

KBES BERHAD

(Company No: 597132 A)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

KBES BERHAD

(Company No: 597132 A)

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AND ITS SUBSIDIARIES

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

	CURRENT QUARTER		CUMULATIVE QUARTER	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014
	RM'000	RM'000	RM'000	RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue (Restated)	10,529	12,183	18,653	27,318
Cost of sales (Restated)	(7,995)	(10,365)	(15,681)	(23,996)
Gross profit	<u>2,534</u>	<u>1,818</u>	<u>2,972</u>	<u>3,322</u>
Other income	533	18	539	105
Administrative expenses	(2,886)	(1,557)	(4,518)	(2,653)
Selling and distribution expenses	(5)	(11)	(24)	(23)
(Loss)/Profit from operations	<u>176</u>	<u>268</u>	<u>(1,031)</u>	<u>751</u>
Finance costs	(126)	(72)	(223)	(147)
(Loss)/Profit before taxation	<u>50</u>	<u>196</u>	<u>(1,254)</u>	<u>604</u>
Taxation	(21)	(108)	353	(402)
(Loss)/Profit for the financial period	<u>29</u>	<u>88</u>	<u>(901)</u>	<u>202</u>
Other comprehensive income, net of taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the financial period	<u>29</u>	<u>88</u>	<u>(901)</u>	<u>202</u>
(Loss)/Profit after taxation attributable to:-				
Owners of the Company	30	89	(898)	204
Non-controlling interests	(1)	(1)	(3)	(2)
	<u>29</u>	<u>88</u>	<u>(901)</u>	<u>202</u>
Total comprehensive (loss)/income attributable to:-				
Owners of the Company	30	89	(898)	204
Non-controlling interests	(1)	(1)	(3)	(2)
	<u>29</u>	<u>88</u>	<u>(901)</u>	<u>202</u>
Basic (loss)/earnings per ordinary share (sen) (Note B13)	0.02	0.07	(0.71)	0.16

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	AS AT 30/06/2015 RM'000 (Unaudited)	AS AT 31/12/2014 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	64,094	61,475
Goodwill on consolidation	-	-
Deferred tax assets	1,253	900
Total non-current assets	65,347	62,375
Current assets		
Inventories	8,466	9,886
Trade and other receivables	13,069	11,028
Tax recoverable	1,421	1,222
Fixed deposits with licensed banks	79	129
Cash and bank balances	1,080	676
Total current assets	24,115	22,941
TOTAL ASSETS	89,462	85,316
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	63,000	63,000
Reserves	(7,967)	(7,069)
Shareholders' funds	55,033	55,931
Non-controlling interests	769	772
TOTAL EQUITY	55,802	56,703
Non-current liabilities		
Loans and borrowings	8,509	1,852
Deferred tax liabilities	3,781	3,781
Total non-current liabilities	12,290	5,633
Current liabilities		
Trade and other payables	12,798	15,069
Amount owing to directors	4,438	4,500
Loans and borrowings	4,134	3,396
Tax payables	-	15
Total current liabilities	21,370	22,980
TOTAL LIABILITIES	33,660	28,613
TOTAL EQUITY AND LIABILITIES	89,462	85,316
Net assets per ordinary share of RM0.50 each (RM)	0.44	0.45

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

	← Attributable to owners of the Company →					
	Share Capital RM'000	Non-Distributable Reserve - Share Premium RM'000	Distributable Reserve - Accumulated Losses RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
As at 1 January 2014	63,000	6,145	(12,404)	56,741	776	57,517
Profit/(Loss) for the period (Cumulative)	-	-	204	204	(2)	202
As at 30 June 2014	<u>63,000</u>	<u>6,145</u>	<u>(12,200)</u>	<u>56,945</u>	<u>774</u>	<u>57,719</u>
As at 1 January 2015	63,000	6,145	(13,214)	55,931	772	56,703
Profit/(Loss) for the period (Cumulative)	-	-	(898)	(898)	(3)	(901)
As at 30 June 2015	<u>63,000</u>	<u>6,145</u>	<u>(14,112)</u>	<u>55,033</u>	<u>769</u>	<u>55,802</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

