MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No: 201001019176 (902884-V))
(Incorporated in Malaysia)

and its subsidiary

Financial statements for the year ended 31 December 2019

MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No: 201001019176 (902884-V))
(Incorporated in Malaysia)

and its subsidiary

Directors' report for the year ended 31 December 2019

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

The principal activities of the Company, which remained unchanged during the financial year, are to facilitate, undertake and expedite the construction of Mass Rapid Transit projects ("MRT Project") approved by the Government of Malaysia ("GoM"). The principal activities of the subsidiary are as stated in Note 5 to the financial statements.

Ultimate holding company

The Directors regard the Minister of Finance, Incorporated ("MoF, Inc.") as the ultimate holding company.

Subsidiary

The details of the Company's subsidiary are disclosed in Note 5 to the financial statements.

Results

	Group RM'000	Company RM'000
Loss for the year	7,305,481	7,305,480

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividends

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Directors of the Company and its subsidiary

Directors who served during the financial year until the date of this report are:

Mass Rapid Transit Corporation Sdn. Bhd.
Dato' Noorizah binti Hj Abd Hamid
Ahmad Zubir bin Zahid
Datuk Dr. Ir Abdul Latif bin Mohd Som
Dato' Dr. Amiruddin bin Muhamed
Mohd Khalid bin Mohamed (appointed on 19 September 2019)
Datuk Che Mokhtar bin Che Ali (resigned on 11 November 2019)
Dato' Sri Shahril bin Mokhtar (resigned on 1 January 2019)

Subsidiary
Dato' Dr. Amiruddin bin Mohamed (appointed on 5 December 2019)
Ahmad Zubir bin Zahid (appointed on 5 December 2019)
Abdul Yazid bin Kassim (appointed on 5 December 2019)
Azwa bin Abdul Aziz (appointed on 5 December 2019)
Shahrul Fadli bin Omar (appointed on 5 December 2019)

Directors' interests in shares

None of the Directors holding office at 31 December 2019 had any interest in the shares of the Company and of its related corporation during the financial year.

Directors' benefits

Since the end of the previous financial period, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements of the Company or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There was no arrangement during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

On 22 July 2019 and 25 July 2019, the Company increased its issued and paid-up capital through the issuance of 447,999,999 new ordinary shares and 1 new ordinary share respectively to the MoF, Inc. via the capitalisation of the same amount from the balance owing to the MoF, Inc., classified as Contribution from GoM.

Other than the above, there were no changes in the issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

During the financial year, the total amount of insurance premium effected for Directors and officers is RM38,372 under the Company's insurance policy.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) there are no bad debts to be written off and no provision need to be made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render it necessary to write off any bad debts or provide for any doubtful debt, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

Other statutory information (continued)

In the opinion of the Directors, except for net impairment of property, plant and equipment of RM7,272,030,000, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant event

The significant event during the financial year is disclosed in Note 18 to the financial statements.

Subsequent event

The subsequent event arising after the financial year is disclosed in Note 19 to the financial statements.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 12 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Dato' Dr. Amiruddin bin Muhamed
Director

....

Ahmad Zubir bin Zahid
Director

Kuala Lumpur,

Date: 27 February 2020

MASS RAPID TRANSIT CORPORATION SDN. BHD.
(Company No. 201001019176 (902884-V))
(Incorporated in Malaysia)
and its subsidiary

Statements of financial position as at 31 December 2019

	Note	Group 2019 RM'000	Company 2019 RM'000	Company 2018 RM'000
Assets				
Property, plant and equipment	3	10,476	10,476	13,842
Right-of-use assets	4	3,712	3,712	-
Investment in a subsidiary	5	-	100	-
Total non-current assets		14,188	14,288	13,842
Other receivables, deposits and prepayments	6	433,050	433,051	1,631,457
Cash and cash equivalents	7	1,344,512	1,344,512	867,395
Total current assets		1,777,562	1,777,563	2,498,852
Total assets		1,791,750	1,791,851	2,512,694
Equity				
Share capital	8	863,000	863,000	415,000
Contribution from Government of Malaysia ("GoM")	9	42,291,450	42,291,450	36,332,871
Accumulated losses		(44,042,468)	(44,042,467)	(36,736,987)
(Deficit in equity)/Equity attributable to the owners of the Company		(888,018)	(888,017)	10,884
Liabilities				
Lease liabilities		3,790	3,790	-
Other payables and accruals	10	2,650,004	2,650,104	2,473,548
Current tax liabilities		25,974	25,974	28,262
Total current liabilities		2,679,768	2,679,868	2,501,810
Total liabilities		2,679,768	2,679,868	2,501,810
Total equity and liabilities		1,791,750	1,791,851	2,512,694

The notes on pages 10 to 50 are an integral part of these financial statements.

MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No. 201001019176 (902884-V))
(Incorporated in Malaysia)

and its subsidiary

Statements of profit or loss and other comprehensive income for the year ended 31 December 2019

	Note	Group Year ended 31.12.2019 RM'000	Company Year ended 31.12.2019 RM'000	Company 1.10.2017 to 31.12.2018 RM'000
Other income	11	34,023	34,023	37,222
Administrative expenses		(81,526)	(81,525)	(119,418)
Net impairment loss on property, plant and equipment	3	(7,272,030)	(7,272,030)	(11,209,750)
Reversal of property, plant and equipment written off	12b	7,509	7,509	-
Property, plant and equipment written off	3	-	-	(110,271)
Finance income		33,364	33,364	37,091
Finance costs		(498)	(498)	(18)
Loss before tax	12	(7,279,158)	(7,279,157)	(11,365,144)
Tax expense	13	(26,323)	(26,323)	(29,720)
Loss and total comprehensive expense for the year/period		(7,305,481)	(7,305,480)	(11,394,864)

