

KBES BERHAD

(Company No: 597132 A)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

KBES BERHAD

(Company No: 597132 A)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	CURRENT QUARTER		CUMULATIVE QUARTER	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	6,064	7,201	22,953	25,854
Cost of sales	(5,398)	(8,283)	(20,337)	(23,964)
Gross profit	666	(1,082)	2,616	1,890
Other income	682	216	917	755
Administrative expenses	(1,996)	(2,070)	(6,309)	(6,588)
Selling and distribution expenses	(25)	(12)	(173)	(36)
(Loss)/Profit from operations	(673)	(2,948)	(2,949)	(3,979)
Finance costs	(260)	(228)	(806)	(451)
(Loss)/Profit before taxation	(933)	(3,176)	(3,755)	(4,430)
Taxation	(225)	291	(213)	644
(Loss)/Profit for the financial period	(1,158)	(2,885)	(3,968)	(3,786)
Other comprehensive income, net of taxation	-	-	-	-
Total comprehensive (loss)/income for the financial period	(1,158)	(2,885)	(3,968)	(3,786)
(Loss)/Profit after taxation attributable to:-				
Owners of the Company	(1,360)	(2,885)	(4,167)	(3,783)
Non-controlling interests	202	-	199	(3)
	(1,158)	(2,885)	(3,968)	(3,786)
Total comprehensive (loss)/income attributable to:-				
Owners of the Company	(1,360)	(2,885)	(4,167)	(3,783)
Non-controlling interests	202	-	199	(3)
	(1,158)	(2,885)	(3,968)	(3,786)
Basic (loss)/earnings per ordinary share (sen) (Note B13)	(1.08)	(2.29)	(3.31)	(3.00)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	AS AT 30/09/2016 RM'000 (Unaudited)	AS AT 31/12/2015 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	57,701	61,476
Goodwill on consolidation	-	-
Deferred tax assets	1,445	1,497
Total non-current assets	59,146	62,973
Current assets		
Inventories	3,465	6,166
Trade and other receivables	5,024	6,062
Tax recoverable	1,139	901
Fixed deposits with licensed banks	-	81
Cash and bank balances	356	985
Total current assets	9,984	14,195
TOTAL ASSETS	69,130	77,168
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	63,000	63,000
Reserves	(22,974)	(18,807)
Shareholders' funds	40,026	44,193
Non-controlling interests	966	767
TOTAL EQUITY	40,992	44,960
Non-current liabilities		
Loans and borrowings	6,037	7,616
Deferred tax liabilities	2,607	2,695
Total non-current liabilities	8,644	10,311
Current liabilities		
Trade and other payables	12,341	14,916
Loans and borrowings	7,153	6,961
Tax payables	-	20
Total current liabilities	19,494	21,897
TOTAL LIABILITIES	28,138	32,208
TOTAL EQUITY AND LIABILITIES	69,130	77,168
Net assets per ordinary share of RM0.50 each (RM)	0.33	0.36

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 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 SEPTEMBER 2016

	← 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 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>
As at 1 January 2016	63,000	6,145	(24,952)	44,193	767	44,960
Profit /(Loss) for the period (Cumulative)	-	-	(4,167)	(4,167)	199	(3,968)
As at 30 September 2016	<u>63,000</u>	<u>6,145</u>	<u>(29,119)</u>	<u>40,026</u>	<u>966</u>	<u>40,992</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 2015 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 SEPTEMBER 2016

	Year To Date 30/09/2016 RM'000 (Unaudited)	Year To Date 30/09/2015 RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(3,755)	(4,430)
Adjustments for:-		
Amortisation of leasehold land and building	93	96
Bad debts recovered	-	(75)
Depreciation of property, plant and equipment	3,363	2,657
Effect of changes in residual value for property, plant and equipment	-	(1,912)
(Gain)/Loss on disposal of property, plant and equipment	(396)	2,200
Impairment loss on trade receivables	-	450
Interest expenses	806	451
Interest income	(3)	(11)
Operating profit before working capital changes	108	(574)
Changes in working capital:-		
Inventories	2,701	3,589
Trade and other receivables	1,037	(758)
Trade and other payables	(2,911)	(3,144)
Cash generated from operations	935	(887)
Tax paid	(507)	(1,160)
Tax refund	-	1,287
Net Operating Cash Flows	428	(760)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3	11
Proceeds from disposal of property, plant and equipment	1,561	-
Purchase of property, plant and equipment	(846)	(6,101)
Net Investing Cash Flows	718	(6,090)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(806)	(451)
Advances from directors	336	(70)
(Repayment)/Drawdown of hire purchase payables, net	(490)	2,176
(Repayment)/Drawdown of term loans, net	(930)	5,521
Net Financing Cash Flows	(1,890)	7,176
NET CHANGE IN CASH AND CASH EQUIVALENTS	(744)	326
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	(3,871)	(2,080)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	(4,615)	(1,754)
ANALYSIS OF CASH AND CASH EQUIVALENTS:-		
Cash and bank balances	356	1,509
Fixed deposits with licensed banks	-	81
Bank overdrafts	(4,971)	(3,344)
	(4,615)	(1,754)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 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 2015. 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 2015.

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 2015.

