

KONSORTIUM TRANSNASIONAL BERHAD (617580-T)**(Incorporated in Malaysia)****QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER
ENDED 31 DECEMBER 2017****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM' 000	RM' 000	RM' 000	RM' 000
Revenue	41,579	42,397	173,391	172,228
Cost of sales	(49,731)	(53,014)	(187,796)	(175,055)
Gross (loss)/profit	(8,152)	(10,617)	(14,405)	(2,827)
Other income	4,225	22,534	25,708	45,924
Other operating expenses	(16,327)	(7,583)	(36,539)	(36,017)
(Loss)/Profit from operations	(20,254)	4,334	(25,236)	7,080
Finance costs	(1,577)	(7,751)	(6,391)	(15,660)
Loss before tax	(21,831)	(3,417)	(31,627)	(8,580)
Income tax expense	14,042	(16,161)	13,981	(16,382)
Loss for the period	(7,789)	(19,578)	(17,646)	(24,962)
Loss attributable to:				
Equity holders of the Parent	(7,789)	(19,578)	(17,646)	(24,962)
Non-Controlling Interest	-	-	-	-
	(7,789)	(19,578)	(17,646)	(24,962)
Loss per share(EPS) attributable to owners of the Company(sen per share):				
Basic (sen)	(1.93)	(4.86)	(4.38)	(6.20)
Diluted (sen)	N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(The figures have not been audited)(cont'd)

	Individual Quarter		Cumulative Quarter	
	31/12/2017 RM' 000	31/12/2016 RM' 000	31/12/2017 RM' 000	31/12/2016 RM' 000
Loss for the period	(7,789)	(19,578)	(17,646)	(24,962)
Other comprehensive income	-	1,437	-	1,437
Total comprehensive loss for the period	<u>(7,789)</u>	<u>(19,578)</u>	<u>(17,646)</u>	<u>(23,525)</u>
Total comprehensive loss:				
Equity holders of the Parent	(7,789)	(19,578)	(17,646)	(23,525)
Non-Controlling Interest	-	-	-	-
	<u>(7,789)</u>	<u>(19,578)</u>	<u>(17,646)</u>	<u>(23,525)</u>

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

KONSORTIUM TRANSNASIONAL BERHAD(617580-T)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31/12/2017 RM' 000	Audited As at 31/12/2016 RM' 000
ASSETS		
Non-current assets		
Property, plant and equipment	219,332	260,537
Investment properties	92	92
Other investment	186	186
Goodwill on consolidation	86,592	86,592
Deferred tax assets	1,738	1,760
	<u>307,940</u>	<u>349,167</u>
Current assets		
Trade and other receivables	33,996	28,469
Amount due from related companies	28,191	40,686
Tax recoverable	751	792
Cash and bank balances	9,539	5,949
	<u>72,477</u>	<u>75,896</u>
TOTAL ASSETS	<u>380,417</u>	<u>425,063</u>
LIABILITIES AND EQUITY		
Current liabilities		
Short term borrowings	31,193	40,295
Trade and other payables	70,703	102,898
Amount due to related companies	-	60,040
Current tax payables	2,870	3,027
Provision for retirement benefits	885	885
	<u>105,651</u>	<u>207,145</u>
Net current liabilities	(33,174)	(131,249)
Non-current liabilities		
Long term borrowings	45,464	76,595
Trade payables	66,958	-
Amount due to related companies	54,391	-
Provision for retirement benefits	7,604	8,905
Deferred tax liabilities	10,917	25,340
	<u>185,334</u>	<u>110,840</u>
Total liabilities	290,985	317,985
Net assets	89,432	107,078
Equity attributable to equity holders of parents		
Share capital	40,280	40,280
Share premium	7,511	7,511
Reserves		
Capital reserve	23,563	23,563
Other reserves	(95)	(95)
Retained earnings	68,968	86,614
Merger deficit	(52,991)	(52,991)
Shareholders' equity	<u>87,236</u>	<u>104,882</u>
Non-controlling interest	2,196	2,196
Total equity	<u>89,432</u>	<u>107,078</u>
TOTAL LIABILITIES AND EQUITY	<u>380,417</u>	<u>425,063</u>
Net assets per share attributable to ordinary equity holders of the Company(RM)	0.22	0.27

