

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER
ENDED 30 SEPTEMBER 2019

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

	Individual Quarter		Cumulative Quarter	
	30/09/2019 RM' 000	30/09/2018 RM' 000	30/09/2019 RM' 000	30/09/2018 RM' 000
Revenue	29,491	35,866	100,348	116,692
Cost of sales	(33,876)	(40,132)	(104,048)	(126,224)
Gross loss	(4,385)	(4,266)	(3,700)	(9,532)
Other income	1,175	2,516	7,598	13,750
Other operating expenses	(4,053)	(5,368)	(13,664)	(16,016)
Loss from operations	(7,263)	(7,118)	(9,766)	(11,798)
Finance costs	(279)	(1,090)	(814)	(3,399)
Loss before tax	(7,542)	(8,208)	(10,580)	(15,197)
Income tax expense	-	(10)	(96)	(42)
Loss for the financial year	(7,542)	(8,218)	(10,676)	(15,239)
Loss attributable to:				
Equity holders of the Parent	(7,542)	(8,218)	(10,676)	(15,239)
Non-Controlling Interest	-	-	-	-
	(7,542)	(8,218)	(10,676)	(15,239)
Loss per share(EPS) attributable to owners of the Company(sen per share):				
Basic (sen)	(1.87)	(2.04)	(2.65)	(3.78)
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	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM' 000	RM' 000	RM' 000	RM' 000
Loss for the financial year	(7,542)	(8,218)	(10,676)	(15,239)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the financial year	<u>(7,542)</u>	<u>(8,218)</u>	<u>(10,676)</u>	<u>(15,239)</u>
Total comprehensive loss:				
Equity holders of the Parent	(7,542)	(8,218)	(10,676)	(15,239)
Non-Controlling Interest	-	-	-	-
	<u>(7,542)</u>	<u>(8,218)</u>	<u>(10,676)</u>	<u>(15,239)</u>

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

	Unaudited As at 30/09/2019 RM' 000	Audited As at 31/12/2018 RM' 000
ASSETS		
Non-current assets		
Property, plant and equipment	164,867	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>245,768</u>	<u>253,896</u>
Current assets		
Trade and other receivables	30,538	24,651
Amount due from related companies	18,474	16,335
Tax recoverable	751	751
Cash and bank balances	5,689	12,475
	<u>55,452</u>	<u>54,212</u>
TOTAL ASSETS	<u>301,220</u>	<u>308,108</u>
LIABILITIES AND EQUITY		
Current liabilities		
Short term borrowings	33,354	31,151
Trade and other payables	86,754	83,381
Current tax payables	2,462	2,528
Provision for retirement benefits	218	218
	<u>122,788</u>	<u>117,278</u>
Net current liabilities	(67,336)	(63,066)
Non-current liabilities		
Long term borrowings	37,071	30,941
Trade payables	23,296	34,096
Amount due to related companies	64,477	61,125
Provision for retirement benefits	5,045	5,449
Deferred tax liabilities	8,772	8,772
	<u>138,661</u>	<u>140,383</u>
Total liabilities	261,449	257,661
Net assets	39,771	50,447
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	19,307	29,983
Merger deficit	(52,991)	(52,991)
Shareholders' equity	<u>37,575</u>	<u>48,251</u>
Non-controlling interest	2,196	2,196
Total equity	<u>39,771</u>	<u>50,447</u>
TOTAL LIABILITIES AND EQUITY	<u>301,220</u>	<u>308,108</u>
Net assets per share attributable to ordinary equity holders of the Company(RM)	0.10	0.13

