

Registration No. 199101015631 (225943 - T)

KERETAPI TANAH MELAYU BERHAD
(Registration No. 199101015631 (225943 - T))
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**
(In Ringgit Malaysia)

Registration No. 199101015631 (225943 - T)

KERETAPI TANAH MELAYU BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

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KERETAPI TANAH MELAYU BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors of **KERETAPI TANAH MELAYU BERHAD** hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are railway transportation operations and the provision of related railway services in Peninsular Malaysia and Singapore. The Company operates these activities pursuant to a licence issued by the Ministry of Transport.

The principal activities of its subsidiaries are described in Note 14 of the Financial Statements.

RESULTS

The results of the Group and of the Company for the financial year are as follows:

	The Group RM'000	The Company RM'000
Loss for the financial year	<u>(217,727)</u>	<u>(174,732)</u>

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or an event of a material and unusual nature other than the impairment on plant property and equipment, the write off of bad debts and the impact of Covid 19, as disclosed in Note 11, Note 20 and Note 34.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Company has no profit available to declare dividends, therefore, the Directors do not recommend any dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

The Company has not issued any debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial period to take up unissued shares of the Company.

No shares have been issued during the financial period by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial period, there were no unissued shares of the Company under option.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

As at 31 December 2020, the Group and the Company have a capital deficiency of RM1,635,307,000 and RM1,846,623,000 respectively, and the current liabilities of the Group and of the Company exceeded their current assets by RM1,322,234,000 and RM1,402,931,000 respectively as a result of losses incurred in the current and prior financial years. Further, as disclosed in Note 31 to the Financial Statements, in order to improve the financial positions of the Group and the Company, in the previous years, the Government of Malaysia had taken the initiative to restructure the railway operations by establishing the Railway Network Assess Agreement (“RNAA”) between the Company and Railway Asset Corporation which was under discussions between Ministry of Transport (“MOT”), the Company and Railway Asset Corporation as at 31 December 2020. Subsequent to the year end, during the workshop Mesyuarat Hala Tuju KTMB dan RAC organised by MOT from 19-21 November 2021, all parties agreed that a new study or development should be proposed to replace the RNAA. MOT will coordinate the new study which the Company has yet to receive any confirmation on the next course of action.

The events or conditions mentioned above, indicate that a material uncertainty exists that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern. However, as mentioned in Note 2 to the Financial Statements, the financial statements of the Group and of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis of accounting presumes that the Group and the Company will continue to receive financial support from its holding entity, Minister of Finance (Incorporated), so as to enable the Group and the Company to continue their operations and to realise their assets and settle their liabilities in the ordinary course of business.

Other than as mentioned in the preceding paragraph, at the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability 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 when they fall due.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made.

DIRECTORS

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Md Silmi Bin Abd Rahman
Datuk Seri Yew Teong Look (appointed on 04.11.2020)
Iszad Jeffri Bin Ismail (appointed on 05.11.2020)
Datuk Haji Musa Bin Haji Sheikh Fadzir (appointed on 08.11.2021)
Nazri Bin Ismail (resigned on 26.10.2020)
Mohd Hassan Bin Ahmad (resigned on 31.10.2020)
Dato' Jana Santhiran A/L Muniayan (resigned on 04.01.2021)
Datuk (Dr.) Rameli Bin Musa (resigned on 01.02.2021)
Azhar Bin Noraini (resigned on 28.09.2021)
Dato' Prof. Dr. Sudin Bin Haron (resigned on 01.10.2021)

The Directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report (other than those Directors who are also Directors of the Company) are:

Md Hafiz Izammudin Bin Mohd Nor
Mohd Ezane Bin Zainen
Mohd Rani Hisham Bin Samsudin (appointed on 04.01.2021)
YBhg. Datuk Ir. Kamarulzaman Bin Zainal (resigned on 01.12.2020)
Mohd Zain Bin Mat Taha (appointed on 23.09.2020)

DIRECTORS' INTERESTS

None of the Directors in office at the end of the financial year held shares or had a beneficial interest in the shares of the Company or its related corporations during or at the beginning and end of the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors or the fixed salary of a full time employee of the Company as disclosed in Note 9 to the financial statements) 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.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains directors' and officers' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance cover for the directors and officers of the Company. The amount of insurance premium paid by the Company during the financial year is RM36,000. All of the directors and officers of the Company are covered under the said directors' and officers' liability insurance.

No indemnity was given to or insurance effected for the auditors of the Group and of the Company in accordance with Section 289 of the Companies Act, 2016.

HOLDING COMPANY

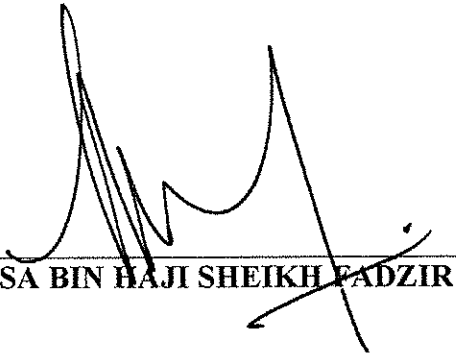
The Company is a subsidiary of Minister of Finance (Incorporated), a body corporate incorporated pursuant to the Minister of Finance (Incorporated) Act, 1957 (Revised 1989).

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AUDITORS' REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended 31 December 2020 is as disclosed in Note 7 to the financial statements.

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



DATUK HAJI MUSA BIN HAJI SHEIKH FADZIR



ISZAD JEFFRI BIN ISMAIL

Kuala Lumpur

17 JAN 2022



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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KERETAPI TANAH MELAYU BERHAD**
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **KERETAPI TANAH MELAYU BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 31 December 2020, 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 11 to 120.

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 2020, 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 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' *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.

(Forward)

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements, which indicates that as at 31 December 2020, the Group and the Company have a capital deficiency of RM1,635,307,000 and RM1,846,623,000 respectively, and the current liabilities of the Group and of the Company exceeded their current assets by RM1,322,234,000 and RM1,402,931,000 respectively as a result of losses incurred in the current and prior financial years. These events or conditions, along with other matters as set forth in Notes 2 and 31 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 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 this other information, 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 Group's and the Company's ability 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.

(Forward)

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 Group's and of the Company's internal control.
- 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 Group's or the Company's ability 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 achieves fair presentation.
- 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.

(Forward)

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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

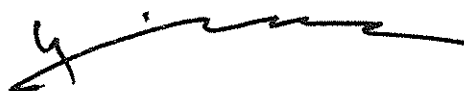
In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

Other Matters

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.



DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)



KAMARUL BAHARIN BIN TENGKU ZAINAL ABIDIN
Partner - 02903/11/2023 J
Chartered Accountant

Kuala Lumpur
17 January 2022

KERETAPI TANAH MELAYU BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	The Group		The Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	5	348,846	612,106	253,943	525,378
Cost of services		(502,345)	(619,381)	(424,782)	(545,417)
Gross loss		(153,499)	(7,275)	(170,839)	(20,039)
Other operating income		237,968	122,070	278,071	112,106
Administrative expenses		(158,607)	(184,318)	(136,255)	(162,129)
Other operating expenses		(124,573)	(59,971)	(121,569)	(53,707)
Results from operating activities		(198,711)	(129,494)	(150,592)	(123,769)
Finance income		3,020	3,663	103	627
Finance costs	6	(24,648)	(26,660)	(24,243)	(26,332)
Share of profit of equity-accounted investees, net of tax		3,742	6,027	-	-
Loss before tax	7	(216,597)	(146,464)	(174,732)	(149,474)
Income tax expense	10	(1,130)	(9,628)	-	-
Loss for the year		(217,727)	(156,092)	(174,732)	(149,474)

(Forward)

	Note	The Group		The Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other comprehensive loss					
Item that will not be reclassified subsequently to profit or loss:					
Actuarial loss of retirement benefit scheme		-	(23,287)	-	(23,287)
Other comprehensive loss for the year, net of tax		-	(23,287)	-	(23,287)
Total comprehensive loss for the year		<u>(217,727)</u>	<u>(179,379)</u>	<u>(174,732)</u>	<u>(172,761)</u>
Loss attributable to:					
Owners of the Company		(217,727)	(156,092)	(174,732)	(149,474)
Non-controlling interest		-	-	-	-
Loss for the year		<u>(217,727)</u>	<u>(156,092)</u>	<u>(174,732)</u>	<u>(149,474)</u>
Total comprehensive loss attributable to:					
Owners of the Company		(217,727)	(179,379)	(174,732)	(172,761)
Non-controlling interest		-	-	-	-
Total comprehensive loss for the year		<u>(217,727)</u>	<u>(179,379)</u>	<u>(174,732)</u>	<u>(172,761)</u>

The accompanying Notes form an integral part of the financial statements.

KERETAPI TANAH MELAYU BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	The Group		The Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS					
Non-current Assets					
Property, plant and equipment	11	182,723	185,983	134,164	133,965
Right-of-use assets	12	281	1,589	281	833
Investment properties	13	57,872	60,326	-	-
Investment in subsidiaries	14	-	-	6,299	6,399
Investments in associates	15	38,530	35,034	5,680	5,830
Investment in joint venture	16	988	742	510	510
Other investments	17	140	140	140	140
Deferred tax assets	18	613	437	-	-
Total Non-current Assets		281,147	284,251	147,074	147,677
Current Assets					
Inventories	19	58,637	61,793	58,637	61,793
Trade and other receivables	20	81,967	166,285	71,359	160,869
Deposits and prepayments	20	10,417	8,774	7,291	5,594
Tax recoverable		757	307	242	242
Cash and bank balances	21	78,363	117,053	22,613	11,056
		230,141	354,212	160,142	239,554
Non-current assets classified as held for sale	22	4,678	4,018	-	-
Total Current Assets		234,819	358,230	160,142	239,554
TOTAL ASSETS		515,966	642,481	307,216	387,231

(Forward)

	Note	The Group		The Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
EQUITY/(DEFICIENCY) AND LIABILITIES					
Capital and Reserves					
Share capital	23	1,310,459	1,310,459	1,310,459	1,310,459
Redeemable Cumulative Convertible Preference Shares ("RCCPS")	24	50,583	50,583	50,583	50,583
Accumulated losses		<u>(2,996,349)</u>	<u>(2,778,622)</u>	<u>(3,207,665)</u>	<u>(3,032,933)</u>
Capital Deficiency		<u>(1,635,307)</u>	<u>(1,417,580)</u>	<u>(1,846,623)</u>	<u>(1,671,891)</u>
Non-current Liabilities					
Loans and borrowings	25	327,607	328,128	324,518	322,038
Redeemable Cumulative Convertible Preference Shares ("RCCPS")	24	28,921	27,393	28,921	27,393
Lease liabilities	26	365	464	-	245
Retirement benefit obligations	28	<u>237,327</u>	<u>242,684</u>	<u>237,327</u>	<u>242,684</u>
Total Non-current Liabilities		<u>594,220</u>	<u>598,669</u>	<u>590,766</u>	<u>592,360</u>
Current Liabilities					
Trade and other payables	29	368,713	330,552	379,073	339,887
Loans and borrowings	25	1,160,518	1,110,214	1,157,533	1,107,673
Provisions	27	570	1,255	570	1,255
Retirement benefit obligations	28	25,603	17,337	25,603	17,337
Lease liabilities	26	978	1,244	294	610
Current tax liabilities		<u>671</u>	<u>790</u>	<u>-</u>	<u>-</u>
Total Current Liabilities		<u>1,557,053</u>	<u>1,461,392</u>	<u>1,563,073</u>	<u>1,466,762</u>
Total Liabilities		<u>2,151,273</u>	<u>2,060,061</u>	<u>2,153,839</u>	<u>2,059,122</u>
TOTAL EQUITY AND LIABILITIES		<u>515,966</u>	<u>642,481</u>	<u>307,216</u>	<u>387,231</u>

The accompanying Notes form an integral part of the financial statements.

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KERETAPI TANAH MELAYU BERHAD
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

Group	Share Capital RM'000m	RCCPS - Equity RM'000	Accumulated Losses RM'000	Attributable to Owners of the Company RM'000	Non- Controlling Interests RM'000	Net RM'000
As at 1 January 2019	1,310,459	50,583	(2,599,243)	(1,238,201)	-	(1,238,201)
Loss for the year	-	-	(156,092)	(156,092)	-	(156,092)
Other comprehensive loss	-	-	(23,287)	(23,287)	-	(23,287)
Total comprehensive loss	-	-	(179,379)	(179,379)	-	(179,379)
As at 31 December 2019/ 1 January 2020	1,310,459	50,583	(2,778,622)	(1,417,580)	-	(1,417,580)
Loss for the year	-	-	(217,727)	(217,727)	-	(217,727)
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive loss	-	-	(217,727)	(217,727)	-	(217,727)
As at 31 December 2020	1,310,459	50,583	(2,996,349)	(1,635,307)	-	(1,635,307)

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KERETAPI TANAH MELAYU BERHAD
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

Company	Share Capital RM'000	RCCPS - Equity RM'000	Accumulated Losses RM'000	Net RM'000
As at 1 January 2019	1,310,459	50,583	(2,860,172)	(1,499,130)
Loss for the year	-	-	(149,474)	(149,474)
Other comprehensive loss	-	-	(23,287)	(23,287)
Total comprehensive loss	-	-	(172,761)	(172,761)
As at 31 December 2019/1 January 2020	1,310,459	50,583	(3,032,933)	(1,671,891)
Loss for the year	-	-	(174,732)	(174,732)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	(174,732)	(174,732)
As at 31 December 2020	1,310,459	50,583	(3,207,665)	(1,846,623)

The accompanying Notes form an integral part of the financial statements.

