Malaysia Rapid Transit System Sdn. Bhd.

(Registration No. 201901044132 (1353462-M))
(Incorporated in Malaysia)

Financial statements for the period from 5 December 2019 (date of incorporation) to 31 December 2020

Malaysia Rapid Transit System Sdn. Bhd.

(Registration No. 201901044132 (1353462-M))
(Incorporated in Malaysia)

Directors' report for the period from 5 December 2019 (date of incorporation) to 31 December 2020

The Directors hereby submit their first report and the audited financial statements of the Company for the financial period from 5 December 2019 (date of incorporation) to 31 December 2020.

Principal activities

The Company was incorporated on 5 December 2019 and is principally engaged to facilitate, undertake and expedite the construction of the Rapid Transit System Link project ("RTS Link") approved by the Government of Malaysia ("GoM").

Holding companies

The Directors regard Mass Rapid Transit Corporation Sdn. Bhd., a company incorporated in Malaysia and the Minister of Finance, Incorporated ("MoF, Inc.") as the Company's immediate and ultimate holding companies respectively.

Results

	RM'000
Loss for the period	(1,632)

Reserves and provisions

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

Dividends

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

Directors of the Company

Directors who served since the date of incorporation until the date of this report are:

Dato' Dr. Amiruddin bin Mohamed (First Director)
Ahmad Zubir bin Zahid (First Director)
Azwa bin Abdul Aziz (First Director)
Shahrul Fadli bin Omar (First Director)
Datuk Isham bin Ishak (Appointed on 15 June 2020)
Datuk Mohd Zarif bin Mohd Hashim (Appointed on 21 July 2020)
Abdul Yazid bin Kassim (First Director, resigned on 30 June 2020)

Directors' interests in shares

None of the Directors holding office at 31 December 2020 had any interest in the shares of the Company and its related corporation during the financial period.

Directors' benefits

Since the date of incorporation, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration 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 or of related corporation) 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 period 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

The Company was incorporated on 5 December 2019 with an issued and paid-up capital of 100,000 ordinary shares amounted to RM100,000.

There were no changes in the issued and paid-up capital of the Company during the financial period.

There were no debentures issued during the financial period.

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial period, the total amount of indemnity sum insured and insurance premium effected for Directors and officers of the Company were RM40,000,000 (per occurrence and in the aggregate) and RM41,419, respectively, under the holding company's insurance policy. The insurance premium was borne by the immediate holding company.

Other statutory information

Before the financial statements 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.

Other statutory information (continued)

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 debts, or

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

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities 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 Company misleading.

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

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

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

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

In the opinion of the Directors, the financial performance of the Company for the financial period from 5 December 2019 (date of incorporation) to 31 December 2020 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 period and the date of this report.

Registration No. 201901044132 (1353462-M)

Auditors

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

The auditors' remuneration is disclosed in Note 11 to the financial statements.

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

....

Datuk Isham bin Ishak
Director

....

Datuk Mohd Zarif bin Mohd Hashim
Director

Kuala Lumpur,

Date: 1 March 2021

Malaysia Rapid Transit System Sdn. Bhd.

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Statement of financial position as at 31 December 2020

	Note	2020 RM'000
Assets		
Property, plant and equipment	3	7,779
Right-of-use assets	4	3,512
Total non-current assets		11,291
Other receivables and deposits	5	490
Cash and cash equivalents	6	148,110
Total current assets		148,600
Total assets		159,891
Equity		
Share capital	7	100
Contribution from Government of Malaysia ("GoM")	8	155,471
Accumulated Losses		(1,632)
Total equity		153,939
Liabilities		
Lease liabilities		3,038
Total non-current liabilities		3,038
Lease liabilities		474
Other payables and accruals	9	2,440
Total current liabilities		2,914
Total liabilities		5,952
Total equity and liabilities		159,891

The notes on pages 10 to 32 are an integral part of these financial statements.

Malaysia Rapid Transit System Sdn. Bhd.

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Statement of profit or loss and other comprehensive income for the period from 5 December 2019 (date of incorporation) to 31 December 2020

	Note	5.12.2019 to 31.12.2020 RM'000
Other income	10	35
Administrative expenses		(1,881)
Finance income		214
Loss before tax	11	(1,632)
Tax expense	13	-
Loss and total comprehensive expense for the period		(1,632)

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Statement of changes in equity for the period from 5 December 2019 (date of incorporation) to 31 December 2020

	Share capital RM'000	Contribution from GoM RM'000	Accumulated losses RM'000	Total RM'000
At 5 December 2019 (date of incorporation)	100	-	-	100
Contribution from GoM	-	155,471	-	155,471
Loss and total comprehensive expense for the period	-	-	(1,632)	(1,632)
At 31 December 2020	100	155,471	(1,632)	153,939
	Note 7	Note 8		

The notes on pages 10 to 32 are an integral part of these financial statements.

