

10. ACCOUNTANTS' REPORT

(Prepared for inclusion in this Prospectus)



AF: 0039

■ **Chartered Accountants**

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ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus to be dated 25 May 2007)

18 April 2007

The Board of Directors
Konsortium Transnasional Berhad
No. 38, Jalan Chow Kit,
50350 Kuala Lumpur.

Dear Sirs,

I. INTRODUCTION

This Report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus to be dated 25 May 2007 in connection with the proposed offer for sale of the Konsortium Transnasional Berhad ("KTB") shares in conjunction with the listing of KTB on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

KTB was incorporated for the sole purpose of facilitating the restructuring scheme of Park May Berhad ("Park May") ("Restructuring Scheme of Park May") whereby KTB will be listed on the Main Board of the Bursa Securities, in place of Park May which will be delisted.

The Restructuring Scheme of Park May comprises the following:

(a) Acquisition of Six (6) Companies

Acquisition of six (6) subsidiaries of Kumpulan Kenderaan Malaysia Berhad ("KKMB"), namely Kenderaan Langkasuka Sdn Bhd, Kenderaan Klang Banting Berhad, Kenderaan Labu Sendayan Sdn Bhd, Starise Sdn Bhd, Syarikat Rembau Tampin Sdn Bhd and Transnasional Express Sdn Bhd, by KTB, the company which will assume the listing status of Park May pursuant to the Restructuring Scheme of Park May, for a total purchase consideration of RM85,055,614.50 satisfied by the issuance of 170,111,229 new ordinary shares of RM0.50 each ("Shares") in KTB at an issue price of RM0.50 per Share;

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1. INTRODUCTION (CONTD.)**(b) Voluntary Offer of SKMK**

Voluntary offer by KTB to acquire all the issued and paid-up share capital of Syarikat Kenderaan Melayu Kelantan Berhad ("SKMK"), a subsidiary of KKMB, comprising 7,250,620 ordinary shares of RM1.00 each satisfied by the issuance of 72,506,200 new Shares in KTB at an issue price of RM0.50 per Share on the basis of ten (10) new Shares in KTB for every one (1) existing ordinary share of RM1.00 each held in SKMK;

(c) Voluntary Offer of Keramat

Voluntary offer by KTB to acquire all the issued and paid-up share capital of Tanjong Keramat Temerloh Utara Omnibus Berhad ("Keramat"), a subsidiary of KKMB, comprising 1,054,653 ordinary shares of RM1.00 each satisfied by the issuance of 7,382,571 new Shares in KTB at an issue price of RM0.50 per Share on the basis of seven (7) new Shares in KTB for every one (1) existing ordinary share of RM1.00 each held in Keramat;

(Kenderaan Langkasuka Sdn Bhd, Kenderaan Klang Banting Berhad, Kenderaan Labu Sendayan Sdn Bhd, Starise Sdn Bhd, Syarikat Rembau Tampin Sdn Bhd, Transnasional Express Sdn Bhd, SKMK and Keramat are collectively to be referred to as "Eight Bus Companies")

(Items (a), (b) and (c) are collectively to be referred to as "Acquisition of Bus Companies")

The Acquisition of Bus Companies have been completed during the financial year ended 31 December 2005.

(d) Proposed Share Exchange

Proposed exchange of all the 74,996,022 ordinary shares of RM1.00 each in Park May with 49,997,348 new Shares in KTB on the basis of two (2) new Shares in KTB for every three (3) existing ordinary shares of RM1.00 each held in Park May;

(e) Proposed Shares Cancellation

Proposed cancellation of all the issued and paid-up share capital of Park May comprising 74,996,022 existing ordinary shares of RM1.00 each pursuant to Section 64 of the Companies Act, 1965 and the credit arising therefrom to be applied in paying up in full at par 74,996,022 new ordinary shares of RM1.00 each in Park May to be allotted and issued to KTB;

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1. INTRODUCTION (CONTD.)

(f) Proposed Debt Restructuring

Proposed debt restructuring of the entire RM63.0 million outstanding Commercial Papers ("CP") of Park May by way of canceling RM63.0 million of the CP outstanding and the issuance of RM63.0 million nominal value of irredeemable convertible secured loan stocks ("ICSLS") by KTB;

(g) General Offer ("GO") Waiver

Waiver to KKMB and parties acting in concert with it from the obligation to extend an unconditional mandatory GO for all the remaining Shares not already owned by them in KTB after the Acquisitions of Bus Companies and the Proposed Share Exchange;

(h) Proposed Offer For Sale

Proposed offer for sale of 35.0 million Shares in KTB held by KKMB to the Malaysian public / investors to comply with the public shareholding spread requirement; and

(i) Proposed Transfer of Listing Status

Proposed admission of KTB to the Official List with the listing of the entire enlarged issued and paid-up share capital of KTB on the Main Board of Bursa Securities and delisting of Park May.

II. GENERAL CORPORATE INFORMATION

1. KTB

KTB was incorporated in Malaysia under the Companies Act, 1965 on 5 June 2003 as a public company.

The principal activity of the Company is investment holding.

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II. GENERAL CORPORATE INFORMATION (CONTD.)**2. SUBSIDIARIES**

At the date of this Report, the subsidiaries of KTB are as follows:

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital RM	Principal Activities	Effective Equity Interest %
Kenderaan Langkasuka Sdn. Bhd. ("Langkasuka")	30.10.1964 Malaysia	180,000	Public Transportation Services	100
Kenderaan Klang Banting Berhad ("KKBB")	28.12.1965 Malaysia	7,600,250	Public Transportation Services	100
Kenderaan Labu Sendayan Sdn. Bhd. ("KLS")	07.03.1974 Malaysia	381,000	Public Transportation Services	100
Starise Sdn. Bhd. ("Starise")	09.02.1985 Malaysia	60,002	Public Transportation Services	100
Syarikat Rembau Tampin Sdn. Bhd. ("SRT")	03.06.1976 Malaysia	605,002	Public Transportation Services	100
Transnasional Express Sdn. Bhd. ("TESB")	16.12.1994 Malaysia	9,000,002	Public Transportation Services	100
Syarikat Kenderaan Melayu Kelantan Berhad ("SKMK")	24.12.1947 Malaysia	7,250,620	Public Transportation Services	100
Syarikat Tanjung Keramat Temerloh Omnibus Berhad ("STK")	20.10.1960 Malaysia	1,054,653	Public Transportation Services	100

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II. GENERAL CORPORATE INFORMATION (CONTD.)

3. SHARE CAPITAL

3.1 KTB

Authorised Share Capital

The authorised share capital of the Company at 31 December 2006 is RM400,000,000 comprising 800,000,000 ordinary shares of RM0.50 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of the Company at 31 December 2006 is RM126,000,000 comprising 252,000,000 ordinary shares of RM0.50 each.

3.2 LANGKASUKA

Authorised Share Capital

The authorised share capital of Langkasuka at 31 December 2006 is RM250,000 comprising 25,000 ordinary shares of RM10.00 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of Langkasuka at 31 December 2006 is RM180,000 comprising 18,000 ordinary shares of RM10.00 each.

3.3 KKBB

Authorised Share Capital

The authorised share capital of KKBB at 31 December 2006 is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of KKBB at 31 December 2006 is RM7,600,250 comprising 7,600,250 ordinary shares of RM1.00 each.

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II. GENERAL CORPORATE INFORMATION (CONTD.)

3. SHARE CAPITAL (CONTD.)

3.4 KLS

Authorised Share Capital

The authorised share capital of KLS at 31 December 2006 is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of KLS at 31 December 2006 is RM381,000 comprising 381,000 ordinary shares of RM1.00 each.

3.5 Starise

Authorised Share Capital

The authorised share capital of Starise at 31 December 2006 is RM200,000 comprising 200,000 ordinary shares of RM1.00 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of Starise at 31 December 2006 is RM60,002 comprising 60,002 ordinary shares of RM1.00 each.

3.6 SRT

Authorised Share Capital

The authorised share capital of SRT at 31 December 2006 is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of SRT at 31 December 2006 is RM605,002 comprising 605,002 ordinary shares of RM1.00 each.

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II. GENERAL CORPORATE INFORMATION (CONTD.)

3. SHARE CAPITAL (CONTD.)

3.7 TESB

Authorised Share Capital

The authorised share capital of TESB at 31 December 2006 is RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of TESB at 31 December 2006 is RM9,000,002 comprising 9,000,002 ordinary shares of RM1.00 each.

3.8 SKMK

Authorised Share Capital

The authorised share capital of SKMK at 31 December 2006 is RM9,750,000 comprising 9,750,000 ordinary shares of RM1.00 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of SKMK at 31 December 2006 is RM7,250,620 comprising 7,250,620 ordinary shares of RM1.00 each.