KERETAPI TANAH MELAYU BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	The Group		The Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES					
Loss before tax		(216,597)	(146,464)	(174,732)	(149,474)
Adjustments for:					
Impairment loss on:					
Property, plant and equipment		12,834	32,446	10,305	32,446
Right-of-use assets		1,030	-	-	-
Depreciation of:					
Property, plant and equipment		29,765	31,406	23,042	26,650
Investment properties		1,307	1,304	-	-
Right-of-use assets		1,778	1,908	682	536
Finance costs		24,648	26,660	24,243	26,332
Write down of inventories		1,867	1,672	1,867	1,672
Penalty on late payment to MOF		18,160	12,740	18,160	12,740
Expense in respect of retirement benefits plan		22,807	22,160	22,807	22,160
Allowance for trade and other receivables		16,300	9,760	20,890	5,799
Bad debt written off		60,346	157	60,337	6
(Gain)/Loss on disposal of asset held for sale		(11)	32	-	-
Impairment of assets classified as held for sale no longer required		-	(157)	-	-
Property, plant and equipment written off		4,517	194	4,517	194
Provision accrued for housing loan interest		-	1,255	-	1,255
Impairment on investment in					
- subsidiary		-	-	100	500
- associate		-	-	150	-
Finance income		(3,020)	(3,776)	(103)	(627)
Gain on disposal of property, plant and equipment		(1,114)	(869)	(447)	(447)
Reversal of allowance for doubtful trade and other receivables		(2,966)	(4,736)	(636)	(3,224)
(Forward)					

	Note	The Group		The Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Share of results of:					
- associates	15	(3,496)	(5,569)	-	-
- joint venture	16	(246)	(458)	-	-
Compensation receivable/ received from the Government for uneconomic services		(23,949)	(60,567)	(23,949)	(60,567)
Dividend income from:					
- subsidiary companies		-	-	(51,000)	(5,282)
Operating Loss Before Changes in Working Capital		(56,040)	(80,902)	(63,767)	(89,331)
(Increase)/Decrease in:					
Trade and other receivables		8,802	34,357	7,083	33,059
Deposits and prepayments		(1,643)	(535)	(1,697)	(2,666)
Inventories		1,289	18,059	1,289	18,059
Increase/(Decrease) in:					
Trade and other payables		39,119	91,008	40,144	94,900
Cash (Used In)/ Generated From Operations		(8,473)	61,987	(16,948)	54,021
Income tax (paid)/refunded – net		(1,875)	(8,391)	-	301
Retirement benefits paid		(19,898)	(23,947)	(19,898)	(23,947)
Housing loan interest paid		(685)	(822)	(685)	(822)
Compensation from the Government for uneconomic services received		25,785	-	25,785	-
Net Cash (Used In)/From Operating Activities		(5,146)	28,827	(11,746)	29,553

(Forward)

	Note	The Group		The Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS (USED IN)/ FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(i)	(42,052)	(64,088)	(38,063)	(51,816)
Proceeds from disposal of property, plant and equipment		1,121	1,225	447	447
Proceeds from disposal of assets held for sale		498	518	-	-
Interest received		3,020	3,776	103	627
Dividend income from:					
- associates		-	7,213	-	7,213
- subsidiaries		-	-	51,000	-
Decrease in deposits with maturities more than 90 days		2,362	5,000	-	-
Net Cash (Used In)/From Investing Activities		<u>(35,051)</u>	<u>(46,356)</u>	<u>13,487</u>	<u>(43,529)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Drawdown/(Repayment) of borrowings		12,567	(27,182)	16,935	(25,492)
Repayment of lease liabilities		(1,865)	(1,789)	(691)	(514)
Finance costs paid					
- loans and borrowings		(6,001)	(6,840)	(5,658)	(6,320)
- lease liabilities		(86)	(102)	(33)	(53)
- others		(746)	(1,255)	(737)	(1,248)
Increase in deposits pledged		(17)	(17)	-	-
Net Cash From/ (Used In) Financing Activities		<u>3,852</u>	<u>(37,185)</u>	<u>9,816</u>	<u>(33,627)</u>

(Forward)

	Note	The Group		The Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(36,345)	(54,714)	11,557	(47,603)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>101,556</u>	<u>156,270</u>	<u>11,056</u>	<u>58,659</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	<u>65,211</u>	<u>101,556</u>	<u>22,613</u>	<u>11,056</u>

(i) Purchase of property, plant and equipment

Purchase of property, plant and equipment by the Group and the Company during the financial year was through the following:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Payments by cash	42,052	64,088	38,063	51,816
Additions to hire purchase	<u>1,811</u>	<u>7,244</u>	<u>-</u>	<u>-</u>
	<u>43,863</u>	<u>71,332</u>	<u>38,063</u>	<u>51,816</u>

The accompanying Notes form an integral part of the financial statements.

KERETAPI TANAH MELAYU BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

Keretapi Tanah Melayu Berhad is a public limited liability company, incorporated and domiciled in Malaysia. Save and except for one (1) ordinary share owned by the Federal Land Commissioner, all of the equity of the Company is owned by the Minister of Finance (Incorporated), a body corporate established in Malaysia.

The principal activities of the Company are railway transportation operations and the provision of related railway services in Peninsular Malaysia and Singapore. The Company operates these activities pursuant to a licence issued by the Ministry of Transport. The principal activities of its subsidiaries are described in Note 14.

The registered office of the Company is located at Legal & Secretarial Unit, 2nd Floor, KTMB Corporate Headquarters, Jalan Sultan Hishamuddin, 50621 Kuala Lumpur.

The principal place of business of the Company is located at Tingkat 1, Ibu Pejabat Korporat KTMB, Jalan Sultan Hishamuddin, 50621 Kuala Lumpur.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance on 17 January 2022.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Companies Act, 2016.

As at 31 December 2020, the Group and the Company have a capital deficiency of RM1,635,307,000 and RM1,846,623,000 respectively, and the current liabilities of the Group and of the Company exceeded their current assets by RM1,322,234,000 and RM1,402,931,000 respectively as a result of losses incurred in the current and prior financial years. Further, as disclosed in Notes 11 and 31, in order to improve the financial positions of the Group and the Company, in the previous years, the Government of Malaysia had taken the initiative to restructure the railway operations by establishing the Railway Network Access Agreement (“RNAA”) between the Company and Railway Asset Corporation which was under discussions between Ministry of Transport (“MOT”), the Company and Railway Asset Corporation as at 31 December 2020. Subsequent to the year end, during the workshop Mesyuarat Hala

(Forward)

Tuju KTMB dan RAC organised by MOT from 19-21 November 2021, all parties agreed that a new study or development should be proposed to replace the RNAA. MOT will coordinate the new study which the Company has yet to receive any confirmation on the next course of action.

The events or conditions mentioned above, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. However, the financial statements of the Group and of the Company have been prepared on the basis of accounting principles applicable to a going concern. This basis of accounting presumes that the Group and the Company will continue to receive financial support from its holding entity, Minister of Finance (Incorporated), so as to enable the Group and the Company to continue their operations and to realise their assets and settle their liabilities in the ordinary course of business.

2.1 Application of Amendments to MFRSs

In the current financial year, the Group and the Company have adopted a number of amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual financial periods beginning on or after 1 January 2020 as follows:

MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and 108	Definition of Material
Amendments to MFRS 7, MFRS 9 and MFRS 139	Interest Rate Benchmark Reform
Amendments to MFRS 16	COVID – 19 – Related Rent Concessions

The adoption of these amendments to MFRSs did not result in significant changes in the accounting policies of the Group and the Company and has no significant effect on the financial performance or position of the Group and the Company.

2.2 MFRS and Amendments to MFRSs in Issue but Not Yet Effective

At the date of authorisation for issue of these financial statements, the new MFRS and Amendments to MFRSs which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below:

MFRS 17	Insurance Contracts ⁴
Amendments to MFRSs	Annual Improvements to MFRS Standards 2018–2020 ³
Amendments to MFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021 ²
Amendments to MFRS 3	Reference to Conceptual Framework ³
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9 ⁴

Amendments to MFRS 101	Classification of Liabilities as Current or Non-current ⁴
Amendments to MFRS 101	Disclosure of Accounting Policies ⁴
Amendments to MFRS 108	Definition of Accounting Estimates ⁴
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2 ¹
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture ⁵
Amendments to MFRS 17	Insurance Contracts ⁴
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁴
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use ³
Amendments to MFRS 137	Onerous Contract - Costs of Fulfilling a Contract ³

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 April 2021.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ Effective date deferred to a date to be determined and announced by MASB.

The directors anticipate that the abovementioned MFRS and amendments to MFRSs will be adopted in the annual financial statements of the Group and the Company when they become effective. Management is currently assessing the impact of these standards on the financial statements of the Group and the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention, except as otherwise stated in the accounting policies.

Historical cost is generally based on the fair value of the consideration involved in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transactions that are within the scope of MFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The principal accounting policies are set out below.

Subsidiaries and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting pattern at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 'Financial Instruments' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investment in subsidiaries which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under MFRS 3 (revised) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with MFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another MFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 9 'Financial Instruments' or MFRS 137 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised at that date.

Investment in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates and joint ventures are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates and joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate or a joint venture in excess of the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or in the joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate and of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

When the Group's share of losses in an associate and a joint venture equals or exceeds its interest in the associate and the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the associates and in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available annual financial statements of the associates and the joint venture are used by the Group in applying the equity method. Where the dates of the financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last annual financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates and joint venture are stated at cost less accumulated impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amount is included in profit or loss.

Goodwill on Consolidation

Goodwill arising on the acquisition of a subsidiary represents the excess of cost of the acquisition over the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities, and is initially recognised as an asset at cost and subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operations, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operations, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income.

Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

(iii) **Foreign Operations**

The results and financial position of foreign operations that have a functional currency different from the presentation currency (Ringgit Malaysia "RM") of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the end of the reporting period;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's and the Company's statement of financial position when the Group and the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at cost which is the fair value of the consideration given or received. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

Classification of financial assets

The Group classifies financial assets into the following categories:

- At fair value through profit or loss (“FVTPL”);
- At fair value through other comprehensive income (“FVTOCI”); or
- At amortised cost.

The Group determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Group’s business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets measured at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

These financial assets are initially recognised at fair value, and subsequently carried at amortised cost less any impairment.

Financial assets measured at fair value through other comprehensive income (“FVTOCI”)

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Elected investments in equity instruments at FVTOCI are initially recognised at fair value plus transaction costs. Subsequently, these are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income.

As at the end of the reporting period, other investments have been classified under this category.

Financial assets measured at fair value through profit or loss (“FVTPL”)

Financial assets not measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. These financial assets are initially recorded at fair value and transaction costs is recognised in the statement of profit or loss. Subsequently, these are measured at fair value, with fair value changes recognised in the statement of profit or loss in the period in which they arise.

As at the end of the reporting period, there were no financial assets classified under this category.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all associated risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount and the consideration received or receivable is recognised in the statement of profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to the statement of profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument.

(i) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

(ii) Financial liabilities

The Group classifies its financial liabilities in the following categories:

- at fair value through profit and loss (“FVTPL”); or
- at amortised cost.

Financial liabilities are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost (using the effective interest rate method) unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Group has opted to measure them at FVTPL.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period to the net carrying amount on initial recognition.

Financial Liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 9 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

(iii) **Derecognition of Financial Liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

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.

For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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

(ii) **Subsequent costs**

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably.

The carrying amount of the replaced part is derecognised. 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 calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. 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 periods are as follows:

Buildings	50 years
Plant and machinery	8 years
Coaches	20 years
Container yards	20 years
Infrastructure	10 years
Rolling stocks	20 - 30 years
Rail and road vehicles	8 years
Computer	5 years
Office equipment	5 years
Furniture and fittings	5 years
Renovation	10 years

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

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Leases

As lessee

The Group and the Company assess whether a contract is or contains a lease, at inception of the contract. The Group and the Company recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use the incremental borrowing rate specific to the lessee.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- the amount expected to be payable by the lessee under residual value guarantees; and
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability by using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Company expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in respective account balances for property, plant and equipment and prepaid lease payments in the statements of financial position.

The Group and the Company apply MFRS 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

As a lessor

Leases for which the Group and the Company are lessors are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group or the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's and the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's and the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group and the Company applies MFRS 15 to allocate the consideration under the contract to each component.

Inventories

Inventories comprising of spare parts, fuels and other consumables which are not intended for resale, are stated at original purchase price plus costs incurred in bringing them to their existing location and condition less any allowance for obsolete inventories. Allowance is made for obsolete, slow-moving and defective inventories.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents, which comprise deposits with licensed banks and other financial institutions, cash on hand and at bank, are short-term, highly liquid investments and are readily convertible to cash with insignificant risks of changes in value.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on trade and other receivables and amount owing by subsidiary company.

The Group recognises lifetime ECL for trade receivables and 12-month ECL for other receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss ("ECL").

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group and the Company presume that the credit risk on trade receivables and other financial assets has increased significantly since initial recognition when contractual payments are more than 90 days and 180 days past due respectively, unless the Group and the Company have reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group and the Company assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group and the Company regularly monitor the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revise them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group and the Company).

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continues to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Impairment of non-financial assets

The carrying amounts of other assets (except for inventories, deferred tax asset and assets arising from employee benefits) 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 (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of other assets, 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 year in which the reversals are recognised.

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 issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Group's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Employee Benefits

(i) Short-term employee benefits

Short-term employee benefits 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 or profit-sharing plans if the Group and the Company have 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) Defined contribution plan

The Group's contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Retirement benefit costs

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuation being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on planned asset (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gain and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item other operating expense. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds and reductions in future contributions to the plan.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group and the Company are demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised as expenses if the Group and the Company have made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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 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.