MASS RAPID TRANSIT CORPORATION SDN. BHD.
(Company No. 201001019176 (902884-V))
(Incorporated in Malaysia)
and its subsidiary

Statements of changes in equity for the year ended 31 December 2019

	Share capital RM'000	Contribution from GoM RM'000	Accumulated losses RM'000	Total RM'000
Group				
At 1 January 2019	415,000	36,332,871	(36,736,987)	10,884
Issue of ordinary shares	448,000	(448,000)	-	-
Contribution from GoM	-	6,406,579	-	6,406,579
Loss and total comprehensive expense for the year	-	-	(7,305,481)	(7,305,481)
At 31 December 2019	863,000	42,291,450	(44,042,468)	(888,018)
Company				
At 1 October 2017	415,000	27,607,203	(25,342,123)	2,680,080
Contribution from GoM	-	8,725,668	-	8,725,668
Loss and total comprehensive expense for the period	-	-	(11,394,864)	(11,394,864)
At 31 December 2018/ 1 January 2019	415,000	36,332,871	(36,736,987)	10,884
Issue of ordinary shares	448,000	(448,000)	-	-
Contribution from GoM	-	6,406,579	-	6,406,579
Loss and total comprehensive expense for the year	-	-	(7,305,480)	(7,305,480)
At 31 December 2019	863,000	42,291,450	(44,042,467)	(888,017)
	Note 8	Note 9		

The notes on pages 10 to 50 are an integral part of these financial statements.

MASS RAPID TRANSIT CORPORATION SDN. BHD.
(Company No. 201001019176 (902884-V))
(Incorporated in Malaysia)

and its subsidiary

Statements of cash flows for the year ended 31 December 2019

	Note	Group Year ended 31.12.2019 RM'000	Company Year ended 31.12.2019 RM'000	Company 1.10.2017 to 31.12.2018 RM'000
Cash flows from operating activities				
Loss before tax		(7,279,158)	(7,279,157)	(11,365,144)
Adjustments for:				
Depreciation of property, plant and equipment		4,597	4,597	6,517
Depreciation of right-of-use assets		6,085	6,085	-
Net impairment loss on property, plant and equipment		7,272,030	7,272,030	11,209,750
Reversal of property, plant and equipment written off		(7,509)	(7,509)	-
Property, plant and equipment written off		-	-	110,271
Gain on disposal of property, plant and equipment		(350)	(350)	-
Finance income		(33,364)	(33,364)	(37,091)
Finance costs		498	498	18
Operating loss before changes in working capital		(37,171)	(37,170)	(75,679)
Changes in working capital:				
Other receivables, deposits and prepayments		656,532	656,531	52,532
Other payables and accruals		5,509	5,609	41,094
Cash generated from operations		624,870	624,970	17,947
Interest paid		(8)	(8)	(18)
Tax paid		(28,611)	(28,611)	(410)
Net cash from operating activities		596,251	596,351	17,519
Cash flows from investing activities				
Acquisition of property, plant and equipment	(i)	(6,552,861)	(6,552,861)	(8,354,469)
Proceeds from disposal of property, plant and equipment		353	353	-
Interest received		33,292	33,292	34,411
Investment in a subsidiary		-	(100)	-
Net cash used in investing activities		(6,519,216)	(6,519,316)	(8,320,058)
Cash flows from financing activities				
Payment of lease liabilities:				
Principal		(6,007)	(6,007)	-
Interest		(490)	(490)	-
Contribution from GoM		6,406,579	6,406,579	8,725,668
Net cash from financing activities		6,400,082	6,400,082	8,725,668

MASS RAPID TRANSIT CORPORATION SDN. BHD.
(Company No. 201001019176 (902884-V))
(Incorporated in Malaysia)
and its subsidiary

Statements of cash flows for the year ended 31 December 2019 (continued)

	Note	Group Year ended 31.12.2019 RM'000	Company Year ended 31.12.2019 RM'000	Company 1.10.2017 to 31.12.2018 RM'000
Net increase in cash and cash equivalents		477,117	477,117	423,129
Cash and cash equivalents at beginning of the year/period		867,395	867,395	444,266
Cash and cash equivalents at end of the year/period	(ii)	1,344,512	1,344,512	867,395

(i) Acquisition of property, plant and equipment

During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM7,273,264,000 (2018: RM7,683,111,000) of which RM882,645,000 (2018: RM1,242,934,000) has yet to be settled as at year end, RM1,677,073,000 (2018: RM1,138,327,000) relates to retention sum payable to contractors and RM386,659,000 (2018: RM928,605,000) relates to contract advances which were capitalised as part of property, plant and equipment during the financial year.

(ii) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	Group 2019 RM'000	Company 2019 RM'000	Company 2018 RM'000
Deposits with licensed banks	7	1,344,281	1,344,281	866,735
Cash and bank balances	7	231	231	660
		1,344,512	1,344,512	867,395

MASS RAPID TRANSIT CORPORATION SDN. BHD.
(Company No. 201001019176 (902884-V))
(Incorporated in Malaysia)
and its subsidiary

Notes to the financial statements

MASS RAPID TRANSIT CORPORATION SDN. BHD. is a private limited liability company, incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business	**Registered office**
Tingkat 5, Menara I&P 1	Tingkat 7, Bangunan Setia 1
No. 46, Jalan Dungun	15, Lorong Dungun
Bukit Damansara	Bukit Damansara
50499, Kuala Lumpur	50499, Kuala Lumpur
Wilayah Persekutuan	Wilayah Persekutuan

The principal activities of the Company, are to facilitate, undertake and expedite the construction of Mass Rapid Transit projects ("MRT Projects") approved by the Government of Malaysia ("GoM"). There is no significant change in the nature of these activities during the financial year. The principal activities of the subsidiary are as stated in Note 5.