Malaysia Rapid Transit System Sdn. Bhd.

(Registration No. 201901044132 (1353462-M))
(Incorporated in Malaysia)

Statement of cash flows for the period from 5 December 2019 (date of incorporation) to 31 December 2020

	Note	5.12.2019 to 31.12.2020 RM'000
Cash flows from operating activities		
Loss before tax		(1,632)
Adjustments for:		
Finance income		(214)
Operating loss before changes in working capital		(1,846)
Changes in working capital:		
Other receivables and deposits		(304)
Other payables and accruals		2,440
Net cash from operating activities		290
Cash flows from investing activities		
Acquisition of property, plant and equipment		(7,779)
Interest received		28
Net cash used in investing activities		(7,751)
Cash flows from financing activity		
Contribution from GoM		155,471
Net cash from financing activity		155,471
Net increase in cash and cash equivalents		148,010
Cash and cash equivalents at date of incorporation		100
Cash and cash equivalents at end of the period	(i)	148,110

Registration No. 201901044132 (1353462-M)

Statement of cash flows for the period from 5 December 2019 (date of incorporation) to 31 December 2020 (continued)

(i) Cash and cash equivalents

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

	Note	2020 RM'000
Deposits with licensed banks and financial institutions	6	148,100
Cash and bank balances	6	10
		148,110

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Notes to the financial statements

Malaysia Rapid Transit System 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
Tingkat 5, Menara I&P 1
No. 46, Jalan Dungun
Bukit Damansara
50490, Kuala Lumpur
Wilayah Persekutuan

Registered office
Tingkat 7, Bangunan Setia 1
15, Lorong Dungun
Bukit Damansara
50490, Kuala Lumpur
Wilayah Persekutuan

The Company was incorporated on 5 December 2019 and is principally engaged to facilitate, undertake and expedite the construction of the Rapid Transit System Link project ("RTS Link") approved by the Government of Malaysia ("GoM").

The Directors regard Mass Rapid Transit Corporation Sdn. Bhd., a company incorporated in Malaysia and the Minister of Finance, Incorporated ("MoF, Inc.") as the Company's immediate and ultimate holding companies respectively.

These financial statements were authorised for issue by the Board of Directors on 1 March 2021.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. These are the Company's first financial statements since the date of incorporation. Therefore, there is no comparative information presented.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by 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 2021

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, 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*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Company plans to apply the abovementioned relevant accounting standards, interpretations and amendments, where applicable:

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022.
- from the annual period beginning on 1 January 2023 for the amendment that is effective for annual periods beginning on or after 1 January 2023.

During the financial period, the Company has early adopted the Amendment to MFRS 16, *Leases - Covid-19 Related Rent Concessions* which is effective for annual periods beginning on or after 1 June 2020.

The Company does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to the Company.

The initial application of the abovementioned amendments is not expected to have any material financial impacts to the current period financial statements of 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 Company is a going concern. The GoM provides continuous financing in accordance with the Disbursement Agreement ("DA") in relation to the RTS Link 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 DA. 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 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 is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. Basis of preparation (continued)

(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.

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.

2. Significant accounting policies

The accounting policies set out below have been adopted by the Company during the financial period.

The Company has applied the amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions* issued by MASB in June 2020. The amendment introduces an optional practical expedient that simplifies how a lessee accounts for rent concessions arising as a direct consequence of the Covid-19 pandemic.

The initial application of the amendment to MFRS 16 did not have any impact to the financial statements of the Company.

(a) 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 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.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

(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 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.

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 effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments 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(e)(i)) where the effective interest rate is applied to the amortised cost.

All financial assets are subject to impairment assessment (see Note 2(e)(i)).

Financial liabilities

Amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

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

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

(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.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or 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 in profit or loss.

(b) 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 RTS Link 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 and 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” or “other expenses” respectively in profit or loss.

2. Significant accounting policies (continued)

(b) 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 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 asset, then that 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.

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

(c) Leases

(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 Company 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.

2. Significant accounting policies (continued)

(c) Leases (continued)

(i) Definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone price. However, for leases of properties in which the Company 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

As a lessee

The Company 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 the restore the underlying asset or the site on which it is located, less any lease incentives received.

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 Company's incremental borrowing rate. Generally, the Company uses its 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 receivables;
- 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 Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

2. Significant accounting policies (continued)

(c) Leases (continued)

(ii) Recognition and initial measurement (continued)

As a lessee (continued)

The Company 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 Company 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 Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

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 the 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 Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company 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)

(c) Leases (continued)

(iii) Subsequent measurement (continued)

As a lessee (continued)

The Company has applied the amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions*, whereby rent concessions received as a direct consequence of the Covid-19 pandemic are not assessed as a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

If the above conditions are met, rent concessions are treated as variable lease payments and impact will be recognised in profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and financial institutions 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 its short-term commitments.

