

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 30 JUNE 2021

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

	Individual Quarter		Cumulative Quarter	
	30/6/2021 RM' 000	30/6/2020 RM' 000	30/6/2021 RM' 000	30/6/2020 RM' 000
Revenue	3,033	1,196	6,032	22,476
Cost of sales	(7,025)	(12,370)	(14,514)	(40,441)
Gross loss	(3,992)	(11,174)	(8,482)	(17,965)
Other income	1,078	(34)	2,067	2,120
Other operating expenses	(1,213)	(1,581)	(2,196)	(7,952)
Loss from operations	(4,127)	(12,789)	(8,611)	(23,797)
Finance costs	(343)	(929)	(743)	(1,962)
Loss before tax	(4,470)	(13,718)	(9,354)	(25,759)
Income tax expense	(50)	(30)	(101)	(69)
Loss for the financial period	(4,520)	(13,748)	(9,455)	(25,828)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the financial period	(4,520)	(13,748)	(9,455)	(25,828)
Loss for the financial period attributable to:				
Equity holders of the Parent	(4,520)	(13,748)	(9,455)	(25,828)
Non-Controlling Interest	-	-	-	-
	(4,520)	(13,748)	(9,455)	(25,828)
Total comprehensive loss attributable to:				
Equity holders of the Parent	(4,520)	(13,748)	(9,455)	(25,828)
Non-Controlling Interest	-	-	-	-
	(4,520)	(13,748)	(9,455)	(25,828)
Loss per share(EPS) attributable to owners of the Company(sen per share):				
Basic (sen)	(1.12)	(3.41)	(2.35)	(6.41)
Diluted (sen)	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 30/6/2021 RM' 000	Audited As at 31/12/2020 RM' 000
ASSETS		
Non-current assets		
Property, plant and equipment	61,572	68,437
Right-Of-Use Assets	650	726
Investment properties	89	90
Other investment	104	104
Goodwill on consolidation	-	-
	<u>62,415</u>	<u>69,357</u>
Current assets		
Trade and other receivables	5,343	5,521
Tax recoverable	547	547
Cash and bank balances	4,054	4,703
	<u>9,944</u>	<u>10,771</u>
TOTAL ASSETS	<u>72,359</u>	<u>80,128</u>
LIABILITIES AND EQUITY		
Current liabilities		
Short term borrowings	28,309	28,601
Lease Liabilities	55	114
Trade and other payables	54,616	53,215
Current tax payables	303	306
Provision for retirement benefits	570	570
	<u>83,853</u>	<u>82,806</u>
Net current liabilities	(73,909)	(72,035)
Non-current liabilities		
Long term borrowings	10,023	14,112
Lease liabilities	-	-
Trade payables	-	-
Amount due to related companies	35,088	30,360
Provision for retirement benefits	5,535	5,535
Deferred tax liabilities	10,152	10,152
	<u>60,798</u>	<u>60,159</u>
Total liabilities	144,651	142,965
Net liabilities	(72,292)	(62,837)
Equity attributable to equity holders of parents		
Share capital	47,791	47,791
Reserves		
Capital reserve	23,563	23,563
Other reserves	(95)	(95)
Retained earnings	(92,756)	(83,301)
Merger deficit	(52,991)	(52,991)
Shareholders' equity	<u>(74,488)</u>	<u>(65,033)</u>
Non-controlling interest	2,196	2,196
Total equity	(72,292)	(62,837)
TOTAL LIABILITIES AND EQUITY	<u>72,359</u>	<u>80,128</u>
Net assets per share attributable to ordinary equity holders of the Company(RM)	(0.15)	(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 2020 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 →				Distributable Retained Earnings / (Accumulated Losses)	Total RM'000	Non- Controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Capital Reserve RM'000	Merger Deficit RM'000	Other Reserve RM'000				
At 1 January 2021	47,791	23,563	(52,991)	(95)	(83,301)	(65,033)	2,196	(62,837)
Loss for the financial period	-	-	-	-	(9,455)	(9,455)	-	(9,455)
Other comprehensive income for the financial period	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(9,455)	(9,455)	-	(9,455)
At 30 June 2021	<u>47,791</u>	<u>23,563</u>	<u>(52,991)</u>	<u>(95)</u>	<u>(92,756)</u>	<u>(74,488)</u>	<u>2,196</u>	<u>(72,292)</u>
At 1 January 2020	47,791	23,563	(52,991)	(95)	(60,144)	(41,876)	2,196	(39,680)
Loss for the financial period	-	-	-	-	(25,828)	(25,828)	-	(25,828)
Other comprehensive income for the financial period	-	-	-	-	-	-	-	-
Total comprehensive profit	-	-	-	-	(25,828)	(25,828)	-	(25,828)
At 30 June 2020	<u>47,791</u>	<u>23,563</u>	<u>(52,991)</u>	<u>(95)</u>	<u>(85,972)</u>	<u>(67,704)</u>	<u>2,196</u>	<u>(65,508)</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 2020 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	
	6 months ended	
	30/6/2021	30/6/2020
	RM ' 000	RM ' 000
Cash flows from operating activities		
Loss before tax	(9,354)	(25,759)
Adjustments for:		
Depreciation of property, plant and equipment	6,831	12,605
Depreciation of property, plant and equipment right-of-use assets	76	161
Amortisation of investment property	1	1
(Gain)/Loss on disposal of property, plant and equipment	(10)	2,335
Interest income	(1)	(9)
Finance cost	741	1,952
Finance cost on right-of-use assets	2	12
Operating profit before working capital changes	<u>(1,714)</u>	<u>(8,702)</u>
Decrease in receivables	178	8,593
Increase in payables	1,399	5,344
Changes in related companies balances	<u>4,728</u>	<u>(566)</u>
Cash generated from operations	4,591	4,669
Tax paid	(104)	(82)
Interest paid	(741)	(1,952)
Retirement benefits paid	-	(4)
Net cash generated from operating activities	<u>3,746</u>	<u>2,631</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	24	791
Interest received	<u>1</u>	<u>9</u>
Net cash generated from investing activities	<u>25</u>	<u>800</u>
Cash flows from financing activities		
Net repayment of borrowings, representing net cash used in financing activities	(4,361)	(1,749)
Repayment of lease liabilities	(59)	-
Net cash used in financing activities	<u>(4,420)</u>	<u>(1,749)</u>
Net (decrease)/increase in cash and cash equivalents	(649)	1,682
Cash and cash equivalents as at 1 January 2021/2020	<u>4,703</u>	<u>6,183</u>
Cash and cash equivalents as at 30 June 2021/2020	<u>4,054</u>	<u>7,865</u>