Revenue recognition and other income

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer i.e. when or as a performance obligation in the contract with customer is satisfied. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, net of goods and services tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group recognises revenue from the following:

(i) **Services**

Revenue from services rendered is recognised in profit and loss net of discounts, over time as and when the services are performed. If it is probable that discounts will be given and the amount can be measured reliably, then the discount is recognised as a reduction of revenue.

(ii) **Compensation from the Government for uneconomic services**

Compensation for uneconomic services are recognised on an accrual basis.

(iii) **Rental income**

Rental income from property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(iv) **Interest income**

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

(v) **Dividend income**

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(vi) **Management fee**

Management fees are recognised in profit or loss when management services are rendered.

(vii) **Government grants**

Government grants that compensate the Group for the cost of an asset are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Income Tax

Income tax comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income 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 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 nor 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.

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 liabilities and assets 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.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

(i) **Critical judgments in applying the Company's accounting policies**

In the process of applying the Company's accounting policies, which are described in Note 3, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(ii) **Key sources of estimation uncertainty**

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as follows:

Impairment of property, plant and equipment

The Group and the Company have assessed, based on certain impairment indications, that several of its assets may be impaired or impairment made in previous financial years may be reversed in the current year. The recoverable amounts of the assets were determined based on value-in-use calculations. Based on these calculations, an impairment loss of RM12,834,000 (2019: RM32,446,000) and RM10,305,000 (2019: RM32,446,000) was recognised for the financial year ended 31 December 2020 for the Group and the Company respectively as shown in Note 11.

Impairment loss on trade receivables - expected credit loss model

The policy for allowance for doubtful debts of the Group and the Company is based on the expected credit loss model as required by MFRS 9. A considerable amount of judgement is required in assessing ECL on trade receivables using a provision matrix by reference to past default experience of the trade receivables and an analysis of the trade receivable's current financial position, adjusted for factors that are specific to the trade receivables, general economic conditions of the industry in which the customers or debtors operate and an assessment of both current as well as the forecast direction of conditions at the reporting date.

Retirement benefit obligations

The Company provides a retirement benefit plan for certain employees. The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions as disclosed in Note 28. Any changes in these assumptions will impact the carrying amount of employee benefit obligations. The key assumptions used in determining the net cost/(income) for the employee benefits include the discount rate. The discount rate is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related employee benefit obligation.

Judgement in measuring revenue over time

For each performance obligation satisfied over time, revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation. The objective is to depict the performance in transferring control of services to a customer. Significant judgement is required in determining the progress based on stage of completion.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements as disclosed in Note 2.

Allowance for obsolete and slow moving inventories

The Company reviews the inventory age listing on a periodic basis. This review involves comparison of the carrying value of the aged inventory items with the respective net reliable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete and slow moving items. In addition, the Company conducts physical sighting of inventories on an annual basis in order to determine whether an allowance is required to be made.

5. **REVENUE**

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Revenue from contract with customers:				
Freight and haulage services	171,735	190,141	91,602	123,152
Passenger services	14,475	51,041	14,475	51,041
Commuter services	48,823	119,225	48,823	119,225
Electric train services	75,094	171,393	75,094	171,393
Parcel and mail services	14,083	16,102	-	-
Car parking services	687	3,637	-	-
	<u>324,897</u>	<u>551,539</u>	<u>229,994</u>	<u>464,811</u>
Revenue from other sources:				
Compensation from the Government for uneconomic services	23,949	60,567	23,949	60,567
	<u>348,846</u>	<u>612,106</u>	<u>253,943</u>	<u>525,378</u>
Timing of revenue recognition:				
At a point in time	24,622	64,034	23,949	60,567
Over time	324,224	548,072	229,994	464,811
	<u>348,846</u>	<u>612,106</u>	<u>253,943</u>	<u>525,378</u>

6. **FINANCE COSTS**

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest expense for financial liabilities that are not at fair value through profit or loss:				
- Term loans	17,245	18,171	17,245	18,171
- Bank borrowings	5,820	6,466	5,658	6,320
- Al Bai Bithaman Ajil financing	181	96	-	-
- RCCPS	570	570	570	570
- Others	832	1,357	770	1,271
	<u>24,648</u>	<u>26,660</u>	<u>24,243</u>	<u>26,332</u>

7. **LOSS BEFORE TAX**

Loss before tax is arrived at after charging/(crediting):

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Impairment loss on property, plant and equipment (Note 11)	12,834	32,446	10,305	32,446
Impairment loss on right-of-use assets (Note 12)	1,030	-	-	-
Impairment of assets classified as held for sale no longer required	-	(157)	-	-
Depreciation of property, plant and equipment (Note 11)	29,765	31,406	23,042	26,650
Depreciation of right-of-use assets (Note 12)	1,778	1,908	682	536
Depreciation of investment properties (Note 13)	1,307	1,304	-	-
Property, plant and equipment written off	4,517	194	4,517	194
Write down of inventories (Note 19)	1,867	1,672	1,867	1,672
Gain on disposal of property, plant and equipment	(1,114)	(869)	(447)	(447)
(Gain)/Loss on disposal of assets classified as held for sale	(11)	32	-	-
Allowance for doubtful trade and other receivables	16,300	9,760	20,890	5,799
Reversal of allowance for doubtful trade and other receivables	(2,966)	(4,736)	(636)	(3,224)
Bad debts written-off	60,346	157	60,337	6
Impairment on investment in subsidiary (Note 14)	-	-	100	500
associate (Note 15)	-	-	150	-
Rental of premises	265	269	49	57
Hire of plant and equipment	3,053	3,199	3,053	3,199
Auditor's remuneration	473	428	310	273
Director's fees (Note 9)	280	299	270	286
Finance income:				
- fixed deposits	(2,965)	(3,692)	(48)	(543)
- staff loans	(55)	(84)	(55)	(84)
Hiring of machines	(842)	(2,290)	(842)	(1,891)

(Forward)

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Property rental income	(608)	(807)	(8)	(5)
Wayleave income	(10,461)	(10,456)	(10,461)	(10,456)
Provision accrued for housing loan interest	-	1,255	-	1,255
Dividend income: - subsidiary company	-	-	(51,000)	(5,282)
Management fees from subsidiaries	-	-	(256)	(288)
Penalty on late payment of loan from Government	18,160	12,740	18,160	12,740
Government grant	(180,000)	(50,000)	(180,000)	(50,000)

8. **EMPLOYEE BENEFITS**

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	212,819	207,926	193,274	193,931
Director's remuneration:				
Directors of the Company				
- salaries	-	487	-	487
- fees	270	286	270	286
- other emoluments	119	166	119	166
Directors of subsidiaries				
- fees	10	13	-	-
- other emoluments	13	14	-	-
Employees Provident Fund contributions	30,430	31,283	28,017	28,791
Increase in liability for defined benefit plans (Note 28)	22,807	22,160	22,807	22,160
Other benefits	65,564	86,393	63,138	83,372
	<u>332,032</u>	<u>348,728</u>	<u>307,625</u>	<u>329,193</u>

9. **KEY MANAGEMENT PERSONNEL COMPENSATION**

2020 The Group	Remuneration received from the Group			Total RM'000
	Salary RM'000	Fees RM'000	Other emoluments RM'000	
Non-Executive Directors				
Datuk (Dr.) Rameli Bin Musa	-	96	17	113
Datuk Seri Yew Teong Look	-	6	-	6
Dato' Jana Santhiran A/L Muniayan	-	29	10	39
Dato' Prof. Dr. Sudin Bin Haron	-	29	25	54
Azhar Bin Noraini	-	29	11	40
Iszad Jeffri Bin Ismail	-	4	2	6
Md Silmi Bin Abd Rahman	-	29	38	67
Mohd Hassan Bin Ahmad	-	34	10	44
Nazri Bin Ismail	-	24	19	43
Total Directors' Remuneration	-	280	132	412

2020 The Group	Remuneration received from the Group			
	Salary RM'000	Ex-gratia RM'000	Other emoluments RM'000	Total RM'000
Other key management personnel:				
Short-term employee benefits	7,159	87	362	7,608
Employees Provident Fund contributions	25	6	924	955
	<u>7,184</u>	<u>93</u>	<u>1,286</u>	<u>8,563</u>

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

2019 The Group	Remuneration received from the Group			
	Salary RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
Executive Directors				
Datuk Ir. Kamarulzaman Bin Zainal	106	-	18	124
Mohd Rani Hisham Bin Samsudin	381	-	64	445
	487	-	82	569
Non-Executive Directors				
Datuk (Dr.) Rameli Bin Musa	-	138	20	158
Datuk Ir. Kamarulzaman Bin Zainal	-	24	17	41
Dato' Jana Santhiran A/L Muniayan	-	22	13	35
Dato' Prof. Dr. Sudin Bin Haron	-	7	4	11
Azhar Bin Noraini	-	22	10	32
Md Silmi Bin Abd Rahman	-	19	13	32
Mohd Hassan Bin Ahmad	-	42	12	54
Mohd Khairul Adib Bin Abd Rahman	-	8	1	9
Nazri Bin Ismail	-	17	8	25
	-	299	98	397
Total Directors' Remuneration	487	299	180	966

2019 The Group	Remuneration received from the Group			
	Salary RM'000	Ex-gratia RM'000	Other emoluments RM'000	Total RM'000
Other key management personnel:				
Short-term employee benefits	5,222	83	347	5,652
Employees Provident Fund contributions	26	6	682	714
	<u>5,248</u>	<u>89</u>	<u>1,029</u>	<u>6,366</u>

Other key management personnel comprises persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

2020 The Company	Remuneration received from the Company			
	Salary RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
Non-Executive Directors				
Datuk (Dr.) Rameli Bin Musa	-	96	17	113
Datuk Seri Yew Teong Look	-	6	-	6
Dato' Jana Santhiran A/L Muniayan	-	29	10	39
Dato' Prof. Dr. Sudin Bin Haron	-	29	25	54
Azhar Bin Noraini	-	29	11	40
Iszad Jeffri Bin Ismail	-	4	2	6
Md Silmi Bin Abd Rahman	-	29	28	57
Mohd Hassan Bin Ahmad	-	24	10	34
Nazri Bin Ismail	-	24	16	40
Total Directors' Remuneration	-	270	119	389

2020 The Company	Remuneration received from the Company			
	Salary RM'000	Ex-gratia RM'000	Other emoluments RM'000	Total RM'000
Other key management personnel:				
Short-term employee benefits	6,777	34	307	7,118
Employees Provident Fund contributions	-	-	899	899
	<u>6,777</u>	<u>34</u>	<u>1,206</u>	<u>8,017</u>

Other key management personnel comprises persons other than the Directors of Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

2019 The Company	Remuneration received from the Company			
	Salary RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000
Executive Director				
Datuk Ir. Kamarulzaman Bin Zainal	106	-	18	124
Mohd Rani Hisham Bin Samsudin	381	-	64	445
	<u>487</u>	<u>-</u>	<u>82</u>	<u>569</u>
Non-Executive Directors				
Datuk (Dr.) Rameli Bin Musa	-	138	20	158
Datuk Ir. Kamarulzaman Bin Zainal	-	24	10	34
Dato' Jana Santhiran A/L Muniayan	-	22	9	31
Dato' Prof. Dr. Sudin Bin Haron	-	7	4	11
Azhar Bin Noraini	-	22	10	32
Md Silmi Bin Abd Rahman	-	19	11	30
Mohd Hassan Bin Ahmad	-	29	12	41
Mohd Khairul Adib Bin Abd Rahman	-	8	1	9
Nazri Bin Ismail	-	17	7	24
	<u>-</u>	<u>286</u>	<u>84</u>	<u>370</u>
Total Directors' Remuneration	<u>487</u>	<u>286</u>	<u>166</u>	<u>939</u>

2019 The Company	Remuneration received from the Company			Total RM'000
	Salary RM'000	Ex-gratia RM'000	Other emoluments RM'000	
Other key management personnel:				
Short-term employee benefits	5,006	32	303	5,341
Employees Provident Fund contributions	-	-	658	658
	<u>5,006</u>	<u>32</u>	<u>961</u>	<u>5,999</u>

Other key management personnel comprises persons other than the Directors of Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

10. **INCOME TAX EXPENSE**

Major components of income tax expense include:

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Estimated tax payable:				
Current year	1,952	1,724	-	-
Overprovision in prior years	(646)	(2)	-	-
	1,306	1,722	-	-
Deferred tax expense (Note 18):				
Current year	(290)	437	-	-
Underprovision in prior years	114	17	-	-
	(176)	454	-	-
Underprovision of real property gains tax in prior years	-	7,452	-	-
	<u>1,130</u>	<u>9,628</u>	<u>-</u>	<u>-</u>

Real property gains tax arose from disposal of shares in Sentul Raya Sdn. Bhd. in 2016.