3.9 STK

Authorised Share Capital

The authorised share capital of STK at 31 December 2006 is RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of STK at 31 December 2006 is RM1,054,653 comprising 1,054,653 ordinary shares of RM1.00 each.

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II. GENERAL CORPORATE INFORMATION (CONTD.)**4. FINANCIAL STATEMENTS AND AUDITORS**

The following is the summary of information in relation to the auditors of KTB and its subsidiaries for the relevant financial years ("FY") under review:

Company	FY 2004	FY 2005	FY 2006
KTB	EY	EY	EY
Langkasuka	AJD	AJD	AJD
KKBB	EY	EY	EY
KLS	EY	EY	EY
Starise	EY	EY	EY
SRT	EY	EY	EY
TESB	EY	EY	EY
SKMK	AJD	AJD	AJD
STK	EY	EY	EY

Legend:

EY Audited by Ernst & Young

AJD Audited by AljeffriDean

4.1 Auditors' Reports

There was no qualification in the auditors' reports on the financial statements for the financial years under review.

The auditors' reports on the financial statements of KTB and the Eight Bus Companies ("Existing KTB Group" or "the Group") for the financial years ended 31 December 2004 to 2006 are set out in Appendix 1, Appendix 2 and Appendix 3, respectively. For financial year ended 2004, the consolidated amounts were extracted from comparative figures for financial year 2005 where the comparatives were restated for the Group financial statements as if the Group was in existence as at 1 January 2004. Therefore, the individual auditors' report for KTB and the Eight Bus Companies are set out in Appendix 1.

4.2 Accounting Policies and Standards

This Report is prepared on a basis consistent with the accounting policies adopted by the Existing KTB Group as disclosed in Section XII (1) of this Report and the information presented in this Report has been prepared in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

10. ACCOUNTANTS' REPORT (CONT'D)



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II. GENERAL CORPORATE INFORMATION (CONTD.)

5. DIVIDENDS

The Company has not paid or declared any dividends since its incorporation.

No dividends have been declared or paid by the subsidiaries during the relevant years under review.

6. FINANCIAL INFORMATION AND LIMITATIONS

We set out in the following pages the financial information of KTB or ("the Company") and the Existing KTB Group based on its audited financial statements for the relevant financial years covered in this Report.

The scope of work conducted in the preparation of this Report does not, in itself, constitute an audit in accordance with the Approved Standards on Auditing in Malaysia. In preparing this Report, we have relied upon information and representations given to us by Directors, officers, and employees of the respective companies and sought explanations for apparent discrepancies, if any.

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III. AUDITED INCOME STATEMENT OF KONSORTIUM TRANSNASIONAL BERHAD**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004 TO 2006**

	Note	2004 RM'000	2005 RM'000	2006 RM'000
Other income		2	-	-
Other operating expenses	1	(866)	(39)	(11)
Loss before tax		(864)	(39)	(11)
Income tax expense		-	-	-
Loss for the year		(864)	(39)	(11)

IV. AUDITED BALANCE SHEET OF KONSORTIUM TRANSNASIONAL BERHAD**AS AT 31 DECEMBER 2004, 31 DECEMBER 2005 AND 31 DECEMBER 2006**

	Note	2004 RM'000 (restated)	2005 RM'000 (restated)	2006 RM'000
ASSETS				
Non-current assets				
Investment in subsidiaries	2	-	125,000	125,000
Current assets				
Other receivables		900	-	-
Amount due from related companies	3	-	880	730
Cash and bank balances		81	19	54
		981	899	784
TOTAL ASSETS		981	125,899	125,784
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital		1,000	126,000	126,000
Accumulated losses		(867)	(906)	(917)
Total equity		133	125,094	125,083
Current liabilities				
Amount due to related companies	4	-	2	2
Other payables	5	848	803	699
Total liabilities		848	805	701
TOTAL EQUITY AND LIABILITIES		981	125,899	125,784

10. ACCOUNTANTS' REPORT (CONT'D)

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**V. AUDITED STATEMENT OF CHANGES IN EQUITY OF KONSORTIUM TRANSNASIONAL BERHAD
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 31 DECEMBER 2005
AND 31 DECEMBER 2006**

	Share capital RM'000	Accumulated loss RM'000	Total RM'000
At 1 January 2004	-	(3)	(3)
Issue of shares	1,000	-	1,000
Loss for the year	-	(864)	(864)
At 31 December 2004	<u>1,000</u>	<u>(867)</u>	<u>133</u>
At 1 January 2005	1,000	(867)	133
Issue of shares (restated)	125,000	-	125,000
Loss for the year	-	(39)	(39)
At 31 December 2005	<u>126,000</u>	<u>(906)</u>	<u>125,094</u>
At 1 January 2006			
As previously stated	125,992	(906)	125,086
Prior year adjustment*	8	-	8
At 1 January 2006, as restated	<u>126,000</u>	<u>(906)</u>	<u>125,094</u>
Loss for the year	-	(11)	(11)
At 31 December 2006	<u>126,000</u>	<u>(917)</u>	<u>125,083</u>

* Represents 15,500 ordinary shares of RM0.50 each issued in 2005 in relation to the Acquisition of Bus Companies which was lodged with the relevant authorities subsequent to the financial year ended 2005.

**VI. AUDITED CASH FLOW STATEMENT OF KONSORTIUM TRANSNASIONAL BERHAD
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 31 DECEMBER 2005
AND 31 DECEMBER 2006**

	2004 RM'000	2005 RM'000	2006 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax, representing operating loss before working capital charges	(864)	(39)	(11)
Increase in receivables	(900)	-	-
Increase/(decrease) in other payables	845	(43)	(104)
Net change in related companies	-	20	150
Net cash (used in)/generated from operating activities	<u>(919)</u>	<u>(62)</u>	<u>35</u>

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VI. AUDITED CASH FLOW STATEMENT OF KONSORTIUM TRANSNASIONAL BERHAD (CONTD.)

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 31 DECEMBER 2005 AND 31 DECEMBER 2006

	2004 RM'000	2005 RM'000	2006 RM'000
CASH FLOW FROM FINANCING ACTIVITY			
Proceeds from issuance of ordinary shares, representing net cash generated from financing activity	1,000	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	81	(62)	35
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	81	19
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	81	19	54

VII. NOTES TO THE FINANCIAL STATEMENTS OF KONSORTIUM TRANSNASIONAL BERHAD

The accounting policies adopted by Konsortium Transnasional Berhad is consistent with the accounting policies disclosed in Section XII (1) of this report.

1. OTHER OPERATING EXPENSES

Included in other operating expense is:

	2004 RM'000	2005 RM'000	2006 RM'000
Auditors' remuneration	4	4	15

2. INVESTMENT IN SUBSIDIARIES

	2004 RM'000	2005 RM'000	2006 RM'000
Unquoted shares, at cost	-	125,000	125,000

10. ACCOUNTANTS' REPORT (CONT'D)

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VII. NOTES TO THE FINANCIAL STATEMENTS OF KONSORTIUM TRANSNASIONAL BERHAD (CONTD.)**3. AMOUNT DUE FROM RELATED COMPANIES**

	2004 RM'000	2005 RM'000	2006 RM'000
Non-trade			
Subsidiaries	-	800	650
Holding company	-	80	80
	<u>-</u>	<u>880</u>	<u>730</u>

The amounts due from subsidiaries and holding company are unsecured, interest-free and have no fixed terms of repayment.

4. AMOUNT DUE TO RELATED COMPANIES

	2004 RM'000	2005 RM'000	2006 RM'000
Holding company	<u>-</u>	<u>2</u>	<u>2</u>

The amount due to holding company is unsecured, interest-free and have no fixed repayment terms.