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

KONSORTIUM TRANSNASIONAL BERHAD(617580-T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent						Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
	Non-distributable			Distributable					
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Merger Deficit RM'000	Other Reserve RM'000	Retained Earnings / Losses) RM'000			
At 1 January 2017	40,280	7,511	23,563	(52,991)	(95)	86,614	104,882	2,196	107,078
Loss for the financial year	-	-	-	-	-	(17,646)	(17,646)	-	(17,646)
Other comprehensive income for the financial year	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	(17,646)	(17,646)	-	(17,646)
At 31 December 2017	<u>40,280</u>	<u>7,511</u>	<u>23,563</u>	<u>(52,991)</u>	<u>(95)</u>	<u>68,968</u>	<u>87,236</u>	<u>2,196</u>	<u>89,432</u>
At 1 January 2016	40,280	7,511	23,563	(54,428)	(95)	111,576	128,407	2,196	130,603
Loss for the financial year	-	-	-	-	-	(24,962)	(24,962)	-	(24,962)
Other comprehensive income for the financial year	-	-	-	1,437	-	-	1,437	-	1,437
Total comprehensive loss	-	-	-	1,437	-	(24,962)	(23,525)	-	(23,525)
At 31 December 2016	<u>40,280</u>	<u>7,511</u>	<u>23,563</u>	<u>(52,991)</u>	<u>(95)</u>	<u>86,614</u>	<u>104,882</u>	<u>2,196</u>	<u>107,078</u>

The Condensed Consolidated Statement of Changes in Total Equity should be read in conjunction with the Annual Financial Report for year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

KONSORTIUM TRANSNASIONAL BERHAD(617580-T)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	12 months ended	
	31/12/2017	30/09/2016
	RM ' 000	RM ' 000
Cash flows from operating activities		
Loss before tax	(31,627)	(8,580)
Adjustments for:		
Depreciation of property, plant and equipment	36,223	43,301
Amortisation of investment property	-	57
Provision for retirement benefits	-	171
Impairment loss on property, plant and equipment	9,512	-
Impairment loss on receivables, net of reversal	665	(371)
Loss on disposal of property, plant and equipment	3,651	(2,852)
Interest income	(1)	(1)
Interest expense	6,391	15,660
Operating profit before working capital changes	<u>24,814</u>	<u>47,385</u>
(Increase)/Decrease in receivables	(6,192)	12,309
Increase/(Decrease) in payables	21,811	(21,177)
Changes in related companies balances	<u>(12,577)</u>	<u>1,930</u>
Cash generated from operations	27,856	40,447
Tax paid	(536)	(1,705)
Interest paid	(6,391)	(15,660)
Retirement benefits paid	<u>(1,300)</u>	<u>(214)</u>
Net cash generated from operating activities	<u>19,629</u>	<u>22,868</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,322)	(8,677)
Proceeds from disposal of property, plant and equipment	<u>7,093</u>	<u>6,927</u>
Net cash generated from / (used in) investing activities	<u>4,771</u>	<u>(1,750)</u>
Cash flows from financing activities		
Net repayment of borrowings	<u>(20,810)</u>	<u>(21,877)</u>
Net cash used in financing activities	<u>(20,810)</u>	<u>(21,877)</u>
Net increase / (decrease) in cash and cash equivalents	3,590	(759)
Cash and cash equivalents as at 1 January 2017/2016	<u>5,949</u>	<u>6,708</u>
Cash and cash equivalents as at 31 December 2017/2016	<u>9,539</u>	<u>5,949</u>

The cash and cash equivalents at the end of the financial period comprise the following balance sheet components :

Fixed deposits with licensed bank	3,611	3,365
Cash and bank balances	<u>5,928</u>	<u>2,584</u>
	<u>9,539</u>	<u>5,949</u>

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

1 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the year ended 31 December 2017 are unaudited and have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016. The explanatory notes attached to these condensed consolidated 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.

2 CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2016 except with the adoption of Amendments to Standards and Issue Committee(IC) Interpretations effective as of 1 January 2017.

Adoption of Amendments to Standards and IC Interpretations

The Group has adopted the following Amendments to Standards and IC Interpretations, with a date of initial application of 1 January 2017.

