

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

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

**Financial statements for the year  
ended 30 September 2016**

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

(Company No. 902884 - V)

(Incorporated in Malaysia)

## **Directors' report for the year ended 30 September 2016**

The Directors hereby submit their report and the audited financial statements of the Company for the year ended 30 September 2016.

### **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").

### **Results**

	<b>RM'000</b>
Loss for the year	<u>6,297</u>

### **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 since the date of the last report are:

Tan Sri Dr. Ali bin Hamsa

Tan Sri Dr. Mohd Irwan Serigar bin Abdullah

Datuk Seri Dr. Rahamat Bivi binti Yusoff

Datuk Che Mokhtar bin Che Ali

Dato' Sutinah binti Sutan

Dato' Sri Shahril bin Mokhtar

Datuk Dr Ir Abdul Latif bin Mohd Som (appointed on 5 April 2016)

Ahmad Zubir Bin Zahid (appointed on 5 April 2016)

## **Directors' interests**

None of the Directors holding office at 30 September 2016 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 2 February 2016, the Company increased its issued and paid-up share capital through the issuance of 100,000,000 ordinary shares of RM1.00 each, at par, 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 authorised, 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.

## 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, the financial performance of the Company for the financial year ended 30 September 2016, 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.

Company No. 902884 - V
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## Significant events

- i) The Company has received the final approval of the Klang Valley Mass Rapid Transit (“KVMRT”) Sungai Buloh-Serdang-Putrajaya Line (“SSP Line”) Railway Scheme on 7 October 2015 following the completion of the Public Inspection exercise pursuant to Section 84 of the Land Public Transport Act 2010.
- ii) Based on the MRT “Handing Over and Operating Agreement” between the Company and Rapid Rail Sdn Bhd, a related company, dated 30 June 2016, Rapid Rail Sdn Bhd has been appointed as the service operator of the KVMRT Sungai Buloh-Kajang Line (“SBK Line”) assets and railway.

## Auditors

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

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: 28 November 2016

# MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No. 902884 - V)

(Incorporated in Malaysia)

## Statement of financial position as at 30 September 2016

	Note	2016 RM'000	2015 RM'000
<b>Assets</b>			
Property, plant and equipment	3	20,181,393	14,989,233
<b>Total non-current assets</b>		<u>20,181,393</u>	<u>14,989,233</u>
Current tax assets		1,286	-
Other receivables, deposits and prepayments	4	1,274,510	354,546
Cash and cash equivalents	5	759,253	757,236
<b>Total current assets</b>		<u>2,035,049</u>	<u>1,111,782</u>
<b>Total assets</b>		<u>22,216,442</u>	<u>16,101,015</u>
<b>Equity</b>			
Share capital	6	275,000	175,000
Contribution from Government of Malaysia ("GoM")	7	20,847,203	15,042,203
Accumulated losses		(32,280)	(25,983)
<b>Equity attributable to the owners of the Company</b>		<u>21,089,923</u>	<u>15,191,220</u>
<b>Liabilities</b>			
Other payables and accruals	8	1,126,519	906,143
Current tax liabilities		-	3,652
<b>Total current liabilities</b>		<u>1,126,519</u>	<u>909,795</u>
<b>Total liabilities</b>		<u>1,126,519</u>	<u>909,795</u>
<b>Total equity and liabilities</b>		<u>22,216,442</u>	<u>16,101,015</u>

The notes on pages 10 to 31 are an integral part of these financial statements.

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

(Company No. 902884 - V)

(Incorporated in Malaysia)

## **Statement of profit or loss and other comprehensive income for the year ended 30 September 2016**

	Note	2016 RM'000	2015 RM'000
Other income		2,748	841
Administrative expenses		(53,375)	(37,927)
Finance income		39,969	48,642
Finance cost		(11)	(11)
<b>(Loss)/profit before tax</b>	9	(10,669)	11,545
Tax expense	10	4,372	(4,366)
<b>(Loss)/profit and total comprehensive (loss)/income for the year</b>		<u>(6,297)</u>	<u>7,179</u>

The notes on pages 10 to 31 are an integral part of these financial statements.

# MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No. 902884 - V)

(Incorporated in Malaysia)

## Statement of changes in equity for the year ended 30 September 2016

	Share capital RM'000	Contribution from GoM RM'000	Accumulated losses RM'000	Total RM'000
<b>At 1 October 2014</b>	94,000	10,823,203	(33,162)	10,884,041
Issue of ordinary shares	81,000	(81,000)	-	-
Contribution from GoM	-	4,300,000	-	4,300,000
Profit and total comprehensive income for the year	-	-	7,179	7,179
<b>At 30 September 2015/ 1 October 2015</b>	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 loss for the year	-	-	(6,297)	(6,297)
<b>At 30 September 2016</b>	275,000	20,847,203	(32,280)	21,089,923
	Note 6	Note 7		

The notes on pages 10 to 31 are an integral part of these financial statements.

# MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No. 902884 - V)

(Incorporated in Malaysia)

## Statement of cash flows for the year ended 30 September 2016

	Note	2016 RM'000	2015 RM'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(10,669)	11,545
Adjustments for:			
Depreciation of property, plant and equipment		6,363	3,288
Property, plant and equipment written off		-	137
Loss on disposal of property, plant and equipment		213	-
Finance income		(39,969)	(48,642)
Finance costs		11	11
<b>Operating loss before changes in working capital</b>		(44,051)	(33,661)
<i>Changes in working capital:</i>			
Other receivables, deposits and prepayments		(1,137,164)	(127,885)
Other payables and accruals		32,201	(352,483)
<b>Cash used in operations</b>		(1,149,014)	(514,029)
Interest paid		(11)	(11)
Tax paid		(566)	(1,000)
<b>Net cash used in operating activities</b>		(1,149,591)	(515,040)
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(i)	(4,794,318)	(4,623,096)
Proceeds from disposal of property, plant and equipment		20	-
Interest received		40,906	46,354
<b>Net cash used in investing activities</b>		(4,753,392)	(4,576,742)
<b>Cash flows from financing activity</b>			
Contribution from Government of Malaysia		5,905,000	4,300,000
<b>Net cash from financing activity</b>		5,905,000	4,300,000
<b>Net increase/(decrease) in cash and cash equivalents</b>		2,017	(791,782)
<b>Cash and cash equivalents at beginning of the year</b>		757,236	1,549,018
<b>Cash and cash equivalents at end of the year</b>	(ii)	759,253	757,236

### (i) Acquisition of property, plant and equipment

During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM5,198,756,000 (2015: RM5,267,146,000) of which RM591,157,000 (2015: RM427,787,000) has yet to be settled as at year end, RM475,601,000 (2015: RM450,796,000) relates to retention sum payable to contractors and RM788,694,000 (2015: RM216,263,000) relates to contract advances which were capitalised as part of property, plant and equipment during the financial year.

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# MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No. 902884 - V)

(Incorporated in Malaysia)

## Statement of cash flows for the year ended 30 September 2016 (continued)

### (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	2016 RM'000	2015 RM'000
Deposits with licensed banks	5	758,934	754,127
Cash and bank balances	5	319	3,109
		<u>759,253</u>	<u>757,236</u>

The notes on pages 10 to 31 are an integral part of these financial statements.

# MASS RAPID TRANSIT CORPORATION SDN. BHD.

(Company No. 902884 - V)

(Incorporated in Malaysia)

## 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 28 November 2016.

## 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, 1965 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:

#### *MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016*

- MFRS 14, *Regulatory Deferral Accounts*\*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*\*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*

## 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 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except those marked as “\*” which are not applicable to the Company.
- 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.
- from the annual period beginning on 1 October 2018 for those accounting standards that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 October 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the 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 is currently assessing 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 is currently assessing 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 is currently assessing 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.

### **(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.

## 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 financial 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)**

### **(c) Cash and cash equivalents**

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

### **(d) Impairment**

#### **(i) Financial assets**

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

#### **(ii) Other assets**

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

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

## 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 first 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) Provisions**

A provision is recognised if, as a result of a past event, the Company 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 not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

## **2. Significant accounting policies (continued)**

### **(g) Provisions (continued)**

#### **Contingent liabilities (continued)**

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.

### **(h) Other income**

#### **(i) Tender income**

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

#### **(ii) Interest income**

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

### **(i) 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.

### **(j) 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.

## **2. Significant accounting policies (continued)**

### **(j) Income tax (continued)**

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.

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.

### **(k) 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

	Motor vehicles RM'000	Office equipment RM'000	Computer equipment RM'000	Furniture and fittings RM'000	Office renovations RM'000	Property, plant and equipment under construction RM'000	Total RM'000
<b>Cost</b>							
At 1 October 2014	6,937	2,065	1,268	3,686	3,960	9,712,351	9,730,267
Additions	1,359	156	386	2,591	2,856	5,259,798	5,267,146
Write off	-	(4)	-	(65)	(119)	-	(188)
At 30 September 2015/1 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	11,120	2,879	6,488	8,277	7,727	20,159,045	20,195,536
<b>Accumulated depreciation</b>							
At 1 October 2014	2,139	515	422	792	887	-	4,755
Depreciation for the year	1,536	264	363	574	551	-	3,288
Write off	-	-	-	(7)	(44)	-	(51)
At 30 September 2015/1 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	5,862	1,120	2,462	2,388	2,311	-	14,143
<b>Carrying amounts</b>							
At 1 October 2014	4,798	1,550	846	2,894	3,073	9,712,351	9,725,512
At 30 September 2015/1 October 2015	4,621	1,438	869	4,853	5,303	14,972,149	14,989,233
At 30 September 2016	5,258	1,759	4,026	5,889	5,416	20,159,045	20,181,393

