

KBES BERHAD

(Company No: 597132 A)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

KBES BERHAD

(Company No: 597132 A)

(Incorporated in Malaysia)

AND ITS SUBSIDIARIES

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	CURRENT QUARTER		CUMULATIVE QUARTER	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	RM'000	RM'000	RM'000	RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	6,129	9,833	6,129	9,833
Cost of sales	(5,704)	(8,759)	(5,704)	(8,759)
Gross profit	<u>425</u>	<u>1,074</u>	<u>425</u>	<u>1,074</u>
Other income	395	20	395	20
Administrative expenses	(1,115)	(1,782)	(1,115)	(1,782)
Selling and distribution expenses	(25)	(30)	(25)	(30)
Loss from operations	<u>(320)</u>	<u>(718)</u>	<u>(320)</u>	<u>(718)</u>
Finance costs	(273)	(240)	(273)	(240)
Loss before taxation	<u>(593)</u>	<u>(958)</u>	<u>(593)</u>	<u>(958)</u>
Taxation	18	36	18	36
Loss for the financial period	<u>(575)</u>	<u>(922)</u>	<u>(575)</u>	<u>(922)</u>
Other comprehensive income, net of taxation	-	-	-	-
Total comprehensive loss for the financial period	<u>(575)</u>	<u>(922)</u>	<u>(575)</u>	<u>(922)</u>
Loss after taxation attributable to:-				
Owners of the Company	(574)	(921)	(574)	(921)
Non-controlling interests	(1)	(1)	(1)	(1)
	<u>(575)</u>	<u>(922)</u>	<u>(575)</u>	<u>(922)</u>
Total comprehensive loss attributable to:-				
Owners of the Company	(574)	(921)	(574)	(921)
Non-controlling interests	(1)	(1)	(1)	(1)
	<u>(575)</u>	<u>(922)</u>	<u>(575)</u>	<u>(922)</u>
Basic loss per ordinary share (sen)	(0.46)	(0.73)	(0.46)	(0.73)
(Note B13)				

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	AS AT 31/3/2017 RM'000 (Unaudited)	AS AT 31/12/2016 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	67,321	68,063
Trade and other receivables	1,231	1,256
Total non-current assets	<u>68,552</u>	<u>69,319</u>
Current assets		
Inventories	2,793	2,398
Trade and other receivables	12,630	14,224
Tax recoverable	15	808
Fixed deposits with licensed banks	-	-
Cash and bank balances	416	607
Assets classified as held for sale	6,180	6,180
Total current assets	<u>22,034</u>	<u>24,217</u>
TOTAL ASSETS	<u>90,586</u>	<u>93,536</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	63,000	63,000
Reserves	(6,511)	(5,936)
Shareholders' funds	56,489	57,064
Non-controlling interests	962	962
TOTAL EQUITY	<u>57,451</u>	<u>58,026</u>
Non-current liabilities		
Loans and borrowings	5,136	5,700
Deferred tax liabilities	6,100	6,193
Total non-current liabilities	<u>11,236</u>	<u>11,893</u>
Current liabilities		
Trade and other payables	13,400	14,893
Loans and borrowings	8,479	8,700
Tax payables	20	24
Total current liabilities	<u>21,899</u>	<u>23,617</u>
TOTAL LIABILITIES	<u>33,135</u>	<u>35,510</u>
TOTAL EQUITY AND LIABILITIES	<u>90,586</u>	<u>93,536</u>
Net assets per ordinary share of RM0.50 each (RM)	<u>0.46</u>	<u>0.46</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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 31 MARCH 2017

	Attributable to owners of the Company					Non-controlling Interests RM'000	Total RM'000	Total Equity RM'000
	Share Capital RM'000	Non-Distributable Reserve - Share Premium RM'000	Non-Distributable Reserve - Revaluation Reserves RM'000	Distributable Reserve - Accumulated Losses RM'000	Total RM'000			
As at 1 January 2016	63,000	6,145	-	(24,952)	44,193	767	44,960	
Profit/(Loss) for the period (Cumulative)	-	-	-	(921)	(921)	(1)	(922)	
As at 31 March 2016	63,000	6,145	-	(25,873)	43,272	766	44,038	
As at 1 January 2017	63,000	6,145	16,045	(28,127)	57,063	963	58,026	
Profit/(Loss) for the period (Cumulative)	-	-	-	(574)	(574)	(1)	(575)	
As at 31 March 2017	63,000	6,145	16,045	(28,701)	56,489	962	57,451	

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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 31 MARCH 2017

	Year To Date 31/3/2017 RM'000 (Unaudited)	Year To Date 31/3/2016 RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(593)	(958)
Adjustments for:-		
Amortisation of leasehold land and building	64	31
Depreciation of property, plant and equipment	692	1,215
Fair value adjustments of other receivables	(25)	-
Interest expenses	273	240
Interest income	(2)	(1)
Operating profit before working capital changes	409	527
Changes in working capital:-		
Inventories	(396)	2,345
Trade and other receivables	1,644	(1,969)
Trade and other payables	(1,497)	(106)
Cash generated from operations	160	797
Tax paid	(20)	(334)
Tax refund	734	-
Net Operating Cash Flows	874	463
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2	1
Purchase of property, plant and equipment	(13)	(769)
Net Investing Cash Flows	(11)	(768)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(273)	(240)
Advances from directors	4	692
(Repayment)/Drawdown of hire purchase payables, net	(181)	(166)
(Repayment)/Drawdown of term loans, net	(326)	(344)
Net Financing Cash Flows	(776)	(58)
NET CHANGE IN CASH AND CASH EQUIVALENTS	87	(363)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	(6,107)	(3,871)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	(6,020)	(4,234)
ANALYSIS OF CASH AND CASH EQUIVALENTS:-		
Cash and bank balances	416	575
Fixed deposits with licensed banks	-	82
Bank overdrafts	(6,436)	(4,891)
	(6,020)	(4,234)

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial

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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 2016. 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 2016.

