

KONSORTIUM TRANSNASIONAL BERHAD(617580-T)

(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER  
ENDED 31 MARCH 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
	RM' 000	RM' 000	RM' 000	RM' 000
<b>Revenue</b>	<b>41,184</b>	<b>43,255</b>	<b>41,184</b>	<b>43,255</b>
Cost of sales	(43,016)	(49,333)	(43,016)	(49,333)
<b>Gross (loss)/profit</b>	<b>(1,832)</b>	<b>(6,078)</b>	<b>(1,832)</b>	<b>(6,078)</b>
Other income	5,951	5,791	5,951	5,791
Other operating expenses	(5,533)	(6,892)	(5,533)	(6,892)
<b>(Loss)/Profit from operations</b>	<b>(1,414)</b>	<b>(7,179)</b>	<b>(1,414)</b>	<b>(7,179)</b>
Finance costs	(1,231)	(2,024)	(1,231)	(2,024)
<b>Loss before tax</b>	<b>(2,645)</b>	<b>(9,203)</b>	<b>(2,645)</b>	<b>(9,203)</b>
Income tax expense	(10)	(89)	(10)	(89)
<b>Loss for the period</b>	<b>(2,655)</b>	<b>(9,292)</b>	<b>(2,655)</b>	<b>(9,292)</b>
<b>Loss attributable to:</b>				
Equity holders of the Parent	(2,655)	(9,292)	(2,655)	(9,292)
Non-Controlling Interest	-	-	-	-
	<b>(2,655)</b>	<b>(9,292)</b>	<b>(2,655)</b>	<b>(9,292)</b>
<b>Loss per share(EPS) attributable to owners of the Company(sen per share):</b>				
Basic (sen)	(0.66)	(2.31)	(0.66)	(2.31)
Diluted (sen)	N/A	N/A	N/A	N/A

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

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

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31/3/2018</b>	<b>31/3/2017</b>	<b>31/3/2018</b>	<b>31/3/2017</b>
	<b>RM' 000</b>	<b>RM' 000</b>	<b>RM' 000</b>	<b>RM' 000</b>
Loss for the period	(2,655)	(9,292)	(2,655)	(9,292)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the period</b>	<u>(2,655)</u>	<u>(9,292)</u>	<u>(2,655)</u>	<u>(9,292)</u>
<b>Total comprehensive loss:</b>				
Equity holders of the Parent	(2,655)	(9,292)	(2,655)	(9,292)
Non-Controlling Interest	-	-	-	-
	<u>(2,655)</u>	<u>(9,292)</u>	<u>(2,655)</u>	<u>(9,292)</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017 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**