A reconciliation of income tax expense applicable to loss before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loss before tax	<u>(216,597)</u>	<u>(146,464)</u>	<u>(174,732)</u>	<u>(149,474)</u>
Tax at applicable statutory income tax rate of 24%	(51,983)	(35,151)	(41,936)	(35,874)
Tax effects of:				
Non-deductible expenses	15,200	36,260	16,352	33,943
Non-taxable income	(4,553)	(17,677)	(15,499)	(15,638)
Deferred tax assets not recognised during the year	42,998	18,729	41,083	17,569
(Over)/Under provision in prior years:				
- current tax	(646)	(2)	-	-
- deferred tax	114	17	-	-
- real property gain tax	-	7,452	-	-
	<u>1,130</u>	<u>9,628</u>	<u>-</u>	<u>-</u>

11. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost	Freehold land and buildings RM'000	Plant and machinery, infrastructure, container yards, rolling stocks and rail vehicles RM'000	Computer, road vehicles, office equipment, furniture and fittings and renovation RM'000	Assets under construction RM'000	Total RM'000
As at 1 January 2019	31,128	1,563,229	152,905	12,561	1,759,823
Additions	-	596	19,732	51,004	71,332
Disposals	(442)	(4,227)	(3,439)	-	(8,108)
Reclassification	-	35,877	3,435	(39,312)	-
Write-offs	-	-	(216)	-	(216)
As at 31 December 2019/1 January 2020	30,686	1,595,475	172,417	24,253	1,822,831
Additions	-	10,611	9,254	23,998	43,863
Disposals	-	(3,573)	(10,598)	-	(14,171)
Reclassification	-	6,563	986	(7,549)	-
Write-offs	-	(9,121)	-	-	(9,121)
As at 31 December 2020	30,686	1,599,955	172,059	40,702	1,843,402

(Forward)

The Group

	Freehold land and buildings RM'000	Plant and machinery, infrastructure, container yards, rolling stocks and rail vehicles RM'000	Computer, road vehicles, office equipment, furniture and fittings and renovation RM'000	Assets under construction RM'000	Total RM'000
Accumulated depreciation					
As at 1 January 2019	7,205	948,981	124,388	-	1,080,574
Depreciation for the year	142	25,289	5,975	-	31,406
Disposals	(223)	(4,227)	(3,302)	-	(7,752)
Write-offs	-	-	(22)	-	(22)
As at 31 December 2019/1 January 2020	7,124	970,043	127,039	-	1,104,206
Depreciation for the year	414	21,706	7,645	-	29,765
Disposals	-	(3,573)	(10,591)	-	(14,164)
Write-offs	-	(4,604)	-	-	(4,604)
As at 31 December 2020	7,538	983,572	124,093	-	1,115,203
(Forward)					

The Group	Freehold land and buildings RM'000	Plant and machinery, infrastructure, container yards, rolling stocks and rail vehicles RM'000	Computer, road vehicles, office equipment, furniture and fittings and renovation RM'000	Assets under construction RM'000	Total RM'000
Accumulated impairment losses					
As at 1 January 2019	1,740	485,666	12,790	-	500,196
Impairment loss for the year	-	32,446	-	-	32,446
As at 31 December 2019/1 January 2020	1,740	518,112	12,790	-	532,642
Impairment loss for the year	-	10,305	2,529	-	12,834
As at 31 December 2020	1,740	528,417	15,319	-	545,476
Net book value					
As at 31 December 2019	21,822	107,320	32,588	24,253	185,983
As at 31 December 2020	21,408	87,966	32,647	40,702	182,723

The Company

Cost	Buildings RM'000	Plant and machinery, infrastructure, container yards, rolling stocks and rail vehicles RM'000	Computer, road vehicles, office equipment, furniture and fittings and renovation RM'000	Assets under construction RM'000	Total RM'000
As at 1 January 2019	3,780	1,461,760	134,722	12,561	1,612,823
Additions	-	596	216	51,004	51,816
Disposals	-	(4,227)	(12)	-	(4,239)
Reclassification	-	35,877	3,435	(39,312)	-
Write off	-	-	(216)	-	(216)
As at 31 December 2019/1 January 2020	3,780	1,494,006	138,145	24,253	1,660,184
Additions	-	10,611	3,454	23,998	38,063
Disposals	-	(3,573)	-	-	(3,573)
Reclassification	-	6,563	986	(7,549)	-
Write off	-	(9,121)	-	-	(9,121)
As at 31 December 2020	3,780	1,498,486	142,585	40,702	1,685,553

(Forward)

The Company	Buildings RM'000	Plant and machinery, infrastructure, container yards, rolling stocks and rail vehicles RM'000	Computer, road vehicles, office equipment, furniture and fittings and renovation RM'000	Assets under construction RM'000	Total RM'000
Accumulated depreciation					
As at 1 January 2019	1,299	863,413	106,476	-	971,188
Depreciation for the year	21	25,289	1,340	-	26,650
Disposals	-	(4,227)	(12)	-	(4,239)
Write off	-	-	(22)	-	(22)
As at 31 December 2019/1 January 2020	1,320	884,475	107,782	-	993,577
Depreciation for the year	21	21,706	1,315	-	23,042
Disposals	-	(3,573)	-	-	(3,573)
Write off	-	(4,604)	-	-	(4,604)
As at 31 December 2020	1,341	898,004	109,097	-	1,008,442

(Forward)

The Company	Buildings RM'000	Plant and machinery, infrastructure, container yards, rolling stocks and rail vehicles RM'000	Computer, road vehicles, office equipment, furniture and fittings and renovation RM'000	Assets under construction RM'000	Total RM'000
Accumulated impairment losses					
As at 1 January 2019	1,740	485,666	12,790	-	500,196
Impairment loss for the year	-	32,446	-	-	32,446
As at 31 December 2019/1 January 2020	1,740	518,112	12,790	-	532,642
Impairment loss for the year	-	10,305	-	-	10,305
As at 31 December 2020	1,740	528,417	12,790	-	542,947
Net book value					
As at 31 December 2019	720	91,419	17,573	24,253	133,965
As at 31 December 2020	699	72,065	20,698	40,702	134,164

- (a) The Group's and the Company's freehold land and buildings comprise:

The Group	Cost RM'000	Accumulated depreciation and impairment losses RM'000	Net book value RM'000
As at 31 December 2019			
Freehold land	3	-	3
Buildings	<u>30,683</u>	<u>8,864</u>	<u>21,819</u>
	<u>30,686</u>	<u>8,864</u>	<u>21,822</u>
As at 31 December 2020			
Freehold land	3	-	3
Buildings	<u>30,683</u>	<u>9,278</u>	<u>21,405</u>
	<u>30,686</u>	<u>9,278</u>	<u>21,408</u>
The Company			
As at 31 December 2019			
Buildings	<u>3,780</u>	<u>3,060</u>	<u>720</u>
As at 31 December 2020			
Buildings	<u>3,780</u>	<u>3,081</u>	<u>699</u>

- (b) The Company has been granted the exclusive use and occupation of parcels of railway land and other property, plant and equipment vested in the Railway Assets Corporation by the Government of Malaysia.
- (c) Prime movers, trailers and side loaders of a subsidiary with a net book value of RMNil (2019: RM24,647,245) were pledged to a bank for banking facilities granted to a subsidiary as referred to in Note 25.
- (d) Buildings of a subsidiary with a net carrying amount of RM4,990,722 as at 31 December 2019 were pledged to a bank for banking facilities granted to that subsidiary as disclosed in Note 25. During the year, the securities have been discharged following the full settlement of the borrowings.

(e) Measurement of the recoverable amount of cash generating units (“CGU”)

Impairment losses have been recognised in the following line items of the statements of profit or loss and other comprehensive income:

	The Group	
	2020	2019
	RM'000	RM'000
Other operating expenses		
The Company		
- Cargo services	10,177	24,679
- Intercity services	637	(1,103)
- Commuter services	(509)	8,870
The Subsidiaries		
- KTM Distribution Sdn. Bhd.	1,519	-
- KTMB (Car Park) Sdn. Bhd.	1,010	-
	<u>12,834</u>	<u>32,446</u>

	The Company	
	2020	2019
	RM'000	RM'000
Other operating expenses		
- Cargo services	10,177	24,679
- Intercity services	637	(1,103)
- Commuter services	(509)	8,870
	<u>10,305</u>	<u>32,446</u>

Following continuing significant operating losses in the Company, an impairment test was conducted by management to determine whether the carrying amount of property, plant and equipment used in operations exceeds its recoverable amount.

For the purpose of the impairment test, the property, plant and equipment of the Company was divided into four (4) independent cash generating units (“CGUs”):

- i) Cargo services
- ii) Intercity services
- iii) Commuter services
- iv) ETS services

The value in use was determined by discounting the future cash flows generated from the continuing use of the cash generating unit and was based on the following key assumptions:

- Cash flows were projected based on historical information, actual operating results and available management budgets/forecast covering a five-year period.
- A pre-tax discount rate of 5.40% (2019: 6.15%) per annum was applied in determining the recoverable amount.

The values assigned to the key assumptions represent management's assessment of future trends and are based on external sources and historical data.

- (f) Railway Network Access Agreement ("RNAA") was signed between Keretapi Tanah Melayu Berhad ("KTMB") and Railway Asset Corporation ("RAC") on 22 December 2016 for a period of thirty (30) years. The agreement had eleven (11) appendices and three (3) definitive agreements which need to be completed and agreed by both parties within six (6) months (with two (2) automatic extensions of three (3) months each) from the date of signing.

RNAA was to clearly set out the roles of KTMB as Rail Operator (with responsibility for rail operation) and RAC as Rail Asset Owner (with responsibility as asset owner).

Under RNAA, RAC as the Rail Asset Owner had to bear the cost of maintaining all the infrastructure i.e. track, stations, signalling, electrification, stations, depots, office buildings, staff quarters etc. and also major maintenance of all rolling stocks. However, KTMB needs to be responsible for the minor maintenance of all rolling stock.

All assets including the rolling stock currently owned by KTMB were to be transferred to RAC and subsequently KTMB was supposed to lease the required rolling stock from RAC.

Hence, KTMB as the Rail Operator had to pay the following charges to RAC:

- i. Track Access Charges (for rail infrastructure including stations and depots)
- ii. Rolling Stock Lease Charges
- iii. Ancillary Lease Charges (for MyRA, offices, car parks)
- iv. Staff Quarters Lease Charges

The RNAA was initially expected to be implemented by 1 January 2019. However, further to a letter dated 21 December 2018 RAC has informed KTMB that implementation of the RNAA has been put on hold for a period to be decided and mutually agreed by both parties. On 21 February 2019, a workshop/meeting was held to discuss the RNAA. The workshop was moderated by the Minister of Transport (“MOT”) and attended, inter-alia, by the representatives of Malaysia Institute of Transport (MI TRANS), Logistics and Land Transportation Division (BI-PD) Ministry of Transport, RAC and KTMB at which various practical issues in the RNAA were discussed. The MOT proposed to cancel the existing RNAA and draft a revised agreement by making the existing RNAA as a basis and reference and remove the issues in the existing RNAA. The MOT also gave additional time until the end of 2019 for RAC and KTMB to prepare and sign this new agreement i.e. RNAA 2.0. Subsequently, the Company through its letter dated 21 March 2019 informed the RAC that the Board of Directors of the Company at their meeting held on 18 March 2019 has agreed to the revocation of the RNAA as proposed in the above workshop held on 21 February 2019. Further, it was agreed between the parties involved that a study to examine the best option and concept of RNAA need to be done before drafting RNAA 2.0.

Subsequent to the year end, during the workshop Mesyuarat Hala Tuju KTMB dan RAC organised by MOT from 19-21 November 2021, all parties agreed that a new study or development should be proposed to replace the RNAA. MOT will coordinate the new study which the Company has yet to receive any confirmation on the next course of action.

12. RIGHT-OF-USE ASSETS

The Group and the Company have lease contracts for various items of buildings, office equipment and motor vehicles used in its operations.

The Group and the Company also have certain leases of office space with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

The Group	Buildings and office space RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost				
As at 1 January 2019	2,247	291	-	2,538
Additions	410	5	544	959
As at 31 December 2019/ 1 January 2020	2,657	296	544	3,497
Additions	1,173	4	169	1,346
Adjustment*	135	-	19	154
As at 31 December 2020	3,965	300	732	4,997
Accumulated depreciation				
As at 1 January 2019	-	-	-	-
Depreciation for the year	1,599	103	206	1,908
As at 31 December 2019/ 1 January 2020	1,599	103	206	1,908
Depreciation for the year	1,304	100	374	1,778
As at 31 December 2020	2,903	203	580	3,686

The Group	Buildings and office space RM'000	Office equipment RM'000	Motor vehicles RM'000	Total RM'000
Impairment loss during the year				
As at 1 January 2019/ 31 December 2019/ 1 January 2020	-	-	-	-
Impairment loss for the year	897	97	36	1,030
As at 31 December 2020	897	97	36	1,030
Carrying amount				
As at 31 December 2019	1,058	193	338	1,589
As at 31 December 2020	165	-	116	281
The Company				
	Buildings RM'000		Motor vehicles RM'000	Total RM'000
Cost				
As at 1 January 2019	825	-	-	825
Additions	-	544	-	544
As at 31 December 2019/ 1 January 2020	825	544	-	1,369
Additions	-	130	-	130
As at 31 December 2020	825	674	-	1,499
Accumulated depreciation				
As at 1 January 2019	-	-	-	-
Depreciation for the year	330	206	-	536
As at 31 December 2019/ 1 January 2020	330	206	-	536
Depreciation for the year	330	352	-	682
As at 31 December 2020	660	558	-	1,218

	Buildings RM'000	Motor vehicles RM'000	Total RM'000
Carrying amount			
As at 31 December 2019	<u>495</u>	<u>338</u>	<u>833</u>
As at 31 December 2020	<u>165</u>	<u>116</u>	<u>281</u>

The average lease term is 3 years. The maturity analysis of lease liabilities is presented in Note 26.

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amounts recognised in profit or loss				
Depreciation expense on right-of-use assets	1,778	1,908	682	536
Impairment loss for the year	1,030	-	-	-
Interest expense on lease liabilities	<u>87</u>	<u>139</u>	<u>33</u>	<u>53</u>
	<u>2,895</u>	<u>2,047</u>	<u>715</u>	<u>589</u>

*Adjustment relates to lease modification on the lease term of a subsidiary during the year, in which the right-of-use and lease liability are remeasured based on the revised lease term at the effective date of the modification.

