

KONSORTIUM TRANSNASIONAL BERHAD(617580-T)**(Incorporated in Malaysia)****QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FORTH QUARTER
ENDED 31 DECEMBER 2018****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****(The figures have not been audited)**

	Individual Quarter		Cumulative Quarter	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	RM' 000	RM' 000	RM' 000	RM' 000
Revenue	37,015	41,579	153,707	173,391
Cost of sales	(42,798)	(50,787)	(169,022)	(188,852)
Gross loss	(5,783)	(9,208)	(15,315)	(15,461)
Other income	(8,866)	173	4,884	21,656
Other operating expenses	(4,803)	(12,090)	(20,819)	(32,302)
Loss from operations	(19,452)	(21,125)	(31,250)	(26,107)
Finance costs	(600)	(1,577)	(3,999)	(6,391)
Loss before tax	(20,052)	(22,702)	(35,249)	(32,498)
Income tax expense	(1,192)	13,950	(1,234)	13,889
Loss for the financial year	(21,244)	(8,752)	(36,483)	(18,609)
Loss attributable to:				
Equity holders of the Parent	(21,244)	(8,752)	(36,483)	(18,713)
Non-Controlling Interest	-	-	-	-
	(21,244)	(8,752)	(36,483)	(18,713)
Loss per share(EPS) attributable to owners of the Company(sen per share):				
Basic (sen)	(5.27)	(2.17)	(9.06)	(4.65)
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	
	31/12/2018 RM' 000	31/12/2017 RM' 000	31/12/2018 RM' 000	31/12/2017 RM' 000
Loss for the financial year	(21,244)	(8,752)	(36,483)	(18,609)
Other comprehensive income	-	1,531	-	1,531
Total comprehensive loss for the financial year	<u>(21,244)</u>	<u>(8,752)</u>	<u>(36,483)</u>	<u>(17,078)</u>
Total comprehensive loss:				
Equity holders of the Parent	(21,244)	(8,752)	(36,483)	(17,078)
Non-Controlling Interest	-	-	-	-
	<u>(21,244)</u>	<u>(8,752)</u>	<u>(36,483)</u>	<u>(17,078)</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

	Unaudited As at 31/12/2018 RM' 000	Audited As at 31/12/2017 RM' 000
ASSETS		
Non-current assets		
Property, plant and equipment	172,570	219,302
Investment properties	92	92
Other investment	186	186
Goodwill on consolidation	86,592	86,592
Deferred tax assets	1,485	1,760
	<u>260,925</u>	<u>307,932</u>
Current assets		
Trade and other receivables	25,718	34,533
Amount due from related companies	15,868	20,783
Tax recoverable	751	751
Cash and bank balances	10,184	9,752
	<u>52,521</u>	<u>65,819</u>
TOTAL ASSETS	<u>313,446</u>	<u>373,751</u>
LIABILITIES AND EQUITY		
Current liabilities		
Short term borrowings	31,151	31,193
Trade and other payables	69,442	76,083
Current tax payables	2,490	2,953
Provision for retirement benefits	271	157
	<u>103,354</u>	<u>110,386</u>
Net current liabilities	(50,833)	(44,567)
Non-current liabilities		
Long term borrowings	31,100	48,971
Trade payables	54,346	55,696
Amount due to related companies	50,434	50,530
Provision for retirement benefits	8,849	7,229
Deferred tax liabilities	11,846	10,939
	<u>156,575</u>	<u>173,365</u>
Total liabilities	259,929	283,751
Net assets	53,517	90,000
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	33,053	69,536
Merger deficit	(52,991)	(52,991)
Shareholders' equity	<u>51,321</u>	<u>87,804</u>
Non-controlling interest	2,196	2,196
Total equity	<u>53,517</u>	<u>90,000</u>
TOTAL LIABILITIES AND EQUITY	<u>313,446</u>	<u>373,751</u>
Net assets per share attributable to ordinary equity holders of the Company(RM)	0.13	0.22