The Directors regard the Minister of Finance, Incorporated ("MoF, Inc.") as the ultimate holding company.

These financial statements were authorised for issue by the Board of Directors on 27 February 2020.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRS, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRS, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments, where applicable, from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, interpretation or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, unless disclosed otherwise in the financial statements, and on the assumption that the Group and the Company are a going concern.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

The Group and the Company incurred a net loss of RM7.305 billion during the financial year ended 31 December 2019 and, as at that date, the Group's and the Company's current liabilities exceeded their current assets by RM0.902 billion and the Group and the Company have a deficit in equity attributable to its owners of RM0.888 billion. The deficit in equity attributable to owners is mainly attributable to accumulated impairment loss of RM43.483 billion (Note 3.2) recognised in relation to the KVMRT project in the current year.

The GoM provides continuous financing in accordance with the Project Development and Management Agreement ("PDMA") in relation to the KVMRT project facilitated and undertaken by the Company on behalf of the GoM.

As at the date of this report, there is no reason for the Directors to believe that there is any significant uncertainty that the GoM will not honour its obligations to provide continuous financing under the PDMA. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the funding were not forthcoming to the Group and the Company.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than Note 3.2 – Valuation of property, plant and equipment.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. There were no material financial impacts arising from the adoption of MFRS 16 during the current financial year.

(a) Basis of consolidation

(i) Subsidiary

Subsidiary is an entity controlled by the Company. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiary is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

(b) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(f)(i)) where the effective interest rate is applied to the amortised cost.

All financial assets are subject to impairment assessment (see note 2(f)(i)).

Financial liabilities

The category of financial liabilities at initial recognition is as follows:

Amortised cost

Financial liabilities not categorised are subsequently measured at amortised cost using the effective interest method.

Interest expense is recognised in the profit or loss. Any gains or losses on derecognition is also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised on profit or loss.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The costs also include expenditures incurred to construct the Klang Valley Mass Rapid Transit ("KVMRT") project. These expenditures include, but are not limited to:

- Rolling stock
- Design cost
- Electrical and mechanical works
- Management and consultant fees
- Depot and building costs
- Staff salaries incurred in relation to the development or construction of the project

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that assets, then the component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. The estimated useful lives for the current and comparative years are as follows:

• Motor vehicles	5 years
• Office equipment	8 years
• Computer equipment	4 years
• Furniture and fittings	8 years
• Office renovations	8 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(d) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application, if any, is recognised as an adjustment to accumulated losses at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

2. Significant accounting policies (continued)

(d) Leases (continued)

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

2. Significant accounting policies (continued)

(d) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

(d) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. Significant accounting policies (continued)

(d) Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement (continued)

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

Previous financial year

As a lessee

Operating lease

Leases, where the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and the leased assets were not recognised on the statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they were incurred.

(e) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks which have an insignificant risk of changes in fair value with original maturities of three months or less and are used by the Company in the management of their short-term commitments.

(f) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables is always measured at an amount equal to lifetime expected credit loss.

2. Significant accounting policies (continued)

(f) Impairment (continued)

(i) Financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum year considered when estimating expected credit losses is the maximum contractual year over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on other receivables individually with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovering the amounts due.

2. Significant accounting policies (continued)

(f) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior years are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Significant accounting policies (continued)

(g) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Contribution from GoM

Contribution from GoM represents payments made by the GoM to suppliers or contractors for the procurement, supply of goods and services in relation to the KVMRT project. The Company does not have a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities in relation to the contribution from GoM and accordingly, the contribution has been classified within equity.

(h) Employee benefits

(i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. Significant accounting policies (continued)

(i) Other income

(i) Rental income

Rental income relates to rental of commercial spaces, kiosk and other assets managed by the Company. Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(ii) Tender income

Tender income represents non-refundable tender deposit received from the suppliers/subcontractors and is recognised upon the submission of the tender document.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(j) Income tax

Income tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

2. Significant accounting policies (continued)

(j) Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

Group	Note	Motor vehicles RM'000	Office equipment RM'000	Computer equipment RM'000	Furniture and fittings RM'000	Office renovations RM'000	Building and infrastructures RM'000	Systems and operation and maintenance equipment RM'000	Property, plant and equipment under construction RM'000	Total RM'000
Cost										
1 January 2019		11,288	3,524	95,303	75,132	7,961	16,478,488	7,302,100	12,270,659	36,244,455
Additions		-	30	859	345	-	-	-	7,272,030	7,273,264
Disposals		(1,074)	(3)	(3)	-	-	-	-	-	(1,080)
At 31 December 2019		10,214	3,551	96,159	75,477	7,961	16,478,488	7,302,100	19,542,689	43,516,639
Accumulated depreciation and impairment loss										
1 January 2019										
Accumulated depreciation		9,779	2,021	5,382	4,611	4,516	-	-	-	26,309
Accumulated impairment loss		-	-	87,851	65,206	-	16,478,488	7,302,100	12,270,659	36,204,304
		9,779	2,021	93,233	69,817	4,516	16,478,488	7,302,100	12,270,659	36,230,613
Depreciation for the year		864	444	1,058	1,145	1,086	-	-	-	4,597
Disposals		(1,074)	(1)	(2)	-	-	-	-	-	(1,077)
Impairment loss for the year	3.2b	-	-	-	-	-	-	-	7,272,030	7,272,030
At 31 December 2019										
Accumulated depreciation		9,569	2,464	6,438	5,756	5,602	-	-	-	29,829
Accumulated impairment loss		-	-	87,851	65,206	-	16,478,488	7,302,100	19,542,689	43,476,334
		9,569	2,464	94,289	70,962	5,602	16,478,488	7,302,100	19,542,689	43,506,163
Carrying amounts										
At 1 January 2019		1,509	1,503	2,070	5,315	3,445	-	-	-	13,842
At 31 December 2019		645	1,087	1,870	4,515	2,359	-	-	-	10,476