13. INVESTMENT PROPERTIES

The Group	Buildings RM'000
Cost	
As at 1 January 2019/31 December 2019/1 January 2020	65,280
Transfer to Assets Held For Sale (Note 22)	<u>(1,978)</u>
As at 31 December 2020	<u>63,302</u>
Accumulated depreciation	
As at 1 January 2019	3,650
Depreciation for the year	<u>1,304</u>
As at 31 December 2019/1 January 2020	4,954
Depreciation for the year	1,307
Transfer to Assets Held For Sale (Note 22)	<u>(831)</u>
As at 31 December 2020	<u>5,430</u>
Net book value	
As at 31 December 2019	<u>60,326</u>
As at 31 December 2020	<u>57,872</u>

The Group	Carrying Amount RM'000	Fair value RM'000	Level 3 RM'000
As at 31 December 2019	<u>60,326</u>	<u>75,721</u>	<u>75,721</u>
As at 31 December 2020	<u>57,872</u>	<u>60,455</u>	<u>60,455</u>

The fair values of the Group's investment properties have been arrived at on the basis of a valuation carried out by independent valuers, who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was arrived at by reference to current prices in an active market for similar properties in the same location and condition. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The recent valuations of investment properties were carried out in current year.

The following amounts have been recognised in the profit or loss:

The Group	2020 RM'000	2019 RM'000
Rental income	336	305
Direct operating expenses arising from investment properties that generate rental income	<u>338</u>	<u>82</u>

14. **INVESTMENTS IN SUBSIDIARIES**

	The Company	
	2020 RM'000	2019 RM'000
Unquoted shares at cost	7,099	7,099
Less: Accumulated impairment losses	<u>(800)</u>	<u>(700)</u>
	<u>6,299</u>	<u>6,399</u>

Details of the Company's subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest and voting power held by the Group	
			2020 %	2019 %
Held by the Company				
Multimodal Freight Sdn. Bhd.	Malaysia	Provision of haulage freight forwarding and related services	100	100
KTM Distribution Sdn. Bhd.	Malaysia	Management of warehouses, office space and the provision of parcel and courier services	100	100

(Forward)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest and voting power held by the Group	
			2020 %	2019 %
KTMB (Car Park) Sdn. Bhd.	Malaysia	Dormant (car park operator)	100	100
KTMB Catering Services Sdn. Bhd.	Malaysia	Dormant (caterers and proprietor of restaurants)	100	100
KTMB (Sentul) Sdn. Bhd.	Malaysia	Dormant (property investment)	100	100
KTMB Technics Sdn. Bhd.	Malaysia	Dormant (provision of railway consultancy services)	100	100
KTMB (Property Development) Sdn. Bhd.	Malaysia	Dormant (property investment)	100	100
ET Sdn. Bhd.	Malaysia	Dormant (property investment)	100	100
KTMB (Sungei Petani) Sdn. Bhd.	Malaysia	Dormant (property investment)	100	100
KTMB Heritage Hotel Sdn. Bhd.	Malaysia	Dormant (operator of hotels, restaurants and cafes and related services)	100	100
KTMB (Prai) Sdn. Bhd.	Malaysia	Property investment	100	100

(Forward)

Name of Subsidiaries	Country of Incorporation	Principal Activities	Proportion of ownership interest and voting power held by the Group	
			2020 %	2019 %
Held through Subsidiaries				
Kiriman Ekspres Sdn. Bhd.	Malaysia	Dormant (provision of door to door parcel delivery services)	100	100
KTMB (Railway Village) Sdn. Bhd.	Malaysia	Dormant (property investment)	100	100

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Country of Incorporation and Operation	Number of wholly owned subsidiaries		Number of non-wholly owned subsidiaries	
		2020	2019	2020	2019
Railway transportation operations and the provision of related railway services in Peninsular Malaysia and Singapore	Malaysia	1	1	-	-

(Forward)

Principal activities	Country of Incorporation and Operation	Number of wholly owned subsidiaries		Number of non-wholly owned subsidiaries	
		2020	2019	2020	2019
Provision of haulage freight forwarding and related services	Malaysia	1	1	-	-
Management of warehouses, office space and the provision of parcel and courier services	Malaysia	1	1	-	-
Car park operator	Malaysia	-	1	-	-
Property investment	Malaysia	1	1	-	-
Dormant	Malaysia	10	9	-	-

15. INVESTMENTS IN ASSOCIATES

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares at cost	5,855	5,855	5,855	5,855
Share of post-acquisition reserves	32,700	29,204	-	-
	38,555	35,059	5,855	5,855
Less: Accumulated impairment losses	(25)	(25)	(175)	(25)
	<u>38,530</u>	<u>35,034</u>	<u>5,680</u>	<u>5,830</u>

A reconciliation of the opening and closing balance is as follows:

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
As of 1 January	35,034	29,465	5,830	5,830
Share of profit	3,496	5,569	-	-
Impairment	-	-	(150)	-
As of 31 December	<u>38,530</u>	<u>35,034</u>	<u>5,680</u>	<u>5,830</u>

Details of the associates, which are all incorporated in Malaysia, are as follows:

Name of Associates	Principal Activities	Proportion of ownership interest and voting power held by the Group	
		2020	2019
		%	%
Held by the Company			
Fiberail Sdn. Bhd.	Provision of services to install, manage, operate and maintain an optical fibre telecommunication system	36	36
Ipoh Cargo Terminal Sdn. Bhd.	Inland clearance depot operator	30	30
Admiral Cove Development Sdn. Bhd.	Property and resort development	20	20
Admiral Hill Hotel Sdn. Bhd.	Hotel resort and related tourist development	20	20

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information presented below represents the amounts in the financial statements of the associate and not the Group's share of those amounts.

Fiberail Sdn. Bhd.	2020	2019
	RM'000	RM'000
Assets and liabilities		
Current assets	137,999	106,429
Non-current assets	<u>300,203</u>	<u>298,325</u>
Total assets	<u>438,202</u>	<u>404,754</u>
Current liabilities	90,852	91,072
Non-current liabilities	<u>132,351</u>	<u>110,622</u>
Total liabilities	<u>223,203</u>	<u>201,694</u>
Statement of comprehensive income		
Revenue	130,866	151,157
Profit for the year/Total comprehensive income for the year	<u>11,774</u>	<u>18,999</u>

16. **INVESTMENTS IN JOINT VENTURE**

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	510	510	510	510
Share of post-acquisition reserves	<u>478</u>	<u>232</u>	<u>-</u>	<u>-</u>
	<u>988</u>	<u>742</u>	<u>510</u>	<u>510</u>

A reconciliation of the opening and closing balance is as follows:

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
As of 1 January	742	284	510	510
Share of profit	246	458	-	-
As of 31 December	<u>988</u>	<u>742</u>	<u>510</u>	<u>510</u>

Details of the joint venture, which is incorporated in Malaysia, are as follows:

Name of Joint Venture	Principal Activities	Proportion of ownership interest and voting power held by the Group	
		2020	2019
		%	%
Held by the Company			
KTMB MMC Cargo Sdn. Bhd.	Provision of rail freight transport and related businesses in the rail cargo sector	51	51

17. **OTHER INVESTMENTS**

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Investment at FVTOCI				
Unquoted shares	<u>140</u>	<u>140</u>	<u>140</u>	<u>140</u>

18. **DEFERRED TAX ASSETS**

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At beginning of year	437	891	-	-
Recognised in profit or loss (Note 10)	176	(454)	-	-
At end of year	<u>613</u>	<u>437</u>	<u>-</u>	<u>-</u>

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is an analysis of the deferred tax balances (before offset) for statements of financial position purposes:

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	4,082	3,909	-	-
Deferred tax liabilities	(3,469)	(3,472)	-	-
	<u>613</u>	<u>437</u>	<u>-</u>	<u>-</u>

Deferred tax assets/(liabilities) provided in the financial statements are in respect of the tax effects of the following:

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets				
Temporarily differences arising from trade and other receivables, provision	<u>4,082</u>	<u>3,909</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities				
Temporarily differences arising from property, plant and equipment	<u>(3,469)</u>	<u>(3,472)</u>	<u>-</u>	<u>-</u>

As mentioned in Note 3, the tax effects of deductible temporary differences, unused tax losses and unused tax credits which would give rise to deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As at 31 December 2020, the estimated amount of temporary differences, unused tax losses, unabsorbed capital allowances of which the tax effects

are not recognised in the financial statements due to uncertainty of their realisation, are as follows:

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Temporary difference arising from:				
Property, plant and equipment	(117,421)	(92,923)	(118,130)	(90,842)
Right-of-use assets	1,048	22	-	-
Trade and other receivables	56,308	47,132	51,181	41,859
Inventories	21,697	19,831	21,697	19,831
Trade and other payables	10	10	-	-
Retirement benefit obligations	262,930	260,021	262,930	260,021
Provision	570	1,255	570	1,255
Unused tax losses	1,303,186	1,153,617	1,282,500	1,137,252
Unabsorbed capital allowances	1,458,839	1,419,042	1,450,394	1,410,587
	<u>2,987,167</u>	<u>2,808,007</u>	<u>2,951,142</u>	<u>2,779,963</u>

The unused tax losses and unabsorbed capital allowances are subject to the agreement by the tax authorities. The comparative information presented above has been restated to conform with the actual income tax computation submitted to tax authorities. The unabsorbed capital allowances are available indefinitely for offsetting against future taxable profits of the respective subsidiary companies in the Group.

Under the Malaysia Finance Act 2018, the unused tax losses could be carried forward for a maximum of seven consecutive years of assessment and any accumulated tax losses brought forward from year of assessment 2018 could be carried forward for another seven consecutive years of assessment. Any balance of the unutilised tax losses thereafter should be disregarded. The Malaysia Finance Act 2021 gazetted on 31 December 2021, extended the time frame to carry forward unused tax losses for year of assessment 2019 and subsequent years of assessment be extended from seven to ten consecutive years of assessment. Unused tax losses accumulated up to year of assessment 2018 can now be carried forward for ten consecutive years of assessment until year of assessment 2028.

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Expiry year of assessment				
Year of assessment 2028	1,110,172	1,110,172	1,099,926	1,099,926
Year of assessment 2029	43,445	43,445	37,326	37,326
Year of assessment 2030	149,569	-	145,248	-
	<u>1,303,186</u>	<u>1,153,617</u>	<u>1,282,500</u>	<u>1,137,252</u>

19. **INVENTORIES**

	The Group and The Company	
	2020	2019
	RM'000	RM'000
Spare parts	51,476	55,673
Fuel	3,058	2,936
Others	4,103	3,184
	<u>58,637</u>	<u>61,793</u>

The cost of inventories of the Group and of the Company recognised as an expense during the financial year amounted to RM49,853,522 (2019: RM89,998,705).

The inventories written down to net realisable value recognised as expenses of the Group and of the Company during the year amounted to RM1,867,000 (2019: RM1,672,000).

20. **TRADE AND OTHER RECEIVABLES**

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Trade				
Trade receivables	57,886	58,430	22,451	25,445
Less: Allowance for doubtful debts	(26,820)	(26,921)	(7,027)	(6,488)
	<u>31,066</u>	<u>31,509</u>	<u>15,424</u>	<u>18,957</u>
Amounts due from subsidiaries	-	-	5,864	5,429
Less: Allowance for doubtful debts	-	-	(823)	-
	<u>-</u>	<u>-</u>	<u>5,041</u>	<u>5,429</u>
Amounts due from associates	11,928	10,403	11,928	10,403
Amounts due from joint venture	470	825	470	825
Total trade receivables	<u>43,464</u>	<u>42,737</u>	<u>32,863</u>	<u>35,614</u>

(Forward)

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Non-trade				
Amount due from Government of Malaysia	36,608	100,037	36,608	100,037
Less: Allowance for doubtful debts	(3,609)	(3,641)	(3,609)	(3,641)
	<u>32,999</u>	<u>96,396</u>	<u>32,999</u>	<u>96,396</u>
Other receivables	49,582	55,785	48,229	53,943
Less: Allowance for doubtful debts	(44,644)	(31,177)	(43,690)	(30,560)
	<u>4,938</u>	<u>24,608</u>	<u>4,539</u>	<u>23,383</u>
Amounts due from subsidiaries	-	-	7,356	4,102
Less: Allowance for doubtful debts	-	-	(6,964)	(1,170)
	<u>-</u>	<u>-</u>	<u>392</u>	<u>2,932</u>
Amounts due from associates	471	2,449	471	2,449
Amounts due from joint venture	95	95	95	95
	<u>38,503</u>	<u>123,548</u>	<u>38,496</u>	<u>125,255</u>
Total Non-Trade Receivables	<u>81,967</u>	<u>166,285</u>	<u>71,359</u>	<u>160,869</u>

Deposits and prepayment consist of:

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Refundable deposits	1,450	2,190	47	270
Prepayment	6,275	5,328	4,552	4,068
Advance payment	2,692	1,256	2,692	1,256
	<u>10,417</u>	<u>8,774</u>	<u>7,291</u>	<u>5,594</u>

Amount due from subsidiaries, associates and joint venture

Included in the amount due from subsidiaries, associates and joint venture are freight and haulage services that are subject to normal trade terms. The amount is repayable within a fixed term of 30 days (2019: 30 days).

The other amount due from subsidiaries and associates which arises mainly from payment on behalf are non-trade in nature, unsecured, interest free and repayable on demand.

Amount due from Government of Malaysia

The amount due from Government of Malaysia which arises mainly from receivables for uneconomical claims and payment on behalf of Government of Malaysia are non-trade in nature, unsecured and interest free. Subsequent to the year end, Ministry of Transport has issued its letters dated 22 October 2020, in respect of the claims submitted by the Company for the financial years ended 31 December 2016, 2017, 2018 and 2019. As per the letters, Ministry of Transport has not accepted claims amounting to RM60,337,000 which therefore have been written off by the Company during the year.