(e) Impairment

(i) Financial assets

The Company recognises 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 Company measures 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 are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers 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 Company's historical experience and informed credit assessment and including forward-looking information, where available.

2. Significant accounting policies (continued)

(e) Impairment (continued)

(i) Financial assets (continued)

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 period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

The Company estimates the expected credit losses on other receivables individually with reference to historical credit loss experience of the holding company.

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

At each reporting date, the Company assesses whether financial assets carried at amortised cost are 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 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.

(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 unit.

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.

2. Significant accounting policies (continued)

(e) Impairment (continued)

(ii) Other assets (continued)

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 (group of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods 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 period in which the reversals are recognised.

(f) 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 funds received from the GoM to finance the payments to suppliers or contractors for the procurement, supply of goods and services in relation to the RTS Link 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.

2. Significant accounting policies (continued)

(g) 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 Company 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 Company'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.

(h) Other income

(i) Tender income

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

(ii) Interest income

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

(i) 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.

2. Significant accounting policies (continued)

(i) Income tax (continued)

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.

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.

(j) Fair value measurements

Fair value of an asset or a liability, except for lease transaction, 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 Company uses observable market data as far as possible. Fair value are 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 Company 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 Company 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

	Property, plant and equipment under construction RM'000
Cost	
At 5 December 2019 (date of incorporation)	-
Additions	7,779
At 31 December 2020	7,779
Accumulated depreciation	
At 5 December 2019 (date of incorporation)/At 31 December 2020	-
Carrying amounts	
At 5 December 2019 (date of incorporation)	-
At 31 December 2020	7,779

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

	5.12.2019 to 31.12.2020 RM'000
Personnel expenses	
- Wages, salaries and others	3,771
- Directors' fees and allowances	14
- Directors' remuneration	47
	3,832

4. Right-of-use assets

	Building RM'000
At 5 December 2019 (date of incorporation)	-
Addition	3,512
Depreciation*	-
At 31 December 2020	3,512

* There was no depreciation expense recorded during the financial period as the lease contract was entered into at the end of the financial period.

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

4. Right-of-use assets (continued)

4.1 Extension options

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

The extension option of the lease is currently included in the lease term as the Company assessed that it is reasonably certain to exercise the extension option, given that the leased office is used as the project office for the RTS Link project with target completion date in 2026 which coincides with the extended lease term. Therefore, as at 30 June 2020, there are no potential future lease payments not included in the lease liabilities.

5. Other receivables and deposits

	2020 RM'000
Interest income receivables	186
Deposits	304
	490

6. Cash and cash equivalents

	2020 RM'000
Deposits placed with licensed banks and financial institutions	148,100
Cash at bank	10
	148,110

7. Share capital

	Number of shares 2020 '000	Amount 2020 RM'000
Issued and fully paid ordinary shares with no par value:		
At 5 December 2019 (date of incorporation)/ 31 December 2020	100	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

8. Contribution from GoM

Contribution from GoM represents funds received from the GoM to finance the payments to suppliers or contractors for the procurement, supply of goods and services in relation to the RTS Link project.

9. Other payables and accruals

	Note	2020 RM'000
Other payables and accruals		1,971
Amount due to immediate holding company	9.1	469
		2,440

9.1 The amount due to immediate holding company is unsecured, interest free and repayable on demand.

10. Other income

	5.12.2019 to 31.12.2020 RM'000
Tender income	35

11. Loss before tax

	5.12.2019 to 31.12.2020 RM'000
Loss before tax is arrived at after charging/(crediting):	
Auditors' remunerations	25
Material expenses/(income)	
Personnel expenses	
- Wages, salaries and others	109
Interest income of financial assets at amortised cost calculated using the effective interest method	(214)

12. Key management personnel compensation

	5.12.2019 to 31.12.2020 RM'000
Directors	
- Fees	14
- Other remuneration	47
	61

13. Tax expense

There is no tax expense in the current period as the Company is in a tax loss position.

	5.12.2019 to 31.12.2020 RM'000
Reconciliation of tax expense	
Loss before tax	(1,632)
Income tax calculated using Malaysian tax rate of 24%	(392)
Non-deductible expenses	268
Effect of net deferred tax benefits not recognised	124
	-

Unrecognised deferred tax assets

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

	2020 RM'000
Unused tax losses	29
Other deductible temporary differences	489
	518

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 Company can utilise the benefits therefrom.

Pursuant to the latest tax legislation, unused tax losses from a year of assessment can only be carried forward up to 7 consecutive years of assessment.

