

**MASS RAPID TRANSIT CORPORATION
SDN. BHD.**

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

**Financial statements for the year
ended 30 September 2017**

MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No. 902884 - V)

(Incorporated in Malaysia)

Directors' report for the year ended 30 September 2017

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 30 September 2017.

Principal activities

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

Ultimate holding company

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

Results

RM'000

Loss for the year

25,309,843

Reserves and provisions

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

Dividends

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

Directors of the Company

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

Tan Sri Dr. Ali bin Hamsa

Tan Sri Dr. Mohd Irwan Serigar bin Abdullah

Datuk Che Mokhtar bin Che Ali

Dato' Sutinah binti Sutan

Dato' Sri Shahril bin Mokhtar

Datuk Dr. Ir Abdul Latif bin Mohd Som

Ahmad Zubir bin Zahid

Dato' Noorizah binti Hj Abdul Hamid (appointed on 6 July 2017)

Dato' Nik Azman bin Nik Abdul Majid (appointed on 24 August 2017)

Datuk Seri Dr. Rahamat Bivi binti Yusoff (resigned on 6 June 2017)

Directors' interests

None of the Directors holding office at 30 September 2017 had any interest in the ordinary shares of the Company during the financial year.

Directors' benefits

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

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

Issue of shares

On 22 May 2017, the Company increased its issued and paid-up share capital through the issuance of 140,000,000 new ordinary shares to the Minister of Finance, Incorporated via the capitalisation of the same amount from the balance owing to the Minister of Finance, Incorporated, classified as Contribution from Government.

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

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, the total amount of insurance premium effected for Directors and officers is RM39,230 under the Company insurance policy.

Other statutory information

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

- i) there are no bad debts to be written off and no provision need to be made for doubtful debts, and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

- i) that would render it necessary to write off any bad debts or provide for any doubtful debt, or
- ii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.

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

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, except for impairment of property, plant and equipment of RM24,994,554,000 and property, plant and equipment written off of RM301,305,000, the financial performance of the Company for the financial year ended 30 September 2017, have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

- (a) On 29 March 2017, the Company had entered into a Second Supplemental Agreement in relation to Project Development and Management Agreement (“PDMA”) dated 31 July 2012, to facilitate, undertake and expedite the construction of the Klang Valley Mass Rapid Transit (“KVMRT”) Sungai Buloh-Serdang-Putrajaya Line (“SSP Line”).
- (b) The KVMRT Sungai Buloh-Kajang Line (“SBK Line”) was fully operational effective from 17 July 2017. Based on the “MRT Handing Over and Operating agreement”, Rapid Rail Sdn Bhd has been appointed as the service operator of the SBK Line.

Auditors

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors’ remuneration is disclosed in note 10 to the financial statements.

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



.....
Tan Sri Dr. Ali bin Hamsa



.....
Dato' Sri Shahril bin Mokhtar

Kuala Lumpur,

Date: 21 November 2017

MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No. 902884 - V)

(Incorporated in Malaysia)

Statement of financial position as at 30 September 2017

	Note	2017 RM'000	2016 RM'000
Assets			
Property, plant and equipment	3	3,841,983	20,181,393
Total non-current assets		<u>3,841,983</u>	<u>20,181,393</u>
Current tax assets		1,048	1,286
Other receivables, deposits and prepayments	4	1,852,933	1,274,510
Cash and cash equivalents	5	444,266	759,253
Total current assets		<u>2,298,247</u>	<u>2,035,049</u>
Total assets		<u>6,140,230</u>	<u>22,216,442</u>
Equity			
Share capital	6	415,000	275,000
Contribution from Government of Malaysia ("GoM")	7	27,607,203	20,847,203
Accumulated losses		<u>(25,342,123)</u>	<u>(32,280)</u>
Equity attributable to the owners of the Company		<u>2,680,080</u>	<u>21,089,923</u>
Liabilities			
Other payables and accruals	8	3,460,150	1,126,519
Total current liabilities		<u>3,460,150</u>	<u>1,126,519</u>
Total liabilities		<u>3,460,150</u>	<u>1,126,519</u>
Total equity and liabilities		<u>6,140,230</u>	<u>22,216,442</u>

The notes on pages 10 to 35 are an integral part of these financial statements.

MASS RAPID TRANSIT CORPORATION SDN. BHD.