5. OTHER PAYABLES

	2004 RM'000	2005 RM'000	2006 RM'000
Provision	770	705	604
Sundry payables	70	87	69
Accruals	8	11	26
	<u>848</u>	<u>803</u>	<u>699</u>

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VIII. AUDITED CONSOLIDATED INCOME STATEMENTS OF EXISTING KTB GROUP**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004 TO 2006**

	Note	2004 RM'000 (restated)	2005 RM'000 (restated)	2006 RM'000
Revenue	2	212,474	230,128	228,909
Cost of sales	2	(170,569)	(195,846)	(191,547)
Gross profit		41,905	34,282	37,362
Other income	4	3,228	6,749	8,748
Other operating expenses		(30,953)	(29,846)	(27,290)
Profit from operations		14,180	11,185	18,820
Finance costs		(7,128)	(6,944)	(8,092)
Profit before tax	5	7,052	4,241	10,728
Income tax expense	6	(3,397)	(1,704)	3,354
Profit for the year		3,655	2,537	14,082
Earnings per share (sen)	7	182.75	1.01	5.59

The financial results of the Existing KTB Group have been prepared based on the audited income statements after making such reclassifications as we considered appropriate for the relevant financial years to reflect retrospective effect of reclassification of advertisement income to revenue from other income as follows:

	2004 RM'000	2005 RM'000	2006 RM'000
Revenue as stated in the audited financial statements	212,143	216,625	228,909
Reclassification of advertisement income	331	13,503	-
Revenue as stated in this Report	212,474	230,128	228,909
Other income as stated in the audited financial statements	3,559	20,252	8,748
Reclassification of advertisement income	(331)	(13,503)	-
Other income as stated in this Report	3,228	6,749	8,748

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IX. AUDITED CONSOLIDATED BALANCE SHEETS OF EXISTING KTB GROUP**AS AT 31 DECEMBER 2004, 31 DECEMBER 2005 AND 31 DECEMBER 2006**

	Note	2004 RM'000 (restated)	2005 RM'000 (restated)	2006 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	8	165,854	173,022	186,638
Other investments	9	141	109	109
Intangible asset		15	-	-
Deferred tax assets	18	-	-	962
		<u>166,010</u>	<u>173,131</u>	<u>187,709</u>
Current assets				
Inventories	10	2,267	1,739	1,333
Other receivables	11	14,080	13,125	19,339
Trade receivables	12	832	2,544	1,405
Amount due from related companies	13	5,130	34,950	58,073
Cash and bank balances		2,049	2,222	3,809
		<u>24,358</u>	<u>54,580</u>	<u>83,959</u>
TOTAL ASSETS		<u>190,368</u>	<u>227,711</u>	<u>271,668</u>
EQUITY AND LIABILITIES				
Share capital		1,000	126,000	126,000
Reserves		51,104	(71,359)	(57,277)
Shareholders' equity		<u>52,104</u>	<u>54,641</u>	<u>68,723</u>
Non-current liabilities				
Borrowings	15	60,168	70,843	91,684
Provision for retirement benefits	17	9,136	10,492	9,051
Deferred tax liabilities	18	7,710	7,130	3,298
		<u>77,014</u>	<u>88,465</u>	<u>104,033</u>

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IX. AUDITED CONSOLIDATED BALANCE SHEET OF EXISTING KTB GROUP (CONTD.)**AS AT 31 DECEMBER 2004, 31 DECEMBER 2005 AND 31 DECEMBER 2006**

	Note	2004 RM'000 (restated)	2005 RM'000 (restated)	2006 RM'000
Current liabilities				
Borrowings	15	32,507	38,117	43,023
Other payables	20	9,724	11,324	14,996
Trade payables	21	15,831	15,200	17,799
Due to related companies	22	590	15,596	18,789
Provision for taxation		2,015	3,580	3,734
Provision for retirement benefits	17	583	788	571
		<u>61,250</u>	<u>84,605</u>	<u>98,912</u>
		<u>190,368</u>	<u>227,711</u>	<u>271,668</u>

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X. AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF EXISTING KTB GROUP**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 31 DECEMBER 2005 AND 31 DECEMBER 2006**

	Share capital RM'000	Capital reserve (Note 14) RM'000	Retained earnings RM'000	Merger deficit RM'000	Total RM'000
At 1 January 2004, as previously stated	1,000	5,811	-	(83,354)	(76,543)
Created for internal restructuring	-	125,000	-	(8)	124,992
At 1 January 2004, as restated	1,000	130,811	-	(83,362)	48,449
Profit for the year	-	-	3,655	-	3,655
Transfer to merger deficit	-	-	(3,655)	3,655	-
At 31 December 2004	1,000	130,811	-	(79,707)	52,104
At 1 January 2005 As previously stated	1,000	130,803	-	(79,699)	52,104
Prior year adjustment*	-	8	-	(8)	-
At 1 January 2005, as restated	1,000	130,811	-	(79,707)	52,104
Issue of shares	125,000	(125,000)	-	-	-
Profit for the year	-	-	2,537	-	2,537
Transfer to merger deficit	-	-	(2,537)	2,537	-
At 31 December 2005, as restated	126,000	5,811	-	(77,170)	54,641
At 1 January 2006 As previously stated	125,992	5,811	-	(77,162)	54,641
Prior year adjustment*	8	-	-	(8)	-
At 1 January 2006, as restated	126,000	5,811	-	(77,170)	54,641
Profit for the year	-	-	14,082	-	14,082
Transfer to merger deficit	-	-	(14,082)	14,082	-
At 31 December 2006	126,000	5,811	-	(63,088)	68,723

* Represents 15,500 ordinary shares of RM0.50 each issued in 2005 in relation to the Acquisition of Bus Companies which was lodged with the relevant authorities subsequent to the financial year ended 2005.

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XI. AUDITED CONSOLIDATED CASH FLOW STATEMENTS OF EXISTING KTB GROUP**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 31 DECEMBER 2005 AND 31 DECEMBER 2006**

	2004 RM'000	2005 RM'000	2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	7,052	4,241	10,728
Adjustments for:			
Depreciation	26,564	26,174	26,458
Provision for doubtful debts	21	214	-
Provision for retirement benefits, net	2,349	3,653	1,888
Property, plant and equipment written off	-	291	-
Gain on disposal of plant and equipment	(624)	(3,035)	(4,603)
Dividend income	(8)	(6)	(7)
Amortisation of intangible assets	15	15	-
Provision for diminution in investments	46	32	-
Interest income	(19)	(18)	-
Interest expense	7,128	6,944	8,092
Operating profit before working capital changes	42,524	38,505	42,556
Decrease in inventories	911	528	406
Increase in receivables	(5,110)	(973)	(5,075)
(Decrease)/increase in payables	(14,962)	(1,931)	4,920
Changes in related companies balances	(3,916)	(14,814)	(19,930)
Cash generated from operations	19,447	21,315	22,877
Taxes paid	(5,473)	(719)	(1,286)
Tax refund received	1,727	-	-
Interest paid	(7,128)	(6,944)	(8,092)
Retirement benefits paid	(1,328)	(2,092)	(2,195)
Net cash generated from operating activities	7,245	11,560	11,304

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XI. AUDITED CONSOLIDATED CASH FLOW STATEMENTS OF EXISTING KTB GROUP (CONTD.)**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004, 31 DECEMBER 2005 AND 31 DECEMBER 2006**

	2004 RM'000	2005 RM'000	2006 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(7,749)	(6,682)	(269)
Proceeds from disposal of property, plant and equipment	3,028	4,971	16,642
Interest received	19	18	-
Dividends received	8	6	7
Net cash (used in)/generated from investing activities	<u>(4,694)</u>	<u>(1,687)</u>	<u>16,380</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares of the Company	1,000	-	-
Redemption of preference shares in subsidiary	(200)	-	-
Dividends paid	(1)	-	-
Repayment of lease obligations	(5,653)	(9,700)	(26,097)
Net cash used in financing activities	<u>(4,854)</u>	<u>(9,700)</u>	<u>(26,097)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
	(2,303)	173	1,587
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR			
	4,352	2,049	2,222
CASH AND CASH EQUIVALENTS AT THE END OF YEAR			
	<u>2,049</u>	<u>2,222</u>	<u>3,809</u>

10. ACCOUNTANTS' REPORT (CONT'D)



AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP**1. SIGNIFICANT ACCOUNTING POLICIES****1.1 Basis of Preparation**

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Group and Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in note 1.3.

The financial statements of the Group and Company have also been prepared on a historical basis and are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

1.2 Summary of Significant Accounting Policies**(a) Subsidiaries and Basis of Consolidation****(i) Subsidiaries**

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. Subsidiaries acquired in 2005 under internal group restructuring arrangements are accounted for in consolidation under the merger method.

Under the merger method of accounting, the results of the subsidiaries are included in the consolidated income statement as if the merger had been effected throughout the current financial year and previous years. On consolidation, the difference between the carrying value of the investment and the fair value of shares issued is transferred to a merger reserve or deficit, as applicable. Where it is impracticable to determine the fair value of shares issued, the nominal value is used instead.

10. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****1.2 Summary of Significant Accounting Policies (Contd.)****(a) Subsidiaries and Basis of Consolidation (Contd.)****(ii) Basis of Consolidation (Contd.)**

Acquisitions of subsidiaries other than those acquired under internal group restructuring arrangements, are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

(b) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

- (i) Passenger ticket sales are recognised as revenue, net of discounts, in the income statement when the transportation services are rendered.
- (ii) Bulk tickets sales are recognised as revenue in the income statement when the ownership of tickets have been transferred to the agents.

10. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****1.2 Summary of Significant Accounting Policies (Contd.)****(b) Revenue Recognition (Contd.)**

- (iii) Commission received is recognised as revenue in the income statement when express bus tickets are sold on behalf of fellow subsidiaries.
- (iv) Charter services, insurance commission and goods fare are recognised as revenue in the income statement when the transportation services are rendered.
- (v) Management fees are recognised as income as and when the services are rendered.
- (vi) Advertisement income is recognised on an accrual basis.

(c) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	50 years
Workshop equipment	6 - 7 years
Office equipment and furniture and fittings	6 - 7 years
Renovations	10 years
Computer equipment	5 years
Buses and motor vehicles	4 - 10 years

Land and buildings of the Group have not been revalued since they were first revalued in 1981. The directors have not adopted a policy of regular revaluation of such assets. As permitted under the transitional provisions of International Accounting Standard No.16 (Revised): Property, Plant and Equipment adopted by the Malaysian Accounting Standards Board, these assets are stated at their respective valuation less accumulated depreciation and accumulated impairment losses.

10. ACCOUNTANTS' REPORT (CONT'D)



AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****1.2 Summary of Significant Accounting Policies (Contd.)****(c) Property, Plant and Equipment and Depreciation (Contd.)**

The revaluation surplus realised through depreciation of the revalued property, plant and equipment is taken directly to retained earnings.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(d) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first-out method. The cost of inventories represents cost of purchase.

Net realisable value represents the estimated selling price less all estimated costs to be incurred in selling and distribution.

(e) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposit at cash which have an insignificant risk of changes in value.

(f) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

10. ACCOUNTANTS' REPORT (CONT'D)



AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****1.2 Summary of Significant Accounting Policies (Contd.)****(f) Income Tax (Contd.)**

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(g) Employee Benefits**(i) Short Term Benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

10. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****1.2 Summary of Significant Accounting Policies (Contd.)****(g) Employee Benefits (Contd.)****(ii) Defined Contribution Plans**

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(iii) Defined Benefit Plan

The Group operates an unfunded, defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligations under the Scheme are determined based on triennial actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted using the Projected Unit Credit Method in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the present value of the defined benefit obligation. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost. Any assets resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service cost, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

Actuarial gains and losses arises mainly from changes in actuarial assumptions and differences between actuarial assumptions and what has actually occurred. Such gains and losses are credited or charged to the income statement over the expected average remaining working lives of the eligible employees participating in the scheme.

10. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****1.2 Summary of Significant Accounting Policies (Contd.)****(h) Provisions for Liabilities**

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(i) Leases**(i) Finance Leases**

Assets acquired by way of hire-purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the differences between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit and loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 1.2 (c).

(ii) Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

10. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****1.2 Summary of Significant Accounting Policies (Contd.)****(j) Impairment of Non-financial Assets**

The carrying amounts of assets, other than inventories, and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in profit or loss in the period in which it arises.

(k) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to the financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity.

(i) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

10. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****1.2 Summary of Significant Accounting Policies (Contd.)****(k) Financial Instruments (Contd.)****(ii) Trade and Other Payables**

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as deduction from equity, net of tax. Equity transaction cost comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

1.3 Changes in Accounting Policies and Adoption of New and Revised FRSs

On 1 January 2006, the Group adopted the following FRS mandatory for financial periods beginning on or after 1 January 2006.

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation

10. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****1.3 Changes in Accounting Policies and Adoption of New and Revised FRSs (Contd.)**

On 1 January 2006, the Group adopted the following FRS mandatory for financial periods beginning on or after 1 January 2006 (contd.).

FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The Group has not early adopted the following new and revised FRSs for the financial period beginning 1 January 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The Group has not early adopted the deferred FRS 139 - Financial Instruments: Recognition and Measurement and the following FRSs that are mandatory for financial periods beginning on or after 1 January 2007.

- (i) FRS 6: Exploration for and Evaluation of Mineral Resources
FRS 6 is not relevant to the Group's operations
- (ii) Amendment to FRS119²⁰⁰⁴ : Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures.

The adoption of the new and revised FRSs does not have significant financial impact on the Group.

10. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**2. REVENUE, COST OF SALES AND GROSS PROFIT MARGIN**

	2004	2005	2006
	RM'000	RM'000	RM'000
Express bus fare	118,837	103,434	101,796
Stage bus fare	59,339	69,768	62,601
Bulk tickets	26,077	33,445	47,470
Other ticket sales	1,513	4,138	2,109
Charter services	5,238	4,736	2,871
Commission received	297	239	854
Insurance commission	619	512	316
Goods fare	87	46	-
Repair services	136	307	146
Advertisement income	331	13,503	10,746
	<u>212,474</u>	<u>230,128</u>	<u>228,909</u>
Cost of sales	170,569	195,846	191,547
Gross profit margin (%)	19.7	14.9	16.3

3. STAFF COSTS

	2004	2005	2006
	RM'000	RM'000	RM'000
Salaries, bonuses and allowances	52,960	48,767	39,807
EPF- Defined contribution plan	4,522	4,319	3,603
Social security costs	666	561	769
Provision for retirement benefits (Note 17)	2,349	3,653	537
Other staff related expenses	1,826	5,357	8,014
	<u>62,323</u>	<u>62,657</u>	<u>52,730</u>

4. OTHER INCOME

Included in other income are:

	2004	2005	2006
	RM'000	RM'000	RM'000
Management fees received	500	1,900	2,120
Gain on disposal of plant and equipment	624	3,071	4,603
Dividend income	8	7	7
Interest income	19	18	-
Rental income	296	626	680

10. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**5. PROFIT BEFORE TAX**

	2004 RM'000	2005 RM'000	2006 RM'000
Profit before tax is stated after charging:			
Auditors of the Company			
- statutory audit	81	84	99
- others	-	79	-
Other auditors of the Group	26	26	26
Amortisation of intangible asset	15	15	-
Depreciation	26,564	26,174	26,458
Provision for doubtful debts	21	214	17
Provision for diminution in investments	46	32	-
Rental expense			
- holding company	43	937	-
- others	3,180	3,994	1,300
Hire of coaches	1	3,897	5,685
Property, plant and equipment written off	-	291	-
Loss on disposal of property, plant and equipment	-	36	-
Staff costs (Note 3)	62,323	62,657	52,730

6. INCOME TAX EXPENSE

	2004 RM'000	2005 RM'000	2006 RM'000
Income tax:			
Charge for the year	4,210	3,329	5,210
Under/(over) provision in prior year	1,857	(1,045)	(3,769)
	6,067	2,284	1,441
Deferred tax:			
Relating to origination and reversal of temporary differences	(1,677)	(1,920)	(1,851)
(Over)/under provision in prior year	(993)	1,340	(2,944)
	(2,670)	(580)	(4,795)
	3,397	1,704	(3,354)

10. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**6. INCOME TAX EXPENSE (CONTD.)**

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate are as follows:

	2004 RM'000	2005 RM'000	2006 RM'000
Profit before tax	7,052	4,241	10,728
Taxation at Malaysian statutory tax rate of 28%	1,975	1,187	3,004
Effect of different tax rate of 20%	(197)	(114)	(131)
Deferred tax recomputed based on the new corporate rate	-	-	(87)
Expenses not deductible for tax purposes	513	325	175
(Over)/under provision of deferred tax in prior year	(993)	1,340	(2,944)
Under/(over) provision of income tax expense in prior year	1,857	(1,045)	(3,769)
Deferred tax asset not recognised in respect of current year tax losses and other deductible temporary differences	242	11	398
	<u>3,397</u>	<u>1,704</u>	<u>(3,354)</u>

7. EARNINGS PER SHARE (EPS)

Basic earnings per share is calculated by dividing the loss for the year by the number of ordinary shares in issue during the financial year.