	Year To Date 30/06/2015 RM'000 (Unaudited)	Year To Date 30/06/2014 RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(1,254)	604
Adjustments for:-		
Amortisation of leasehold land and building	64	62
Bad debts recovered	(75)	-
Depreciation of property, plant and equipment	1,706	3,398
Effect of changes in residual value for property, plant and equipment	(1,912)	-
Loss on disposal of property, plant and equipment	1,700	456
Interest expenses	223	147
Interest income	(9)	(1)
Operating profit before working capital changes	443	4,666
Changes in working capital:-		
Inventories	1,420	5,124
Trade and other receivables	(1,967)	(1,678)
Trade and other payables	(2,270)	(6,196)
Cash generated from operations	(2,374)	1,916
Tax paid	(357)	-
Tax refund	142	(1,151)
Net Operating Cash Flows	(2,589)	765
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	9	1
Proceeds from disposal of property, plant and equipment	-	111
Purchase of property, plant and equipment	(4,176)	(1,494)
Net Investing Cash Flows	(4,167)	(1,382)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(223)	(147)
Repayment to directors	(61)	-
Drawdown/(Repayment) of hire purchase payables, net	2,335	(133)
Drawdown/(Repayment) of term loans, net	5,859	691
Net Financing Cash Flows	7,910	411
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,154	(206)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	(2,080)	(1,233)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	(926)	(1,439)
ANALYSIS OF CASH AND CASH EQUIVALENTS:-		
Cash and bank balances	1,080	1,413
Fixed deposits with licensed banks	79	77
Bank overdrafts	(2,085)	(2,929)
	(926)	(1,439)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM FINANCIAL REPORT

Part A - Explanatory Notes Pursuant to MFRS 134 INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

This interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 and Appendix 9B of the Listing Requirements of the Bursa Malaysia Securities Berhad. The interim financial statements are in compliance with the Malaysian Financial Reporting Standards ("MFRSs") and Issue Committee Interpretation ("IC Int.").

This interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2014.

The accounting policies and methods of computation adopted for the interim financial report are consistent with those of the audited financial statements for the year ended 31 December 2014.

The Group had adopted the following amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:-

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 8	Operating Segments
MFRS 13	Fair Value Measurement
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 138	Intangible Assets
MFRS 140	Investment Property

The Group has not adopted the following new MFRSs and amendments/improvements to MFRSs that have been issued by the MASB as at the date of authorisation of this interim financial report but are not yet effective for the Group:-

New MFRSs

MFRS 9	Financial Instruments	
MFRS 15	Revenue from Contracts with Customers	1 January 2018 1 January 2017

Amendments/Improvements to MFRSs

MFRS 5	Non-current Asset Held for Sale and Discontinued Operations	1 January 2016
MFRS 7	Financial Instruments: Disclosures	1 January 2016
MFRS 10	Consolidated Financial Statements	1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosures of Interests in Other Entities	1 January 2016
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 116	Property, Plant and Equipment	1 January 2016
MFRS 119	Employee Benefits	1 January 2016
MFRS 127	Separate financial statements	1 January 2016
MFRS 128	Investments in Associates and Joint Ventures	1 January 2016
MFRS 134	Interim Financial Reporting	1 January 2016
MFRS 138	Intangible Assets	1 January 2016
MFRS 141	Agriculture	1 January 2016

A2. Auditors' Report on Preceding Annual Financial Statements

There were no audit qualifications on the annual financial statements for the year ended 31 December 2014.

A3. Seasonal or Cyclical Factors

The Group's operations were not materially affected by any major seasonal or cyclical factors.

A4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the quarter under review.

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NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

Part A - Explanatory Notes Pursuant to MFRS 134 INTERIM FINANCIAL REPORTING (Continued)

A5. Material Changes in Estimates

During the current financial period, the Management adopted new residual value of RM30,000 each to its fleet of buses in the current quarter from a nominal value of RM1 in order to reflect more accurate valuation of its assets at the end of its depreciation period.

A6. Debt and Equity Securities

There are no issuance and repayment of debts and equity securities during the current quarter.

