

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER**  
**ENDED 30 JUNE 2019**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(The figures have not been audited)

	Individual Quarter		Cumulative Quarter	
	30/06/2019	30/6/2018	30/06/2019	30/6/2018
	RM' 000	RM' 000	RM' 000	RM' 000
<b>Revenue</b>	<b>34,788</b>	<b>39,642</b>	<b>70,857</b>	<b>80,826</b>
Cost of sales	(36,103)	(43,076)	(70,172)	(86,092)
<b>Gross profit/(loss)</b>	<b>(1,315)</b>	<b>(3,434)</b>	<b>685</b>	<b>(5,266)</b>
Other income	3,133	5,283	6,423	11,234
Other operating expenses	(5,057)	(5,115)	(9,611)	(10,648)
<b>Loss from operations</b>	<b>(3,239)</b>	<b>(3,266)</b>	<b>(2,503)</b>	<b>(4,680)</b>
Finance costs	(201)	(1,078)	(535)	(2,309)
<b>Loss before tax</b>	<b>(3,440)</b>	<b>(4,344)</b>	<b>(3,038)</b>	<b>(6,989)</b>
Income tax expense	(96)	(22)	(96)	(32)
<b>Loss for the financial year</b>	<b>(3,536)</b>	<b>(4,366)</b>	<b>(3,134)</b>	<b>(7,021)</b>
<b>Loss attributable to:</b>				
Equity holders of the Parent	(3,536)	(4,366)	(3,134)	(7,021)
Non-Controlling Interest	-	-	-	-
	<b>(3,536)</b>	<b>(4,366)</b>	<b>(3,134)</b>	<b>(7,021)</b>
<b>Loss per share(EPS) attributable to owners of the Company(sen per share):</b>				
Basic (sen)	(0.88)	(1.08)	(0.78)	(1.74)
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	
	30/06/2019 RM' 000	30/6/2018 RM' 000	30/06/2019 RM' 000	30/6/2018 RM' 000
Loss for the financial year	(3,536)	(4,366)	(3,134)	(7,021)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the financial year</b>	<b><u>(3,536)</u></b>	<b><u>(4,366)</u></b>	<b><u>(3,134)</u></b>	<b><u>(7,021)</u></b>
<b>Total comprehensive loss:</b>				
Equity holders of the Parent	(3,536)	(4,366)	(3,134)	(7,021)
Non-Controlling Interest	-	-	-	-
	<b><u>(3,536)</u></b>	<b><u>(4,366)</u></b>	<b><u>(3,134)</u></b>	<b><u>(7,021)</u></b>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018 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 30/06/2019 RM' 000</b>	<b>Audited As at 31/12/2018 RM' 000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	157,809	172,995
Investment properties	92	92
Other investment	87	87
Goodwill on consolidation	78,582	78,582
Deferred tax assets	2,140	2,140
	<u>238,710</u>	<u>253,896</u>
<b>Current assets</b>		
Trade and other receivables	32,456	24,651
Amount due from related companies	15,540	16,335
Tax recoverable	751	751
Cash and bank balances	16,194	12,475
	<u>64,941</u>	<u>54,212</u>
<b>TOTAL ASSETS</b>	<u><b>303,651</b></u>	<u><b>308,108</b></u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Short term borrowings	31,151	31,151
Trade and other payables	96,751	83,381
Current tax payables	2,469	2,528
Provision for retirement benefits	218	218
	<u>130,589</u>	<u>117,278</u>
<b>Net current liabilities</b>	<u>(65,648)</u>	<u>(63,066)</u>
<b>Non-current liabilities</b>		
Long term borrowings	24,082	30,941
Trade payables	23,296	34,096
Amount due to related companies	64,554	61,125
Provision for retirement benefits	5,045	5,449
Deferred tax liabilities	8,772	8,772