	<b>Unaudited As at 31/3/2018 RM' 000</b>	<b>Audited As at 31/12/2017 RM' 000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	211,211	219,302
Investment properties	92	92
Other investment	186	186
Goodwill on consolidation	86,592	86,592
Deferred tax assets	1,760	1,760
	<u>299,841</u>	<u>307,932</u>
<b>Current assets</b>		
Trade and other receivables	41,589	34,533
Amount due from related companies	21,777	20,783
Tax recoverable	751	751
Cash and bank balances	4,668	9,752
	<u>68,785</u>	<u>65,819</u>
<b>TOTAL ASSETS</b>	<b><u>368,626</u></b>	<b><u>373,751</u></b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Short term borrowings	31,193	31,193
Trade and other payables	79,802	76,083
Current tax payables	2,873	2,953
Provision for retirement benefits	145	157
	<u>114,013</u>	<u>110,386</u>
<b>Net current liabilities</b>	<b>(45,228)</b>	<b>(44,567)</b>
<b>Non-current liabilities</b>		
Long term borrowings	45,433	48,971
Trade payables	55,696	55,696
Amount due to related companies	48,112	48,112
Provision for retirement benefits	7,088	7,229
Deferred tax liabilities	10,939	10,939
	<u>167,268</u>	<u>170,947</u>
<b>Total liabilities</b>	<b>281,281</b>	<b>281,333</b>
<b>Net assets</b>	<b>87,345</b>	<b>92,418</b>
<b>Equity attributable to equity holders of parents</b>		
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	66,881	69,536
Merger deficit	(52,991)	(52,991)
Shareholders' equity	<u>85,149</u>	<u>87,804</u>
Non-controlling interest	2,196	2,196
<b>Total equity</b>	<b><u>87,345</u></b>	<b><u>90,000</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>368,626</u></b>	<b><u>371,333</u></b>
<b>Net assets per share attributable to ordinary equity holders of the Company(RM)</b>	<b>0.22</b>	<b>0.22</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017 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	Non-Controlling Interest	Total Equity
	← Non-distributable			→ Distributable					
	Share Capital	Share Premium	Capital Reserve	Merger Deficit	Other Reserve	Retained Earnings / (Accumulated Losses)			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2018</b>	40,280	7,511	23,563	(52,991)	(95)	69,536	87,804	2,196	90,000
<b>Loss for the financial year</b>	-	-	-	-	-	(2,655)	(2,655)	-	(2,655)
<b>Other comprehensive income for the financial year</b>	-	-	-	-	-	-	-	-	-
<b>Total comprehensive loss</b>	-	-	-	-	-	(2,655)	(2,655)	-	(2,655)
<b>At 31 March 2018</b>	<u>40,280</u>	<u>7,511</u>	<u>23,563</u>	<u>(52,991)</u>	<u>(95)</u>	<u>66,881</u>	<u>85,149</u>	<u>2,196</u>	<u>87,345</u>
<b>At 1 January 2017</b>	40,280	7,511	23,563	(52,991)	(95)	86,614	104,882	2,196	107,078
<b>Loss for the financial year</b>	-	-	-	-	-	(9,292)	(9,292)	-	(9,292)
<b>Other comprehensive income for the financial year</b>	-	-	-	-	-	-	-	-	-
<b>Total comprehensive loss</b>	-	-	-	-	-	(9,292)	(9,292)	-	(9,292)
<b>At 31 March 2017</b>	<u>40,280</u>	<u>7,511</u>	<u>23,563</u>	<u>(52,991)</u>	<u>(95)</u>	<u>77,322</u>	<u>95,590</u>	<u>2,196</u>	<u>97,786</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**

	<b>Unaudited</b>	
	<b>3 months ended</b>	
	<b>31/03/2018</b>	<b>31/03/2017</b>
	<b>RM ' 000</b>	<b>RM ' 000</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(2,645)	(9,203)
Adjustments for:		
Depreciation of property, plant and equipment	7,808	10,628
Loss on disposal of property, plant and equipment	84	452
Interest expense	1,231	2,024
Operating profit before working capital changes	<u>6,478</u>	<u>3,901</u>
Increase in receivables	(7,056)	(8,077)
Increase in payables	3,718	4,482
Changes in related companies balances	<u>(3,412)</u>	<u>5,774</u>
Cash generated from operations	(272)	6,080
Tax paid	(89)	(164)
Interest paid	(1,231)	(2,024)
Retirement benefits paid	(153)	-
Net cash generated from operating activities	<u>(1,745)</u>	<u>3,892</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(575)	(1,815)
Proceeds from disposal of property, plant and equipment	<u>774</u>	<u>50</u>
Net cash generated from / (used in) investing activities	<u>199</u>	<u>(1,765)</u>
<b>Cash flows from financing activities</b>		
Net repayment of borrowings	<u>(3,538)</u>	<u>(2,887)</u>
Net cash used in financing activities	<u>(3,538)</u>	<u>(2,887)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(5,084)</b>	<b>(760)</b>
<b>Cash and cash equivalents as at 1 January 2018/2017</b>	<u>9,752</u>	<u>5,949</u>
<b>Cash and cash equivalents as at 31 March 2018/2017</b>	<b><u>4,668</u></b>	<b><u>5,189</u></b>

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

Fixed deposits with licensed bank	3,506	3,346
Cash and bank balances	<u>1,162</u>	<u>1,843</u>
	<b><u>4,668</u></b>	<b><u>5,189</u></b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

## **1 BASIS OF PREPARATION**

These condensed consolidated interim financial statements, for the period ended 31 March 2018 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 2017. 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 2017.

