

KBES BERHAD

(Company No: 597132 A)

(Incorporated in Malaysia)

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

KBES BERHAD

(Company No: 597132 A)

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AND ITS SUBSIDIARIES

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

CONTENTS	PAGES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	4
Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING	5
Part B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD	7

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(Company No: 597132 A)

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AND ITS SUBSIDIARIES

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

	CURRENT QUARTER		CUMULATIVE QUARTER	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	7,201	14,965	25,854	42,283
Cost of sales	(8,283)	(14,699)	(23,964)	(38,695)
Gross profit	<u>(1,082)</u>	<u>266</u>	<u>1,890</u>	<u>3,588</u>
Other income	216	439	755	544
Administrative expenses	(2,070)	(1,495)	(6,588)	(4,148)
Selling and distribution expenses	(12)	(9)	(36)	(32)
(Loss)/Profit from operations	<u>(2,948)</u>	<u>(799)</u>	<u>(3,979)</u>	<u>(48)</u>
Finance costs	(228)	(160)	(451)	(307)
(Loss)/Profit before taxation	<u>(3,176)</u>	<u>(959)</u>	<u>(4,430)</u>	<u>(355)</u>
Taxation	291	200	644	(202)
(Loss)/Profit for the financial period	<u><u>(2,885)</u></u>	<u><u>(759)</u></u>	<u><u>(3,786)</u></u>	<u><u>(557)</u></u>
Other comprehensive income, net of taxation	-	-	-	-
Total comprehensive (loss)/income for the financial period	<u><u>(2,885)</u></u>	<u><u>(759)</u></u>	<u><u>(3,786)</u></u>	<u><u>(557)</u></u>
(Loss)/Profit after taxation attributable to:-				
Owners of the Company	(2,885)	(758)	(3,783)	(554)
Non-controlling interests	-	(1)	(3)	(3)
	<u><u>(2,885)</u></u>	<u><u>(759)</u></u>	<u><u>(3,786)</u></u>	<u><u>(557)</u></u>
Total comprehensive (loss)/income attributable to:-				
Owners of the Company	(2,885)	(758)	(3,783)	(554)
Non-controlling interests	-	(1)	(3)	(3)
	<u><u>(2,885)</u></u>	<u><u>(759)</u></u>	<u><u>(3,786)</u></u>	<u><u>(557)</u></u>
Basic (loss)/earnings per ordinary share (sen) (Note B13)	(2.29)	(0.60)	(3.00)	(0.44)

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.

KBES BERHAD

(Company No: 597132 A)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	AS AT 30/09/2015 RM'000 (Unaudited)	AS AT 31/12/2014 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	64,535	61,475
Goodwill on consolidation	-	-
Deferred tax assets	1,423	900
Total non-current assets	65,958	62,375
Current assets		
Inventories	6,297	9,886
Trade and other receivables	11,411	11,028
Tax recoverable	1,079	1,222
Fixed deposits with licensed banks	81	129
Cash and bank balances	1,509	676
Total current assets	20,377	22,941
TOTAL ASSETS	86,335	85,316
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	63,000	63,000
Reserves	(10,852)	(7,069)
Shareholders' funds	52,148	55,931
Non-controlling interests	769	772
TOTAL EQUITY	52,917	56,703
Non-current liabilities		
Loans and borrowings	7,974	1,852
Deferred tax liabilities	3,659	3,781
Total non-current liabilities	11,633	5,633
Current liabilities		
Trade and other payables	11,925	15,069
Amount owing to directors	4,430	4,500
Loans and borrowings	5,430	3,396
Tax payables	-	15
Total current liabilities	21,785	22,980
TOTAL LIABILITIES	33,418	28,613
TOTAL EQUITY AND LIABILITIES	86,335	85,316
Net assets per ordinary share of RM0.50 each (RM)	0.42	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.