Unused tax losses of RM29,000 will expire in 2027 under the current tax legislation in Malaysia.

The other deductible temporary differences do not expire under current tax legislation.

14. Financial instruments

14.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC").

2020	Carrying amount RM'000	Amortised Cost RM'000
Financial assets		
Other receivables and deposits	490	490
Cash and cash equivalents	148,110	148,110
	148,600	148,600
Financial liabilities		
Other payables and accruals	2,440	2,440

14.2 Net gains arising from financial instruments

	5.12.2019 to 31.12.2020 RM'000
Net gains arising on:	
Financial assets measured at amortised cost	214

14.3 Financial risk management

The Company has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

14.4 Credit risk

Credit risk is the risk of a financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from its deposits placed with licensed banks and financial institutions.

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 financial position.

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

14. Financial instruments (continued)

14.5 Liquidity risk

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

The Company maintains a level of cash and cash equivalents deemed adequate by the management 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 Disbursement Agreement ("DA") in relation to the RTS Link 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 amounts.

Maturity analysis

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

	Carrying amount RM'000	Contractual Interest Rate	Contractual cash flows RM'000	Under 1 year RM'000	1 – 6 years RM'000	More than 6 years RM'000
2020						
Non-derivative financial liabilities						
Other payables and accruals	2,440	-	2,440	2,440	-	-
Lease liabilities	3,512	4%	3,956	604	3,297	55
	5,952		6,396	3,044	3,297	55

14. Financial instruments (continued)

14.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates that will affect the Company's financial position or cash flows.

14.6.1 Interest rate risk

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

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

	2020 RM'000
Fixed rate instruments	
Financial assets	
Deposits placed with licensed banks and financial institutions	148,100

The Company 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.

14.7 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.

15. Capital management

The Company'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 RTS Link project which is facilitated and undertaken by the Company on behalf of the GoM.

There is no external capital requirement imposed on the Company.

16. Capital commitments

	2020 RM'000
Capital expenditure commitments	
Property, plant and equipment	
Contracted but not provided for	1,999,999

17. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Company if 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 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 Company either directly or indirectly. The key management personnel include all the Directors of the Company.

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

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 Company other than key management personnel compensation (see Note 12) are shown below.

(i) Immediate holding company

	05.12.2019 to 31.12.2020 RM'000
Transactions	
Included in property, plant and equipment:	
- Back-charges of personnel expenses	2,413
- Personnel expenses paid on behalf	709
Included in profit or loss:	
- Back-charges of administrative expenses	251
- Administrative expenses paid on behalf	185

	2020 RM'000
Balances	
Lease liabilities	3,512
Amount due to immediate holding company	469

17. Related parties (continued)

Significant related party transactions (continued)

(ii) Licensed banks and financial institutions related to the GoM

	05.12.2019 to 31.12.2020 RM'000
Transactions	
Interest income	111

	2020 RM'000
Balances	
Deposits placed with licensed banks and financial institutions	73,100
Interest income receivables	84

(iii) Other entities related to the GoM

	05.12.2019 to 31.12.2020 RM'000
Transactions	
Contribution to Employees Provident Fund	448

	2020 RM'000
Balances	
Other payables	94

18. Comparative figures

There are no comparative figures available as this is the first set of financial statements prepared since incorporation.

Malaysia Rapid Transit System Sdn. Bhd.

(Registration No. 201901044132 (1353462-M))
(Incorporated in Malaysia)

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 32 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 Company as of 31 December 2020 and of its financial performance and cash flows for the financial period then ended.

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

....

Datuk Isham bin Ishak
Director

....

Datuk Mohd Zarif bin Mohd Hashim
Director

Kuala Lumpur,

Date: 1 March 2021

Malaysia Rapid Transit System Sdn. Bhd.

(Registration No. 201901044132 (1353462-M))
(Incorporated in Malaysia)

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

I, Shahrul Fadli bin Omar, the Director primarily responsible for the financial management of Malaysia Rapid Transit System Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 5 to 32 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 1 March 2021.

....

Shahrul Fadli bin Omar

Before me:

PESURUHJAYA SUMPAH
W632
SAMUGAM VASSOO
AMN
Tempoh Lantikan
1 Jan 2021 - 13 Dis 2021
MALAYSIA

No. 10-1 , Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

KPMG

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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MALAYSIA RAPID TRANSIT SYSTEM SDN. BHD.

(Registration No. 201901044132 (1353462-M))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malaysia Rapid Transit System Sdn. Bhd., which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 32.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the period 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 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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

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 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 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 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 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 Company to cease to continue as a going concern.

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

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.

Other Matter

This report is made solely to the member 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, Selangor

Date: 1 March 2021