3. Property, plant and equipment (continued)

Company	Note	Motor vehicles RM'000	Office equipment RM'000	Computer equipment RM'000	Furniture and fittings RM'000	Office renovations RM'000	Building and infrastructures RM'000	Systems and operation and maintenance equipment RM'000	Property, plant and equipment under construction RM'000	Total RM'000
Cost										
At 1 October 2017		11,288	3,371	93,733	73,783	7,961	16,101,533	7,279,177	5,285,774	28,856,620
Additions		-	153	387	1,783	-	-	-	7,680,788	7,683,111
Transfers		-	-	1,198	-	-	561,669	22,923	(585,790)	-
Reversal		-	-	-	-	-	(184,714)*	-	-	(184,714)
Write-off	3.2c	-	-	(15)	(434)	-	-	-	(110,113)	(110,562)
At 31 December 2018/ 1 January 2019		11,288	3,524	95,303	75,132	7,961	16,478,488	7,302,100	12,270,659	36,244,455
Additions		-	30	859	345	-	-	-	7,272,030	7,273,264
Disposals		(1,074)	(3)	(3)	-	-	-	-	-	(1,080)
At 31 December 2019		10,214	3,551	96,159	75,477	7,961	16,478,488	7,302,100	19,542,689	43,516,639

* The reversal related to over accrual of cost capitalised in prior year resulting from the finalisation of the project cost for the Sg Buloh - Kajang Line ("SBK Line").

3. Property, plant and equipment (continued)

Company	Note	Motor vehicles RM'000	Office equipment RM'000	Computer equipment RM'000	Furniture and fittings RM'000	Office renovations RM'000	Building and infrastructures RM'000	Systems and operation and maintenance equipment RM'000	Property, plant and equipment under construction RM'000	Total RM'000
Accumulated depreciation and impairment loss										
At 1 October 2017										
Accumulated depreciation		7,995	1,478	3,825	3,520	3,265	-	-	-	20,083
Accumulated impairment loss		-	-	86,653	65,206	-	16,101,533	7,279,177	1,461,985	24,994,554
		7,995	1,478	90,478	68,726	3,265	16,101,533	7,279,177	1,461,985	25,014,637
Depreciation for the period		1,784	543	1,568	1,371	1,251	-	-	-	6,517
Write-off		-	-	(11)	(280)	-	-	-	-	(291)
Reversal of impairment		-	-	-	-	-	(184,714)	-	-	(184,714)
Impairment loss for the period	3.2b	-	-	1,198	-	-	561,669	22,923	10,808,674	11,394,464
At 31 December 2018/ 1 January 2019										
Accumulated depreciation		9,779	2,021	5,382	4,611	4,516	-	-	-	26,309
Accumulated impairment loss		-	-	87,851	65,206	-	16,478,488	7,302,100	12,270,659	36,204,304
		9,779	2,021	93,233	69,817	4,516	16,478,488	7,302,100	12,270,659	36,230,613
Depreciation for the year		864	444	1,058	1,145	1,086	-	-	-	4,597
Disposals		(1,074)	(1)	(2)	-	-	-	-	-	(1,077)
Impairment loss for the year	3.2b	-	-	-	-	-	-	-	7,272,030	7,272,030
At 31 December 2019										
Accumulated depreciation		9,569	2,464	6,438	5,756	5,602	-	-	-	29,829
Accumulated impairment loss		-	-	87,851	65,206	-	16,478,488	7,302,100	19,542,689	43,476,334
		9,569	2,464	94,289	70,962	5,602	16,478,488	7,302,100	19,542,689	43,506,163
Carrying amounts										
At 1 October 2017		3,293	1,893	3,255	5,057	4,696	-	-	3,823,789	3,841,983
At 31 December 2018/ 1 January 2019		1,509	1,503	2,070	5,315	3,445	-	-	-	13,842
At 31 December 2019		645	1,087	1,870	4,515	2,359	-	-	-	10,476

3. Property, plant and equipment (continued)

3.1 Additions to property, plant and equipment under construction incurred during the financial year/period include:

	Group	Company	
	Year ended 31.12.2019 RM'000	**Year ended 31.12.2019 RM'000**	**1.10.2017 to 31.12.2018 RM'000**
Personnel expenses			
- Wages, salaries and others	77,795	77,795	153,922
- Directors' fees and allowances	209	209	694
- Directors' remuneration	-	-	2,373
	78,004	78,004	156,989

3.2 Included in the cost and accumulated depreciation and impairment loss of property, plant and equipment is the cost capitalised for the SBK Line and Sungai Buloh - Serdang - Putrajaya ("SSP Line") as follows:

	SBK RM'000	SSP RM'000	Total RM'000
Company			
2018			
Cost at 1 October 2017	24,809,840	11,394,464	36,204,304
Accumulated impairment loss	(24,809,840)	(11,394,464)	(36,204,304)
Cost at 31 December 2018	-	-	-
Group and Company			
2019			
Cost at 1 January 2019	24,809,840	18,666,494	43,476,334
Accumulated impairment loss	(24,809,840)	(18,666,494)	(43,476,334)
Cost at 31 December 2019	-	-	-
	Note 3.2a	Note 3.2b	

3.2a SBK Line

Impairment loss

The Company entered into the "Handing Over and Operating Agreement" and the "Non-fare Revenue Agreement" on 30 June 2016 in relation to the SBK Line. Based on the "Handing Over and Operating Agreement", the Company remains the owner of SBK Line at an annual concession fee and the operations of the SBK Line being handed over to a related company. The Company will receive all non-fare income from the SBK Line.