	2004 RM'000	2005 RM'000	2006 RM'000
Profit for the year	3,655	2,537	14,082
Number of ordinary shares in issue	2,000	252,000	252,000
Earnings per share (sen)	<u>182.75</u>	<u>1.01</u>	<u>5.59</u>

10. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**8. PROPERTY, PLANT AND EQUIPMENT**

	Land and Buildings RM'000	Office Equipment and Furniture and Fittings RM'000	Computer Equipment and Workshop Equipment RM'000	Buses and Motor Vehicles RM'000	Total RM'000
At 31 December 2006					
Cost					
At 1.1.2006	22,966	7,549	11,583	260,628	302,726
Additions	155	43	54	51,863	52,115
Disposals	(3,441)	-	(9,666)	(26,047)	(39,154)
At 31.12.2006	19,680	7,592	1,971	286,444	315,687
Accumulated Depreciation					
At 1.1.2006	3,713	6,236	8,029	111,726	129,704
Charge for the year	306	208	288	25,656	26,458
Disposals	(201)	-	(6,534)	(20,378)	(27,113)
At 31.12.2006	3,818	6,444	1,783	117,004	129,049
Net Book Value					
At 31.12.2006	15,862	1,148	188	169,440	186,638
At 31 December 2005					
Cost					
At 1.1.2005	22,966	6,950	11,470	266,619	308,005
Additions	-	599	95	34,872	35,566
Reclassification	-	-	41	(41)	-
Write off	-	-	-	(298)	(298)
Disposals	-	-	(23)	(40,524)	(40,547)
At 31.12.2005	22,966	7,549	11,583	260,628	302,726

10. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

	Land and Buildings RM'000	Office Equipment and Furniture and Fittings RM'000	Computer Equipment and Workshop Equipment RM'000	Buses and Motor Vehicles RM'000	Total RM'000
At 31 December 2005					
Accumulated Depreciation					
At 1.1.2005	3,361	5,672	5,944	127,174	142,151
Charge for the year	352	564	2,060	23,198	26,174
Reclassification	-	-	41	(41)	-
Write off	-	-	-	(10)	(10)
Disposals	-	-	(16)	(38,595)	(38,611)
At 31.12.2005	3,713	6,236	8,029	111,726	129,704
Net Book Value					
At 31.12.2005	19,253	1,313	3,554	148,902	173,022
At 31 December 2004					
Cost					
At 1.1.2004	22,715	6,834	11,455	262,776	303,780
Additions	251	118	14	24,458	24,841
Write off	-	-	-	(102)	(102)
Disposals	-	(2)	-	(20,512)	(20,514)
At 31.12.2004	22,966	6,950	11,469	266,620	308,005
Accumulated Depreciation					
At 1.1.2004	3,050	5,170	3,844	121,736	133,800
Charge for the year	311	503	2,100	23,650	26,564
Write off	-	-	-	(102)	(102)
Disposals	-	(1)	-	(18,110)	(18,111)
At 31.12.2004	3,361	5,672	5,944	127,174	142,151
Net Book Value					
At 31.12.2004	19,605	1,278	5,525	139,446	165,854

10. ACCOUNTANTS' REPORT (CONT'D)

AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**8. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

- (a) Included in property, plant and equipment of the Group are buses held under hire purchase and finance lease arrangements, with net book value of as follows:

	2004	2005	2006
	RM'000	RM'000	RM'000
Buses	110,115	113,024	149,313

- (b) The leasehold land and building of the Group have been pledged to a financial institution for borrowings as referred to in Note 15.
- (c) Due to the absence of historical records, the net book values of revalued land and buildings, had the revalued assets been carried at historical cost less accumulated depreciation, are not disclosed.
- (d) Included in the property, plant and equipment of the Group are fully depreciated assets which are still in use as follows:

	2004	2005	2006
	RM'000	RM'000	RM'000
Land	-	42	42
Buildings	8	45	45
Buses and motor vehicles	23,115	14,271	18,708
Workshop equipment	678	782	824
Office equipment, computer equipment and furniture and fittings	2,161	4,224	692
Plant and machinery	933	1,069	3,460
	<u>26,895</u>	<u>20,433</u>	<u>23,771</u>

- (e) The Group acquired plant and equipment as follows:

	2004	2005	2006
	RM'000	RM'000	RM'000
Aggregate cost:			
Property, plant and equipment	24,841	35,568	52,114
Finance lease arrangement	21,393	25,985	46,134
Buses purchased on credit pending financing	-	2,900	1,749
	<u>-</u>	<u>2,900</u>	<u>1,749</u>

10. ACCOUNTANTS' REPORT (CONT'D)

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XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**9. OTHER INVESTMENTS**

	2004	2005	2006
	RM'000	RM'000	RM'000
Quoted shares, at cost	187	187	187
Provision for diminution	(46)	(78)	(78)
Carrying value	<u>141</u>	<u>109</u>	<u>109</u>
Market value	<u>167</u>	<u>135</u>	<u>135</u>
Unquoted shares, at cost	49	49	49
Provision for diminution	(49)	(49)	(49)
Carrying value	<u>-</u>	<u>-</u>	<u>-</u>
Total carrying value	<u>141</u>	<u>109</u>	<u>109</u>

10. INVENTORIES

	2004	2005	2006
	RM'000	RM'000	RM'000
At cost:			
Diesel	488	606	480
Lubricant	196	184	184
Tyres and spare parts	1,326	775	499
Tickets stock and others	131	128	127
	<u>2,141</u>	<u>1,693</u>	<u>1,290</u>
At net realisable value:			
Tyres and spare parts	126	46	43
	<u>2,267</u>	<u>1,739</u>	<u>1,333</u>
	2004	2005	2006
	RM'000	RM'000	RM'000
Cost of inventories recognised as expense	<u>69,111</u>	<u>89,077</u>	<u>94,413</u>

10. ACCOUNTANTS' REPORT (CONT'D)

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XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**11. OTHER RECEIVABLES**

	2004	2005	2006
	RM'000	RM'000	RM'000
Tax recoverable	484	653	1,585
Deposits	909	946	3,508
Prepayments	3,058	2,538	4,524
Sundry receivables	9,994	9,485	9,986
	<u>14,445</u>	<u>13,622</u>	<u>19,603</u>
Less: Provision for doubtful debts	(365)	(497)	(264)
	<u>14,080</u>	<u>13,125</u>	<u>19,339</u>

12. TRADE RECEIVABLES

	2004	2005	2006
	RM'000	RM'000	RM'000
Trade receivables	1,468	3,290	2,007
Less: Provision for doubtful debts	(636)	(746)	(602)
	<u>832</u>	<u>2,544</u>	<u>1,405</u>
% of trade receivables to revenue	0.4%	1.1%	0.6%
Trade receivables turnover period (days)	1	4	2

The Group normal trade credit terms ranges from 15 to 30 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

10. ACCOUNTANTS' REPORT (CONT'D)

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XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**13. AMOUNT DUE FROM RELATED COMPANIES**

	2004 RM'000	2005 RM'000	2006 RM'000
Trade:			
Related companies	149	2,089	9,830
Holding company	32	2,477	1,790
	181	4,566	11,620
Non-trade:			
Related companies	1,843	15,162	30,598
Holding company	3,106	15,222	15,855
	4,949	30,384	46,453
	5,130	34,950	58,073

The amounts due from holding and related companies are unsecured, interest-free and have no fixed terms of repayment.

14. CAPITAL RESERVE

	Other reserves RM'000	Difference in paid-up capital RM'000	Total RM'000
At 1 January 2004 as previously stated	5,811	-	5,811
Created for internal restructuring	-	125,000	125,000
At 1 January 2004 as restated / 31 December 2004	5,811	125,000	130,811
At 1 January 2005			
As previously stated	5,811	124,992	130,803
Prior year adjustment	-	8	8
At 1 January 2005, as restated	5,811	125,000	130,811
Issue of shares by the Company	-	(125,000)	(125,000)
At 31 December 2005, as restated	5,811	-	5,811
At 1 January / 31 December 2006	5,811	-	5,811

In applying the merger method of accounting, comparative figures in the consolidated financial statements are restated as if the internal reorganisation had taken place as at the earliest date presented, i.e. 1 January 2004/31 December 2003. There arises, therefore, a difference between the amount reported previously as issued and paid-up share capital, and the amount reported as issued and paid-up share capital upon completion of the restructuring scheme. The difference amounted to RM125,000,000 as at 31 December 2004.

10. ACCOUNTANTS' REPORT (CONT'D)

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XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**14. CAPITAL RESERVE (CONTD.)**

Upon the execution of the restructuring scheme, the amounts accumulated for the differences in share capital of RM125,000,000 was eliminated and reclassified to the Group's issued and paid-up share capital.

Other reserves relates to share premium in a subsidiary accounted for in consolidation under the merger method of accounting.

15. BORROWINGS

	2004	2005	2006
	RM'000	RM'000	RM'000
Short Term Borrowings (Note 19):			
Secured			
Trust receipts	10,004	10,040	10,045
Finance lease payables (Note 16)	22,231	27,776	32,648
Term loan	272	301	330
	<u>32,507</u>	<u>38,117</u>	<u>43,023</u>
Long Term Borrowings			
Secured			
Finance lease payables (Note 16)	59,083	70,059	91,230
Term loan	1,085	784	454
	<u>60,168</u>	<u>70,843</u>	<u>91,684</u>
Total Borrowings			
Secured			
Trust receipts	10,004	10,040	10,045
Finance lease payables	81,314	97,835	123,878
Term loan	1,357	1,085	784
	<u>92,675</u>	<u>108,960</u>	<u>134,707</u>
Maturity of Borrowings (excluding hire purchase payables)			
Within one year	10,276	10,341	10,375
More than 1 year and less than 2 years	301	330	359
More than 2 years and less than 5 years	784	454	94
	<u>11,361</u>	<u>11,125</u>	<u>10,828</u>

Term loan bear interest of 7.25% per annum for the financial years ended 31 December 2004 to 31 December 2006 and is secured by a first legal charge over the leasehold land and building of the Group as referred to in Note 8.