21. CASH AND BANK BALANCES

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deposits placed with:				
Licensed banks	18,294	77,741	5,329	1,858
Financial institutions	187	181	-	-
Cash and bank balances	<u>59,882</u>	<u>39,131</u>	<u>17,284</u>	<u>9,198</u>
Total cash and bank balances	78,363	117,053	22,613	11,056
Less: Deposits pledged with				
licensed banks	(457)	(440)	-	-
: Deposits with maturity of				
more than 90 days	<u>(12,695)</u>	<u>(15,057)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>65,211</u>	<u>101,556</u>	<u>22,613</u>	<u>11,056</u>

Deposits with licensed banks and financial institutions earn an average interest of 2.09% (2019: 3.35%) per annum and have an average maturity period of 1 day to 183 days (2019: 1 day to 185 days).

The deposits pledged with licensed banks include amount of RM457,014 (2019: RM439,815) deposited for bank guarantees granted to one of the subsidiary as disclosed in Note 25.

22. **ASSETS HELD FOR SALE**

	The Group	
	2020	2019
	RM'000	RM'000
Assets held for sale	3,929	4,548
Transfer from investment properties (Note 13)	1,147	-
	<u>5,076</u>	<u>4,548</u>
Less: Impairment loss	(398)	(530)
	<u>4,678</u>	<u>4,018</u>

Assets held for sale are net of impairment loss amounting to RM398,000 (2019: RM530,000).

The Group has received 33 units of condominiums and apartments from Prima Prai Sdn Bhd ("Developer") as part of the consideration of sale of a piece of freehold land in Prai, Penang. Based on the agreement, dated 15 September 1995, the Company will receive cash consideration of RM11,143,970, staff quarters and office space with the value equivalent to RM7,128,000 and RM5,200,000 respectively. Due to financial constraint, the Developer was unable to build the office space and in exchange transferred 33 units of condominiums and apartments in Prai with the equivalent value.

Management had decided that the 33 units of condominiums and apartments are to be disposed of and accordingly, have been classified as an asset held for sale. As of 31 December 2020, 23 units (31 December 2019: 25 units) of condominiums and apartments remain unsold.

Further, during the current financial year, an investment property of a subsidiary has been classified as an Asset Held For Sale since it has met MFRS 5 criteria (Note 13).

23. **SHARE CAPITAL**

	The Group and The Company	
	2020	2019
	RM'000	RM'000
Issued and fully paid:		
Ordinary shares	1,310,459	1,310,459
Special rights redeemable preference share	*	*
	<u>1,310,459</u>	<u>1,310,459</u>

* Consists of 1 special rights redeemable preference share of RM1 each.

Special Rights Redeemable Preference Share (“Special Share”)

The Special Share enables the Government of Malaysia through the Minister of Finance Incorporated to ensure that certain major decisions affecting the operations of the Company are consistent with Government policies. The Special Shareholder, which may only be the Government or any representative or person acting on its behalf, is entitled to receive notices of meetings but not to vote at such meetings of the Company. However, the Special Shareholder is entitled to attend and speak at such meetings.

The Special Shareholder has the right to appoint any person, but not more than six at any time, to be Government-appointed Directors.

The Special Shareholder has the right to require the Company to redeem the Special Share at par at any time by serving written notice upon the Company and delivering the relevant share certificate.

The Special Shareholder shall be entitled to repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other members.

The Special Shareholder does not have any right to participate in the capital or profits of the Company.

Certain matters which vary the rights attached to the Special Share can only be effective with the consent in writing of the Special Shareholder, in particular matters relating to the creation and issuance of additional shares which carry different voting rights, the dissolution of the Company, substantial disposal of assets, amalgamations, mergers and takeovers.

24. REDEEMABLE CUMULATIVE CONVERTIBLE PREFERENCE SHARES (“RCCPS”)

	The Group and The Company	
	2020	2019
	RM'000	RM'000
Issued and fully paid:		
RCCPS of RM0.10 each	<u>5,700</u>	<u>5,700</u>

The 10% Redeemable Cumulative Convertible Preference Shares (“RCCPS”) were issued at a premium of RM0.90 each per share pursuant to the Subscription Agreement dated 26 July 1999 with the following salient features:

- (i) A tenure of thirty years with a fixed preference dividend of 10% per annum (the “Fixed Dividend”) on the nominal value of the Preference Shares.
- (ii) The Fixed Dividend is to be cumulative and paid out of the profits available for distribution in respect of each financial year. Any amounts remaining unpaid shall be accumulated and be paid in the following year(s) and the preference shareholder shall be entitled to impose late payment charges of 8% per annum on the unpaid amount of the Fixed Dividend or an option to convert the aggregate of the amount equal to any arrears or accrual to the Fixed Dividend and interest of 8% imposed thereon into fully paid ordinary shares, and
- (iii) The Preference Shares shall be convertible into ordinary shares on the basis of one new ordinary share for one Preference Share and will be redeemable at RM1.05 for each Preference Share upon maturity at the end of the thirtieth anniversary.

The proceeds received from the issue of the RCCPS have been segregated between the liability component and the equity component. The fair value of the liability component is estimated based on the present value of the dividend obligation whilst the equity component represents the fair value of the conversion option. The RCCPS are accounted for in the statements of financial position of the Group and of the Company as follows:

	The Group and The Company	
	2020	2019
	RM'000	RM'000
57,000,000 RCCPS of RM0.10 each	5,700	5,700
RCCPS share premium	51,300	51,300
Liability component at initial recognition	<u>(6,417)</u>	<u>(6,417)</u>
Equity component	<u>50,583</u>	<u>50,583</u>
RCCPS - liability component movement		
At 1 January - Amount recognised as liability component	27,393	25,911
Interest accrued - recognised in profit or loss (Note 6)	570	570
Penalty on late payment of interest	958	912
Total interest payable	<u>1,528</u>	<u>1,482</u>
At 31 December	<u>28,921</u>	<u>27,393</u>

25. LOANS AND BORROWINGS

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<i>Unsecured</i>				
Term loan 1*	198,961	191,466	198,961	191,466
Term loan 2*	657,422	639,985	657,422	639,985
Term loan 3*	153,644	147,247	153,644	147,247
Term loan 4*	36,533	34,937	36,533	34,937
Term loan 5*	324,518	322,038	324,518	322,038
	<u>1,371,078</u>	<u>1,335,673</u>	<u>1,371,078</u>	<u>1,335,673</u>
Bank overdraft	20,973	4,038	20,973	4,038
Revolving credits	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>
	<u>1,482,051</u>	<u>1,429,711</u>	<u>1,482,051</u>	<u>1,429,711</u>
<i>Secured</i>				
Al Bai Bithaman Ajil Loan IX and X ("ABBA IX" & "ABBA X")	-	2,776	-	-
Hire-purchase payables	<u>6,074</u>	<u>5,855</u>	<u>-</u>	<u>-</u>
	<u>6,074</u>	<u>8,631</u>	<u>-</u>	<u>-</u>
	<u>1,488,125</u>	<u>1,438,342</u>	<u>1,482,051</u>	<u>1,429,711</u>

(Forward)

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current				
<i>Unsecured</i>				
Term loan 1*	198,961	191,466	198,961	191,466
Term loan 2*	657,422	639,985	657,422	639,985
Term loan 3*	153,644	147,247	153,644	147,247
Term loan 4*	36,533	34,937	36,533	34,937
Bank overdraft	20,973	4,038	20,973	4,038
Revolving credits	90,000	90,000	90,000	90,000
<i>Secured</i>				
Al Bai Bithaman Ajil Loan IX and X ("ABBA IX" & "ABBA X")	-	126	-	-
Hire purchase payables	2,985	2,415	-	-
Total current portion	<u>1,160,518</u>	<u>1,110,214</u>	<u>1,157,533</u>	<u>1,107,673</u>
Total non-current portion	<u>327,607</u>	<u>328,128</u>	<u>324,518</u>	<u>322,038</u>

* Refers to loan from the Government of Malaysia

Term loan 1

Term loan 1 represents RM97,000,000 of principal owed to the Government of Malaysia for the purchase of 18 units of Electrical Multiple Unit ("EMU") made on 1 November 1990 (as amended by supplementary agreement dated 16 January 1995). The interest rate is 8% per annum for a duration of 43 years with 23 years instalment deferred period. The first annual instalment amounting to RM9,879,664 was due on 15 September 2014. The Company applied to restructure the loan on 10 June 2015, however, the application has yet to be approved. Since the Company defaulted in above payments, therefore the entire loan balance has been classified as current. Subsequent to year end, the Company through a letter dated 02 July 2021 applied to write-off the loan, however, the application has yet to be approved.

Term loan 2

Term loan 2 represents RM404,550,000 of principal owed to the Government of Malaysia for the purchase of 44 units of EMUs made on 30 December 1995 (as amended by supplementary agreement dated 9 September 1998). The interest rate is 8% per annum for a duration of 38 years with 23 years instalment deferred period. The first annual instalment amounting to RM47,263,392 was due on 13 January 2019 which was not paid by the Company. The Company applied to restructure the loan on 10 June 2015, however, the application has yet to be approved. Since the Company defaulted in above payments, therefore the entire loan balance has been classified as current. Subsequent to year end, the Company through a letter dated 02 July 2021 applied to write-off the loan, however, the application has yet to be approved.

Term loan 3

Term loan 3 represents RM73,954,289 of principal owed to the Government of Malaysia for the purchase of 18 units of EMUs made on 16 January 1995. The interest rate is 8% per annum for a duration of 39 years with 19 years instalment deferred period. The first annual instalment amounting to RM7,532,407 was due on 1 February 2014. The Company applied to restructure the loan on 10 June 2015, however, the application has yet to be approved. Since the Company defaulted in above payments, therefore the entire loan balance has been classified as current. Subsequent to year end, the Company through a letter dated 02 July 2021 applied to write-off the loan, however, the application has yet to be approved.

Term loan 4

Term loan 4 represents RM25,000,000 of principal owed to the Government of Malaysia for upgrading of computer system made on 1 July 1999 (as amended by supplementary agreement dated 15 July 2010). The interest rate is 4% per annum for a duration of 24 years with 14 years instalment deferred period. The first annual instalment amounting to RM3,082,274 was due on 16 July 2014. The Company applied to restructure the loan on 10 June 2015, however, the application has yet to be approved. Since the Company defaulted in above payments, therefore the entire loan balance has been classified as current. Subsequent to year end, the Company through a letter dated 02 July 2021 applied to write-off the loan, however, the application has yet to be approved.

Term loan 5

Term loan 5 represents RM280,000,000 of principal owed to the Government of Malaysia for working capital financing made on 15 July 2001 (as amended by supplementary agreement dated 24 September 2001). The interest rate is 4% per annum for a duration of 32 years with 22 years instalment deferred period. The first annual instalment amounting to RM34,521,462 will be due on 25 August 2024. Subsequent to year end, the Company through a letter dated 02 July 2021 applied to write-off the loan, however, the application has yet to be approved.

Security

The Islamic term financing of a subsidiary is secured by way of the following:

- (i) The bank overdrafts of a subsidiary were secured by an ownership claim over certain prime movers, trailers and side loaders with a carrying value of RMNil (2019: RM24,647,245) as disclosed in Note 11.
- (ii) ABBA IX and ABBA X were secured by first fixed charges and lien over a subsidiary's buildings with a carrying value of RM4,990,722 as at 31 December 2019 as disclosed in Note 11. During the year, the securities have been discharged following the full settlement of the borrowings.
- (iii) Pledge of certain fixed deposits of a subsidiary as disclosed in Note 21.

The interest rates of Islamic term financing and hire purchase payables are Nil (2019:5.47%) and 2.50% (2019: 2.50%) per annum, whereas interest rate on revolving credits and bank overdraft ranges between 5.90% to 6.25% (2019: 5.90% to 6.25%) per annum and 7.50% (2019: 7.50%) respectively.

Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities.

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
As of 1 January	1,438,342	1,427,647	1,429,711	1,424,292
<u>Financing cash flows</u>				
Drawdown/(Repayments) during the year	12,567	(27,182)	16,935	(25,492)
Finance cost paid during the year	(6,001)	(6,840)	(5,658)	(6,320)
<u>Non-cash changes</u>				
Additions to hire purchase	1,811	7,244	-	-
Finance costs recorded	23,246	24,733	22,903	24,491
Other charges recorded#	18,160	12,740	18,160	12,740
As of 31 December	<u>1,488,125</u>	<u>1,438,342</u>	<u>1,482,051</u>	<u>1,429,711</u>

Other charges include penalty on late payment to MOF.

26. LEASE LIABILITIES

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Analysed as:				
Non-current	365	464	-	245
Current	978	1,244	294	610
	<u>1,343</u>	<u>1,708</u>	<u>294</u>	<u>855</u>
Minimum lease payment:				
Not later than 1 year	1020	1,279	298	640
Later than 1 year but not later than 5 years	384	492	-	248
	<u>1,404</u>	<u>1,771</u>	<u>298</u>	<u>888</u>
Less: Unexpired finance charges	(61)	(63)	(4)	(33)
	<u>1,343</u>	<u>1,708</u>	<u>294</u>	<u>855</u>

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Present value of lease liabilities:				
Not later than 1 year	978	1,244	294	610
Later than 1 year but not later than 5 years	365	464	-	245
	<u>1,343</u>	<u>1,708</u>	<u>294</u>	<u>855</u>

The Group and the Company discounted the lease liabilities by using the incremental borrowing rates ranging from 4.10% to 5.75% (2019: 4.10% to 5.75%) per annum.

The Group and the Company do not face a significant liquidity risk with regard to its lease liabilities as lease liabilities are not significant to the Group and the Company.