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
At 1 January 2018	40,280	7,511	23,563	(52,991)	(95)	69,536	87,804	2,196	90,000
Loss for the financial year	-	-	-	-	-	(36,483)	(36,483)	-	(36,483)
Other comprehensive income for the financial year	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	(36,483)	(36,483)	-	(36,483)
At 31 December 2018	<u>40,280</u>	<u>7,511</u>	<u>23,563</u>	<u>(52,991)</u>	<u>(95)</u>	<u>33,053</u>	<u>51,321</u>	<u>2,196</u>	<u>53,517</u>
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	-	-	-	-	-	(18,609)	(18,609)	-	(18,609)
Other comprehensive income for the financial year	-	-	-	-	-	1,531	1,531	-	1,531
Total comprehensive loss	-	-	-	-	-	(17,078)	(17,078)	-	(17,078)
At 31 December 2017	<u>40,280</u>	<u>7,511</u>	<u>23,563</u>	<u>(52,991)</u>	<u>(95)</u>	<u>69,536</u>	<u>87,804</u>	<u>2,196</u>	<u>90,000</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	
	31/12/2018	31/12/2017
	RM ' 000	RM ' 000
Cash flows from operating activities		
Loss before tax	(35,249)	(32,498)
Adjustments for:		
Depreciation of property, plant and equipment	31,544	36,253
Provision for retirement benefits	2,929	616
Impairment loss on property, plant and equipment	-	9,512
Impairment loss on receivables, net of reversal	-	632
Loss on disposal of property, plant and equipment	12,836	3,651
Interest income	(2)	(1)
Interest expense	3,999	6,391
Operating profit before working capital changes	<u>16,057</u>	<u>24,556</u>
Decrease/(Increase) in receivables	8,815	(6,696)
(Decrease)/Increase in payables	(7,992)	23,179
Changes in related companies balances	4,819	(9,028)
Cash generated from operations	<u>21,699</u>	<u>32,011</u>
Tax paid	(514)	(545)
Interest paid	(3,999)	(6,391)
Retirement benefits paid	(1,195)	(1,489)
Net cash generated from operating activities	<u>15,991</u>	<u>23,586</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(19)	(5,168)
Proceeds from disposal of property, plant and equipment	2,371	2,688
Net cash generated from investing activities	<u>2,354</u>	<u>(2,480)</u>
Cash flows from financing activities		
Net repayment of borrowings	(17,913)	(17,303)
Net cash used in financing activities	<u>(17,913)</u>	<u>(17,303)</u>
Net increase in cash and cash equivalents	432	3,803
Cash and cash equivalents as at 1 January 2018/2017	<u>9,752</u>	<u>5,949</u>
Cash and cash equivalents as at 31 December 2018/2017	<u>10,184</u>	<u>9,752</u>

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

Fixed deposits with licensed bank	3,506	3,506
Cash and bank balances	6,678	6,246
	<u>10,184</u>	<u>9,752</u>

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 year ended 31 December 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 December 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 December 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 31/12/2018 RM'000	Preceding Year Quarter 31/12/2017 RM'000	Nine months to 31/12/2018 RM'000	Nine months to 31/12/2017 RM'000
Revenue				
Public transportation services	36,807	40,242	152,918	171,591
Others	208	1,337	789	1,800
Total	<u>37,015</u>	<u>41,579</u>	<u>173,391</u>	<u>173,391</u>
Loss before tax				
Public transportation services	(19,971)	(22,895)	(35,282)	(32,645)
Others	(81)	193	33	147
Total	<u>(20,052)</u>	<u>(22,702)</u>	<u>(35,249)</u>	<u>(32,498)</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 LIABILITY

The Group have no contingent liability as at the date of this announcement.

13 CAPITAL COMMITMENTS

There are no material capital commitments.

14 LOSS BEFORE TAX

Included in the loss before tax are the following items:

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31/12/2018 RM'000	Preceding Year Quarter 31/12/2017 RM'000	Twelve months to 31/12/2018 RM'000	Twelve months to 31/12/2017 RM'000
Other income	(8,866)	173	4,884	21,656
Interest expense	(600)	(1,577)	(3,999)	(6,391)
Depreciation and amortisation	(7,616)	(10,524)	(31,544)	(36,253)
Loss on disposal of property, plant and equipment	(11,759)	(2,065)	(12,836)	(3,651)

15 INCOME TAX EXPENSE

Taxation includes:

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31/12/2018 RM'000	Preceding Year Quarter 31/12/2017 RM'000	Twelve months to 31/12/2018 RM'000	Twelve months to 31/12/2017 RM'000
Malaysian taxation:				
- Current taxation	741	1,341	783	1,402
- Under/(Over) provision in prior years	451	(15,291)	451	(15,291)
	<u>1,192</u>	<u>(13,950)</u>	<u>1,234</u>	<u>(13,889)</u>