10. ACCOUNTANTS' REPORT (CONT'D)

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XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**16. FINANCE LEASE PAYABLES**

	2004	2005	2006
	RM'000	RM'000	RM'000
Minimum lease payments:			
Not later than 1 year	27,796	33,427	41,299
Later than 1 year and not later than 2 years	28,045	30,995	35,003
Later than 2 years and not later than 5 years	37,008	44,811	54,254
Later than 5 years	586	1,511	13,596
	<u>93,435</u>	<u>110,744</u>	<u>144,152</u>
Less: Future finance charges	(12,121)	(12,909)	(20,274)
Present value of finance lease liabilities	<u>81,314</u>	<u>97,835</u>	<u>123,878</u>
Present value of finance lease liabilities:			
Not later than 1 year	22,231	27,776	32,648
Later than 1 year and not later than 2 years	24,457	27,108	29,454
Later than 2 years and not later than 5 years	34,422	41,467	48,434
Later than 5 years	204	1,484	13,342
	<u>81,314</u>	<u>97,835</u>	<u>123,878</u>
Analysed as:			
Due within 12 months (Note 19)	22,231	27,776	32,648
Due after 12 months (Note 15)	59,083	70,059	91,230
	<u>81,314</u>	<u>97,835</u>	<u>123,878</u>

The finance lease for the financial years under review bore interest rate as follows:

	2004	2005	2006
	%	%	%
Interest rate range (per annum)	<u>5.00 - 7.25</u>	<u>5.00 - 7.25</u>	<u>1.02 - 5.50</u>

10. ACCOUNTANTS' REPORT (CONT'D)

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XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**17. PROVISION FOR RETIREMENT BENEFITS**

	2004 RM'000	2005 RM'000	2006 RM'000
The amounts recognised in the balance sheet are determined as follows:			
Present value of obligation	12,039	12,322	13,650
Fair value of plan assets	-	-	-
	<u>12,039</u>	<u>12,322</u>	<u>13,650</u>
Unrecognised actuarial gain	(1,021)	(1,042)	(4,028)
Unrecognised transition amount	(1,299)	-	-
Net liability	<u>9,719</u>	<u>11,280</u>	<u>9,622</u>

Movement in the net liability were as follows:

At 1 January	8,697	9,719	11,280
Additional provision during the year (Note 3)	2,349	3,653	537
Utilisation of provision during the year	(63)	-	-
Payment made during the year	(842)	(2,092)	(2,195)
Reversal of provision	(422)	-	-
At 31 December	<u>9,719</u>	<u>11,280</u>	<u>9,622</u>

The amounts recognised in the income statement are as follows:

Current service cost	1,096	1,302	911
Interest cost	807	820	801
Actuarial gain	11	12	142
Transition amount recognised	435	1,016	-
Curtailment or settlement loss	-	503	-
	<u>2,349</u>	<u>3,653</u>	<u>1,854</u>

At 31 December:

Current	<u>583</u>	<u>788</u>	<u>571</u>
Non current:			
Later than 1 year but not later than 2 years	450	659	791
Later than 2 years but not later than 5 years	2,042	1,901	1,977
Later than 5 years	6,644	7,932	6,283
	<u>9,136</u>	<u>10,492</u>	<u>9,051</u>
	<u>9,719</u>	<u>11,280</u>	<u>9,622</u>

10. ACCOUNTANTS' REPORT (CONT'D)

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XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)

The Group operates an unfunded, defined benefit Retirement Benefit Scheme for eligible employees. The Group's obligations under this Scheme are determined based on triennial actuarial valuation using the projected unit credit method.

The last actuarial valuation was carried out as at 3 March 2006, for the financial year ended 31 December 2006. As at that date, the valuation showed that the Company's provision for retirement benefit was sufficient to meet the actuarially determined value of vested benefits.

18. DEFERRED TAXATION

	2004	2005	2006
	RM'000	RM'000	RM'000
At 1 January	10,381	7,710	7,130
Recognised in the income statement (Note 6)	(2,671)	(580)	(4,794)
At 31 December	<u>7,710</u>	<u>7,130</u>	<u>2,336</u>

Presented after appropriate offsetting as follows:

Deferred tax assets	-	-	(962)
Deferred tax liabilities	7,710	7,130	3,298
	<u>7,710</u>	<u>7,130</u>	<u>2,336</u>

The components and movements of deferred tax (assets)/liabilities of the Group during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Accelerated Capital Allowances RM'000
At 1 January 2006	10,338
Recognised in the income statement	(1,488)
At 31 December 2006	<u>8,850</u>
At 1 January 2005	10,431
Recognised in the income statement	(93)
At 31 December 2005	<u>10,338</u>
At 1 January 2004	12,816
Recognised in the income statement	(2,385)
At 31 December 2004	<u>10,431</u>

10. ACCOUNTANTS' REPORT (CONT'D)

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XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**18. DEFERRED TAXATION (CONTD.)****Deferred tax assets of the Group:**

	Accelerated Depreciation RM'000	Provision for Retirement Benefits RM'000	Total RM'000
At 1 January 2006	-	(3,208)	(3,208)
Recognised in the income statement	(4,652)	1,346	(3,306)
At 31 December 2006	<u>(4,652)</u>	<u>(1,862)</u>	<u>(6,514)</u>
At 1 January 2005	-	(2,721)	(2,721)
Recognised in the income statement	-	(487)	(487)
At 31 December 2005	<u>-</u>	<u>(3,208)</u>	<u>(3,208)</u>
At 1 January 2004	-	(2,435)	(2,435)
Recognised in the income statement	-	(286)	(286)
At 31 December 2004	<u>-</u>	<u>(2,721)</u>	<u>(2,721)</u>

19. SHORT TERM BORROWINGS

	2004 RM'000	2005 RM'000	2006 RM'000
Trust receipts	10,004	10,040	10,045
Finance lease payables (Note 16)	22,231	27,776	32,648
Term loan (Note 15)	272	301	330
	<u>32,507</u>	<u>38,117</u>	<u>43,023</u>

For the financial years under review, trust receipts bear interest of 4.25% per annum and is secured by a fixed and floating charge on the assets of a subsidiary.

20. OTHER PAYABLES

	2004 RM'000	2005 RM'000	2006 RM'000
Provision	770	705	418
Sundry payables	1,173	3,906	8,186
Accruals	7,781	6,713	6,392
	<u>9,724</u>	<u>11,324</u>	<u>14,996</u>

10. ACCOUNTANTS' REPORT (CONT'D)

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XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**21. TRADE PAYABLES**

The normal trade credit term granted to the Group ranges from 30 to 90 days.

Included in trade payables is the cost of purchase of buses pending finalisation of lease arrangements as follows:

	2004 RM'000	2005 RM'000	2006 RM'000
Buses	-	2,900	1,749
	2004	2005	2006
Trade payables turnover period (days)	34	28	34

22. AMOUNT DUE TO RELATED COMPANIES

	2004 RM'000	2005 RM'000	2006 RM'000
Trade:			
Related companies	-	6,394	12,772
Holding company	55	-	50
	55	6,394	12,822
Non-trade:			
Related companies	522	9,200	5,255
Holding company	13	2	712
	535	9,202	5,967
	590	15,596	18,789

The amounts due to holding and related companies are unsecured, interest-free and have no fixed terms of repayment.

23. COMMITMENTS

	2004 RM'000	2005 RM'000	2006 RM'000
Approved but not contracted for:			
Buses	5,903	4,803	47,940

10. ACCOUNTANTS' REPORT (CONT'D)



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XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**24. FINANCIAL INSTRUMENTS****(a) Financial Risk Management Objectives and Policies**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity and credit risks. The Group operates within clearly defined guidelines, and the policy is to not engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing borrowings.

The Group manages its interest rate exposure by committing into fixed rate borrowings to mitigate the potential fluctuation in borrowing costs, and review these debt portfolio on a periodic basis.

The information on maturity dates and effective rates of financial assets and liabilities are disclosed in the respective notes.

(c) Liquidity Risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. The Group relies on its related companies' funding to meet its working capital requirements. The Group raises long term borrowings from financial institutions to finance its capital expenditure.

(d) Credit Risk

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instrument.

