit / (Loss) before tax	(239)	4,227	(9,881)	10,250	(4,222)	29,811	(35,825)	(5,879)
Income tax expense	527	-	-	(2,275)	(107)	(9)	-	(1,864)
Profit / (Loss) for the period	288	4,227	(9,881)	7,975	(4,329)	29,802	(35,825)	(7,743)

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

ICT Sector : This sector recorded a loss before tax of RM0.2 million as compared to a loss before tax of RM2.5 million in the previous year on the back of higher revenue from RM58.0 million in corresponding period last year to RM73.3 million this year. Despite the higher revenue, the gross profit margin remain thin for ICT sector. In view of the changing landscape of the ICT industry, the management is taking efforts to focus on seeking projects that could ensure continuous revenue pattern.

Energy Sector : Revenue grew by 17% in the current period as compared to preceding year due to higher sales volume and Government subsidy despite higher LPG cost in the current period. The increase in revenue has resulted in an increase of profit before tax by RM3.2 million. The Group is currently exploring other business within the oil and gas industry and expand market share through mergers and acquisitions.

Food Sector : During the current period, this sector experienced a decline in its loss for the period by RM15.5 million as compared to corresponding period last year mainly due to provision for impairment of assets of RM10.9 million in the preceding year. The strategy to close down non performing outlets have shown positive results as the sector managed to reduce the losses.

Agro Sector : Revenue for the period declined 22% as compared to preceding year due to lower FFB production by 10% and lower FFB price. Consequently, the profit before tax fell from RM18.0 million in the preceding year to RM10.3 million this year. The Group plan to increase the size of the plantation land and move into downstream activities to enhance income and profit margins.

PEC Sector : This sector recorded a higher loss as compared to loss before tax of RM2.2 million in the preceding year mainly as a result of delay in projects execution. Close supervision and strict monitoring are done at project sites to ensure that the projects are progressing according to schedule in order to meet the completion deadlines. Efforts are also been made to participate in other projects that can contribute continuous income for the group.

9. Notes to profit/(loss) before tax

	9 months ended 30/9/2012 RM'000	9 months ended 30/9/2011 RM'000
Profit/(loss) before tax is arrived after crediting/(charging):		
Other income including investment income	3,024	4,210
Gain on disposal of subsidiary	15	3,459
Gain on disposal of property, plant and equipment	2,571	345
Foreign exchange gain	1,079	1,004
Interest income	2,313	2,816
Gain on derivatives	513	253
Depreciation and amortisation	(15,193)	(11,405)
Interest expense	<u>(6,145)</u>	<u>(9,192)</u>

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

10. Carrying amount of revalued assets

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

11. Subsequent events

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

12. Changes in the composition of the group

On 16 April 2012, Bina Alam Bersatu Sdn Bhd, a 55% subsidiary of the Group, had disposed of its 100% equity interest in Bina Alam Bersatu Development Sdn Bhd for a cash consideration of RM24,871.

On 6 July 2012, Villa-Annexe Sdn Bhd ("VASB"), a dormant subsidiary of the Group which is held through the Company's wholly-owned subsidiary, KUB Ekuiti Sdn Bhd, has been struck off from the register pursuant to Section 308 (4) of the Companies Act, 1965 with effect from 6 July 2012.

The striking-off of VASB is part of the Group's rationalisation and streamlining exercise and has no material effect to the Group for the financial year ending 31 December 2012.

Save as disclosed above, there were no other changes in the composition of the Group during the period under review.