Amendments to MFRS 107	Statement of Cash Flows - Disclosure Initiative
Amendments to MFRS 112	Income Taxed - Recognition of Deferred Tax Assets for Unrealised Losses
Improvement to MRFSS	Annual Improvement 2012-2014 Cycle

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

Amendments to Standards and IC Interpretations that are applicable to the Group but not yet effective

The Group did not early adopted the following Amendments to Standards and IC Interpretations, with a date beginning on or after of 1 January 2018.

MFRS 9	Financial Instruments
to MFRS 15	Revenue from Contracts with Customers
MFRS 16	Leases
Improvement to MRFSS	Annual Improvement 2012-2014 Cycle

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

3 QUALIFICATION OF AUDIT REPORT OF THE PRECEEDING ANNUAL FINANCIAL STATEMENT

The audit report on the Group's financial statements for the financial year ended 31 December 2016 was not qualified.

4 SEASONAL OR CYCLICAL FACTORS

The Group's operations are not subject to any significant seasonal or cyclical factors.

5 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence in the current period.

6 MATERIAL CHANGES IN ESTIMATES USED

There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current period.

7 DEBT AND EQUITY SECURITIES

The Company did not undertake any issuance and/ or repayment of debt and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current quarter ended 31 December 2017.

8 DIVIDEND

The Directors do not recommend any interim dividend on ordinary shares of RM0.10 each for the current financial year ended 31 December 2017 (2016: Nil)

9 SEGMENT INFORMATION FOR THE CURRENT FINANCIAL PERIOD

(a) Primary reporting format-by product and services

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2017 RM'000	Preceding Year Quarter 31/12/2016 RM'000	Twelve months to 31/12/2017 RM'000	Twelve months to 31/12/2016 RM'000
Revenue				
Public transportation services	41,384	41,488	172,732	170,979
Others	195	909	659	1,249
Total	<u>41,579</u>	<u>42,397</u>	<u>173,391</u>	<u>172,228</u>
Loss before tax				
Public transportation services	(22,024)	(2,917)	(31,774)	(8,000)
Others	193	(500)	147	(580)
Total	<u>(21,831)</u>	<u>(3,417)</u>	<u>(31,627)</u>	<u>(8,580)</u>

10 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The valuations of property, plant and equipment used in the condensed financial statements have been brought forward without amendment from the previous financial statements.

11 CHANGES IN THE COMPOSITION OF THE GROUP

There were no significant changes in the composition of the Group arising from business combination, acquisition or disposal of subsidiary companies and long term investment for the current quarter.

12 CHANGES IN CONTINGENT LIABILITIES

The Group have contingent liabilities by giving Corporate Guarantee on behalf of subsidiary companies amounting to RM90,688,789 as at the date of this announcement.

13 CAPITAL COMMITMENTS

There are no material capital commitments.

14 PROFIT BEFORE TAX

Included in the profit before tax are the following items:

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31/12/2017 RM'000	Preceding Year Quarter 31/12/2016 RM'000	Twelve months to 31/12/2017 RM'000	Twelve months to 31/12/2016 RM'000
Other income	4,225	22,534	25,708	45,924
Interest expense	(1,577)	(7,751)	(6,391)	(15,660)
Depreciation and amortisation	(10,494)	(10,890)	(36,223)	(43,301)
Loss on disposal of property, plant and equipment	(2,065)	3,570	(3,651)	2,852
Impairment loss on property, plant and equipment	(9,512)	-	(9,512)	-
Impairment loss on receivables, net of reversal	(665)	371	(665)	371

15 INCOME TAX EXPENSE

Taxation includes:

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31/12/2017 RM'000	Preceding Year Quarter 31/12/2016 RM'000	Twelve months to 31/12/2017 RM'000	Twelve months to 31/12/2016 RM'000
Malaysian taxation:				
- Current taxation	1,329	16,161	1,390	16,382
- Under/(Over) provision in prior years	(15,371)	-	(15,371)	-
	<u>(14,042)</u>	<u>16,161</u>	<u>(13,981)</u>	<u>16,382</u>