16 RELATED PARTY TRANSACTIONS

The following expenses are related party transactions:-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31/12/2018 RM'000	Preceding Year Quarter 31/12/2017 RM'000	Twelve months to 31/12/2018 RM'000	Twelve months to 31/12/2017 RM'000
Penultimate holding company				
- Secretarial services	-	38	99	114
Immediate holding company				
- Rental of premises	-	-	506	585
Related companies				
- Rental of buses	184	21	211	90
- Rental of workshop/depo	346	92	611	369
- Bus repair services	3,403	6,213	13,174	8,972
- Purchase of spare parts	647	49	1,034	49
- Purchase of tyres	1,567	1,712	4,717	3,820
- Security services	682	633	2,761	2,420
- Bus insurance services	3	4	11	14
- E-ticketing system maintenance	193	468	1,285	2,038
- Purchase of uniforms	-	14	8	44
- Workshop Repair & Maintenance	2,660	-	11,069	-

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 2018 are as follows:

	31/12/2018	31/12/2017
	RM'000	RM'000
Current		
Secured		
- Finance Lease	9,991	10,033
- Term Loan	14,160	14,160
- Revolving Credit	7,000	7,000
	<u>31,151</u>	<u>31,193</u>
Non-Current		
Secured		
- Finance Lease	13,095	20,371
- Term Loan	18,005	28,600
	<u>31,100</u>	<u>48,971</u>
Total Borrowings		
Secured		
- Finance Lease	23,086	30,404
- Term Loan	32,165	42,760
- Revolving Credit	7,000	7,000
	<u>62,251</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 an 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 hearing of the said appeal has been fixed by the Court of Appeal on 15th November 2018.

The Court of Appeal on 15th November 2018 had allowed the Plaintiff’s appeal and directed for the case management of the Plaintiff’s application to be heard by the High Court on 27th November 2018. The High Court set the dates of the trial from 10th September 2019 until 13th September 2019.

The Defendant has also filed their Notice of Motion for leave to Federal Court on 30th November 2018 to appeal against the decision of the Court of Appeal and the said appeal is fixed to be heard on 13th May 2019.

22 COMPARISON BETWEEN THE CURRENT QUARTER AND THE IMMEDIATE PRECEDING QUARTER

The Group has recorded higher revenue of RM37.0 million for the current quarter as compared to RM35.9 million in the immediate preceding quarter.

The Group recorded higher loss before tax of RM20.0 million as compared to RM8.2 million in the immediate preceding quarter.

23 REVIEW OF PERFORMANCE OF THE GROUP

For current quarter under review, the Group recorded lower revenue of RM37.0 million for the period ended 31 December 2018 as compared to RM41.6 million in the same cumulative quarter for the period ended 31 December 2017.

The Group recorded a loss before tax of RM20.0 million for the period ended 31 December 2018 as compared to loss before tax of RM22.7 million in the period ended 31 December 2017.

24 PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Malaysian economy recorded a sustained growth of 4.7% in the fourth quarter of 2018 (3Q 2018: 4.4%) despite global headwinds, supported by continued expansion in domestic demand and positive growth in net exports.

Private sector expenditure remained the main driver of domestic demand, while a rebound in real exports of goods and services (+1.3%; 3Q 2018: -0.8%) contributed towards the positive growth of net exports. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.4% (3Q 2018: 1.6%). For 2018 as a whole, the economy expanded by 4.7% (2017: 5.9%).

Domestic demand expanded at a more moderate pace of 5.6% (3Q 2018: 6.9%) during the quarter. Growth was weighed down by a moderation in gross fixed capital formation. Private consumption growth remained robust at 8.5% (3Q 2018: 9.0%), despite the frontloading of purchases during the tax holiday period in the previous quarter. Income and employment growth continued to drive household spending. Government measures to alleviate cost of living, such as special payments to civil servants and pensioners, also provided some support to consumer spending.

(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 31/12/2018	Preceding year corresponding quarter 31/12/2017	To Date 31/12/2018	To Date 31/12/2017
(a) Basic				
Loss attributable to equity holders of parent (RM'000)	(21,244)	(8,752)	(36,483)	(18,713)
Weighted average number of ordinary shares ('000)	402,798	402,798	402,798	402,798
Loss per share (sen)	(5.27)	(2.17)	(9.06)	(4.65)
(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 2018 and 31 December 2017 into realised and unrealised loss are as follows:

	31/12/2018	31/12/2017
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
-Realised	(241,667)	(214,636)
-Unrealised	10,361	9,179
	<u>(231,306)</u>	<u>(205,457)</u>
Add: Consolidation adjustment	264,359	274,993
Retained earnings as per financial statements	<u>33,053</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>Valuation and impairment of property, plant and equipment</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"> ▪ 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>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"> ▪ 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 28 February 2018.

By Order of the Board

AZAHAR GHAZALI (LS0003263)
Secretary

Kuala Lumpur