The Group had adopted the following MFRSs, Interpretations and amendments that are mandatory for the current financial year:-

Amendments/Improvements to MFRSs

- MFRS 14, Regulatory Deferral Accounts*
- Amendments to MFRS 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investments Entities: Applying the Consolidation Exception
- Amendments to MFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101, Presentation of Financial Statements – Disclosure Initiative
- Amendments to MFRS 116, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012-2014 Cycle)
- Amendments to MFRS 127, Separate Financial Statements - Equity Method in Separate Financial Statements
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

The Group has not adopted the following MFRSs, Interpretations and amendments 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	Effective for financial period beginning on or
MFRS 15	Revenue from Contracts with Customers	1 January 2018
		1 January 2018

A2. Auditors' Report on Preceding Annual Financial Statements

There were no audit qualifications on the annual financial statements for the year ended 31 December 2015.

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

There were no changes in estimates used for accounting estimates which may have a material effect for the current quarter under review.

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 2016

	9 months ended 30/9/2016				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	121	20,371	2,461	-	22,953
Inter-segment revenue	180	-	1,355	(1,535)	-
Total revenue	<u>301</u>	<u>20,371</u>	<u>3,816</u>	<u>(1,535)</u>	<u>22,953</u>
Results					
Segment results	<u>447</u>	<u>2,830</u>	<u>(2,855)</u>	<u>(314)</u>	<u>108</u>
Depreciation and amortisation	(221)	(3,451)	(314)	530	(3,456)
Finance costs	-	(424)	(382)	-	(806)
Gain on disposal of property, plant and equipment	-	396	-	-	396
Interest income	-	-	3	-	3
Tax expense	-	(161)	-	(52)	(213)
Consolidated loss after taxation					<u><u>(3,968)</u></u>

(b) For the nine (9) months ended 30 September 2015

	9 months ended 30/9/2015				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	121	23,283	2,450	-	25,854
Inter-segment revenue	180	-	8,345	(8,525)	-
Total revenue	<u>301</u>	<u>23,283</u>	<u>10,795</u>	<u>(8,525)</u>	<u>25,854</u>
Results					
Segment results	<u>1,191</u>	<u>1,284</u>	<u>(904)</u>	<u>(2,357)</u>	<u>(786)</u>
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					<u><u>(3,786)</u></u>

(c) No geographical segment is presented as the Group is 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 2015.

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 2016.

A14. Significant Related Party Transactions

	9 months ended 30/09/2016 RM'000
Arca Corporation Sdn Bhd	
Rental of Corporate Office	150
Arca Securities Sdn Bhd	
Security services	163

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 30/09/2016 RM'000	Quarter ended 30/09/2015 RM'000
Revenue from:-		
Investment holding	100	100
Express bus services	5,979	7,423
Assembly and maintenance of coaches and air-conditioners	150	2,546
	6,229	10,069
Inter segment elimination	(165)	(2,868)
	6,064	7,201
Profit/(loss) before taxation	(933)	(3,176)

The Group's revenue for the quarter ended 30 Sept 2016 was RM5.98Mil, a decrease of 19.4% over the previous corresponding quarter. This was mainly due to the reorganisation and restructuring of the express bus division on the routes where non profitable and low margin routes were suspended.

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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

The Group posted lower loss before tax of RM0.9Mil against the preceding quarter loss before tax of RM1.8Mil, although revenue fell by 14% quarter on quarter as a result of the restructuring of the express bus routes and cost optimisation exercise being implemented throughout the Group

B3. Prospects

The Group has embarked on a cost rationalisation initiatives since the start of the year to address falling margins and rising costs. The route profitability of the express bus divisions and the ticket selling channels are being revamped in the second half of 2016 to increase margins. The Group has also announced recently the strategic tie up with a foreign partner to be their exclusive distributor to sell buses. This will enable the Group to utilise its assembly facilities to assemble these buses.

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 30/09/2016 RM'000	Current year to-date 30/09/2016 RM'000
Income tax	(249)	(249)
Deferred tax	24	36
	<u>(225)</u>	<u>(213)</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.

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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 30 September 2016 are as follows:-

	RM'000
Short term:-	
Hire purchase payables	878
Term loans	1,304
Bank overdraft	4,971
	<u>7,153</u>
Long term:-	
Hire purchase payables	995
Term loans	5,042
	<u>6,037</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 leasehold 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 30/09/2016	Corresponding quarter ended 30/09/2015	Current year to-date ended 30/09/2016	Corresponding year to-date ended 30/09/2015
Net profit/(loss) attributable to shareholders (RM '000)	(1,360)	(2,885)	(4,167)	(3,783)
Number of ordinary shares in issue ('000)	126,000	126,000	126,000	126,000
Basic (loss)/earnings per ordinary share (sen)	<u>(1.08)</u>	<u>(2.29)</u>	<u>(3.31)</u>	<u>(3.00)</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 2016.

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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 30 September 2016, into realised and unrealised is as follows:-

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
Total accumulated losses:-		
- realised	(27,922)	(21,970)
- unrealised	(1,162)	(1,198)
	<u>(29,084)</u>	<u>(23,168)</u>
Add:		
Consolidation adjustments	(35)	(1,784)
Total accumulated losses	<u>(29,119)</u>	<u>(24,952)</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
23 November 2016