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(Incorporated in Malaysia)

Statement of profit or loss and other comprehensive income for the year ended 30 September 2017

	Note	2017	2016
		RM'000	RM'000
Other income	9	14,391	2,748
Administrative expenses		(69,941)	(53,375)
Impairment loss on property, plant and equipment	3	(24,994,554)	-
Property, plant and equipment written off	3	(301,305)	-
Finance income		41,301	39,969
Finance cost		(15)	(11)
Loss before tax	10	(25,310,123)	(10,669)
Tax expense	11	280	4,372
Loss and total comprehensive expense for the year		(25,309,843)	(6,297)

The notes on pages 10 to 35 are an integral part of these financial statements.

MASS RAPID TRANSIT CORPORATION SDN. BHD.

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Statement of changes in equity for the year ended 30 September 2017

	Share capital RM'000	Contribution from GoM RM'000	Accumulated losses RM'000	Total RM'000
At 1 October 2015	175,000	15,042,203	(25,983)	15,191,220
Issue of ordinary shares	100,000	(100,000)	-	-
Contribution from GoM	-	5,905,000	-	5,905,000
Loss and total comprehensive expense for the year	-	-	(6,297)	(6,297)
At 30 September 2016/ 1 October 2016	275,000	20,847,203	(32,280)	21,089,923
Issue of ordinary shares	140,000	(140,000)	-	-
Contribution from GoM	-	6,900,000	-	6,900,000
Loss and total comprehensive expense for the year	-	-	(25,309,843)	(25,309,843)
At 30 September 2017	415,000	27,607,203	(25,342,123)	2,680,080
	Note 6	Note 7		

The notes on pages 10 to 35 are an integral part of these financial statements.

MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No. 902884 - V)

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Statement of cash flows for the year ended 30 September 2017

	Note	2017 RM'000	2016 RM'000 Restated
Cash flows from operating activities			
Loss before tax		(25,310,123)	(10,669)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		5,955	6,363
Impairment loss on property, plant and equipment		24,994,554	-
Property, plant and equipment written off		301,305	-
Loss on disposal of property, plant and equipment		-	213
Finance income		(41,301)	(39,969)
Finance costs		15	11
Operating loss before changes in working capital		(49,595)	(44,051)
<i>Changes in working capital:</i>			
Other receivables, deposits and prepayments		(269,866)	(338,338)
Other payables and accruals		(8,568)	32,201
Cash used in operations		(328,029)	(350,188)
Interest paid		(15)	(11)
Tax paid		(482)	(566)
Tax refund		1,000	-
Net cash used in operating activities		<u>(327,526)</u>	<u>(350,765)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	(i)	(6,929,248)	(5,593,144)
Proceeds from disposal of property, plant and equipment		-	20
Interest received		41,787	40,906
Net cash used in investing activities		<u>(6,887,461)</u>	<u>(5,552,218)</u>
Cash flows from financing activity			
Contribution from Government of Malaysia		6,900,000	5,905,000
Net cash from financing activity		<u>6,900,000</u>	<u>5,905,000</u>
Net (decrease)/increase in cash and cash equivalents		(314,987)	2,017
Cash and cash equivalents at beginning of the year		759,253	757,236
Cash and cash equivalents at end of the year	(ii)	<u>444,266</u>	<u>759,253</u>

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Statement of cash flows for the year ended 30 September 2017 (continued)

(i) Acquisition of property, plant and equipment

During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM8,962,404,000 (2016: RM5,198,756,000) of which RM2,553,530,000 (2016: RM591,157,000) has yet to be settled as at year end, RM697,074,000 (2016: RM475,601,000) relates to retention sum payable to contractors and RM1,066,746,000 (2016: RM788,694,000) relates to contract advances which were capitalised as part of property, plant and equipment during the financial year.

(ii) Cash and cash equivalents

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

	Note	2017 RM'000	2016 RM'000
Deposits with licensed banks	5	439,855	758,934
Cash and bank balances	5	4,411	319
		<u>444,266</u>	<u>759,253</u>

The notes on pages 10 to 35 are an integral part of these financial statements.

MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No. 902884 - V)

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Notes to the financial statements

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

Principal place of business

5th Floor, Menara I&P 1,
Jalan Dungun,
Bukit Damansara,
50490 Kuala Lumpur.