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

Fixed deposits with licensed bank	3,747	3,646
Cash and bank balances	307	4,219
	<u>4,054</u>	<u>7,865</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2020 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 June 2021 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 2020. 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 2020.

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 2020 except with the adoption of Amendments to Standards and Issue Committee(IC) Interpretations effective as of 1 January 2021.

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 2021.

Amendments to MFRS 9 Financial Instruments - Interest Rate Benchmark Reform - Phase 2
Amendments to MFRS 139 Financial Instruments: Recognition and Measurement
MFRS 7 Financial Instruments: Disclosures
MFRS 4 Insurance Contracts
MFRS 16 Leases

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

New MFRSs that have been issued but not yet effective

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been early adopted by the the Group:

Amendments to MFRS 3 - Business Combinations
Amendments to MFRS 116 - Property, Plant and Equipment
Amendments to MFRS 137 - Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 17 - Insurance Contracts
Amendments to MFRS 101 - Classification of Liabilities as Current or Non-current
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 2020 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 June 2021.

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 2021 (2020: Nil).

9 SEGMENT INFORMATION FOR THE CURRENT FINANCIAL PERIOD

(a) Primary reporting format-by product and services

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/6/2021 RM'000	Preceding Year Quarter 30/6/2020 RM'000	Six months to 30/6/2021 RM'000	Six months to 30/6/2020 RM'000
Revenue				
Public transportation services	3,033	1,195	6,024	22,472
Others	-	1	8	4
Total	<u>3,033</u>	<u>1,196</u>	<u>6,032</u>	<u>22,476</u>
Loss before tax				
Public transportation services	(4,470)	(13,705)	(9,300)	(25,712)
Others	-	(13)	(54)	(47)
Total	<u>(4,470)</u>	<u>(13,718)</u>	<u>(9,354)</u>	<u>(25,759)</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 30/6/2021 RM'000	Preceding Year Quarter 30/6/2020 RM'000	Six months to 30/6/2021 RM'000	Six months to 30/6/2020 RM'000
Other income	1,078	(34)	2,067	2,120
Finance cost	(343)	(929)	(741)	(1,952)
Finance cost on right-of-use assets	-	(2)	(2)	(12)
Depreciation and amortisation	(3,531)	(6,249)	(6,831)	(12,605)
(Loss)/Gain on disposal of property, plant and equipment	(11)	(72)	10	(2,335)