## **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 2017 except with the adoption of Amendments to Standards and Issue Committee(IC) Interpretations effective as of 1 January 2018.

### **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 2018.

MFRS 2	Share-based Payment
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
MFRS 140	Investment Property
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 2019.

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 2017 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 March 2018.

#### 8 DIVIDEND

The Directors do not recommend any interim dividend on ordinary shares of RM0.10 each for the current financial period ended 31 March 2018 (2017: Nil)

#### 9 SEGMENT INFORMATION FOR THE CURRENT FINANCIAL PERIOD

(a) Primary reporting format-by product and services

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/3/2018 RM'000	Preceding Year Quarter 31/3/2017 RM'000	Three months to 31/3/2018 RM'000	Three months to 31/3/2017 RM'000
<b>Revenue</b>				
Public transportation services	40,995	43,132	40,995	43,132
Others	189	123	189	123
Total	<u>41,579</u>	<u>43,255</u>	<u>173,391</u>	<u>43,255</u>
<b>Loss before tax</b>				
Public transportation services	(2,697)	(9,059)	(2,697)	(9,059)
Others	52	(144)	52	(144)
Total	<u>(2,645)</u>	<u>(9,203)</u>	<u>(2,645)</u>	<u>(9,203)</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 31/3/2018 RM'000	Preceding Year Quarter 31/3/2017 RM'000	Three months to 31/3/2018 RM'000	Three months to 31/3/2017 RM'000
Other income	5,951	5,791	5,951	5,791
Interest expense	(1,231)	(2,024)	(1,231)	(2,024)
Depreciation and amortisation	(7,808)	(10,628)	(7,808)	(10,628)
Loss on disposal of property, plant and equipment	(84)	(452)	(84)	(452)



## 15 INCOME TAX EXPENSE

Taxation includes:

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31/3/2018 RM'000	Preceding Year Quarter 31/3/2017 RM'000	Three months to 31/3/2018 RM'000	Three months to 31/3/2017 RM'000
Malaysian taxation:				
- Current taxation	10	89	10	89
- Under/(Over) provision in prior years	-	-	-	-
	<u>10</u>	<u>89</u>	<u>10</u>	<u>89</u>

## 16 RELATED PARTY TRANSACTIONS

The following expenses are related party transactions:-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31/3/2018 RM'000	Preceding Year Quarter 31/3/2017 RM'000	Three months to 31/3/2018 RM'000	Three months to 31/3/2017 RM'000
<b>Penultimate holding company</b>				
- Secretarial services	38	-	38	-
<b>Immediate holding company</b>				
- Rental of premises	196	195	196	195
<b>Related companies</b>				
- Rental of buses	-	32	-	32
- Rental of workshop/depo	82	92	82	92
- Bus repair services	3,545	1,599	3,545	1,599
- Purchase of spare parts	3	-	3	-
- Purchase of tyres	818	777	818	777
- Security services	724	558	724	558
- Bus insurance services	4	4	4	4
- E-ticketing system maintenance	315	616	315	616
- Purchase of uniforms	8	6	8	6
- Workshop Repair & Maintenance	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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 March 2018 are as follows:

	31/3/2018	31/12/2017
	RM'000	RM'000
<b>Current</b>		
Secured		
- Finance Lease	10,033	10,033
- Term Loan	14,160	14,160
- Revolving Credit	7,000	7,000
	<u>31,193</u>	<u>31,193</u>
<b>Non-Current</b>		
Secured		
- Finance Lease	18,996	20,371
- Term Loan	26,437	28,600
	<u>45,433</u>	<u>48,971</u>
<b>Total Borrowings</b>		
Secured		
- Finance Lease	29,029	30,404
- Term Loan	40,597	42,760
- Revolving Credit	7,000	7,000
	<u>76,626</u>	<u>80,164</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-partes 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-partes 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 9th July 2018.