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 2016.

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

Amendments/Improvements to MFRSs

Effective date

- Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i>	1 January 2017
- Amendments to MFRS 107 <i>Disclosure Initiatives</i>	1 January 2017
- Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017

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

Effective date

- Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred
- Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2018
- Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
- Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraph 46 and 48
- Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014-2016 Cycle</i>	1 January 2018
- MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
- MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
- Clarification to MFRS 15	1 January 2018
- IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
- Amendments to MFRS 140 <i>Transfer of Investment Property</i>	1 January 2018
- MFRS 16 <i>Leases</i>	1 January 2019

A2. Auditors' Report on Preceding Annual Financial Statements

There were no audit qualifications on the annual financial statements for the year ended 31 December 2016.

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 belows:-

(a) For the three (3) months ended 31 March 2017

	3 months ended 31/03/2017				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	40	6,088	1	-	6,129
Inter-segment revenue	60	-	203	(263)	-
Total revenue	<u>100</u>	<u>6,088</u>	<u>204</u>	<u>(263)</u>	<u>6,129</u>
Results					
Segment results	<u>307</u>	<u>897</u>	<u>(770)</u>	-	434
Depreciation and amortisation	(254)	(781)	(76)	355	(756)
Finance costs	(37)	(117)	(119)	-	(273)
Interest income	-	-	2	-	2
Tax expense	(14)	117	-	(85)	18
Consolidated loss after taxation					<u>(575)</u>

(b) For the three (3) months ended 31 March 2016

	3 months ended 31/03/2016				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	41	7,396	2,396	-	9,833
Inter-segment revenue	60	-	1,178	(1,238)	-
Total revenue	<u>101</u>	<u>7,396</u>	<u>3,574</u>	<u>(1,238)</u>	<u>9,833</u>
Results					
Segment results	<u>444</u>	<u>926</u>	<u>(529)</u>	(314)	527
Depreciation and amortisation	(74)	(1,237)	(105)	170	(1,246)
Finance costs	-	(112)	(128)	-	(240)
Interest income	-	-	1	-	1
Tax (credit)/expense	-	-	-	36	36
Consolidated Loss after taxation					<u>(922)</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

There were no valuation of property, plant and equipment during the current financial quarter.

A10. Subsequent Events

On 28 April 2017, KBES Berhad through its wholly-owned subsidiary namely Super Coach Assembly Plant Sdn Bhd (SCAP") has entered into a KD Cooperation Agreement with Beiqi Foton Motor Co., Ltd. (FOTON) a company incorporated under the laws of People's Republic of China to assemble FOTON buses for the purpose of direct sales to the end-users or/and sales to the authorized wholesalers and/or retailers in Malaysia.

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 2017.

A14. Significant Related Party Transactions

There were no significant related party transactions in the current quarter ended 31 March 2017.

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

B1. Review of Performance

	Quarter ended 31/3/2017 RM'000	Quarter ended 31/3/2016 RM'000
Revenue from:-		
Investment holding	100	101
Express bus services	6,088	7,396
Assembly and maintenance of coaches and air-conditioners	204	3,574
	<u>6,392</u>	<u>11,071</u>
Inter segment elimination	(263)	(1,238)
	<u>6,129</u>	<u>9,833</u>
Loss before taxation	<u>(593)</u>	<u>(958)</u>

The Group recorded revenue of RM6.1mil for the quarter ended 31 March 2017 a decrease of 38% as compared to the previous year corresponding quarter. The Loss before taxation has also been improved to RM593k in the current quarter as compared with RM958k for the quarter ended 31 March 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)

B2. Comparison with the Preceding Quarter's Results

The Group posted a lower revenue of RM6.1Mil in the current quarter against revenue of RM11Mil recorded in the preceding quarter. The Group also recorded a loss before tax of RM593k against the previous quarter profit before tax of RM1.2 Mil.

B3. Prospects

The group is in the process of upgrading an online ticketing platform to increase ticket sales. It will provide the customer with a one stop location for ticketing booking and information of refurbished bus for sales.

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 31/3/2017 RM'000	Current year to-date 31/3/2017 RM'000
Income tax	(75)	(75)
Deferred tax	93	93
	<u>18</u>	<u>18</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 31 March 2017 are as follows:-

	RM'000
Short term:-	
Hire purchase payables	659
Term loans	1,384
Bank overdraft	6,436
	<u>8,479</u>
Long term:-	
Hire purchase payables	837
Term loans	4,299
	<u>5,136</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 31/3/2017	Corresponding quarter ended 31/3/2016	Current year to-date ended 31/3/2017	Corresponding year to-date ended 31/3/2016
Net loss attributable to shareholders (RM '000)	(574)	(921)	(574)	(921)
Number of ordinary shares in issue ('000)	126,000	126,000	126,000	126,000
Basic loss per ordinary share (sen)	<u>(0.46)</u>	<u>(0.73)</u>	<u>(0.46)</u>	<u>(0.73)</u>

The basic loss 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 2017.

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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 2017, into realised and unrealised is as follows:-

	As at 31/3/2017 RM'000	As at 31/12/2016 RM'000
Total accumulated losses:-		
- realised	(22,872)	(21,902)
- unrealised	<u>(6,100)</u>	<u>(6,193)</u>
	(28,972)	(28,095)
Add:		
Consolidation adjustments	271	(32)
Total accumulated losses	<u><u>(28,701)</u></u>	<u><u>(28,127)</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 a resolution of the Directors.

BY ORDER OF THE BOARD

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

Perak
25 May 2017