Due to the above arrangement, the Company assessed the recoverable amount of the SBK Line based solely on the non-fare income projected and recognised impairment loss in full in the previous financial year with respect of the SBK Line.

3. Property, plant and equipment (continued)

3.2b SSP Line

Impairment loss

On 28 February 2019, the Company has received a correspondence from the ultimate holding company to appoint a related company as the operator of the SSP Line. The Company has assessed the recoverable amount of the SSP Line based on the similar arrangement as the SBK Line which is disclosed in Note 3.2a. Accordingly, the Company has recognised impairment loss in full with respect to the SSP Line.

The recoverable amount assessed in Notes 3.2a and 3.2b has been determined based on value-in-use calculation. To calculate this, cash flows projections are prepared based on financial budgets as approved by Directors which cover a period of thirty years. The post-tax discount rate applied to the cash flow projections is 9% (2018: 9%).

Key assumptions used in the recoverable amount calculation

The calculation of recoverable amount for the SBK and SSP Line is most sensitive to the following assumptions:

(i) Discount rates – discount rates reflect management's estimate of the risks specific to the Company. In determining appropriate discount rates for the Company, consideration has been given to the applicable weighted average cost of capital for the Company.

(ii) Growth rates – the forecasted growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the Company.

3.2c Write off – Circle Line ("CCL Line")

The property, plant and equipment written off related to consultant fees and staff compensation payments. These costs were written off, resulting from the GoM's decision to discontinue the project in 2018.

3.3 Property, plant and equipment subject to operating lease

The Group leases some of its property, plant and equipment to third parties. These leases contain initial non-cancellable period of 2 to 10 years. Subsequent renewals are negotiated with the lessees.

3. Property, plant and equipment (continued)

3.3 Plant and equipment subject to operating lease (continued)

The following are recognised in profit or loss:

	Group	Company	
	Year ended 31.12.2019 RM'000	Year ended 31.12.2019 RM'000	1.10.2017 to 31.12.2018 RM'000
Rental income	32,496	32,496	35,846

The operating lease payments to be received are as follows:

	Group	Company	
	2019 RM'000	2019 RM'000	2018 RM'000
Less than a year	26,970	26,970	24,232
1 to 2 years	27,087	27,087	25,967
2 to 3 years	26,113	26,113	26,150
3 to 4 years	25,534	25,534	25,593
4 to 5 years	26,170	26,170	25,547
More than 5 years	61,742	61,742	87,958
Total undiscounted lease payments	193,616	193,616	215,447

4. Right-of-use assets

Group and Company	Note	Buildings RM'000
At 1 January 2019, as previously reported		-
Effect of adoption of MFRS 16		9,797
At 1 January 2019, as restated		9,797
Depreciation		(6,085)
At 31 December 2019		3,712

The Group leases a number of office premises for a period of 3 years, with an option to renew the lease after that date.

4.1 Extension options

Some leases of office premises contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in lease contracts to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

4. Right-of-use assets (continued)

4.1 Extension options (continued)

The discounted potential future lease payments arising from exercisable extension options in the leases of office premises not included in the lease liabilities are not disclosed as the extension terms are uncertain.

4.2 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5. Investment in a subsidiary

	Company	
	2019 RM'000	2018 RM'000
Cost of investment	100	-

Detail of the subsidiary is as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2019	2018
Malaysia Rapid Transit System Sdn Bhd ("MRTS")*	Malaysia	Facilitate, undertake and expedite public infrastructure projects	100%	-

* This subsidiary was incorporated on 5 December 2019 (see Note 18). The preparation of the financial statements of the Group is based on the management accounts of the subsidiary, which does not contribute materially to the Group.

6. Other receivables, deposits and prepayments

	Note	Group 2019 RM'000	Company 2019 RM'000	Company 2018 RM'000
Contract advances	6.1	386,521	386,521	928,605
Sundry deposits		3,416	3,416	6,669
Interest income receivables		3,617	3,617	3,545
Goods and Service Tax ("GST") receivable	6.2	-	-	634,742
Prepayments		5,531	5,531	6,692
Other receivables		33,965	33,965	51,204
Amount due from subsidiary	6.3	-	1	-
		433,050	433,051	1,631,457

6.1 Contract advances refer to advances to the contractors in relation to the construction of the KVMRT project. Contract advances are unsecured, interest free and expected to be offset with billings received in accordance with the contract agreement.

6.2 GST receivable refers to refunds due from the Royal Malaysian Custom Department ("RMCD") in relation to input tax paid by the Company to contractors since April 2015 in relation to the KVMRT project. The GST receivable has been fully recovered during the year.

6.3 Amount due from a subsidiary is unsecured, interest free and repayable on demand.

7. Cash and cash equivalents

	Group 2019 RM'000	Company 2019 RM'000	Company 2018 RM'000
Deposits placed with licensed banks	1,344,281	1,344,281	866,735
Cash and bank balances	231	231	660
	1,344,512	1,344,512	867,395

The effective interest rate per annum of deposits with licensed banks at 31 December 2019 approximates 3.37% (31.12.2018: 3.83%) per annum.

8. Share capital

	Group and Company			
	Amount 2019 RM'000	Number of shares 2019 '000	Amount 2018 RM'000	Number of shares 2018 '000
Issued and fully paid:				
Ordinary shares				
At the beginning of the year/period	415,000	415,000	415,000	415,000
Issued during the year/period	448,000	448,000	-	-
At the end of the year/period	863,000	863,000	415,000	415,000

Increase in paid-up share capital

During the financial year, the Company increased its issued and paid-up share capital through the issuance of 448,000,000 new ordinary shares to the MoF, Inc. via the capitalisation of the same amount from the balance owing to the MoF, Inc., classified as Contribution from Government.