KBES BERHAD

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AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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)	-	-	(554)	(554)	(3)	(557)
As at 30 September 2014	<u>63,000</u>	<u>6,145</u>	<u>(12,958)</u>	<u>56,187</u>	<u>773</u>	<u>56,960</u>
As at 1 January 2015	63,000	6,145	(13,214)	55,931	772	56,703
Profit/(Loss) for the period (Cumulative)	-	-	(3,783)	(3,783)	(3)	(3,786)
As at 30 September 2015	<u>63,000</u>	<u>6,145</u>	<u>(16,997)</u>	<u>52,148</u>	<u>769</u>	<u>52,917</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.

KBES BERHAD

(Company No: 597132 A)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

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

	Year To Date 30/09/2015 RM'000 (Unaudited)	Year To Date 30/09/2014 RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(4,430)	(355)
Adjustments for:-		
Amortisation of leasehold land and building	96	96
Bad debts recovered	(75)	-
Depreciation of property, plant and equipment	2,657	5,005
Effect of changes in residual value for property, plant and equipment	(1,912)	-
Loss on disposal of property, plant and equipment	2,200	446
Impairment loss on trade receivables	450	-
Interest expenses	451	307
Interest income	(11)	(5)
Operating profit before working capital changes	(574)	5,494
Changes in working capital:-		
Inventories	3,589	6,583
Trade and other receivables	(758)	(907)
Trade and other payables	(3,144)	(9,275)
Cash generated from operations	(887)	1,895
Tax paid	(1,160)	-
Tax refund	1,287	(1,477)
Net Operating Cash Flows	(760)	418
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	11	5
Proceeds from disposal of property, plant and equipment	-	170
Purchase of property, plant and equipment	(6,101)	(1,551)
Net Investing Cash Flows	(6,090)	(1,376)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(451)	(307)
Repayment to directors	(70)	-
Drawdown/(Repayment) of hire purchase payables, net	2,176	(165)
Drawdown/(Repayment) of term loans, net	5,521	663
Net Financing Cash Flows	7,176	191
NET CHANGE IN CASH AND CASH EQUIVALENTS	326	(767)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	(2,080)	(1,233)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	(1,754)	(2,000)
ANALYSIS OF CASH AND CASH EQUIVALENTS:-		
Cash and bank balances	1,509	628
Fixed deposits with licensed banks	81	78
Bank overdrafts	(3,344)	(2,706)
	(1,754)	(2,000)

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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AND ITS SUBSIDIARIES

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.

KBES BERHAD

(Company No: 597132 A)

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AND ITS SUBSIDIARIES

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 nine (9) months ended 30 September 2015

	9 months ended 30/9/2015				
	Investment holding RM'000	Express Bus Services RM'000	Fabrication of Coach Bodies and Maintenance Services RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External customers	121	23,283	2,450	-	25,854
Inter-segment revenue	180	-	8,345	(8,525)	-
Total revenue	301	23,283	10,795	(8,525)	25,854
Results					
Segment results	1,191	1,284	(904)	(2,357)	(786)
Depreciation and amortisation	(219)	(2,480)	(322)	268	(2,753)
Finance costs	-	(167)	(284)	-	(451)
Impairment loss on trade receivables	-	(450)	-	-	(450)
Interest income	-	-	11	-	11
Tax expense	6	154	(39)	522	643
Consolidated loss after taxation					(3,786)

(b) For the nine (9) months ended 30 September 2014

	9 months ended 30/9/2014				
	Investment holding RM'000	Express Bus Services RM'000	Fabrication of Coach Bodies and Maintenance Services RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External customers	122	30,644	11,517	-	42,283
Inter-segment revenue	180	-	1,366	(1,546)	-
Total revenue	302	30,644	12,883	(1,546)	42,283
Results					
Segment results	90	5,072	159	(273)	5,048
Depreciation and amortisation	(188)	(4,691)	(293)	71	(5,101)
Finance costs	-	(14)	(293)	-	(307)
Interest income	-	-	5	-	5
Tax expense	(32)	(8)	(162)	-	(202)
Consolidated profit after taxation					(557)

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

KBES BERHAD

(Company No: 597132 A)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

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 30 September 2015.