27. **PROVISIONS**

	The Group and The Company	
	2020	2019
	RM'000	RM'000
Government claims		
As at 1 January	1,255	822
Provisions accrued during the year	-	1,255
Provisions used during the year	<u>(685)</u>	<u>(822)</u>
 As at 31 December	 <u>570</u>	 <u>1,255</u>

The provision is in respect of claims by the Government of Malaysia for the difference between the commercial and subsidised rate of interest, pertaining to staff housing loans. The Government of Malaysia issued a directive to all corporatised entities that with effect from July 1994, the difference between the commercial and subsidised rates of interest pertaining to staff housing loans, had to be settled by the corporatised entities concerned.

28. **RETIREMENT BENEFIT OBLIGATIONS**

The Group operates an unfunded, defined benefit Retirement Benefit Scheme (“the Scheme”) for its eligible employees. The Group’s obligation under the Scheme is determined based on the latest actuarial valuation by an independent actuary dated 18 May 2020. Under the Scheme, eligible employees are entitled to retirement benefits varying between 50% and 100% of their final salary on attainment of the retirement age of 60 (2019: Age of 60).

All confirmed permanent employees (both executives and non-executives) hired on or prior to 31 July 1997 are entitled to retirement benefits as follows:

Years of Service (YOS)	Retirement Benefits
Up to 5 years	0.50 x YOS x SAL
More than 5 years and up to 10 years	0.75 x YOS x SAL
More than 10 years	1.00 x YOS x SAL

All confirmed permanent employees (both executives and non-executives) regardless of the date of hire are entitled to the death/disability benefits at the greater of 2 x SAL x YOS and 24 x SAL.

Years of service (YOS) - service from 1 August 1992
Final monthly salary (SAL) - last drawn monthly basic salary

The principal actuarial assumptions used for the purposes of the actuarial valuation are as follows:

	The Group and The Company	
	2020	2019
	%	%
Discount rate	4.0	4.0
Rate of salary increase	7.0	7.0
Rate of price inflation	<u>2.3</u>	<u>2.3</u>

Amounts recognised in profit or loss and other comprehensive income in respect of the Schemes are as follows:

	The Group and The Company	
	2020	2019
	RM'000	RM'000
Current service cost	12,760	11,286
Interest on obligation	<u>10,047</u>	<u>10,874</u>
Recognised in profit or loss	<u>22,807</u>	<u>22,160</u>
Remeasurement on the net defined benefit liability:		
Actuarial loss arising from changes in:		
Experience adjustments	-	9,801
Financial assumptions	<u>-</u>	<u>13,486</u>
Recognised in other comprehensive income	<u>-</u>	<u>23,287</u>
Total	<u>22,807</u>	<u>45,447</u>

Amounts recognised in the statements of financial position arising from the obligations in respect of the Scheme are as follows:

	The Group and The Company	
	2020	2019
	RM'000	RM'000
Present value of unfunded obligations	<u>262,930</u>	<u>260,021</u>
Non-current	237,327	242,684
Current	<u>25,603</u>	<u>17,337</u>
Present value of unfunded obligations	<u>262,930</u>	<u>260,021</u>

Movement in the present value of the defined benefit obligations in the current year is as follows:

	The Group and The Company	
	2020	2019
	RM'000	RM'000
As of 1 January	260,021	238,521
Current service cost	12,760	11,286
Interest cost	10,047	10,874
Actuarial loss arising from changes in:		
Experience adjustments	-	9,801
Financial assumptions	-	13,486
Benefits paid by the plan	<u>(19,898)</u>	<u>(23,947)</u>
As of 31 December	<u>262,930</u>	<u>260,021</u>

Sensitivity analysis on defined benefit plan

The significant actuarial assumptions for the determination of the defined obligation are the discount rate and expected salary growth rate. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate decreases/(increases) by 1%, the defined benefit obligation would increase (decrease) by RM18,878,000 and RM16,675,000 respectively;
- If the expected salary growth rate increases/(decreases) by 1%, the defined benefit obligation would increase/(decrease) by RM18,152,000 and RM16,374,000 respectively.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

29. **TRADE AND OTHER PAYABLES**

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Trade				
Trade payables	<u>255,380</u>	<u>210,972</u>	<u>250,192</u>	<u>206,613</u>
Non-trade				
Amount due to subsidiaries	-	-	29,282	30,153
Amount due to associate	1,066	1,249	1,066	1,249
Accrued expenses	31,520	29,323	22,477	20,083
Other payables	54,389	55,071	50,162	49,813
Unearned revenue	20,830	27,592	20,830	26,071
Deposits	4,429	4,689	3,965	4,249
Interest payable	<u>1,099</u>	<u>1,656</u>	<u>1,099</u>	<u>1,656</u>
	<u>113,333</u>	<u>119,580</u>	<u>128,881</u>	<u>133,274</u>
	<u>368,713</u>	<u>330,552</u>	<u>379,073</u>	<u>339,887</u>

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company is up to 90 days (2019: 90 days).

Amounts due to subsidiaries and associate

Amounts due to subsidiaries and associate arose mainly from advances and collections made on behalf of the respective entities, which are non-trade in nature, unsecured, interest-free and repayable on demand.

30. **RELATED PARTIES**

Identity of related parties

The Company is a subsidiary of Minister of Finance (Incorporated), a body corporate incorporated pursuant to the Minister of Finance (Incorporated) Act, 1957 (Revised 1989).

For the purposes 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 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 or common significant influence. Related parties may be individuals or other entities.

Key management personnel are 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 includes all the Directors of the Group, and certain members of senior management of the Group.

The significant related party transactions of the Group and the Company, other than key management personnel compensation (see Note 9), are as follows:

	The Company	
	2020	2019
	RM'000	RM'000
Holding entity		
Ministry of Finance (Incorporated)		
Government grant	(180,000)	(50,000)
Subsidiary companies		
Multimodal Freight Sdn Bhd		
Freight services revenue	(1,148)	(4,380)
Dividend income	(1,000)	(5,282)
Management fee	(120)	(180)
Freight services cost	240	401
KTM Distribution Sdn Bhd		
Management fees	(120)	(127)
KTMB (Sentul) Sdn Bhd		
Dividend income	(50,000)	-
KTMB (Car Park) Sdn Bhd		
Management fees	(16)	(51)
Rental expenses	-	48
Season pass	-	2
(Forward)		

	The Company	
	2020	2019
	RM'000	RM'000
Related parties		
Fiberail Sdn Bhd		
Wayleave income	(9,026)	(9,026)
Ipoh Cargo Terminal Sdn Bhd		
Freight services revenue	(5,644)	(8,075)
KTMB MMC Cargo Sdn Bhd		
Freight services revenue	(1,927)	(2,565)
Petroliam Nasional Berhad (PETRONAS)		
Supply of Diesel	21,551	33,920
Indah Water Konsortium Sdn Bhd (IWK)		
Sewerage charges	68	63
Transit Acquirer Sdn Bhd		
System surcharge	-	831
Prasarana Malaysia Berhad		
Charter Bus	-	1,109
Telekom Malaysia Berhad		
Telephone services	<u>1,562</u>	<u>-</u>

31. FINANCIAL INSTRUMENTS

31.1 Capital Management

The capital structures of the Group and the Company in a deficit position consist of net debts which include loans and borrowings and cash and cash equivalents and the respective share capital of the Group and the Company.

The Group and the Company have capital deficiencies and as indicated in Note 2, Government of Malaysia through the holding entity, the Minister of Finance (Incorporated) has committed to support financially the Group and the Company so as to enable them to operate as a going concern. The Group regularly reviews and manages its capital structure, taking into consideration of changes in economic conditions, future capital requirements of the Group, prevailing and projected profitability and operating cash flows and projected capital expenditures.

The Group and the Company are not subject to any externally imposed capital requirements.

31.2 Categories of financial instruments

	The Group		The Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial Assets				
Fair value through other comprehensive income (FVTOCI):				
Other investments	140	140	140	140
At amortised cost:				
Trade and other receivables	81,967	166,285	71,359	160,869
Refundable deposits	1,450	2,190	47	270
Cash and bank balances	<u>78,363</u>	<u>117,053</u>	<u>22,613</u>	<u>11,056</u>
	<u>161,920</u>	<u>285,668</u>	<u>94,159</u>	<u>172,335</u>
Financial Liabilities				
At amortised cost:				
Loans and borrowings	1,488,125	1,438,342	1,482,051	1,429,711
Redeemable Convertible Cumulative Preference Shares	28,921	27,393	28,921	27,393
Trade and other payables	368,713	330,552	379,073	339,887
Lease liabilities	<u>1,343</u>	<u>1,708</u>	<u>294</u>	<u>855</u>
	<u>1,887,102</u>	<u>1,797,995</u>	<u>1,890,339</u>	<u>1,797,846</u>

31.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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 receivables from customers and investment securities.

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.

Exposure to credit risk, credit quality and collateral

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any trade receivables and other receivables having significant balances past due more than 90 days and 180 days respectively, which are deemed to have higher credit risk, are monitored individually.

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate, an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The ageing of trade receivables of the Group as at the end of the reporting period was:

The Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2020			
Not past due	22,753	(2,062)	20,691
Past due 1 - 30 days	8,685	(2,139)	6,546
Past due 31 - 60 days	4,344	(1,490)	2,854
Past due more than 90 days	34,502	(21,129)	13,373
	<u>70,284</u>	<u>(26,820)</u>	<u>43,464</u>
2019			
Not past due	24,977	(2,959)	22,018
Past due 1 - 30 days	4,275	(2,849)	1,426
Past due 31 - 60 days	4,211	(1,299)	2,912
Past due more than 90 days	36,195	(19,814)	16,381
	<u>69,658</u>	<u>(26,921)</u>	<u>42,737</u>

The ageing of trade receivables of the Company as at the end of the reporting period was:

The Company	Gross RM'000	Individual impairment RM'000	Net RM'000
2020			
Not past due	15,228	(725)	14,503
Past due 1 - 30 days	3,859	(1,050)	2,809
Past due 31 - 60 days	1,290	(695)	595
Past due more than 90 days	20,336	(5,380)	14,956
	<u>40,713</u>	<u>(7,850)</u>	<u>32,863</u>
2019			
Not past due	17,028	(787)	16,241
Past due 1 - 30 days	5,224	(1,477)	3,747
Past due 31 - 60 days	2,093	(660)	1,433
Past due more than 90 days	17,757	(3,564)	14,193
	<u>42,102</u>	<u>(6,488)</u>	<u>35,614</u>

The movements in the allowance for trade and other receivables during the financial year were:

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Trade				
As of 1 January	(26,921)	(24,574)	(6,488)	(6,938)
Allowance for doubtful debts	(2,163)	(3,821)	(1,362)	-
Reversal of allowance for doubtful debts	2,264	1,317	-	450
Written off	-	157	-	-
	<u>(26,820)</u>	<u>(26,921)</u>	<u>(7,850)</u>	<u>(6,488)</u>
Of which, relating to:				
Trade receivables	<u>(26,820)</u>	<u>(26,921)</u>	<u>(7,850)</u>	<u>(6,488)</u>
Non-trade				
As of 1 January	(34,818)	(32,298)	(35,371)	(32,346)
Allowance for doubtful debts	(14,137)	(5,939)	(19,528)	(5,799)
Reversal of allowance for doubtful debts	702	3,419	636	2,774
	<u>(48,253)</u>	<u>(34,818)</u>	<u>(54,263)</u>	<u>(35,371)</u>
Of which, relating to:				
Government of Malaysia	(3,609)	(3,641)	(3,609)	(3,641)
Other receivables	(44,644)	(31,177)	(43,690)	(30,560)
Subsidiaries	-	-	(6,964)	(1,170)
	<u>(48,253)</u>	<u>(34,818)</u>	<u>(54,263)</u>	<u>(35,371)</u>

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Liquidity risk

Liquidity risk is the risk of the Group and of the Company will not be able to meet its financial obligations as they fall due. The Group and the Company exposure to liquidity risk arises from its various payables and borrowings.

As at 31 December 2020, the current liabilities of the Group and of the Company have exceeded their current assets by RM1,322,234,000 and RM1,402,931,000 respectively as a result of losses incurred in the current and prior financial years.

However, the Directors believe that the Group and the Company will meet their short-term obligations as they fall due based on the commitment received from their holding entity, the Minister of Finance (Incorporated), as confirmed in a letter dated 21 April 2021 on continuous financial support for the Group's and the Company's operations. The Group and the Company have been receiving this financial support in current and prior years through injection of funds from its holding entity to finance the working capital requirements as and when required. Apart from this, the Group and the Company are currently negotiating with its holding entity to write off the loans and borrowings with a carrying amount of RM1,371,078,000 (2019: RM1,335,673,000) as at 31 December 2020.

The Group and the Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure they will have sufficient liquidity to meet liabilities as and when they fall due.

In view of the need to improve the Group's and the Company's working capital, management has taken various initiatives to carry out cost reduction plans. In addition, in the previous years, the Government of Malaysia had taken the initiative to restructure the railway operations by establishing the Railway Network Assess Agreement ("RNAA") between the Company and Railway Asset Corporation as disclosed in Note 11(f), which was to eliminate certain expenditure and commitments which previously had to be incurred by the Company and consequently, improve the financial position of the Group and the Company in the future. Subsequent to the year end, during the workshop Mesyuarat Hala Tuju KTMB dan RAC organised by MOT from 19-21 November 2021, all parties agreed that a new study or development should be proposed to replace the RNAA. MOT will coordinate the new study which the Company has yet to receive any confirmation on the next course of action.