Registered office

Tingkat 12, Bangunan Setia 1,
15 Lorong Dungun,
Bukit Damansara,
50490 Kuala Lumpur.

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

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

These financial statements were authorised for issue by the Board of Directors on 21 November 2017.

1. Basis of preparation

(a) Statement of compliance

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)* *
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration***
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)***
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions***
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts***
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)***
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property***

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- from the annual period beginning on 1 October 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017, except for those marked “*” which are not applicable to the Company.
- from the annual period beginning on 1 October 2018 for those accounting standards, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018, except for those marked “**” which are not applicable to the Company.
- from the annual period beginning on 1 October 2019 for the accounting standard and interpretations that are effective for annual periods beginning on or after 1 January 2019.

The accounting standard that is effective for the annual period beginning on or 1 October 2021 is currently not applicable to the Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Company except as mentioned below:

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Company will assess the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Company will assess the financial impact that may arise from the adoption of MFRS 9.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company will assess the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, unless disclosed otherwise in the financial statements. The GoM provides continuous financing in accordance to the Project Development and Management Agreement (“PDMA”) in relation to the KVMRT project facilitated and undertaken by the Company on behalf of the GoM.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

There are no significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than Note 3.3 – Valuation of property, plant and equipment in relation to the SBK Line.

2. Significant accounting policies

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

(a) Financial instruments

(i) Initial recognition and measurement

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

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market which includes cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Financial assets are subject to review for impairment (see Note 2(d)(i)).

Financial liabilities

Financial liabilities are subsequently measured at amortised cost.

2. Significant accounting policies (continued)

(a) Financial instruments (continued)

(iii) Derecognition

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(b) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

2. Significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

2. Significant accounting policies (continued)

(d) Impairment (continued)

(ii) Other assets (continued)

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

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

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

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

(e) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

2. Significant accounting policies (continued)

(e) Equity instruments (continued)

(iii) Contribution from GoM

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

(f) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(g) Other income

(i) Rental income

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

(ii) Tender income

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

2. Significant accounting policies (continued)

(g) Other income (continued)

(iii) Interest income

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

(h) Operating leases

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

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

(i) Income tax

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

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

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

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

2. Significant accounting policies (continued)

(i) Income tax (continued)

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

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

(j) Fair value measurement

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

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

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

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

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

3. Property, plant and equipment

Cost	Motor vehicles RM'000	Office equipment RM'000	Computer equipment RM'000	Furniture and fittings RM'000	Office renovations RM'000	Building and infrastructures RM'000	Systems and operation and maintenance equipment RM'000	Property, plant and equipment under construction RM'000	Total RM'000
At 1 October 2015	8,296	2,217	1,654	6,212	6,697	-	-	14,972,149	14,997,225
Additions	2,824	662	2,780	2,427	86	-	-	5,189,977	5,198,756
Transfers	-	-	2,054	83	944	-	-	(3,081)	-
Disposals	-	-	-	(445)	-	-	-	-	(445)
At 30 September 2016/									
1 October 2016	11,120	2,879	6,488	8,277	7,727	-	-	20,159,045	20,195,536
Additions	168	518	592	300	234	-	-	8,960,592	8,962,404
Transfers	-	-	86,653	65,206	-	16,341,045	7,340,959	(23,833,863)	-
Write-off	-	(26)	-	-	-	(239,512)	(61,782)	-	(301,320)
At 30 September 2017	11,288	3,371	93,733	73,783	7,961	16,101,533	7,279,177	5,285,774	28,856,620

3. Property, plant and equipment (continued)

	Motor vehicles RM'000	Office equipment RM'000	Computer equipment RM'000	Furniture and fittings RM'000	Office renovations RM'000	Building and infrastructures RM'000	Systems and operation and maintenance equipment RM'000	Property, plant and equipment under construction RM'000	Total RM'000
<i>Accumulated depreciation and impairment loss</i>									
At 1 October 2015	3,675	779	785	1,359	1,394	-	-	-	7,992
Depreciation for the year	2,187	341	1,677	1,241	917	-	-	-	6,363
Disposals	-	-	-	(212)	-	-	-	-	(212)
At 30 September 2016/1 October 2016	5,862	1,120	2,462	2,388	2,311	-	-	-	14,143
Depreciation for the year	2,133	373	1,363	1,132	954	-	-	-	5,955
Write off	-	(15)	-	-	-	-	-	-	(15)
Impairment loss for the year	-	-	86,653	65,206	-	16,101,533	7,279,177	1,461,985	24,994,554
At 30 September 2017	7,995	1,478	90,478	68,726	3,265	16,101,533	7,279,177	1,461,985	25,014,637
<i>Carrying amounts</i>									
At 1 October 2015	4,621	1,438	869	4,853	5,303	-	-	14,972,149	14,989,233
At 30 September 2016/1 October 2016	5,258	1,759	4,026	5,889	5,416	-	-	20,159,045	20,181,393
At 30 September 2017	3,293	1,893	3,255	5,057	4,696	-	-	3,823,789	3,841,983