9. Contribution from Government of Malaysia ("GoM")

Contribution from GoM represents payments to suppliers/subcontractors for the procurement, supply of goods and services in relation to the KVMRT project.

10. Other payables and accruals

	Note	Group 2019 RM'000	Company 2019 RM'000	Company 2018 RM'000
Retention sums	10.1	1,677,073	1,677,073	1,138,327
Other payables and accruals	10.2	972,931	973,031	1,335,221
		2,650,004	2,650,104	2,473,548

10. Other payables and accruals (continued)

10.1 Retention sums are payable to contractors in relation to the construction of the KVMRT project. Retention sums are unsecured, interest-free and are expected to be paid as follows:

	Group	Company	
	2019	2019	2018
	RM'000	RM'000	RM'000
Within 1 year	299,355	299,355	258,016
1 - 2 years	73	73	39,769
3 - 4 years	688,859	688,859	-
4 - 5 years	-	-	420,271
5 – 6 years	688,786	688,786	420,271
	1,677,073	1,677,073	1,138,327

10.2 Included in other payables and accruals are amounts of RM219,044,000 (2018: RM170,873,000) payable to suppliers/subcontractors of the KVMRT project and accruals of RM663,601,000 (2018: RM1,072,061,000) made for the purchase of property, plant and equipment in relation to the KVMRT project.

11. Other income

	Group	Company	
	Year ended	Year ended	1.10.2017 to
	31.12.2019	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000
Rental income	32,496	32,496	35,846
Tender income	8	8	1,350
Other miscellaneous income	1,519	1,519	26
	34,023	34,023	37,222

12. Loss before tax

	Note	Group Year ended 31.12.2019 RM'000	Company Year ended 31.12.2019 RM'000	Company 1.10.2017 to 31.12.2018 RM'000
Loss before tax is arrived at after charging:				
Auditors' remuneration		125	125	110
Depreciation of property, plant and equipment	3	4,597	4,597	6,517
Depreciation of right-of-use assets	4	6,085	6,085	-
Personnel expenses:				
Wages, salaries and others		13,923	13,923	24,412
Contribution to defined contribution plans		2,390	2,390	2,829
Net impairment loss on property, plant and equipment		7,272,030	7,272,030	11,209,750
Property, plant and equipment written off	12a	-	-	110,271
Rental of premises		-	-	8,443
Finance costs:				
Interest expense on lease liabilities		490	490	-
Other finance costs		8	8	18
and after crediting:				
Reversal of property, plant and equipment written off	12b	(7,509)	(7,509)	-
Gain on disposal of property, plant and equipment		(350)	(350)	-
Interest income of financial assets calculated using the effective interest method that are at amortised cost		(33,364)	(33,364)	(37,091)

12a The property, plant and equipment written off comprises consultant fees and staff compensation payments in relation to the CCL Line. These costs were written off, resulting from the GoM's decision to discontinue the project in 2018.

12b The reversal of property, plant and equipment previously written off relates to consultant fees in relation to the CCL Line which was subsequently reduced upon further negotiation with the respective consultants.

13. Tax expense

Recognised in profit or loss

	Group Year ended 31.12.2019 RM'000	Company Year ended 31.12.2019 RM'000	Company 1.10.2017 to 31.12.2018 RM'000
Current tax expense			
- current year	7,962	7,962	410
- under provision in prior period/year	18,361	18,361	29,310
	26,323	26,323	29,720

Reconciliation of tax expense

	Group Year ended 31.12.2019 RM'000	Company Year ended 31.12.2019 RM'000	Company 1.10.2017 to 31.12.2018 RM'000
Loss for the year/period	(7,279,158)	(7,279,157)	(11,365,144)
Income tax calculated using Malaysian tax rate of 24% (2018: 24%)	(1,746,998)	(1,746,998)	(2,727,635)
Non-deductible expenses	1,751,005	1,751,005	2,740,733
Effect of net deducted tax benefits not recognised	3,955	3,955	(12,688)
	7,962	7,962	410
Under provision in prior period/year	18,361	18,361	29,310
	26,323	26,323	29,720

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group Year ended 31.12.2019 RM'000	Company Year ended 31.12.2019 RM'000	Company 1.10.2017 to 31.12.2018 RM'000
Unused tax losses	433,545	433,545	398,847
Unabsorbed capital allowances	23,742	23,742	21,295
Property, plant and equipment	(2,688)	(2,688)	(3,455)
Other temporary differences	(14,494)	(14,494)	6,939
	440,105	440,105	423,626

As a result of changes in Malaysian tax law, unused tax losses amounting to RM398,847,000 will expire in year of assessment ("YA") 2025, while the remaining RM34,698,000 will expire in YA 2026. The unabsorbed capital allowances do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits.

14. Key management personnel compensation

	Group	Company	
	Year ended 31.12.2019 RM'000	Year ended 31.12.2019 RM'000	1.10.2017 to 31.12.2018 RM'000
Directors			
- Fees	209	209	694
- Other remuneration	114	114	136
	323	323	830
Other key management personnel			
- Remuneration	1,528	1,528	2,055
- Contribution to defined contribution plans	223	223	318
	1,751	1,751	2,373
	2,074	2,074	3,203

Other key management personnel comprise of persons other than Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of Group entities either directly or indirectly. The persons are the Group Chief Executive Officer, Group Chief Commercial Officer and Group Chief Financial Officer.