13. Capital commitments

There are no capital commitments except as disclosed below:

	9 months ended 30/9/2012 RM'000
Capital expenditure:	
Property, plant and equipment	
Approved and contracted for	25,549
Approved but not contracted for	<u>9,807</u>

14. Contingent liabilities

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

15. Tax

	3 months ended		9 months ended	
	30/9/2012	30/9/2011	30/9/2012	30/9/2011
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
Current tax	634	(421)	2,391	1,803
Over provision in prior year	(527)	(350)	(527)	(350)
	<u>107</u>	<u>(771)</u>	<u>1,864</u>	<u>1,453</u>
Deferred tax:				
Current	-	-	-	-
Under/(over) provision in prior year	-	1,119	-	1,119
	<u>-</u>	<u>1,119</u>	<u>-</u>	<u>1,119</u>
	<u>107</u>	<u>348</u>	<u>1,864</u>	<u>2,572</u>

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

16. Status of corporate proposals

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

17. Group borrowings and debt securities

		As at end of current quarter 30/9/2012 RM'000
<u>Non-current</u>		
Term loans	- secured	43,290
Finance leases		915
		<u>44,205</u>
<u>Current</u>		
Term loans	- secured	6,498
Bank overdrafts	- secured	53,582
Bankers' acceptances / Trust receipts	- secured	25,066
Finance leases		417
		<u>85,563</u>

18. Material litigation

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

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

During the current quarter, the Group recorded a profit before tax of RM0.7 million as compared to a loss before tax of RM2.9 million in the immediate preceding quarter, due to gain on disposal of properties of RM2.5 million in this quarter.

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

For current financial period ended 30 September 2012, the Group recorded a revenue of RM604.2 million and a loss before tax of RM5.9 million as compared to revenue of RM521.9 million and a loss before tax of RM14.3 million in the previous year corresponding period. Included in the corresponding period last year was impairment loss of assets amounted to RM10.9 million at subsidiary level and impairment loss on goodwill of subsidiaries amounted to RM3.9 million.

21. Prospects

The Group expects to face a very challenging operating environment in the coming quarter. Eventhough it is expected that Agro and Energy sector will contribute positively, weak performances from the Food, ICT and PEC sectors will adversely affect the Group's year end results.

22. Profit forecast / profit guarantee

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

23. Dividends

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

24. Realised and Unrealised Profit/(Losses)

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

	As at 30/9/2012 RM'000	As at 31/12/2011 RM'000
Total accumulated loss of the Company and its subsidiaries		
- Realised	(551,811)	(580,587)
- Unrealised	(9,723)	(9,597)
Total share of retained earnings from associated companies		
- Realised	16,929	12,444
- Unrealised	(1,742)	(1,742)
	(546,347)	(579,482)
Group consolidation adjustments	551,831	592,598
Total Group retained earnings as per consolidated financial statements	<u>5,484</u>	<u>13,116</u>

25. Loss per share

(a) Basic loss per share

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

		3 months ended		9 months ended	
		30/9/2012	30/9/2011	30/9/2012	30/9/2011
Loss for the period attributable to owners of the parent	(RM'000)	(837)	(12,858)	(7,632)	(19,123)
Weighted average number of ordinary shares in issue	('000)	556,465	556,465	556,465	556,465
Basic loss per share	(sen)	(0.15)	(2.31)	(1.37)	(3.44)

(b) Diluted loss per share

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

26. Related Party Transactions

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

	9 months ended 30/9/2012 RM'000
Transactions with Jeks Engineering Sdn Bhd, a major shareholder of Precast Products Sdn Bhd with 30% equity interest, a Company with interested directors:	
- Sales of precast products	14,749
Transactions with Jeks Engineering Pte Ltd, a wholly own subsidiary of Jeks Engineering Sdn Bhd which in turn is a major shareholder of Precast Products Sdn Bhd with 30% equity interest, a Company with interested directors:	
- Sales of precast products	9,460
Transactions with Jeks Trading Sdn Bhd, a wholly own subsidiary of Jeks Engineering Sdn Bhd which in turn is a major shareholder of Precast Products Sdn Bhd with 30% equity interest, a Company with interested directors:	
- Purchase of raw materials	<u>(11,093)</u>

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

By Order of the Board

WAN NURZALIZA WAN OTHMAN
Company Secretary
27 November 2012