10. ACCOUNTANTS' REPORT (CONT'D)

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XII. NOTES TO THE FINANCIAL STATEMENTS - EXISTING KTB GROUP (CONTD.)**24. FINANCIAL INSTRUMENTS (CONTD.)****(e) Fair Values**

The aggregate fair values of financial assets / liabilities carried on the balance sheet of the Group as at the end of the financial years under review are presented as follows:

	Note	Carrying Amount RM'000	Fair Value RM'000
Financial Assets/(Liabilities)			
At 31 December 2006:			
Quoted investments	9 (b)	109	109
Term loans	15	(784)	(758)
Finance lease payables	15	(123,878)	(122,849)
At 31 December 2005:			
Quoted investments	9 (b)	109	135
Term loans	15	(1,085)	(1,071)
Finance lease payables	15	(97,835)	(95,674)
At 31 December 2004:			
Quoted investments	9 (b)	141	167
Term loans	15	(1,357)	(1,380)
Finance lease payables	15	(81,314)	(83,025)

The fair values have been determined by discounting the relevant cash flows using the effective interest rates as at the balance sheet date.

The carrying amounts of the cash and bank balances, amounts owing by or to related companies, receivables and payables approximate their fair values.

XIII. SIGNIFICANT EVENTS

Save for the Restructuring Scheme of Park May Berhad, there has been no other significant events during the financial years under review.

10. ACCOUNTANTS' REPORT (CONT'D)



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XIV. SUBSEQUENT EVENT

Proposed Acquisition of PT Indonadi

During the financial year ending 31 December 2007, KTB proposes to acquire 700 ordinary shares of USD100 each, representing 70% of the issued and paid-up share capital of PT Indonadi from Nadicorp Holdings Sdn. Bhd. for a purchase consideration of USD70,000 to be satisfied entirely in cash. The parties are currently finalising the relevant sale and purchase agreement and the said acquisition is expected to be completed prior to the date of listing of KTB on the Main Board of Bursa Securities. The said acquisition does not form part of the Restructuring Scheme of Park May Berhad.

10. ACCOUNTANTS' REPORT (CONT'D)

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XV. GENERAL CORPORATE INFORMATION**1. Park May Berhad ("Park May")**

Park May was incorporated in Malaysia on 1 December 1972 as Park May Sdn. Bhd. The Company was converted to a public limited company and assumed its present name on 27 March 1990. The shares were admitted to the Official List of the Main Board of Bursa Malaysia Securities Berhad on 31 October 1990.

The principal activity of the Company is investment holding.

2. SUBSIDIARIES

At the date of this Report, the subsidiaries of Park May are as follows:

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital RM <i>(unless otherwise stated)</i>	Principal Activities	Effective Equity Interest %
The Kuala Lumpur Klang and Port Swettenham Omnibus Berhad ("KLK")	15.04.1937 Malaysia	3,181,630	Operates public bus transportation services and investment holding	100
Landvest Sdn. Bhd. ("LSB")	08.12.1984 Malaysia	5,000,000	Dormant	100
Yee Yow Coachbuilders Sdn. Bhd. ("YYCB")	05.07.1982 Malaysia	3	Dormant	100
Jurubas Sdn. Bhd. ("JSB")	22.06.1988 Malaysia	2	Dormant	100

10. ACCOUNTANTS' REPORT (CONT'D)



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XV. GENERAL CORPORATE INFORMATION (CONTD.)

2. SUBSIDIARIES (CONTD.)

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital RM <i>(unless otherwise stated)</i>	Principal Activities	Effective Equity Interest %
Siana Corporation Sdn. Bhd. ("SCSB")	05.12.1985 Malaysia	100,000	Dormant	100
Tulus Hebat Sdn. Bhd. ("THSB")	27.01.1994 Malaysia	2	Investment holding	100
Plusliner Travel and Tours Sdn. Bhd. ("PLTT")	19.03.1991 Malaysia	250,000	Domestic travel and tours	100
Nikra Sdn. Bhd. ("NSB")	10.08.1987 Malaysia	250,000	Investment holding	95
Min Sen Holdings Sdn. Bhd. ("MHSB")	05.01.1985 Malaysia	1,300,000	Management, investment holding and property holding	67
Ulung Perkasa Sdn. Bhd. ("UPSB")	15.09.1994 Malaysia	2	Investment holding	100
Plusliner Sdn. Bhd. ("PLSB")	28.07.1986 Malaysia	1,000,000	Operates public bus transportation services and investment holding	100
City Profile Sdn. Bhd. ("CPSB")	30.03.1995 Malaysia	2	Dormant	100

10. ACCOUNTANTS' REPORT (CONT'D)

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XV. GENERAL CORPORATE INFORMATION (CONTD.)**2. SUBSIDIARIES (CONTD.)**

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital RM <i>(unless otherwise stated)</i>	Principal Activities	Effective Equity Interest %
Jelebu Holdings Sdn. Bhd. ("JHSB")	06.10.1977 Malaysia	759,000	Investment holding	83
Subsidiaries of The Kuala Lumpur Klang and Port Swettenham Omnibus Company Berhad				
The Kuala Selangor Omnibus Company Berhad ("KSOC")	09.08.1937 Malaysia	954,000	Operates public bus transportation services	90
Tg. Karang Transportation Sdn. Bhd. ("TKT")	06.01.1996 Malaysia	486,697	Operates public bus transportation services	70

10. ACCOUNTANTS' REPORT (CONT'D)



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XV. GENERAL CORPORATE INFORMATION (CONTD.)

2. SUBSIDIARIES (CONTD.)

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital RM <i>(unless otherwise stated)</i>	Principal Activities	Effective Equity Interest %
Subsidiaries of Tulus Hebat Sdn. Bhd.				
Cityliner Sdn. Bhd. ("CLSB")	30.08.1994 Malaysia	100,000	Operates public bus transportation services	100
Len Chee Omnibus Company Sdn. Berhad ("LCOC")	29.12.1937 Malaysia	50,000	Operates public bus transportation services	85
Forefront Achievement Sdn. Bhd. ("FASB")	07.06.1996 Malaysia	2	Investment holding	100
Subsidiary of Nikra Sdn. Bhd.				
Central Province Wellesley Transport Company Sdn. Berhad. ("CPW")	14.06.1947 Malaysia	4,868,640	Operates public bus transportation services	95

10. ACCOUNTANTS' REPORT (CONT'D)



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XV. GENERAL CORPORATE INFORMATION (CONTD.)

2. SUBSIDIARIES (CONTD.)

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital RM <i>(unless otherwise stated)</i>	Principal Activities	Effective Equity Interest %
Subsidiaries of Min Sen Holdings Sdn. Bhd.				
The Min Sen Omnibus Company Sdn. Bhd. ("MSO")	22.04.1941 Malaysia	650,000	Operates public bus transportation services	67
Sam Lian Enterprise Sdn. Bhd. ("SLO")	27.06.1979 Malaysia	49,893	Property holding	67
Sam Lian Omnibus Company Sendirian Berhad ("SLO")	28.04.1956 Malaysia	498,930	Operates public bus transportation services	42
Subsidiaries of Ulung Perkasa Sdn. Bhd.				
Leng Huat Omnibus Company Sdn. Bhd. ("LHOC")	30.10.1937 Malaysia	1,304,530	Dormant	97

10. ACCOUNTANTS' REPORT (CONT'D)

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XV. GENERAL CORPORATE INFORMATION (CONTD.)**2. SUBSIDIARIES (CONTD.)**

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital RM <i>(unless otherwise stated)</i>	Principal Activities	Effective Equity Interest %
Subsidiaries of Ulung Perkasa Sdn. Bhd. (Contd.)				
Kuala Terengganu Kuantan Express Company Sdn. Bhd. ("KTKN")	08.10.1963 Malaysia	129,600	Dormant	81
Syarikat Express Kuala Terengganu - Kuala Lumpur Sdn. Bhd. ("KTKL")	22.06.1976 Malaysia	328,700	Dormant	100
The Kuantan - Kuala Lumpur Express Omnibus Company Sdn. Bhd. ("KNKL")	24.09.1955 Malaysia	288,660	Operates public bus transportation services	95

10. ACCOUNTANTS' REPORT (CONT'D)



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XV. GENERAL CORPORATE INFORMATION (CONTD.)