A7. Dividend Paid

There was no dividend paid during the quarter under review.

A8. Segmental Information

The segmental reporting by business units based on their products and services provided is set out as follows:-

(a) For the six (6) months ended 30 June 2015

	6 months ended 30/6/2015				Consolidated RM'000
	Investment holding RM'000	Express Bus Services RM'000	Fabrication of Coach Bodies and Maintenance Services RM'000	Elimination RM'000	
Revenue					
External customers	81	15,860	2,712	-	18,653
Inter-segment revenue	120	-	5,537	(5,657)	-
Total revenue	201	15,860	8,249	(5,657)	18,653
Results					
Segment results	839	1,344	117	(1,571)	729
Depreciation and amortisation	(145)	(1,573)	(212)	161	(1,769)
Finance costs	-	(100)	(123)	-	(223)
Interest income	-	-	9	-	9
Tax expense	-	-	-	353	353
Consolidated loss after taxation					(901)

(b) For the six (6) months ended 30 June 2014

	6 months ended 30/6/2014				Consolidated RM'000
	Investment holding RM'000	Express Bus Services RM'000	Fabrication of Coach Bodies and Maintenance Services RM'000	Elimination RM'000	
Revenue					
External customers	81	18,142	9,095	-	27,318
Inter-segment revenue	120	-	1,366	(1,486)	-
Total revenue	201	18,142	10,461	(1,486)	27,318
Results					
Segment results	85	2,745	1,653	(273)	4,210
Depreciation and amortisation	(114)	(3,198)	(195)	47	(3,460)
Finance costs	-	(14)	(133)	-	(147)
Interest income	-	-	1	-	1
Tax expense	(25)	-	(377)	-	(402)
Consolidated profit after taxation					202

(c) No geographical segment is presented as the Group operates principally in Malaysia.

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NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

Part A - Explanatory Notes Pursuant to MFRS 134 INTERIM FINANCIAL REPORTING (Continued)

A9. Valuation of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2014.

A10. Subsequent Events

There were no material events subsequent to the end of the current financial quarter, which is likely to substantially affect the results of the Group.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial quarter.

A12. Contingent Liabilities

The Group has no material contingent liabilities as at the date of this announcement.

A13. Capital Commitments

There were no capital commitments that have a material effect in the current quarter ended 31 March 2015.

A14. Significant Related Party Transactions

More Team Venture Sdn Bhd

Rental of bus depot

6 months ended
30/06/2015
RM'000

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All the above transactions were carried out on agreed terms and conditions in the ordinary course of business of the Group.

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of Performance

	Quarter ended 30/06/2015 RM'000	Quarter ended 30/06/2014 RM'000
Revenue from:-		
Investment holding	100	101
Express bus services	7,941	8,127
Assembly and maintenance of coaches and air-conditioners	2,698	4,015
	<u>10,739</u>	<u>12,243</u>
Inter segment elimination	(210)	(60)
	<u>10,529</u>	<u>12,183</u>
Profit before taxation	<u>50</u>	<u>196</u>

The Express bus division recorded marginal decline in ticket sales in the 2nd quarter of 2015 as compared to the previous corresponding year. However, the Assembly and Maintenance division suffered a decline in revenue of 32.8% against the previous year's corresponding quarter due to lower sale of new buses.

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NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (Continued)

B2. Comparison with the Preceding Quarter's Results

	Quarter ended 30/06/2015 RM'000 (Unaudited)	Quarter ended 31/03/2015 RM'000 (Unaudited)
Revenue from :		
Express bus services	7,941	7,919
Assembly and maintenance of coaches and air-conditioners	2,698	5,551
Investment holding	100	101
	<u>10,739</u>	<u>13,571</u>
Inter segment elimination	(210)	(5,447)
	<u>10,529</u>	<u>8,124</u>
Profit before taxation	<u>50</u>	<u>(1,304)</u>

The Group's Qtr 2, 2015 results improved significantly against the previous quarter due to external sale of buses in the Assembly & Maintenance Division.