## 22 COMPARISON BETWEEN THE CURRENT QUARTER AND THE IMMEDIATE PRECEDING QUARTER

The Group has recorded lower revenue of RM41.2 million for the current quarter as compared to RM41.6 million in the immediate preceding quarter.

The Group recorded lower loss before tax of RM2.6 million as compared to RM22.7 million in the immediate preceding quarter.

## 23 REVIEW OF PERFORMANCE OF THE GROUP

For current quarter under review, the Group recorded lower revenue of RM41.2 million for the period ended 31 March 2018 as compared to RM43.3 million in the same cumulative quarter for the period ended 31 March 2017.

The Group recorded a loss before tax of RM2.6 million for the period ended 31 March 2018 as compared to loss before tax of RM9.2 million in the period ended 31 March 2017.

## 24 PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Malaysian economy expanded by 5.4% in the first quarter of 2018 (4Q 2017: 5.9%), driven by continued growth in private sector spending (5.2%; 4Q 2017: 7.4%) and strong growth in net exports (62.4%; 4Q 2017: 2.3%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4% (4Q 2017: 1.0%).

Domestic demand recorded a moderate growth of 4.1% (4Q 2017: 6.2%), due to lower growth of private sector expenditure (5.2%; 4Q 2017: 7.4%) and a marginal decline in public sector spending (-0.1%; 4Q 2017: +3.4%). Private consumption registered a sustained growth of 6.9% (4Q 2017: 7.0%), supported by continued strength in wage and employment growth.

Private consumption registered a sustained growth of 6.9% (4Q 2017: 7.0%), supported by continued strength in wage and employment growth. (Source:BNM).

The transportation sector is highly sensitive to the fluctuation of the operational costs such as fuel, tyres and spare parts. 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 31/3/2018	Preceding year corresponding quarter 31/3/2017	To Date 31/3/2018	To Date 31/3/2017
<b>(a) Basic</b>				
Loss attributable to equity holders of parent (RM'000)	(2,655)	(9,292)	(2,655)	(9,292)
Weighted average number of ordinary shares ('000)	402,798	402,798	402,798	402,798
Loss per share (sen)	(0.66)	(2.31)	(0.66)	(2.31)

### **(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 March 2018 and 31 December 2017 into realised and unrealised loss are as follows:

	31/3/2018	31/12/2017
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
-Realised	(217,289)	(214,636)
-Unrealised	9,179	9,179
	<u>(208,110)</u>	<u>(205,457)</u>
Add: Consolidation adjustment	274,991	274,993
Retained earnings as per financial statements	<u>66,881</u>	<u>69,536</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 2017 are as follows:

"We draw attention to Note 2.1 to the financial statements which indicates that for the year ended 31 December 2017, the Group's and Company's current liabilities exceeded its current assets by RM44,396,000 and RM18,454,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and the 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 continuously approached creditors for debts restructuring exercise to reduce short term financial obligation.
- ii. 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 separate 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 2017. 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><b>Valuation and impairment of property, plant and equipment</b></p> <p>The Group have buses and motor vehicles with aggregate carrying values of RM208,778,000 as at 31 December 2017. 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 lower than their carrying values as such that provision for impairment of RM9,512,000 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"> <li>▪ Checking, on a sample basis, the accuracy and relevance of the input data used by management to estimate values in use;</li> <li>▪ Assessing management's key assumptions used to estimate values in use based on our knowledge of the public transportation industry; and</li> <li>▪ Considering the potential impact of reasonably possible downside changes in these key assumptions.</li> </ul>
2	<p><b>Goodwill impairment assessment – Park May Berhad Group</b></p> <p>KTB 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 RM4,480,001 during the financial year ended 31 December 2017.</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"> <li>▪ Assessing the valuation methodology;</li> <li>▪ Challenging the reasonableness of key assumptions based on our knowledge of the business and industry;</li> <li>▪ Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.</li> </ul>

## 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 30 May 2018.

**By Order of the Board**

**TIFLA HAIRI TAIB(LS0008017)**  
Secretary

**Kuala Lumpur**