3. Property, plant and equipment (continued)

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

	2017 RM'000	2016 RM'000
Personnel expenses		
- Wages, salaries and others	108,925	93,661
- Directors' fees and allowances	581	469
- Directors' remuneration	2,346	1,407
	<u>111,852</u>	<u>95,537</u>

- 3.2 The property, plant and equipment written off relates to infrastructure such as underpass, connection and refurbishment where the Company has no legal ownership or not responsible for the upkeep and maintenance of the assets. Subsequent to the completion of the SBK Line, these assets were transferred to the relevant authorities.
- 3.3 The Company entered into the "Handing Over and Operating Agreement" and the "Non-fare Revenue Agreement" on 30 June 2016 in relation to the SBK Line. Based on the "Handing Over and Operating Agreement", the Company remains the owner of SBK Line at an annual concession fee and the operations of the SBK Line being handed over to a related company. The Company will receive all non-fare income from the SBK Line.

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

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

Key assumptions used in the recoverable amount calculation

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

- (i) Discount rates – discount rates reflect management's estimate of the risks specific to the Company. In determining appropriate discount rates for the Company, consideration has been given to the applicable weighted average cost of capital for the Company.
- (ii) Growth rates – the forecasted growth rates are based on published industry research and do not exceed the long term average growth rate for the industries relevant to the Company.

4. Other receivables, deposits and prepayments

	Note	2017 RM'000	2016 RM'000
Contract advances	4.1	1,066,746	788,694
Sundry deposits		7,936	5,087
Interest income receivables		865	1,351
Goods and Service Tax ("GST") receivable	4.2	718,597	467,852
Prepayments		41,885	11,526
Other receivables		16,904	-
		<u>1,852,933</u>	<u>1,274,510</u>

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

4.2 GST receivable refers to refunds due from the Royal Malaysian Custom Department ("RMCD") in relation to input tax paid by the Company to contractors since April 2015 in relation to the KVMRT project. The Minister of Finance via its letter dated 7 February 2017 agreed that RMCD will refund the amount of GST claimed by the Company subject to the provision of the GST Act 2014.

5. Cash and cash equivalents

	2017 RM'000	2016 RM'000
Deposits placed with licensed banks	439,855	758,934
Cash and bank balances	4,411	319
	<u>444,266</u>	<u>759,253</u>

The effective interest rate per annum of deposits with licensed banks at 30 September 2017 approximates 3.58% (2016: 3.79%) per annum.

6. Share capital

	Amount 2017 RM'000	Number of shares 2017 '000	Amount 2016 RM'000	Number of shares 2016 '000
Issued and fully paid:				
Ordinary shares				
At the beginning of the year	275,000	275,000	175,000	175,000
Issued during the year	<u>140,000</u>	<u>140,000</u>	<u>100,000</u>	<u>100,000</u>
At the end of the year	<u>415,000</u>	<u>415,000</u>	<u>275,000</u>	<u>275,000</u>

6. Share capital (continued)

Increase in paid up share capital

During the financial year, the Company increased its issued and paid up share capital through the issuance of 140,000,000 new ordinary shares to the Minister of Finance, Incorporated via the capitalisation of the same amount from the balance owing to the Minister of Finance, Incorporated, classified as Contribution from Government.

In the previous financial year, the Company increased its issued and paid up share capital through the issuance of 100,000,000 new ordinary shares to the Minister of Finance, Incorporated via the capitalisation of the same amount from the balance owing to the Minister of Finance, Incorporated, classified as Contribution from Government.