B3. Prospects

The long overdue upward revision of new fares for passenger bus tickets have yet to materialise to date. This delay has continued to weight down the profitability and cash flow of the bus operators as the operating costs continue to rise. The depreciation in the Ringgit will also inevitably affect new bus orders and the cost of imported spare parts. The Group has also recorded negative financial and cash flow impact due to the implementation of the Goods and Services Tax (GST) as it operates in a Tax Exempt category and is unable to recover most of its GST paid to vendors from the bus passengers.

B4. Profit Forecast or Profit Guarantee

The Group did not issue any profit forecast or profit guarantee in the current quarter or in the prior financial year.

B5. Taxation

	(Expense)/Credit	
	Current year quarter 30/06/2015 RM'000	Current year to-date 30/06/2015 RM'000
Income tax	-	-
Deferred tax	(21)	353
	<u>(21)</u>	<u>353</u>

The Group's effective tax rate was higher compared to the statutory taxation rate mainly due to certain non-tax deductible expenses.

B6. Disposal of Unquoted Investments and/or Properties

There were no disposals of unquoted investments or material properties during the current quarter under review.

B7. Quoted Securities

There were no acquisitions or disposals of quoted securities during the current quarter under review.

B8. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this announcement.

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NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (Continued)

B9. Group Borrowings

The details of the Group's loans and borrowing, all of which are denominated in Ringgit Malaysia, as at 31 March 2015 are as follows:-

	RM'000
Short term:-	
Hire purchase payables	838
Term loans	1,211
Bank overdraft	2,085
	<u>4,134</u>
Long term:-	
Hire purchase payables	1,848
Term loans	6,661
	<u>8,509</u>

The bank overdrafts and term loans are secured by way of:-

- (i) first party legal charges over leasehold properties of subsidiaries;
- (ii) third party legal charge over landed properties of a subsidiaries;
- (iii) corporate guarantee by the Company.

B10. Off Balance Sheet Financial Instruments

There was no financial instrument with off-balance sheet risk as at the date of this announcement applicable to the Group.

B11. Material Litigation

There were no material litigation pending as at the date of this announcement.

B12. Dividends

The Board of Directors do not recommend any dividend for the current quarter under review.

B13. (Loss)/Earnings Per Share

- (a) Basic (loss)/earnings per share

	Current quarter ended 30/06/2015	Corresponding quarter ended 30/06/2014	Current year to-date ended 30/06/2015	Corresponding year to-date ended 30/06/2014
Net profit/(loss) attributable to shareholders (RM '000)	30	89	(898)	204
Number of ordinary shares in issue ('000)	126,000	126,000	126,000	126,000
Basic (loss)/earnings per ordinary share (sen)	<u>0.02</u>	<u>0.07</u>	<u>(0.71)</u>	<u>0.16</u>

The basic earnings per ordinary share is calculated by dividing the consolidated net profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the financial period.

- (b) Diluted earnings per share

The basic and diluted loss per share are equal as the Group has no dilutive potential ordinary shares outstanding as at 31 March 2015.

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NOTES TO THE INTERIM FINANCIAL REPORT (Continued)

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (Continued)

B14. Disclosure of realised and unrealised profits or losses

The breakdown of accumulated losses of the Group as at 31 March 2015, into realised and unrealised is as follows:-

	As at 30/06/2015 RM'000	As at 31/12/2014 RM'000
Total accumulated losses:-		
- realised	(10,530)	(9,779)
- unrealised	<u>(2,527)</u>	<u>(2,823)</u>
	(13,057)	(12,602)
Add:		
Consolidation adjustments	<u>(1,055)</u>	<u>(612)</u>
Total accumulated losses	<u><u>(14,112)</u></u>	<u><u>(13,214)</u></u>

The disclosure of realised and unrealised accumulated losses is made based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

B15. The interim financial statements were authorised for issue by the Board of Directors in accordance with resolution of the Directors.

BY ORDER OF THE BOARD

JESSLYN ONG BEE FANG (MAICSA 7020672)
ERIC TOH CHEE SEONG (MAICSA 7016178)
Company Secretaries

Perak
26 June 2015