15 INCOME TAX EXPENSE

Taxation includes:

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 30/6/2021 RM'000	Preceding Year Quarter 30/6/2020 RM'000	Six months to 30/6/2021 RM'000	Six months to 30/6/2020 RM'000
Malaysian taxation:				
- Current taxation	-	-	-	-
- Under provision in prior years	50	31	101	70
	<u>50</u>	<u>31</u>	<u>101</u>	<u>70</u>
Deferred taxation:				
- Realting to origination and reversal of temporary differences	-	-	-	-
- Under/(Over) provision in prior years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>50</u>	<u>31</u>	<u>101</u>	<u>70</u>

16 RELATED PARTY TRANSACTIONS

The following expenses are related party transactions:-

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 30/6/2021 RM'000	Preceding Year Quarter 30/6/2020 RM'000	Six months to 30/6/2021 RM'000	Six months to 30/6/2020 RM'000
Penultimate holding company				
- Secretarial services	13	23	26	52
Immediate holding company				
- Rental of premises	108	36	144	72
Related companies				
- Rental of buses	-	-	-	143
- Purchase of buses	-	-	-	1,339
- Rental of workshop/depo	30	26	59	58
- Bus repair services	-	-	-	91
- Purchase of spare parts	-	7	-	32
- Purchase of tyres	11	36	160	525
- Security and enforcement services	-	245	-	825
- Bus insurance services	1	-	2	1
- E-ticketing system maintenance	-	-	-	493

The directors are of the opinion that all the 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 ANNOUNCED 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 2021 are as follows:

	30/6/2021 RM'000	31/12/2020 RM'000
Current		
Secured		
- Revolving Credit	7,000	7,000
- Finance Lease	13,642	13,934
- Term Loan	7,667	7,667
	<u>28,309</u>	<u>28,601</u>
Non-Current		
Secured		
- Finance Lease	-	-
- Term Loan	10,023	14,112
	<u>10,023</u>	<u>14,112</u>
Total Borrowings		
Secured		
- Revolving Credit	7,000	7,000
- Finance Lease	13,642	13,934
- Term Loan	17,690	21,779
	<u>38,332</u>	<u>42,713</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.

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.

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.

21 CHANGES IN MATERIAL LITIGATION (Cont'd)

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. The matter was then fixed for case management on 28th April 2020 pending the appeals to the Court of Appeal and leave to appeal to the Federal Court to be heard.

The appeal filed by the Defendant against the order for discovery of documents was heard at the Court of Appeal on 29th September 2020 whereby the said court had disallowed the said appeal. In respect of the leave to appeal to the Federal Court, the Defendant's appeal was also disallowed by the Federal Court on 7th October 2020. The High Court has fixed the dates of hearing from 10th March 2021 until 12th March 2021. The hearing of the case at the High Court had commenced on the 10th March 2021 until 12th March 2021 and was continued on the 2nd April 2021 and 14th April 2021. The matter is fixed for case management on 10th June 2021 and thereafter a date for decision shall be fixed by the court.

The High Court on 15th July 2021 had allowed the claims of the Plaintiffs against the Defendant and the following judgments were made pursuant thereto:-

- 1) That the value of MHSB Properties Sdn Bhd's property ("Seventh Plaintiff") is RM55,600,000 and therefore there was an unjust enrichment of RM22,679,424.94 gained by the Defendant which is to be paid by the Defendant to the Seventh Plaintiff;
- 2) that the Defendant is to return to the Plaintiffs the sum of RM877,000 being the compensation paid by the Government of Malaysia to the Defendant for the compulsory acquisition of part of the said property;
- 3) that the Defendant is to return back to the Plaintiff the repossessed buses; and
- 4) an interest of 5% per annum on the sum of RM22,679,424.94 from the date of judgment (15th July 2021) until full and final settlement is to be paid by the Defendant.