	<u>125,749</u>	<u>140,383</u>
<b>Total liabilities</b>	<u>256,338</u>	<u>257,661</u>
<b>Net assets</b>	<u>47,313</u>	<u>50,447</u>
<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	26,849	29,983
Merger deficit	(52,991)	(52,991)
Shareholders' equity	<u>45,117</u>	<u>48,251</u>
Non-controlling interest	2,196	2,196
<b>Total equity</b>	<u>47,313</u>	<u>50,447</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u><b>303,651</b></u>	<u><b>308,108</b></u>
<b>Net assets per share attributable to ordinary equity holders of the Company(RM)</b>	<b>0.12</b>	<b>0.13</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018 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 / (Accumulated Losses) RM'000			
<b>At 1 January 2019</b>	40,280	7,511	23,563	(52,991)	(95)	29,983	48,251	2,196	50,447
<b>Loss for the financial period</b>	-	-	-	-	-	(3,134)	(3,134)	-	(3,134)
<b>Other comprehensive income for the financial period</b>	-	-	-	-	-	-	-	-	-
<b>Total comprehensive loss</b>	-	-	-	-	-	(3,134)	(3,134)	-	(3,134)
<b>At 30 June 2019</b>	<u>40,280</u>	<u>7,511</u>	<u>23,563</u>	<u>(52,991)</u>	<u>(95)</u>	<u>26,849</u>	<u>45,117</u>	<u>2,196</u>	<u>47,313</u>
<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 period</b>	-	-	-	-	-	(7,021)	(7,021)	-	(7,021)
<b>Other comprehensive income for the financial period</b>	-	-	-	-	-	-	-	-	-
<b>Total comprehensive loss</b>	-	-	-	-	-	(7,021)	(7,021)	-	(7,021)
<b>At 30 June 2018</b>	<u>40,280</u>	<u>7,511</u>	<u>23,563</u>	<u>(52,991)</u>	<u>(95)</u>	<u>62,515</u>	<u>80,783</u>	<u>2,196</u>	<u>82,979</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>6 months ended</b>	
	<b>30/06/2019</b>	<b>30/06/2018</b>
	<b>RM ' 000</b>	<b>RM ' 000</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(3,038)	(6,989)
Adjustments for:		
Depreciation of property, plant and equipment	13,438	15,503
Loss on disposal of property, plant and equipment	286	146
Interest income	(1)	-
Interest expense	535	2,309
Operating profit before working capital changes	<u>11,220</u>	<u>10,969</u>
Increase in receivables	(7,805)	(10,486)
Increase in payables	2,570	11,902
Changes in related companies balances	4,224	(4,637)
Cash generated from operations	<u>10,209</u>	<u>7,748</u>
Tax paid	(155)	(140)
Interest paid	(535)	(2,309)
Retirement benefits paid	(404)	(159)
Net cash generated from operating activities	<u>9,115</u>	<u>5,140</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	-	(579)
Proceeds from disposal of property, plant and equipment	1,462	593
Interest received	1	-
Net cash generated from investing activities	<u>1,463</u>	<u>14</u>
<b>Cash flows from financing activities</b>		
Net repayment of borrowings	(6,859)	(8,279)
Net cash used in financing activities	<u>(6,859)</u>	<u>(8,279)</u>
<b>Net increase in cash and cash equivalents</b>	<b>3,719</b>	<b>(3,125)</b>
<b>Cash and cash equivalents as at 1 January 2019/2018</b>	<u>12,475</u>	<u>9,752</u>
<b>Cash and cash equivalents as at 31 December 2019/2018</b>	<b><u>16,194</u></b>	<b><u>6,627</u></b>