16 RELATED PARTY TRANSACTIONS

The following expenses are related party transactions:-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31/12/2017 RM'000	Preceding Year Quarter 31/12/2016 RM'000	Twelve months to 31/12/2017 RM'000	Twelve months to 31/12/2016 RM'000
Penultimate holding company				
- Secretarial services	38	41	114	153
Immediate holding company				
- Rental of premises	-	194	585	780
Related companies				
- Rental of buses	21	147	90	311
- Rental of workshop/depo	92	92	369	369
- Bus repair services	6,213	401	8,972	8,224
- Purchase of spare parts	49	6	49	7
- Purchase of tyres	1,712	597	3,820	4,756
- Security services	633	525	2,420	1,957
- Bus insurance services	4	4	14	15
- E-ticketing system maintenance	468	326	2,038	1,543
- Purchase of uniforms	14	7	44	85
- Workshop Repair & Maintenance	-	150	-	300
	<u>-</u>	<u>150</u>	<u>-</u>	<u>300</u>

The directors are of the opinion that all the transactions above transactions have been entered into the normal course of business and have been established on negotiated terms which the directors are satisfied as not being detrimental to the Group and the Company.

17 DISPOSAL OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no disposal of unquoted investments and/ or properties in the current period.

18 STATUS OF CORPORATE PROPOSALS ANNOUNCES BUT NOT COMPLETED AS AT THE DATE OF THIS ANNOUNCEMENT

There was no corporate proposal announced but not completed in the current period.

19 BORROWINGS AND DEBTS SECURITIES

Total Group borrowings as at 31 December 2017 are as follows:

	31/12/2017	31/12/2016
	RM'000	RM'000
Current		
Secured		
- Finance Lease	10,033	18,895
- Term Loan	14,160	14,400
- Revolving Credit	7,000	7,000
	<u>31,193</u>	<u>40,295</u>
Non-Current		
Secured		
- Finance Lease	16,864	32,669
- Term Loan	28,600	43,926
	<u>45,464</u>	<u>76,595</u>
Total Borrowings		
Secured		
- Finance Lease	26,897	51,564
- Term Loan	42,760	58,326
- Revolving Credit	7,000	7,000
	<u>76,657</u>	<u>116,890</u>

20 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There are no financial instruments with off-balance sheet risks as at the date of this announcement.

21 CHANGES IN MATERIAL LITIGATION

The Company and its subsidiaries have no outstanding material litigation as at the date of this announcement except for the following:-

Konsortium Transnasional Berhad and its subsidiaries companies, Transnasional Express Sdn Bhd, Plusliner Sdn Bhd, Syarikat Kenderaan Melayu Kelantan Berhad, Syarikat Rembau Tampin Sdn Bhd, Kenderaan Langkasuka Sdn Bhd and its associated company, MHSB Property Sdn Bhd (hereinafter collectively referred to as "the Plaintiffs") had jointly served against Tan Chong Industrial Equipment Sdn Bhd (hereinafter referred to as "the Defendant") on 15th August 2017 with a Writ of Summons and Statement of Claim and an Injunction Application for an alleged unjust enrichment based on a Settlement Agreement entered into by all parties on 4th July 2016.

The Settlement Agreement was entered into by the parties for the settlement of the amount outstanding under 64 lease agreements and 87 maintenance agreements in respect of the buses leased from the Defendant. The total amount outstanding under the said agreements are RM32,920,575.06 and RM16,000,000 had been duly settled by the Plaintiffs by the transfer of MHSB Properties Sdn Bhd's property in Bandar Ampang, Daerah Ulu Langat held under H.S.(D) 87546, PT No. 7929, measuring 95,434 square metre (hereinafter referred to as "the Property") to the Defendant which were then valued by the Defendant at RM16,000,000.

On 20th June 2017, MHSB Properties Sdn Bhd had received a notice from the Government pursuant to a compulsory acquisition of part of the Property whereby the Government had valued the Property at RM51,362,578.80. Subsequent to the said notice, the Plaintiff had engaged Messrs. D. Henry Valuers Realtor to carry out the valuation on the Property and Messrs. D. Henry Valuers had appraised the value of the Property on 5 August 2017 to be RM55,600,000.00.

Pursuant thereto, the Plaintiffs are alleging that the Defendant had misrepresented the value of Property prior to the signing of the Settlement Agreement and had made and unjust enrichment from the Settlement Agreement and the Plaintiff are claiming for the payment of RM22,679,424.94 being the difference between the settlement of the outstanding sum of RM32,920,575.06 and the market price of the Property at RM55,600,000.00.

The Plaintiffs have been advised by its solicitors that the Plaintiffs claim has a basis and may ultimately be proven to be justifiable.