7. Contribution from Government of Malaysia (“GoM”)

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

8. Other payables and accruals

	Note	2017 RM'000	2016 RM'000
Retention sums	8.1	697,074	475,601
Accruals	8.2	<u>2,763,076</u>	<u>650,918</u>
		<u>3,460,150</u>	<u>1,126,519</u>

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

	2017 RM'000	2016 RM'000
Within 1 year	249,086	233,759
1 - 2 years	247,836	233,759
2 - 3 years	<u>200,152</u>	<u>8,083</u>
	<u>697,074</u>	<u>475,601</u>

- 8.2 Included in accruals is RM2,553,530,000 (2016: RM591,157,000) in relation to accruals for the purchase of property, plant and equipment payable to suppliers/subcontractors of the KVMRT project.

9. Other income

	2017 RM'000	2016 RM'000
Rental income	12,929	-
Tender income	1,462	2,716
Other income	-	32
	<u>14,391</u>	<u>2,748</u>

10. Loss before tax

	Note	2017 RM'000	2016 RM'000
Loss before tax is arrived at after charging:			
Auditors' remuneration		95	85
Depreciation of property, plant and equipment	3	5,955	6,363
Personnel expenses:			
Wages, salaries and others		14,401	8,005
Contribution to defined contribution plans		1,565	965
Allowances		306	448
Impairment loss on property, plant and equipment		24,994,554	-
Property, plant and equipment written off		301,305	-
Loss on disposal of property, plant and equipment		-	213
Rental of premises		5,800	5,730
Finance cost		<u>15</u>	<u>11</u>
and after crediting:			
Interest income		<u>41,301</u>	<u>39,969</u>

11. Tax expense

Recognised in profit or loss

	2017 RM'000	2016 RM'000
Current tax expense		
- current year	-	280
- prior year overprovision	(280)	(4,652)
	<u>(280)</u>	<u>(4,372)</u>
Reconciliation of tax expense		
Loss for the year	<u>(25,310,123)</u>	<u>(10,669)</u>
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	(6,074,430)	(2,560)
Non deductible expenses	5,999,566	1,022
Effect of deferred tax assets not recognised	<u>74,864</u>	<u>1,818</u>
	-	280
Over provision in prior year	<u>(280)</u>	<u>(4,652)</u>
	<u>(280)</u>	<u>(4,372)</u>

11. Tax expense (continued)

Unrecognised deferred tax assets

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

	2017 RM'000	2016 RM'000
Tax losses carry-forward	(470,399)	(153,831)
Unabsorbed capital allowances	(19,613)	(16,879)
Property, plant and equipment	4,327	7,161
Other deductible temporary differences	3,254	(6,949)
	<u>(482,431)</u>	<u>(170,498)</u>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom. The tax losses carry-forward do not expire under current tax legislation.

12. Key management personnel compensation

	2017 RM'000	2016 RM'000
Directors:		
- Fees	581	469
- Remuneration	2,118	1,210
- Contribution to defined contribution plans	228	197
	<u>2,927</u>	<u>1,876</u>

The Directors of the Company are the key management personnel of the Company as they have authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

13. Financial instruments

13.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R"); and
- (b) Financial liabilities measured at amortised cost ("FL").

13. Financial instruments (continued)

13.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R/ (FL) RM'000
2017		
Financial assets		
Other receivables and deposits	25,705	25,705
Cash and cash equivalents	444,266	444,266
	<u>469,971</u>	<u>469,971</u>
Financial liabilities		
Other payables and accruals	<u>(3,460,150)</u>	<u>(3,460,150)</u>
2016		
Financial assets		
Other receivables and deposits	6,438	6,438
Cash and cash equivalents	759,253	759,253
	<u>765,691</u>	<u>765,691</u>
Financial liabilities		
Other payables and accruals	<u>(1,126,519)</u>	<u>(1,126,519)</u>

13.2 Net gains and losses arising from financial instruments

	2017 RM'000	2016 RM'000
Net gains/(losses) arising on:		
Loans and receivables	41,301	39,969
Financial liabilities measured at amortised cost	<u>(15)</u>	<u>(11)</u>
	<u>41,286</u>	<u>39,958</u>

13.3 Financial risks management

The Company has exposure to financial risks as follows:

- Credit risk
- Liquidity risk
- Market risk

13. Financial instruments (continued)

13.4 Credit risk

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

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Company manage its balances and deposits with banks and financial institution by monitoring their credit ratings on an on-going basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the Company's statement of financial position.