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	12,688	3,121
	<u>16,194</u>	<u>6,627</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018 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 30 June 2019 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 2018. 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 2018.

## **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 2018 except with the adoption of Amendments to Standards and Issue Committee(IC) Interpretations effective as of 1 January 2019.

### **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 2019.

MFRS 9	Prepayment Features with Negative Compensation
MFRS 16	Leases
MFRS 128	Long Term Interest in Associates and Joint Ventures
MFRS 3	Business Combinations: Previously Held Interest in a Joint Operation
MFRS 112	Income Tax: Consequences of Payments on Financial Instruments Classified as Equity
MFRS 123	Borrowing Costs Eligible for Capitalisation
MFRS 17	Insurance Contracts
MFRS 15	Revenue from Contracts with Customers
Improvement to MRFSS	Annual Improvement 2012-2014 Cycle
Improvement to MRFSS	Annual Improvement 2015-2017 Cycle

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

## **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 2018 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

#### 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 30 June 2019.

#### 8 DIVIDEND

The Directors do not recommend any interim dividend on ordinary shares of RM0.10 each for the current financial period ended 30 June 2019 (2018: Nil)

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

(a) Primary reporting format-by product and services

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2019 RM'000	Preceding Year Quarter 30/06/2018 RM'000	Six months to 30/06/2019 RM'000	Six months to 30/06/2018 RM'000
<b>Revenue</b>				
Public transportation services	34,704	39,396	70,614	80,236
Others	84	248	243	592
Total	<u>34,788</u>	<u>39,644</u>	<u>70,857</u>	<u>80,828</u>
<b>Loss before tax</b>				
Public transportation services	(3,469)	(4,365)	(3,405)	(7,062)
Others	29	21	367	73
Total	<u>(3,440)</u>	<u>(4,344)</u>	<u>(3,038)</u>	<u>(6,989)</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

## 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 30/06/2019 RM'000	Preceding Year Quarter 30/06/2018 RM'000	Three months to 30/06/2019 RM'000	Three months to 30/06/2018 RM'000
Other income	3,133	5,283	6,423	11,234
Interest expense	(201)	(1,078)	(535)	(2,309)
Depreciation and amortisation	(7,236)	(7,695)	(13,438)	(15,503)
Gain/(Loss) on disposal of property, plant and equipment	(287)	(62)	(286)	(146)



## 15 INCOME TAX EXPENSE

Taxation includes:

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 30/06/2019 RM'000	Preceding Year Quarter 30/06/2018 RM'000	Three months to 30/06/2019 RM'000	Three months to 30/06/2018 RM'000
Malaysian taxation:				
- Current taxation	96	22	96	32
- Under/(Over) provision in prior years	-	-	-	-
	<u>96</u>	<u>22</u>	<u>96</u>	<u>32</u>

## 16 RELATED PARTY TRANSACTIONS

The following expenses are related party transactions:-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 30/06/2019 RM'000	Preceding Year Quarter 30/06/2018 RM'000	Three months to 30/06/2019 RM'000	Three months to 30/06/2018 RM'000
<b>Penultimate holding company</b>				
- Secretarial services	86	25	172	63
<b>Immediate holding company</b>				
- Rental of premises	183	126	367	322
<b>Related companies</b>				
- Rental of buses	99	11	349	11
- Rental of workshop/depo	64	90	111	172
- Bus repair services	1,122	2,330	4,273	5,875
- Purchase of spare parts	60	175	302	178
- Purchase of tyres	1,216	556	1,937	1,373
- Security services	240	658	503	1,382
- Bus insurance services	2	2	5	6
- E-ticketing system maintenance	240	355	494	670
- Purchase of uniforms	-	-	-	8
	<u>-</u>	<u>-</u>	<u>-</u>	<u>8</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 30 June 2019 are as follows:

	30/06/2019 RM'000	31/12/2018 RM'000
<b>Current</b>		
Secured		
- Finance Lease	9,991	9,991
- Term Loan	14,160	14,160
- Revolving Credit	7,000	7,000
	<u>31,151</u>	<u>31,151</u>
<b>Non-Current</b>		
Secured		
- Finance Lease	7,524	12,936
- Term Loan	16,558	18,005
	<u>24,082</u>	<u>30,941</u>
<b>Total Borrowings</b>		
Secured		
- Finance Lease	17,515	22,927
- Term Loan	30,718	32,165
- Revolving Credit	7,000	7,000
	<u>55,233</u>	<u>62,092</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 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 on 10th September 2019.