A14. Significant Related Party Transactions

	9 months ended 30/09/2015 RM'000
More Team Venture Sdn Bhd	
Rental of bus depot	<u>108</u>

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 30/09/2015 RM'000	Quarter ended 30/09/2014 RM'000
Revenue from:-		
Investment holding	100	101
Express Bus Division	7,423	12,502
Assembly and Maintenance Division	<u>2,546</u>	<u>2,422</u>
	10,069	15,025
Inter segment elimination	<u>(2,868)</u>	<u>(60)</u>
	<u>7,201</u>	<u>14,965</u>
Profit before taxation	<u>(3,176)</u>	<u>(959)</u>

The Express Bus Division recorded a 41% reduction in Ticket Sales in the 3rd quarter as compared to the previous corresponding quarter. The eagerly anticipated approval for bus fare increase did not materialise. Furthermore the passenger bus industry as a whole suffered a significant drop year on year in passenger volume.

Although the Assembly and Maintenance division has recorded similar revenue for the quarter against the corresponding quarter in previous year, most of the revenue from the servicing and assembly of buses were internally driven.

KBES BERHAD

(Company No: 597132 A)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

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 30/09/2015 RM'000 (Unaudited)	Quarter ended 30/06/2015 RM'000 (Unaudited)
Revenue from :		
Express Bus Division	7,423	7,941
Assembly and Maintenance Division	2,546	2,698
Investment holding	100	100
	<u>10,069</u>	<u>10,739</u>
Inter segment elimination	<u>(2,868)</u>	<u>(210)</u>
	<u>7,201</u>	<u>10,529</u>
Profit/loss before taxation	<u>(3,176)</u>	<u>50</u>

In Quarter 2, the group recorded external sales in the Assembly & Maintenance Division, while most of the revenue achieved in Quarter 3 was internally driven.

B3. Prospects

The entire express bus industry has suffered badly from rising costs, stagnant ticket prices, significant reduction of passengers volume and competition from other mode of transportation such as rail and low fare airlines.

The Group has identified several business opportunities that will improve the revenue and margin yield per kilometre on its fleet of buses that will be implemented in early 2016.

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

	<u>(Expense)/Credit</u>	
	Current year quarter 30/09/2015 RM'000	Current year to-date 30/09/2015 RM'000
Income tax	-	-
Deferred tax	291	644
	<u>291</u>	<u>644</u>

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.

KBES BERHAD

(Company No: 597132 A)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

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 30 September 2015 are as follows:-

	RM'000
Short term:-	
Hire purchase payables	850
Term loans	1,236
Bank overdraft	3,344
	<u>5,430</u>
Long term:-	
Hire purchase payables	1,676
Term loans	6,298
	<u>7,974</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 subsidiary;
- (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 30/09/2015	Corresponding quarter ended 30/09/2014	Current year to-date ended 30/09/2015	Corresponding year to-date ended 30/09/2014
Net profit/(loss) attributable to shareholders (RM'000)	(2,885)	(758)	(3,783)	(554)
Number of ordinary shares in issue ('000)	126,000	126,000	126,000	126,000
Basic (loss)/earnings per ordinary share (sen)	<u>(2.29)</u>	<u>(0.60)</u>	<u>(3.00)</u>	<u>(0.44)</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 30 September 2015.

KBES BERHAD

(Company No: 597132 A)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

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 30 September 2015, into realised and unrealised is as follows:-

	As at 30/09/2015 RM'000	As at 31/12/2014 RM'000
Total accumulated losses:-		
- realised	(13,197)	(9,779)
- unrealised	<u>(2,237)</u>	<u>(2,823)</u>
	(15,434)	(12,602)
Add:		
Consolidation adjustments	<u>(1,563)</u>	<u>(612)</u>
Total accumulated losses	<u><u>(16,997)</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 November 2015