15. Financial instruments

15.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost.

Group	Carrying amount RM'000	Amortised cost RM'000
2019		
Financial assets		
Other receivables and deposits*	40,998	40,998
Cash and cash equivalents	1,344,512	1,344,512
	1,385,510	1,385,510
Financial liabilities		
Other payables and accruals*	(2,640,415)	(2,640,415)
Company		
2019		
Financial assets		
Other receivables and deposits*	40,999	40,999
Cash and cash equivalents	1,344,512	1,344,512
	1,385,511	1,385,511
Financial liabilities		
Other payables and accruals*	(2,640,515)	(2,640,515)
2018		
Financial assets		
Other receivables and deposits*	61,418	61,418
Cash and cash equivalents	867,395	867,395
	928,813	928,813
Financial liabilities		
Other payables and accruals*	(2,463,323)	(2,463,323)

* These balances exclude balances which are not within the scope of MFRS 9, *Financial Instruments.*

15.2 Net gains and losses arising from financial instruments

	Group	Company	
	Year ended 31.12.2019 RM'000	Year ended 31.12.2019 RM'000	1.10.2017 to 31.12.2018 RM'000
Net gains/(losses) arising on:			
Financial asset at amortised cost	33,364	33,364	37,091
Financial liabilities at amortised cost	(8)	(8)	(18)
	33,356	33,356	37,073

15. Financial instruments (continued)

15.3 Financial risks management

The Group and the Company have exposure to the following risks from their financial instruments:

- Credit risk
- Liquidity risk
- Market risk

15.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its deposit placed with licensed banks and its receivables. There are no significant changes as compared to prior periods.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guaranties given by banks are obtained, and credit evaluation are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the receivables are credit impaired.

The gross carrying amounts of credit impaired receivables are written off (either partially or fully) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from its receivables is represented by the carrying amounts in the statement of financial position.

The Group receives financial guarantees given by banks, in managing exposure to credit risk.

15. Financial instruments (continued)

15.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. The Group and the Company use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

As at the end of the reporting period, approximately 43% (2018: 64%) of the Group's other receivables are due from 1 (2018: 1) customer.

The Company maintains an ageing analysis in respect of other receivables only. The ageing of other receivables based on invoice date as at the end of reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2019			
1 to 30 days	27,872	-	27,872
31 to 180 days	699	-	699
181 to 365 days	353	-	353
More than 1 year	5,041	-	5,041
	33,965	-	33,965
Company			
2019			
1 to 30 days	27,872	-	27,872
31 to 180 days	699	-	699
181 to 365 days	353	-	353
More than 1 year	5,041	-	5,041
	33,965	-	33,965
2018			
1 to 30 days	34,739	-	34,739
31 to 180 days	10,368	-	10,368
181 to 365 days	4,620	-	4,620
More than 1 year	1,477	-	1,477
	51,204	-	51,204

No allowance for impairment losses has been made during the financial year and at the end of reporting period as the Group monitors the repayment of the other receivables regularly and is confident of the ability of the customers to repay the outstanding balances.

15. Financial instruments (continued)

15.4 Credit risk (continued)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of the financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and therefore, it is not provided for.

15.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its payables.

The Group maintains a level of cash and cash equivalents deemed adequate by the Directors to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The GoM provides continuous financing in accordance with the Project Development and Management Agreement ("PDMA") in relation to the KVMRT project facilitated and undertaken by the Company on behalf of the GoM.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

15. Financial instruments (continued)

15.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 6 years RM'000
2019					
Non-derivative financial liabilities					
Other payables and accruals	2,640,415	-	2,640,415	1,262,697	1,377,718
Lease liabilities	3,790	5%	3,980	3,980	-
	2,644,205		2,644,395	1,266,677	1,377,718
Company					
2019					
Non-derivative financial liabilities					
Other payables and accruals	2,640,515	-	2,640,515	1,262,797	1,377,718
Lease liabilities	3,790	5%	3,980	3,980	-
	2,644,305		2,644,495	1,266,777	1,377,718
2018					
Non-derivative financial liabilities					
Other payables and accruals	2,463,323	-	2,463,323	1,583,012	880,311

15.6 Market risk

Market risk is the risk that changes in interest rates that will affect the Group's financial position or cash flows.

15. Financial instruments (continued)

15.6 Market risk (continued)

15.6.1 Interest rate risk

The Group's primary interest rate risk relates to deposits placed with licensed banks. Short-term receivables and payables are not significantly exposed to interest rate risk.

The Group adopts a policy of investing mainly in fixed rate instruments to avoid the risk of fluctuation in interest rates.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instrument, based on carrying amounts as at the end of the reporting period was:

	Group	Company	
	2019	2019	2018
	RM'000	RM'000	RM'000
Fixed rate instruments			
Financial assets			
Deposits placed with licensed banks	1,344,281	1,344,281	866,735

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

15.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

16. Capital management

The Group's capital is represented by its total equity in the statement of financial position. The Directors monitor the adequacy of capital on an ongoing basis and rely on the continuous financing from the GoM in relation to the KVMRT infrastructure project which is facilitated and undertaken by the Group on behalf of the GoM.

There is no external capital requirement imposed on the Group.

17. Capital commitments

	Group 2019 RM'000	Company 2019 RM'000	Company 2018 RM'000
Capital expenditure commitments			
Plant and equipment			
Contracted but not provided for	13,044,928	13,044,928	20,175,308

The capital commitment which are authorised but not contracted for are subject to the finalisation of the tendering process in relation to the KVMRT project.

18. Significant event

On 5 December 2019, the subsidiary of the Company, Malaysia Rapid Transit System Sdn. Bhd. was incorporated. The subsidiary has been appointed by the GoM as an Infrastructure Company ("Infra Co") which is responsible for project implementation and completion of the Rapid Transit System Link project from Johor Bahru to Singapore.