The Plaintiffs have also filed an inter-parte injunction application among others to stop the Defendant from proceeding with the repossession of the buses under the said agreements and from dealing with the Property until the settlement of this case.

The High Court has fixed the matter for hearing of the inter-parte injunction on 27th November 2017 together with the case management for the Plaintiffs' Statement of Claims. The High Court has also been fixed to be heard the Defendant's application to strike out the Plaintiffs' claim against the Defendant on 4th January 2018.

The High Court on the 4th January 2018 had allowed the Defendant's application to strike out the Plaintiffs' claim and pursuant thereto, the Plaintiffs' had filed their Notice of Appeal in respect of the said decision of the High Court on the 9th January 2018. The case management of the said appeal has been fixed by the Court of Appeal on 14th March 2018.

22 COMPARISON BETWEEN THE CURRENT QUARTER AND THE IMMEDIATE PRECEDING QUARTER

The Group has recorded lower revenue of RM41.6 million for the current quarter as compared to RM43.8 million in the immediate preceding quarter.

The Group recorded higher loss before tax of RM21.8 million as compared to RM2.3 million in the immediate preceding quarter.

23 REVIEW OF PERFORMANCE OF THE GROUP

For current quarter under review, the Group recorded higher revenue of RM41.6 million for the year ended 31 December 2017 as compared to RM42.4 million in the same cumulative quarter for the year ended 31 December 2016.

The Group recorded a loss before tax of RM21.8 million for the period ended 31 December 2017 as compared to loss before tax of RM3.4 million in the year ended 31 December 2016. The unfavorable variance is attributable to impairment on unoperable buses and lower government assistance during the period under review.

24 PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Malaysian economy registered a growth of 5.9% (3Q 2017: 6.2%) as private sector spending continued to be the primary driver of growth (7.4%; 3Q 2017: 7.3%). The external sector performance improved further (5.4%; 3Q 2017: 1.7%), as real import growth moderated faster than real export growth. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (3Q 2017: 1.8%). For the year as a whole, the economy registered a robust growth of 5.9%.

Domestic demand expanded by 6.2% (3Q 2017: 6.6%) supported by continued strength in private sector expenditure (7.4%; 3Q 2017: 7.3%), amid waning support from public sector spending (3.4%; 3Q 2017: 4.0%). Private consumption expanded by 7.0% (3Q 2017: 7.2%), supported by continued wage and employment growth.

Public consumption expanded by 6.9% (3Q 2017: 3.9%) mainly driven by higher spending on supplies and services by the Federal Government (Source:BNM).

The transportation sector is highly sensitive to the fluctuation of the operational costs such as fuel, tyres and spare parts. The Group recent unfavorable financial performance was mainly due to introduction of new buses which the expenses had immediately hit the financial result while the revenue generated is catching up. In medium term, the Group expect better financial result with fully utilisation of new buses and increase in market acceptance to the brand. The Group will continue with its effort to increase its quality market share and reduce costs.

25 VARIANCE FROM PROFIT FORECAST AND PROFIT GUARANTEE

No profit forecast or guarantee was issued by the Group.

26 EARNINGS PER SHARE ("EPS")

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31/12/2017	Preceding year corresponding quarter 31/12/2016	To Date 31/12/2017	To Date 31/12/2016
(a) Basic				
Loss attributable to equity holders of parent (RM'000)	(7,789)	(19,578)	(17,646)	(24,962)
Weighted average number of ordinary shares ('000)	402,798	402,798	402,798	402,798
Loss per share (sen)	(1.93)	(4.86)	(4.38)	(6.20)
(b) Diluted				

The basic and diluted loss per ordinary share is the same as the Group has no dilutive potential ordinary shares.

27 DISCLOSURE OF REALISED AND UNREALISED PROFIT/(LOSSES)

The breakdowns of the retained earnings of the Group as at 31 December 2017 and 31 December 2016 into realised and unrealised loss are as follows:

	31/12/2017	31/12/2016
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
-Realised	(215,294)	(212,049)
-Unrealised	9,179	23,580
	<u>(206,115)</u>	<u>(188,469)</u>
Add: Consolidation adjustment	275,083	275,083
Retained earnings as per financial statements	<u>68,968</u>	<u>86,614</u>

28 MATERIAL UNCERTAINTY DISCLOSED IN THE INDEPENDENT AUDITORS' REPORT

The material uncertainty disclosed in the Independent Auditors' Report in the Annual Financial Report for the year ended 31 December 2016 are as follows:

"We draw attention to Note 2.1 to the Financial Statements which indicates that for the year ended 31 December 2016, the Company incurred loss before tax of RM1,802,000 and as at that date, the Group's and Company current liabilities exceeded its current assets by RM131,249,000 and RM32,115,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and Company to continue as going concerns.