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

The Group has recorded lower revenue of RM34.8 million for the current quarter as compared to RM36.1 million in the immediate preceding quarter.

The Group recorded loss before tax of RM3.4 million as compared to profit before tax of RM0.4 million in the immediate

## 23 REVIEW OF PERFORMANCE OF THE GROUP

For current quarter under review, the Group recorded lower revenue of RM34.8 million for the period ended 30 June 2019 as compared to RM39.6 million in the same cumulative quarter for the period ended 30 June 2018.

The Group recorded a loss before tax of RM3.4 million for the period ended 30 June 2019 as compared to loss before tax of RM4.3 million in the period ended 30 June 2018.

## 24 PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Malaysian economy recorded a higher growth of 4.9% in the second quarter of 2019 (1Q 2019: 4.5%), supported by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.0% (1Q 2019: 1.1%).

Domestic demand expanded by 4.6% in the second quarter (1Q 2019: 4.4%), supported by firm household spending and slightly higher private investment.

Private consumption expanded by 7.8% (1Q 2019: 7.6%), supported by continued income growth and festive spending during the quarter. Selected Government measures, such as the special Aidilfitri assistance and Bantuan Sara Hidup, also provided some lift to overall household spending.

After a strong growth in the first quarter of 2019 (6.3%), public consumption expanded marginally by 0.3%, due to lower spending on supplies and services.

(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 30/06/2019	Preceding year corresponding quarter 30/06/2018	To Date 30/06/2019	To Date 30/06/2018
<b>(a) Basic</b>				
Profit/(Loss) attributable to equity holders of parent (RM'000)	(3,536)	(4,366)	(3,134)	(7,021)
Weighted average number of ordinary shares ('000)	402,798	402,798	402,798	402,798
Profit/(Loss) per share (sen)	(0.88)	(1.08)	(0.78)	(1.74)
<b>(b) Diluted</b>				

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 2019 and 31 December 2018 into realised and unrealised loss are as follows:

	30/06/2019 RM'000	31/12/2018 RM'000
Total retained earnings of the Company and its subsidiaries		
-Realised	(246,663)	(214,636)
-Unrealised	6,632	6,632
	<u>(240,031)</u>	<u>(208,004)</u>
Add: Consolidation adjustment	266,880	237,987
Retained earnings as per financial statements	<u>26,849</u>	<u>29,983</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 2018 are as follows:

"we draw attention to Note 2.1 to the financial statements which indicates that for the year ended 31 December 2018, the Group's and Company's current liabilities exceeded its current assets by RM63,066,000 and RM14,104,000 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 concern.

The ability of the Group and the Company to continue as going concern are dependent upon the Group obtaining the support from the Group's penultimate holding company, obtaining support the Land Public Transport Agency ("APAD") 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 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 APAD 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 2018. 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.

	<b>Key Audit Matters</b>	<b>How our audit addressed the Key Audit Matter</b>
<b>1</b>	<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 there is no additional provision for impairment required. These conclusions are dependent upon significant management judgement, including in respect of the computation of the buses' values in use.</p> <p>In establishing the recoverable amount that is based on fair value less costs to sell to the unoperable buses, the Group prepared the fair value assessment based on historical recoverable amount for non-operable buses disposed.</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>
<b>2</b>	<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 2018.</p> <p>Management has concluded that arising from the impairment assessment, impairment loss of goodwill amounting to RM8,010,000 was recognised in the current financial year.</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> <li>▪ Reviewed the sensitivity analysis performed by management on the growth rate and discount rate to determine whether reasonable changes on these key assumptions would result in the carrying amount of the goodwill to exceed their recoverable amounts.</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 27 August 2019.

**By Order of the Board**

**AZAHAR GHAZALI (LS0003263)**  
Secretary

**Kuala Lumpur**