### 3. Property, plant and equipment (continued)

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

	2016 RM'000	2015 RM'000
Personnel expenses		
- Wages, salaries and others	93,661	67,359
- Directors' fees and allowances	469	346
- Directors' remuneration	1,407	1,612
	<u>95,537</u>	<u>69,317</u>

- 3.2 The Company entered into the "Handing Over and Operating Agreement" and the "Non-fare Revenue Agreement" during the financial year ended 30 September 2016 in relation to Sungai Buloh-Kajang ("SBK") Line. The "Handing Over and Operating Agreement" will result in the Company remaining as the owner of SBK Line at an annual concession fee and the operations of the said line being handed over to a related company. The concession fee shall be subject to revision after two years of fare collection and every two years thereafter taking into consideration the potential fare income from the SBK Line.

The Directors have also represented that the Ministry of Finance is currently evaluating potential changes to the public transport infrastructure development, which may include, inter alia, reorganisation of entities (including the Company) that are involved in the infrastructure development.

Depending on the outcome of this reorganisation and the future potential of fare collections, there may be further re-assessment required of the appropriateness of the carrying amounts of the Asset Under Construction for the SBK Line.

### 4. Other receivables, deposits and prepayments

	Note	2016 RM'000	2015 RM'000
Contract advances	4.1	792,704	218,402
Sundry deposits		5,087	3,482
Interest income receivables		1,351	2,288
Goods and Service Tax ("GST") receivable	4.2	467,852	119,318
Prepayments		<u>7,516</u>	<u>11,056</u>
		<u>1,274,510</u>	<u>354,546</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. Other receivables, deposits and prepayments (continued)

- 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 RMCD and the Company have differing views on the latest commencement of operations of the Company which may affect the timing and quantum of the refund. The Company is still in negotiation with the RMCD to obtain the full refund of GST receivable.

The Directors have evaluated the matter and are of the view that the Company is entitled for the GST receivable.

#### 5. Cash and cash equivalents

	2016 RM'000	2015 RM'000
Deposits placed with licensed banks	758,934	754,127
Cash and bank balances	319	3,109
	<u>759,253</u>	<u>757,236</u>

The effective interest rate per annum of deposits with licensed banks at 30 September 2016 approximates 3.56% (2015: 3.76%) per annum.

#### 6. Share capital

	Amount 2016 RM'000	Number of shares 2016 '000	Amount 2015 RM'000	Number of shares 2015 '000
Authorised:				
Ordinary shares of RM1 each				
At 1 October/30 September	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 October	175,000	175,000	94,000	94,000
Issued during the year	<u>100,000</u>	<u>100,000</u>	<u>81,000</u>	<u>81,000</u>
At 30 September	<u>275,000</u>	<u>275,000</u>	<u>175,000</u>	<u>175,000</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 100,000,000 ordinary shares of RM1.00 each, at par, 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 80,999,998 ordinary shares of RM1.00 each, at par, 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	2016 RM'000	2015 RM'000
Retention sums	8.1	475,601	450,796
Accruals	8.2	650,918	455,347
		<u>1,126,519</u>	<u>906,143</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:-

	2016 RM'000	2015 RM'000
Within 1 year	233,759	-
1 - 2 years	233,759	450,796
2 - 3 years	8,083	-
	<u>475,601</u>	<u>450,796</u>

- 8.2 Included in accruals is RM591,157,000 (2015: RM427,787,000) in relation to accruals for the purchase of property, plant and equipment payable to suppliers/subcontractors of the KVMRT project.

## 9. (Loss)/profit before tax

	Note	2016 RM'000	2015 RM'000
<b>(Loss)/profit before tax is arrived at after charging:</b>			
Auditors' remuneration		85	75
Depreciation of property, plant and equipment	3	6,363	3,288
Personnel expenses:			
Wages, salaries and others		8,005	5,983
Contribution to defined contribution plans		965	716
Allowances		448	317
Property, plant and equipment written off		-	137
Loss on disposal of property, plant and equipment		213	-
Rental of premises		5,730	4,411
Finance cost		11	11
		<u>39,969</u>	<u>48,642</u>
<b>and after crediting:</b>			
Interest income		<u>39,969</u>	<u>48,642</u>