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
	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Merger Deficit RM'000	Other Reserve RM'000	Distributable Retained Earnings / (Accumulated Losses) RM'000			
At 1 January 2019	40,280	7,511	23,563	(52,991)	(95)	29,983	48,251	2,196	50,447
Loss for the financial period	-	-	-	-	-	(10,676)	(10,676)	-	(10,676)
Other comprehensive income for the financial period	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	(10,676)	(10,676)	-	(10,676)
At 30 September 2019	<u>40,280</u>	<u>7,511</u>	<u>23,563</u>	<u>(52,991)</u>	<u>(95)</u>	<u>19,307</u>	<u>37,575</u>	<u>2,196</u>	<u>39,771</u>
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 period	-	-	-	-	-	(15,239)	(15,239)	-	(15,239)
Other comprehensive income for the financial period	-	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	-	(15,239)	(15,239)	-	(15,239)
At 30 September 2018	<u>40,280</u>	<u>7,511</u>	<u>23,563</u>	<u>(52,991)</u>	<u>(95)</u>	<u>54,297</u>	<u>72,565</u>	<u>2,196</u>	<u>74,761</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 2018 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	
	9 months ended	
	30/06/2019	30/09/2018
	RM ' 000	RM ' 000
Cash flows from operating activities		
Loss before tax	(10,580)	(15,197)
Adjustments for:		
Depreciation of property, plant and equipment	19,746	23,928
(Gain)/Loss on disposal of property, plant and equipment	(59)	1,077
Interest income	(1)	(1)
Interest expense	814	3,399
Operating profit before working capital changes	<u>9,920</u>	<u>13,608</u>
(Increase)/Decrease in receivables	(5,887)	2,632
(Decrease)/Increase in payables	(7,426)	243
Changes in related companies balances	1,212	(352)
Cash (used in)/generated from operations	<u>(2,181)</u>	<u>16,131</u>
Tax paid	(162)	(425)
Interest paid	(814)	(3,399)
Retirement benefits paid	(404)	(546)
Net cash generated from operating activities	<u>(3,561)</u>	<u>11,761</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,564)	(363)
Proceeds from disposal of property, plant and equipment	1,005	649
Interest received	1	-
Net cash (used in)/generated from investing activities	<u>(11,558)</u>	<u>286</u>
Cash flows from financing activities		
Net repayment of borrowings, representing		
net cash generated from/(used in) financing activities	<u>8,333</u>	<u>(11,766)</u>
Net cash generated from/(used in) financing activities	<u>8,333</u>	<u>(11,766)</u>
Net (decrease)/increase in cash and cash equivalents	(6,786)	281
Cash and cash equivalents as at 1 January 2019/2018	<u>12,475</u>	<u>9,752</u>
Cash and cash equivalents as at 31 December 2019/2018	<u>5,689</u>	<u>10,033</u>

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

Fixed deposits with licensed bank	3,289	3,506
Cash and bank balances	2,400	6,527
	<u>5,689</u>	<u>10,033</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.

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1 BASIS OF PREPARATION

These condensed consolidated interim financial statements, for the period ended 30 September 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

IC Interpretation 23 Uncertainty over Income Tax Treatments Contribution of Assets between an Investor and

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 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 30 September 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 September 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 30/09/2019 RM'000	Preceding Year Quarter 30/09/2018 RM'000	Nine months to 30/09/2019 RM'000	Nine months to 30/09/2018 RM'000
Revenue				
Public transportation services	29,420	35,613	100,034	115,849
Others	71	251	314	843
Total	<u>29,491</u>	<u>35,864</u>	<u>100,348</u>	<u>116,692</u>
Loss before tax				
Public transportation services	(7,557)	(8,249)	(10,962)	(15,311)
Others	15	41	382	114
Total	<u>(7,542)</u>	<u>(8,208)</u>	<u>(10,580)</u>	<u>(15,197)</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 30/09/2019 RM'000	Preceding Year Quarter 30/09/2018 RM'000	Nine months to 30/09/2019 RM'000	Nine months to 30/09/2018 RM'000
Other income	1,175	2,516	7,598	13,750
Interest expense	(279)	(1,090)	(814)	(3,399)
Depreciation and amortisation	(6,308)	(8,425)	(19,746)	(23,928)
Gain/(Loss) on disposal of property, plant and equipment	345	(931)	59	(1,077)

15 INCOME TAX EXPENSE

Taxation includes:

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 30/09/2019 RM'000	Preceding Year Quarter 30/09/2018 RM'000	Nine months to 30/09/2019 RM'000	Nine months to 30/09/2018 RM'000
Malaysian taxation:				
- Current taxation	-	10	96	42
- Under/(Over) provision in prior years	-	-	-	-
	<u>-</u>	<u>10</u>	<u>96</u>	<u>42</u>

16 RELATED PARTY TRANSACTIONS

The following expenses are related party transactions:-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 30/09/2019 RM'000	Preceding Year Quarter 30/09/2018 RM'000	Nine months to 30/09/2019 RM'000	Nine months to 30/09/2018 RM'000
Penultimate holding company				
- Secretarial services	17	36	189	99
Immediate holding company				
- Rental of premises	122	184	489	506
Related companies				
- Rental of buses	53	17	402	28
- Rental of workshop/depo	56	93	167	265
- Bus repair services	2,306	3,896	6,579	9,771
- Purchase of buses	13,386	-	13,386	-
- Purchase of spare parts	-	209	302	387
- Purchase of tyres	393	1,777	2,331	3,150
- Security services	296	697	800	2,079
- Bus insurance services	2	3	7	9
- E-ticketing system maintenance	227	421	721	1,091
- 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 September 2019 are as follows:

	30/09/2019 RM'000	31/12/2018 RM'000
Current		
Secured		
- Finance Lease	12,194	9,991
- Term Loan	14,160	14,160
- Revolving Credit	7,000	7,000
	<u>33,354</u>	<u>31,151</u>
Non-Current		
Secured		
- Finance Lease	20,025	12,936
- Term Loan	17,046	18,005
	<u>37,071</u>	<u>30,941</u>
Total Borrowings		
Secured		
- Finance Lease	32,219	22,927
- Term Loan	31,206	32,165
- Revolving Credit	7,000	7,000
	<u>70,425</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.