19. Subsequent event

On 17 January 2020, Supplemental Agreement to the Project Delivery Partner Agreement was signed with MMC Gamuda KVMRT (PDP SSP) Sdn Bhd ("MGJV"). The agreement is to convert the project structure from a project delivery model to turnkey model at a lump sum fixed price of RM30 billion.

20. Related parties

Identity of related party

For the purpose of these financial statements, parties are considered to be related to the Group or the Company, if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group and the Company have related party relationship with the GoM and its related entities as the ultimate holding company, MoF, Inc. reports directly to the GoM.

20. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and the Company other than key management personnel compensation (see Note 14) are shown below.

(i) Licensed banks related to the GoM

	Group	Company	
	Year ended 31.12.2019 RM'000	Year ended 31.12.2019 RM'000	1.10.2017 to 31.12.2018 RM'000
Transactions			
Interest income	30,649	30,649	36,217

	Group	Company	
	2019 RM'000	2019 RM'000	2018 RM'000
Balances			
Deposits placed with licensed banks	1,302,328	1,302,328	814,135
Interest income receivables	3,561	3,561	3,481

(ii) Other entities related to the GoM

	Group	Company	
	Year ended 31.12.2019 RM'000	Year ended 31.12.2019 RM'000	1.10.2017 to 31.12.2018 RM'000
Transactions			
Electricity charges	741	741	1,033
Contribution to Employees Provident Fund	21,230	21,230	32,455
Rental expenses	-	-	7,957
Payment of lease liabilities	6,497	6,497	-
Industrial Collaboration Programme ("ICP") management fee	3,314	3,314	6,788

	Group	Company	
	2019 RM'000	2019 RM'000	2018 RM'000
Balances			
Lease liabilities	3,790	3,790	-
Other payables	1,701	1,701	1,816

21. Cash flows from financing activities

Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Lease liabilities RM'000
Group and Company	
2019	
At 1.1.2019, as previously reported	-
Effect of adoption of MFRS 16	9,797
At 1.1.2019, as restated	9,797
Changes from financing cash flows	
Payment of lease liabilities:	
Principal	(6,007)
Interest	(490)
Total changes from financing cash flows	(6,497)
Other changes	
Interest expense on lease liabilities	490
Total other changes	490
At 31.12.2019	3,790

22. Contingencies

On 20 November 2019, the Company received a Payment Claim from Perkasa Jauhari Sdn Bhd (in liquidation) for the alleged non-payment of RM14.4 million in respect of the Sungai Buloh Feeder Bus Depot construction works ("the Works").

The Company responded, disputing the whole of the amount on various grounds, including that if an adjudicator were to be appointed, he will not have jurisdiction since the claimant is in liquidation; that the claimant is estopped from making claims for loss and/or expense as it had failed to comply with the terms of the contract; and that the claimant is not entitled to the release of the retention fund as it had failed to make good the defects in the Works. The adjudication proceedings are ongoing. As per the Company's solicitor, the Company has a fair chance of defending against the claim.

23. Significant changes in accounting policies

During the financial year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application, if any, as an adjustment to the opening balance of accumulated losses at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 5%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117;

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

There were no material financial impact arising from the adoption of MFRS 16 during the current financial year.

24. Comparative figures

(a) The following comparative figures have been restated to conform to the current year's presentation:

	Company 2018	
	As restated RM'000	As previously stated RM'000
Statement of financial position		
Current tax assets	-	1,048
Other payables and accruals	(2,473,548)	(2,502,858)
Current tax liabilities	(28,262)	-

	Company 1.10.2017 to 31.12.2018	
	As restated RM'000	As previously stated RM'000
Statement of profit or loss and other comprehensive income		
Administrative expenses	119,418	148,728
Tax expenses	29,720	410

(b) In the previous financial period, the Company changed its financial year end from 30 September to 31 December. Accordingly, the financial statements of the Company for the financial period ended 31 December 2018 cover a fifteen-month period as compared to a twelve-month period for the current financial year ended 31 December 2019. Accordingly, the comparative figures for the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and their related notes to the financial statements are not comparable.

MASS RAPID TRANSIT CORPORATION SDN. BHD.
(Company No. 201001019176 (902884-V))
(Incorporated in Malaysia)
and its subsidiary

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 5 to 50 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Dato' Dr. Amiruddin bin Muhamed
Director

....

Ahmad Zubir bin Zahid
Director

Kuala Lumpur,

Date: 27 February 2020

MASS RAPID TRANSIT CORPORATION SDN. BHD.
(Company No. 201001019176 (902884-V))
(Incorporated in Malaysia)
and its subsidiary

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, Shahrul Fadli bin Omar, the Officer primarily responsible for the financial management of MASS RAPID TRANSIT CORPORATION SDN. BHD., do solemnly and sincerely declare that the financial statements set out on pages 5 to 50 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Shahrul Fadli bin Omar, MIA CA 45890, at Kuala Lumpur in the Federal Territory on 27 February 2020.

....
Shahrul Fadli bin Omar

Before me:

PESURUHJAYA SUMPAH
W 632
SAMUGAM VASSOO
AMN
Tempoh Lantikan
1 Jul 2018 - 31 Dis 2020
MALAYSIA

No. 10-1, Jalan Bangsar Utama 1,
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No. 201001019176 (902884-V))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MASS RAPID TRANSIT CORPORATION SDN. BHD., which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 50.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors is disclosed in Note 5 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Vengadesh A/L Jogarajah
Approval Number: 03337/12/2021 J
Chartered Accountant

Petaling Jaya

Date: 27 February 2020