Maturity analysis

The table below summarises the maturity profile of the Group'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 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2020							
Term loan 1 - unsecured*	198,961	8.00	215,813	215,813	-	-	-
Term loan 2 - unsecured*	657,422	8.00	720,035	720,035	-	-	-
Term loan 3 - unsecured*	153,644	8.00	167,262	167,262	-	-	-
Term loan 4 - unsecured*	36,533	4.00	36,686	36,686	-	-	-
Term loan 5 - unsecured*	324,518	4.00	345,215	-	-	69,043	276,172
Hire-purchase payables	6,074	4.08	6,647	3,275	3,372	-	-
Redeemable Convertible Cumulative Preference Shares	28,921	8.00	33,343	-	-	-	33,343
Revolving credits	90,000	5.52	91,880	91,880	-	-	-
Bank overdraft	20,973	7.50	22,546	22,546	-	-	-
Lease liabilities	1,343	5.67	1,404	1,020	384	-	-
Trade and other payables	368,713	-	368,713	368,713	-	-	-
	<u>1,887,102</u>		<u>2,009,544</u>	<u>1,627,230</u>	<u>3,756</u>	<u>69,043</u>	<u>309,515</u>

* Refers to loan from the Government of Malaysia

The table below summarises the maturity profile of the Group'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 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2019							
Term loan 1 - unsecured*	191,466	8.00	210,838	210,838	-	-	-
Term loan 2 - unsecured*	639,985	8.00	712,287	712,287	-	-	-
Term loan 3 - unsecured*	147,247	8.00	170,528	170,528	-	-	-
Term loan 4 - unsecured*	34,937	4.00	35,207	35,207	-	-	-
Term loan 5 - unsecured*	322,038	4.00	345,211	-	-	34,522	310,689
Hire-purchase payables	5,855	2.50	6,349	2,596	2,596	1,157	-
Al Bai Bithaman Ajil Loan IX - Secured	2,776	5.47	3,924	267	267	800	2,590
Redeemable Convertible Cumulative Preference Shares	27,393	8.00	32,272	-	-	-	32,272
Revolving credits	90,000	5.52	91,656	91,656	-	-	-
Bank overdraft	4,038	7.50	4,341	4,341	-	-	-
Lease liabilities	1,708	5.67	1,771	1,279	424	68	-
Trade and other payables	330,552	-	330,552	330,552	-	-	-
	<u>1,797,995</u>		<u>1,944,936</u>	<u>1,559,551</u>	<u>3,287</u>	<u>36,547</u>	<u>345,551</u>

* Refers to loan from the Government of Malaysia

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:

Company	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2020							
Term loan 1 - unsecured*	198,961	8.00	215,813	215,813	-	-	-
Term loan 2 - unsecured*	657,422	8.00	720,035	720,035	-	-	-
Term loan 3 - unsecured*	153,644	8.00	167,262	167,262	-	-	-
Term loan 4 - unsecured*	36,533	4.00	36,686	36,686	-	-	-
Term loan 5 - unsecured*	324,518	4.00	345,215	-	-	69,043	276,172
Redeemable Convertible Cumulative Preference Shares	28,921	8.00	33,343	-	-	-	33,343
Revolving credits	90,000	5.52	91,880	91,880	-	-	-
Bank overdraft	20,973	7.50	22,546	22,546	-	-	-
Lease liabilities	294	5.67	298	298	-	-	-
Trade and other payables	379,073	-	379,073	379,073	-	-	-
	<u>1,890,339</u>		<u>2,012,151</u>	<u>1,633,593</u>	<u>-</u>	<u>69,043</u>	<u>309,515</u>

* Refers to loan from the Government of Malaysia

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:

Company	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
2019							
Term loan 1 – unsecured*	191,466	8.00	210,838	210,838	-	-	-
Term loan 2 – unsecured*	639,985	8.00	712,287	712,287	-	-	-
Term loan 3 – unsecured*	147,247	8.00	170,528	170,528	-	-	-
Term loan 4 – unsecured*	34,937	4.00	35,207	35,207	-	-	-
Term loan 5 – unsecured*	322,038	4.00	345,211	-	-	34,522	310,689
Redeemable Convertible Cumulative Preference Shares	27,393	8.00	32,272	-	-	-	32,272
Revolving credits	90,000	5.52	91,656	91,656	-	-	-
Bank overdraft	4,038	7.50	4,341	4,341	-	-	-
Lease liabilities	855	5.67	888	640	248	-	-
Trade and other payables	339,887	-	339,887	339,887	-	-	-
	<u>1,797,846</u>		<u>1,943,115</u>	<u>1,565,384</u>	<u>248</u>	<u>34,522</u>	<u>342,961</u>

* Refers to loan from the Government of Malaysia

Market risk

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

Currency risk

Risk management objectives, policies and processes for managing the risk

The Group and the Company are exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Singapore Dollar and Thai Baht. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency (a currency which is other than the currency of the Group and the Company) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in SGD RM'000	THB RM'000
The Group and The Company		
2020		
Cash and cash equivalents	1,342	-
Trade and other payables	-	(2,195)
Exposure in the statements of financial position	<u>1,342</u>	<u>(2,195)</u>
2019		
Cash and cash equivalents	5,990	-
Trade and other payables	-	(3,000)
Exposure in the statements of financial position	<u>5,990</u>	<u>(3,000)</u>

Currency risk sensitivity analysis

The exposure to currency risk of foreign exchange is not material and hence, sensitivity analysis is not presented.

Interest rate risk

The Group's and the Company's investments in fixed rate instruments and its fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group and the Company have no significant interest-bearing financial assets, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Group's and the Company's interest-bearing financial assets are mainly short-term in nature and have been mostly placed in fixed deposits.

The Group's and the Company's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group and the Company to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group and the Company to fair value interest rate risk. The Group and the Company manage its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

Exposure to interest rate risk

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

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	18,481	77,922	5,329	1,858
Financial liabilities	<u>(1,407,416)</u>	<u>(1,373,405)</u>	<u>(1,400,293)</u>	<u>(1,363,921)</u>
	<u>(1,388,935)</u>	<u>(1,295,483)</u>	<u>(1,394,964)</u>	<u>(1,362,063)</u>
Floating rate instruments				
Financial liabilities	<u>(110,973)</u>	<u>(94,038)</u>	<u>(110,973)</u>	<u>(94,038)</u>

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) *Cash flow sensitivity analysis for variable rate instruments*

It is estimated that a change of 1% in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss of the Group and of the Company by RM1,109,730 respectively (2019: RM940,000). This analysis assumes that all other variables remain constant.

Fair value of financial instruments

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

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	The Group		The Company	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair Value RM'000
2020				
Financial assets				
Other investments	140	*	140	*
Financial liabilities				
Loans and borrowings	1,488,125	1,423,404	1,482,051	1,416,928
Redeemable Convertible Cumulative Preference Shares	<u>28,921</u>	<u>19,683</u>	<u>28,921</u>	<u>19,683</u>
2019				
Financial assets				
Other investments	140	*	140	*
Financial liabilities				
Loans and borrowings	1,438,342	1,403,994	1,429,711	1,395,650
Redeemable Convertible Cumulative Preference Shares	<u>27,393</u>	<u>18,643</u>	<u>27,393</u>	<u>18,643</u>

* The Group and the Company do not anticipate the carrying amounts recorded at the end of the reporting period to be significantly different from the values that would be eventually received.

The methods and assumptions used by the management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

Loans and borrowings

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar type of lending, borrowing and leasing arrangements.

Redeemable Convertible Cumulative Preference Shares

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar type of lending arrangements.

Fair value hierarchy

The following table provides an analysis of financial instruments that are not measured at fair value on a recurring basis (but fair value disclosure is required) are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
The Group				
2020				
Financial liabilities				
Loans and borrowings	-	-	1,423,404	1,423,404
Redeemable Convertible				
Cumulative Preference Shares	-	-	19,683	19,683
	<u>-</u>	<u>-</u>	<u>19,683</u>	<u>19,683</u>
2019				
Financial liabilities				
Loans and borrowings	-	-	1,403,994	1,403,994
Redeemable Convertible				
Cumulative Preference Shares	-	-	18,643	18,643
	<u>-</u>	<u>-</u>	<u>18,643</u>	<u>18,643</u>
The Company				
2020				
Financial liabilities				
Loans and borrowings	-	-	1,416,928	1,416,928
Redeemable Convertible				
Cumulative Preference Shares	-	-	19,683	19,683
	<u>-</u>	<u>-</u>	<u>19,683</u>	<u>19,683</u>
2019				
Financial liabilities				
Loans and borrowings	-	-	1,395,650	1,395,650
Redeemable Convertible				
Cumulative Preference Shares	-	-	18,643	18,643
	<u>-</u>	<u>-</u>	<u>18,643</u>	<u>18,643</u>

32. CAPITAL COMMITMENTS

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Capital expenditure				
Property, plant and equipment				
Approved and contracted for	41,642	120,243	35,850	100,783
Approved but not contracted for	349,175	308,090	336,296	294,010
	<u>390,817</u>	<u>428,333</u>	<u>372,146</u>	<u>394,793</u>

33. LEASE COMMITMENTS

As at the end of the financial year, lease commitments in respect of rental of office and land are as follows:

	The Group		The Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Financial years ending				
31 December				
Office				
- Within 12 months	97	13	-	13
- More than 1 year - 5 years	49	-	-	-
Land				
- Within 12 months	-	11	-	-
Motor vehicle				
- Within 12 months	33	-	-	-
Office equipment				
- Within 12 months	56	53	30	53
- More than 1 year - 5 years	24	-	-	-
	<u>259</u>	<u>77</u>	<u>30</u>	<u>66</u>

Effective from 1 January 2019, the Group and the Company have adopted MFRS 16 and accordingly recognised right-of-use assets for these leases as disclosed in Note 12. The current year commitments represent those leases which are either short-term or low value leases and therefore are exempted under MFRS 16.

34. **COVID – 19**

On 11 March 2020, the World Health Organisation declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. In response to this pandemic, the Malaysian government implemented Movement Control Order (“MCO”) effective from 18 March 2020 to 3 May 2020, followed by a Conditional Movement Control Order (“CMCO”) until 9 June 2020. Thereafter, various types of MCO such as Conditional MCO, Recovery MCO and Enhanced MCO have been introduced within Malaysia and numerous Standard Operating Procedures (“SOP”) have been introduced by the Malaysian Government.

Further, due to the increase in number of COVID-19 cases in December 2020, the Government has implemented a Movement Control Order 2.0 (“MCO 2.0”) from 13 January 2021 until 4 March 2021. The Government has further implemented a Movement Control Order 3.0 (“MCO 3.0”) from 1 June 2021 which was followed by a four-phase National Recovery Plan with specific threshold indicators to decide the classification of different states into different phases.

During the year, the Group’s and the Company’s operations have had material adverse impact as these unprecedented COVID-19 measures undertaken by the authorities resulted in stringent travel restrictions, nationwide lockdown, and drastic reduction in business activities which has brought significant economic uncertainties in Malaysia and within the industry and markets that the Group and the Company operates in. As a result, the Group and the Company had reduced their operations by either suspending some routes or by reducing the frequency of the trains on some routes from time to time, which resulted in significant decrease in revenue and significant increase in loss for the year ended 31 December 2020. However, as disclosed in Note 2, during the year, Government of Malaysia through the Ministry of Finance (Incorporated) has given a grant of RM180,000,000 to the Company to support the operations of the Group and the Company.

Management have been continuously reviewing its resources as well as undertaking prudent financial measures to ensure that the Group and the Company will continue to remain sustainable going forward operating in the new normal environment. Management has assessed the overall impact of this situation towards the Group’s and the Company’s operations and financial performance, including the recoverability of the net carrying amount of its assets and the subsequent measurement of its assets and liabilities. Management will closely monitor the current developments of COVID-19 and continuously assess the impact on the Group’s and the Company’s operations and would take appropriate and timely measures to minimise the said impact.

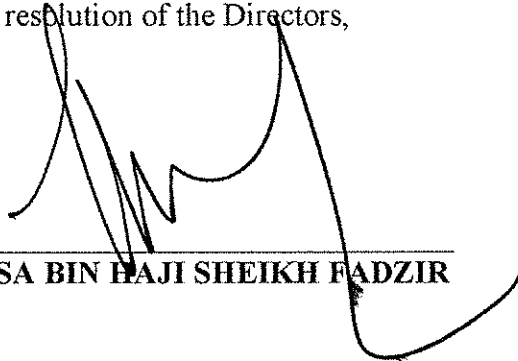
Registration No. 199101015631 (225943 - T)

KERETAPI TANAH MELAYU BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The Directors of **KERETAPI TANAH MELAYU BERHAD**, state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions 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 2020 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

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



DATUK HAJI MUSA BIN HAJI SHEIKH FADZIR



ISZAD JEFFRI BIN ISMAIL

Kuala Lumpur

17 JAN 2022

Registration No. 199101015631 (225943 - T)

KERETAPI TANAH MELAYU BERHAD
(Incorporated in Malaysia)

**DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR
THE FINANCIAL MANAGEMENT OF THE COMPANY**

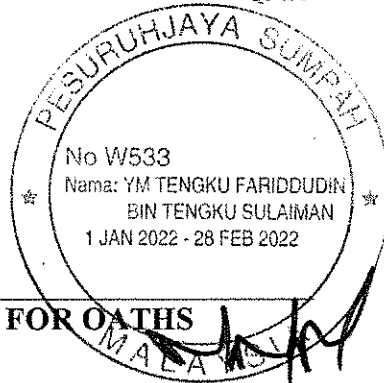
I, **MOHD EZANE BIN ZAINEN**, the officer primarily responsible for the financial management of **KERETAPI TANAH MELAYU BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



MOHD EZANE BIN ZAINEN

Subscribed and solemnly declared by the
abovenamed **MOHD EZANE BIN
ZAINEN** at **KUALA LUMPUR** on this
17 JAN 2022

Before me,



COMMISSIONER FOR OATHS

205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)