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 its receivables is represented by the carrying amounts in the statement of financial position.

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

13. Financial instruments (continued)

13.4 Credit risk (continued)

Receivables (continued)

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

Company	Gross	Individual	Net
2017	RM'000	impairment	RM'000
Not past due	16,904	-	16,904
2016			
Not past due	-	-	-

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

13.5 Liquidity risk

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

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

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

13. Financial instruments (continued)

13.5 Liquidity risk (continued)

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate	Contractual cash flows RM'000	Under 1 year RM'000	1 - 5 years RM'000
2017					
Other payables and accruals	<u>3,460,150</u>	-	<u>3,460,150</u>	3,012,162	447,988
2016					
Other payables and accruals	<u>1,126,519</u>	-	<u>1,126,519</u>	884,677	241,842

13.6 Market risk

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

13.6.1 Interest rate risk

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

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

Exposure to interest rate risk

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

	2017 RM'000	2016 RM'000
Fixed rate instruments		
Financial assets		
Deposits placed with licensed banks	<u>439,855</u>	<u>758,934</u>

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

17. Significant events

- 17.1 On 29 March 2017, the Company had entered into a Second Supplemental Agreement in relation to Project Development and Management Agreement (“PDMA”) dated 31 July 2012, to facilitate, undertake and expedite the construction of the Klang Valley Mass Rapid Transit (“KVMRT”) Sungai Buloh-Serdang-Putrajaya Line (“SSP Line”).
- 17.2 The KVMRT Sungai Buloh-Kajang Line (“SBK Line”) was fully operational effective from 17 July 2017. Based on the “MRT Handing Over and Operating agreement”, Rapid Rail Sdn. Bhd. has been appointed as the service operator of the SBK Line.

18. Related parties

Identity of related party

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

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

The Company has related party relationship with its related company.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company, other than key management personnel compensation (see Notes 12 and 17.2) of the financial statements are shown below.

	2017 RM'000	2016 RM'000
Related company		
Electricity charges	<u>75,434</u>	<u>6,515</u>

19. Comparative figures

The following comparative figures have been restated to conform to the current year's presentation.

	2016	
	As restated RM	As previously stated RM
Statement of cash flows		
Net cash used in operating activities	(350,765)	(1,149,591)
Net cash used in investing activities	(5,552,218)	(4,753,392)

The above corrections do not have any impact on the earnings of the Company.

MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No. 902884 - V)

(Incorporated in Malaysia)

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

In the opinion of the Directors, the financial statements set out on pages 5 to 35 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 30 September 2017 and of its financial performance and cash flows for the year then ended.

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



.....
Tan Sri Dr. Ali bin Hamsa
Director



.....
Dato' Sri Shahril bin Mokhtar
Director

Kuala Lumpur,

Date: 21 November 2017

MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No. 902884 - V)

(Incorporated in Malaysia)

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

I, **Dato' Mohd Hairul bin Abdul Hamid**, the Chief Financial Officer primarily responsible for the financial management of MASS RAPID TRANSIT CORPORATION SDN. BHD., do solemnly and sincerely declare that the financial statements set out on pages 5 to 35 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Dato' Mohd Hairul bin Abdul Hamid at Kuala Lumpur in the State of Federal Territory on 21 November 2017.



.....
Dato' Mohd Hairul bin Abdul Hamid

Before me:



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(LLP0010081-LCA & AF 0758)
Chartered Accountants
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Independent Auditors' Report to the members of MASS RAPID TRANSIT CORPORATION SDN. BHD.

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MASS RAPID TRANSIT CORPORATION SDN. BHD., which comprise the statement of financial position as at 30 September 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 35.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 September 2017, and of its financial performance and its cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

Company No. 902884 – V

Mass Rapid Transit Corporation Sdn. Bhd.
*Independent Auditors' Report for the
Financial Year Ended 30 September 2017*

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the 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 Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

Company No. 902884 – V

Mass Rapid Transit Corporation Sdn. Bhd.
*Independent Auditors' Report for the
Financial Year Ended 30 September 2017*

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

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

Other 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.

KPMG

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



Tai Yoon Foo
Approval Number: 2948/05/18(J)
Chartered Accountant

Petaling Jaya

Date: 21 November 2017