21 CHANGES IN MATERIAL LITIGATION (Cont'd)

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 has 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 appeal to the 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 the 23rd July 2019.

On 23rd July 2019, the hearing was postponed for the Defendant to obtain the grounds of decision from the Court of Appeal. The matter was fixed for case management at the Federal Court on 12th November 2019. As the grounds of decision are still pending, the matter is fixed for case management 13th January 2020.

The Plaintiff also filed an application for discovery of the valuation reports and related documents at the High Court and the High Court granted the order for discovery on 11th July 2019. The Defendant has appealed against the said decision for the said discovery. The matter is fixed for case management on 10th December 2019 at the Court of Appeal.

The Defendant also filed an application for stay of proceedings at the High Court pending the leave to appeal to the Federal Court and appeal against the discovery at the Court of Appeal. The High Court granted the stay of proceeding on 5th September 2019. The trial date on 10th September 2019 was vacated due to the stay of proceeding and a new trial date was originally fixed on 27th November 2019. The matter is now fixed for case management on 10th December 2019 at the High Court.

22 COMPARISON BETWEEN THE CURRENT QUARTER AND THE IMMEDIATE PRECEDING QUARTER

The Group has recorded lower revenue of RM29.5 million for the current quarter as compared to RM34.8 million in the immediate preceding quarter.

The Group recorded higher loss before tax of RM7.5 million as compared to loss before tax of RM3.4 million in the immediate preceding quarter.

23 REVIEW OF PERFORMANCE OF THE GROUP

For current quarter under review, the Group recorded lower revenue of RM29.5 million for the period ended 30 September 2019 as compared to RM35.9 million in the same cumulative quarter for the period ended 30 September 2018.

The Group recorded a lower loss before tax of RM7.5 million for the period ended 30 September 2019 as compared to loss before tax of RM8.2 million in the period ended 30 September 2018.

24 PROSPECTS FOR THE CURRENT FINANCIAL YEAR

Growth in the Malaysian economy moderated to 4.4% in the third quarter of 2019 (2Q 2019: 4.9%), primarily attributed to lower growth in key sectors and a decline in the mining and construction activities. On the demand side, most domestic demand components and net exports registered slower growth momentum. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (2Q 2019: 1.0%).

Domestic demand growth moderated to 3.5% (2Q 2019: 4.6%), with private sector expenditure remaining the key contributor to growth.

Private consumption grew by 7.0% (2Q 2019: 7.8%), as household spending normalised towards its long-term trend. This partly reflected strong base effects from the tax holiday spending last year. Nevertheless, spending remained supported by continued income and employment growth, as well as selected Government measures.

Public consumption spending increased by 1.0% (2Q 2019: 0.3%). While emolument growth remained positive, expenditure on supplies and services continued to decline, albeit at a slower pace. This is in line with the Government's commitment to expenditure optimisation.

(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 30/09/2019	Preceding year corresponding quarter 30/09/2018	To Date 30/09/2019	To Date 30/09/2018
(a) Basic				
Profit/(Loss) attributable to equity holders of parent (RM'000)	(7,542)	(8,218)	(10,676)	(15,239)
Weighted average number of ordinary shares ('000)	402,798	402,798	402,798	402,798
Profit/(Loss) per share (sen)	(1.87)	(2.04)	(2.65)	(3.78)
(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 30 September 2019 and 31 December 2018 into realised and unrealised loss are as follows:

	30/09/2019 RM'000	31/12/2018 RM'000
Total retained earnings of the Company and its subsidiaries		
-Realised	(254,206)	(214,636)
-Unrealised	6,632	6,632
	<u>(247,574)</u>	<u>(208,004)</u>
Add: Consolidation adjustment	266,881	237,987
Retained earnings as per financial statements	<u>19,307</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.

	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 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"> ▪ 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 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"> ▪ 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. ▪ 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.

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 November 2019.

By Order of the Board

AZAHAR GHAZALI (LS0003263)

Secretary

Kuala Lumpur