2. SUBSIDIARIES (CONTD.)

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital RM <i>(unless otherwise stated)</i>	Principal Activities	Effective Equity Interest %
Subsidiaries of Plusliner Sdn. Bhd.				
Raya Ekspres Sdn. Bhd. ("RESB")	01.11.1979 Malaysia	725,000	Dormant	100
Pengangkutan Sri (Perak) Bhd ("PSP")	16.04.1951 Malaysia	804,500	Operates public bus transportation services	91
Syarikat Ebban Sendirian Berhad ("SESB")	06.02.1975 Malaysia	375,000	Operates public bus transportation services	62
Bacius Pte. Ltd. ("Bacius")	26.11.1998 Singapore	SGD2	Ticketing agent	100
Subsidiaries of Jelevu Holdings Sdn. Bhd.				
Kenderaan Bas Port Dickson Sdn. Bhd. ("KBPD")	31.03.1938 Malaysia	35,400	Operates public bus transportation services	77

10. ACCOUNTANTS' REPORT (CONT'D)

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XV. GENERAL CORPORATE INFORMATION (CONTD.)**2. SUBSIDIARIES (CONTD.)**

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital RM <i>(unless otherwise stated)</i>	Principal Activities	Effective Equity Interest %
Subsidiaries of Jelebu Holdings Sdn. Bhd. (Contd.)				
Kenderaan Bas Linggi Sdn. Bhd. ("KBL")	11.10.1937 Malaysia	276,084	Operates public bus transportation services	73
Kenderaan Bas Jelebu Sdn. Bhd. ("KBJ")	27.09.1937 Malaysia	253,000	Operates public bus transportation services	83
Kenderaan Bas Seremban Sdn. Bhd. ("KBS")	18.10.1937 Malaysia	112,056	Operates public bus transportation services	57

10. ACCOUNTANTS' REPORT (CONT'D)



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XV. GENERAL CORPORATE INFORMATION (CONTD.)

3. SHARE CAPITAL

	<----- Authorised ----->			<----- Issued and fully paid ----->		
	Share per unit RM <i>(unless otherwise stated)</i>	Number of Ordinary Shares Unit	Amount RM <i>(unless otherwise stated)</i>	Share per unit RM <i>(unless otherwise stated)</i>	Number of Ordinary Shares Unit	Amount RM <i>(unless otherwise stated)</i>
Subsidiaries of Park May						
KLK	1	5,000,000	5,000,000	1	3,181,630	3,181,630
LSB	1	5,000,000	5,000,000	1	5,000,000	5,000,000
YYCB	1	100,000	100,000	1	3	3
JSB	1	25,000	25,000	1	2	2
SCSB	1	100,000	100,000	1	100,000	100,000
THSB	1	100,000	100,000	1	2	2
PLTT	1	500,000	500,000	1	250,000	250,000
NSB	1	250,000	250,000	1	250,000	250,000
MSH	1	1,300,000	1,300,000	1	1,300,000	1,300,000
UPSB	1	100,000	100,000	1	2	2
PLSB	1	5,000,000	5,000,000	1	1,000,000	1,000,000
CPSB	1	100,000	100,000	1	2	2
JHSB	1	800,000	800,000	1	759,000	759,000
Subsidiaries of KLK						
KSOC	100	10,000	1,000,000	100	9,540	954,000
TKT	1	500,000	500,000	1	486,697	486,697
Subsidiaries of THSB						
CLSB	1	100,000	100,000	1	100,000	100,000
LCOC	100	500	50,000	100	500	50,000
FASB	1	1,000,000	1,000,000	1	2	2
Subsidiary of NSB						
CPW	1	6,000,000	6,000,000	1	4,868,640	4,868,640

10. ACCOUNTANTS' REPORT (CONT'D)



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IX. GENERAL CORPORATE INFORMATION (CONTD.)

3. SHARE CAPITAL (CONTD.)

	←----- Authorised ----->			←----- Issued and fully paid ----->		
	Share per unit RM <i>(unless otherwise stated)</i>	Number of Ordinary Shares Unit	Amount RM <i>(unless otherwise stated)</i>	Share per unit RM <i>(unless otherwise stated)</i>	Number of Ordinary Shares Unit	Amount RM <i>(unless otherwise stated)</i>
Subsidiaries of MSH						
MSO	1	6,500,000	6,500,000	1	650,000	650,000
SLE	1	3,000,000	3,000,000	1	49,893	49,893
SLO	1	1,000,000	1,000,000	1	498,930	498,930
Subsidiaries of UPSB						
LHOC	10	500,000	5,000,000	10	130,453	1,304,530
KTKN	100	2,000	200,000	100	1,296	129,600
KTKL	100	5,000	500,000	100	3,287	328,700
KNKL	10	50,000	500,000	10	28,866	288,660
Subsidiaries of PLSB						
RESB	1	1,000,000	1,000,000	1	725,000	725,000
PSP	10	200,000	2,000,000	10	80,450	804,500
SESB	1	500,000	500,000	1	375,000	375,000
Bacius	SGD1	100,000	SGD100,000	SGD 1	2	SGD 2
Subsidiaries of JHSB						
KBPD	100	500	50,000	100	354	35,400
KBL	1	500,000	500,000	1	276,084	276,084
KBJ	1	600,000	600,000	1	253,000	253,000
KBS	1	250,000	250,000	1	112,056	112,056

10. ACCOUNTANTS' REPORT (CONT'D)



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XV. GENERAL CORPORATE INFORMATION (CONTD.)

4. FINANCIAL STATEMENTS AND AUDITORS

Financial statements of Park May ("the Company") and its subsidiaries ("Park May Group" or "the Group") in relation to financial years ended 31 December 2004 ("FY2004"), 31 December 2005 ("FY2005") and 31 December 2006 ("FY2006") have been audited by Ernst and Young.

4.1 Auditors' Report

There was no qualification in the auditors' reports on the financial statements for the financial years under review.

In forming the opinion, auditors have considered the adequacy of the disclosures made in Section XX (21) in this Report, given that preparation of the financial statements of Park May's Group on a going concern basis is significantly dependent on the outcome of the Restructuring Scheme of Park May as well as continuing support from shareholders, financial institutions and creditors, and achieving profitable operations.

The auditors' reports on the financial statements of the Park May Group for the financial years ended 31 December 2004 to 2006 are set out in Appendix 4, Appendix 5 and Appendix 6, respectively.

4.2 Accounting Policies and Standards

This Report is prepared on a basis consistent with the accounting policies adopted by Park May Group as disclosed in Section XX (1) of this Report, and the information presented in this Report has been prepared in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

5. DIVIDENDS

The Company has not paid or declared any dividends since FY2004.

No dividends have been declared or paid by the subsidiaries during the relevant years under review.

10. ACCOUNTANTS' REPORT (CONT'D)



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XV. GENERAL CORPORATE INFORMATION (CONTD.)

6. FINANCIAL INFORMATION AND LIMITATIONS

We set out in the following pages the financial information of Park May Group based on its audited financial statements for the relevant financial years covered in this Report.

The scope of work conducted in the preparation of this Report does not, in itself, constitute an audit in accordance with the approved standards on auditing in Malaysia. In preparing this Report, we have relied upon information and representations given to us by Directors, officers, and employees of the respective companies and sought explanations for apparent discrepancies, if any.

10. ACCOUNTANTS' REPORT (CONT'D)

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XVI. AUDITED CONSOLIDATED INCOME STATEMENTS OF PARK MAY GROUP**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004 TO 2006**

	Note	2004 RM'000 (restated)	2005 RM'000 (restated)	2006 RM'000
Revenue	2	59,274	39,274	42,563
Cost of sales	2	(42,454)	(26,545)	(34,522)
Gross profit		16,820	12,729	8,041
Other income		7,362	4,568	2,221
Other operating expenses		(13,788)	(10,262)	(9,356)
Administration expenses		(14,173)	(6,419)	(2,216)
(Loss)/profit from operations		(3,779)	616	(1,310)
Finance costs	4	(4,939)	(3,694)	(3,913)
Impairment losses	5	566	-	(689)
Gain on disposal of associates		24,286	-	105
Profit/(loss) before tax	6	16,134	(3,078)	(5,807)
Income tax expense	7	(231)	(91)	321
Profit/(loss) for the year		15,903	(3,169)	(5,486)
Attributable to:				
Equity holders of the Company		15,998	(3,142)	(5,499)
Minority interests		(95)	(27)	13
		15,903	(3,169)	(5,486)
Earnings/(loss) per share (sen)		21.33	(4.19)	(7.33)

The financial results of the Park May Group have been prepared based on the audited income statements after making such reclassification as we considered appropriate for the relevant financial years to reflect retrospective effect of reclassification of other income and finance costs as follows:

10. ACCOUNTANTS' REPORT (CONT'D)

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XVI. AUDITED CONSOLIDATED INCOME STATEMENTS OF PARK MAY GROUP (CONTD.)**FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2004 TO 2006 (CONTD.)**

	2004 RM'000	2005 RM'000	2006 RM'000
Finance costs as stated			
in the audited financial statements	(4,849)	(3,661)	(3,913)
Reclassification of interest income	(90)	(33)	-
Finance costs as stated in this			
Report	<u>(4,939)</u>	<u>(3,694)</u>	<u>(3,913)</u>
Other income as stated			
in the audited financial statements	7,272	4,535	2,221
Reclassification of interest income	90	33	-
Other income as stated in this			
Report	<u>7,362</u>	<u>4,568</u>	<u>2,221</u>