The Defendant on 21st July 2021 had filed their notice of appeal and application for stay of execution against the abovementioned judgments. The case management for the appeal has been fixed by the court on 6th September 2021 and the hearing for the stay of execution application has been fixed by the court on 9th September 2021.

22 COMPARISON BETWEEN THE CURRENT QUARTER AND THE IMMEDIATE PRECEDING QUARTER

The Group has recorded a stable revenue of RM3.0 million for the current quarter as compared to the immediate preceding quarter.

The Group recorded lower loss before tax of RM4.3 million as compared to loss before tax of RM4.9 million in the immediate preceding quarter.

23 REVIEW OF PERFORMANCE OF THE GROUP

For the current quarter under review, the Group recorded a higher revenue of RM3.0 million for the financial period ended 30 June 2021 as compared to RM1.2 million in the same cumulative quarter for the financial period ended 30 June 2020. Higher revenue recorded during the quarter under review was mainly due low base from the major shutdown of operation including stage bus division during first Movement Control Order (MCO 1.0) implemented in 2020.

The Group recorded lower loss before tax of RM4.3 million for the financial quarter ended 30 June 2021 as compared to loss before tax of RM13.7 million in the financial quarter ended 30 June 2020. Lower loss recorded during the quarter under review was mainly due to higher revenue and lower depreciation expense and finance cost.

24 PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Malaysian economy expanded by 16.1% in the second quarter of 2021 (1Q 2021: -0.5%). Growth was supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected continued policy support and the low base from the significant decline in activity during the second quarter of 2020. Economic activity picked up at the start of the second quarter but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full Movement Control Order (FMCO). For the second quarter as a whole, all economic sectors registered an improvement, particularly the manufacturing sector. On the expenditure side, growth was driven by higher private sector spending and strong trade activity. On a quarter-on-quarter seasonallyadjusted basis, the economy registered a decline of 2.0% (1Q 2021: 2.7%), due to the containment measures.

On the sectoral front, double-digit growth was recorded across most economic sectors in the second quarter of 2021. The services sector expanded by 13.4% (1Q 2020: -2.3%). Growth was supported by a nascent recovery in consumer-related activities in April and May 2021. This was, however, partially reversed by the re-imposition of restrictions on non-essential retail activities, dine-ins and inter-district and inter-state travel. Meanwhile, the information and communication subsector continued to benefit from rising demand for e-commerce and e-payment activity, as well as remote working and learning arrangements. Additionally, strong double-digit growth was recorded in the finance and insurance subsector, attributed to higher fee income, sustained loan and deposit growth, and higher net insurance premiums less claims.

Domestic demand turned around to register a positive growth of 12.3% (1Q 2021: -1.0%) in the second quarter of 2021, mainly supported by private sector expenditure. On the external front, demand for Malaysia's exports, particularly for E&E products, continued to remain robust. Private consumption growth increased by 11.6% during the quarter (1Q 2021: -1.5%), following a broad-based expansion across both necessity and discretionary items, particularly at the start of the quarter, prior to the imposition of FMCO. This was due mainly to less stringent containment measures and mobility restrictions in the first half of the quarter. Labour market conditions also showed signs of improvement in the same period, which lent support to household spending. Furthermore, various policy measures, including the EPF i-Sinar withdrawals and Bantuan Prihatin Rakyat, provided additional lift to consumer expenditure.

Public consumption expanded by 9.0% (1Q 2021: 5.9%), mainly on account of higher spending on supplies and services.

(Source:BNM).

Transportation industry has been severely affected by the COVID-19 pandemic. Travels have been restricted and the public is still highly concerned about the pandemic. Coupled with challenging economic forecast for 2021, the Group anticipate difficult business environment until the fourth quarter of 2021.