The ability of the Group and the Company to continue as going concerns are dependent upon the Group obtaining the support from the Group's ultimate and penultimate holding companies, obtaining support funds from the relevant state governments and the Land Public Transport Commission (SPAD) to be disbursed to the private stage bus operators including the Group, the ability of the Group and the Company to generate adequate positive cash flows and future profits from its ongoing reorganisation of its operations, raising additional cash flows from the sale of lands and obtaining the continuing support of creditors and lenders.

The Financial Statements of the Group and the Company do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary should the going concern basis of preparation of the Group's and the Company's financial statements be inappropriate."

In relation to the above, the Board wishes to advise on the followings:

- i. The Group had on 15 May 2017 reached an agreement with creditor to reschedule a RM54.578 million of current trade payable into non-current trade payable. Subsequently, further extension has been given to another set of trade payable amounted to RM13.744 million and therefore been classified as non-current trade payable. The exercise has significantly reduce net current liabilities from RM131.249 million as at 31 December 2016 to RM87.265 million on 31 December 2017;
- ii. Included in the current liabilities are amount due to related companies amounted to RM52.410 million. The Group's ultimate and penultimate holding companies have no intention to demand any repayment in financial year 2018, thus the amount due to related companies been reclassified under non current liabilities. In addition, the Company's ultimate and penultimate holding companies maintaining their commitment to continue their support for the operation of the Company;
- iii. The Group has 2 separates agreements with SPAD to provide bus services under MYBUS and ISBSF programs. The revenue and financial supports, respectively, from both programs are significant and enable the Group to continue servicing its current financial commitments; and
- iv. The Group will continue to focus on cost optimisation and stringent cash flow management and maintaining safety and quality services to remain competitive.

29 KEY AUDIT MATTERS

The following are the Key Audit Matters as reported in the Independent Auditors' Report in the Group's audited financial statements for the year ended 31 December 2016. These matters were addressed in the context of audit of the financial statements of the Group as a whole, and in forming auditor opinion thereon, and the auditor does not provide a separate opinion on these matters.

	Key Audit Matters	How our audit addressed the Key Audit Matter
1	<p>Valuation and impairment of property, plant and equipment</p> <p>The Group have buses and motor vehicles with aggregate carrying values of RM247,601,000 as at 31 December 2016. Following a review of the business, outlook for the industry and the Group's operating plans, management has assessed these carrying values.</p> <p>Management concluded that the recoverable amounts were higher than their carrying values such that no impairment provision was required. These conclusions are dependent upon significant management judgement, including in respect of the computation of the buses' values in use.</p>	<p>Our procedures in relation to management's impairment assessment of buses included:</p> <ul style="list-style-type: none"> ▪ Checking, on a sample basis, the accuracy and relevance of the input data used by management to estimate values in use; ▪ Assessing management's key assumptions used to estimate values in use based on our knowledge of the public transportation industry; and ▪ Considering the potential impact of reasonably possible downside changes in these key assumptions.
2	<p>Goodwill impairment assessment - Park May Berhad Group</p> <p>The Group has a goodwill of RM86,592,000 relating to its acquisition of Park May Berhad Group ("PMBG") in 2000. PMBG incurred a net profit of RM5,043,091 during the financial year ended 31 December 2016.</p> <p>Management has concluded that there is no impairment in respect to the PMBG goodwill. This conclusion was based on a value in use model that required significant management judgement with respect to the discount rate and underlying cash flows, in particular future revenue growth.</p>	<p>Our procedures in relation to management's impairment assessment on goodwill included:</p> <ul style="list-style-type: none"> ▪ Assessing the valuation methodology; ▪ Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; ▪ Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

30 AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 February 2018.

By Order of the Board

TIFLA HAIRI TAIB(LS0008017)

Secretary

Kuala Lumpur