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 30/6/2021	Preceding year corresponding quarter 30/6/2020	To Date 30/6/2021	To Date 30/6/2020
(a) Basic				
Loss attributable to equity holders of parent (RM'000)	(4,520)	(13,748)	(9,455)	(25,828)
Weighted average number of ordinary shares ('000)	402,798	402,798	402,798	402,798
Profit/(Loss) per share (sen)	(1.12)	(3.41)	(2.35)	(6.41)
(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 breakdown of the retained earnings of the Group as at 30 June 2021 and 31 December 2020 into realised and unrealised loss are as follows:

	30/6/2021 RM'000	31/12/2020 RM'000
Total retained earnings of the Company and its subsidiaries		
-Realised	(512,656)	(503,201)
-Unrealised	10,152	10,152
	<u>(502,504)</u>	<u>(493,049)</u>
Add: Consolidation adjustment	409,748	409,748
Accumulated losses as per financial statements	<u>(92,756)</u>	<u>(83,301)</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 2020 are as follows:

"Without qualifying our opinion, we draw attention to Note 2.1 to the financial statements which indicates that for the year ended 31 December 2020, the Group's and Company's current liabilities exceeded its current assets by RM72,035,000 and RM12,399,000 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 one of the Group's shareholders, obtaining support from 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:

The continued existence of the COVID-19 pandemic may affect the Group and Company's operations and those of third parties on which the Group and the Company relies and the impact of the COVID-19 pandemic is highly uncertain and subject to change. These effects would have a material impact on the Group's and the Company's liquidity, capital resources, operations and business and those of the third parties on which we rely. However:

- i. The Group had continuously approached creditors for debts restructuring exercise to reduce short term financial obligation.
- ii. The Company's substantial shareholder 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 will 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.
- v. The Group will continue to rationalise the manpower requirement to improve efficiency and utilisation of the Group's resources.

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 2020. 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>Property, plant and equipment represents the most significant asset class on the statement of financial position of the Group amounting to RM68,437,000 as at 31 December 2020. Included in property, plant and equipment are buses and motor vehicles with aggregate carrying values of RM65,920,000.</p> <p>We focused on this area due to its magnitude and significant judgement involved in determining the key assumptions used in performing the impairment test, such as estimating the recoverable amounts of the buses.</p>	<p>Our procedures included, amongst others:</p> <p>We have reviewed the management's impairment assessment on the indications of impairment of the buses as at the reporting date, which the management has considered both internal and external sources of information.</p> <p>We have performed the physical sightings on a sampling basis to assess the physical conditions of the buses to identify the indications of impairment.</p> <p>For the buses which have indications of impairment; we have performed the following procedures:</p> <ul style="list-style-type: none"> • We have obtained the estimated recoverable amounts of the buses and checked, on a sampling basis, the accuracy and relevance of the input data used by management to estimate the recoverable amount of the buses and motor vehicles; and • We have assessed management's key assumptions used to estimate recoverable amounts based on our knowledge of the public transportation industry.
2	<p>Goodwill impairment assessment - Park May Berhad Group</p> <p>The Group has goodwill of RM Nil as at 31 December 2020 attributable to the significant cash-generating unit (CGU) relating to its acquisition of Park May Berhad Group ("PMBG") in 2000.</p> <p>We focused on this area due to the significance of the goodwill balance with indefinite useful lives which are subject to annual impairment assessment.</p> <p>The impairment assessment performed by management involved significant degree of judgements in estimating the assumptions on growth rate and discount rate used. The key assumptions are disclosed in Note 15 to the financial statements and kindly refer to Note 3.1 for the Significant Accounting Estimates and Judgements in the Group Financial Statement for the financial year ended 31 December 2020.</p> <p>During the financial year, the Group has assessed the recoverable amount of goodwill on consolidation, and determined that goodwill is fully impaired due to the impact of the business resulted from Covid-19 which subsequently impacted the market risk.</p>	<p>Our procedures in relation to management's impairment assessment on goodwill included:</p> <ul style="list-style-type: none"> ▪ We have challenged the key assumptions used by management in the discounted cash flows projections in determining the recoverable amounts which include the fuel cost, growth rate, increase in bus fare and discount rate; ▪ We have assessed the reliability of management's forecast through the review of past trends of actual financial performances against previous forecasted results; and ▪ We have reviewed the sensitivity analysis performed by management on the growth rate, discount rate as well as on increase in fuel price 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 August 2021.

By Order of the Board

AZAHAR GHAZALI (LS0003263)

Secretary

Kuala Lumpur