## 10. Tax expense

### *Recognised in profit or loss*

	2016 RM'000	2015 RM'000
<b>Current tax expense</b>		
- current year	280	4,652
- prior year overprovision	(4,652)	(286)
	<u>(4,372)</u>	<u>4,366</u>
<b>Reconciliation of tax expense</b>		
(Loss)/profit for the year	<u>(10,669)</u>	<u>11,545</u>
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)	(2,560)	2,886
Non deductible expenses	1,022	940
Deferred tax assets not recognised	1,818	860
Effect of change in tax rate	-	(34)
	<u>280</u>	<u>4,652</u>
Over provision in prior year	<u>(4,652)</u>	<u>(286)</u>
	<u>(4,372)</u>	<u>4,366</u>

## 10. Tax expense (continued)

### Unrecognised deferred tax assets

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

	2016 RM'000	2015 RM'000
Tax losses carry-forward	(69,786)	(69,786)
Unabsorbed capital allowances	(17,176)	(8,849)
Property, plant and equipment	7,894	3,919
Other deductible temporary differences	(6,953)	(3,729)
	<u>(86,021)</u>	<u>(78,445)</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.

## 11. Key management personnel compensation

	2016 RM'000	2015 RM'000
Directors:		
- Fees	469	346
- Remuneration	1,210	1,432
- Contribution to defined contribution plans	197	180
	<u>1,876</u>	<u>1,958</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.

## 12. Financial instruments

### 12.1 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”).

	<b>Carrying amount RM’000</b>	<b>L&amp;R/ (FL) RM’000</b>
<b>2016</b>		
<b>Financial assets</b>		
Other receivables and deposits	6,438	6,438
Cash and cash equivalents	759,253	759,253
	<u>765,691</u>	<u>765,691</u>
<b>Financial liabilities</b>		
Other payables and accruals	(1,126,519)	(1,126,519)
<b>2015</b>		
<b>Financial assets</b>		
Other receivables and deposits	5,770	5,770
Cash and cash equivalents	757,236	757,236
	<u>763,006</u>	<u>763,006</u>
<b>Financial liabilities</b>		
Other payables and accruals	(906,143)	(906,143)

### 12.2 Net gains and losses arising from financial instruments

	<b>2016 RM’000</b>	<b>2015 RM’000</b>
Net gains/(losses) arising on:		
Loans and receivables	39,969	48,642
Financial liabilities measured at amortised cost	(11)	(11)
	<u>39,958</u>	<u>48,631</u>

### 12.3 Financial risks management

The Company has exposure to financial risks as follows:

- Credit risk
- Liquidity risk
- Market risk

## 14. Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2016 RM'000	2015 RM'000
Less than one year	4,935	5,917
Between one and five years	1,891	4,877
	<u>6,826</u>	<u>10,794</u>

The Company has lease commitments under non-cancellable operating leases with the terms of more than one year for office premises and computer equipment. None of the leases includes contingent rentals.

## 15. Capital commitments

	2016 RM'000	2015 RM'000
<b>Capital expenditure commitments</b>		
Contracted but not provided for	<u>31,278,800</u>	<u>9,427,096</u>

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

## 16. Significant events

- i) The Company has received the final approval of the Klang Valley Mass Rapid Transit ("KVMRT") Sungai Buloh-Serdang-Putrajaya Line ("SSP Line") Railway Scheme on 7 October 2015 following the completion of the Public Inspection exercise pursuant to Section 84 of the Land Public Transport Act 2010.
- ii) Based on the MRT "Handing Over and Operating Agreement" between the Company and Rapid Rail Sdn Bhd, a related company, dated 30 June 2016, Rapid Rail Sdn Bhd has been appointed as the service operator of the KVMRT Sungai Buloh-Kajang Line ("SBK Line") assets and railway.

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

(Company No. 902884 - V)

(Incorporated in Malaysia)

**Statement by Directors pursuant to Section 169(15)  
of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 5 to 31 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 30 September 2016 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**



.....  
**Dato' Sri Shahril bin Mokhtar**

Kuala Lumpur,

Date: 28 November 2016

**KPMG (Firm No. AF 0758)**  
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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 Financial Statements**

We have audited the financial statements of MASS RAPID TRANSIT CORPORATION SDN. BHD., which comprise the statement of financial position as at 30 September 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 31.

#### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**MASS RAPID TRANSIT CORPORATION SDN. BHD.**  
(Company No. 902884-V)  
*Independent Auditors' Report for the financial year ended  
30 September 2016*

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 30 September 2016 and of its financial performance and 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, 1965 in Malaysia.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 4.2 to the financial statements, the Royal Malaysian Custom Department ("RMCD") and the Company have differing views on the GST status of the Company as well as the latest commencement of operations of the Company. The Company is still in negotiation with the RMCD to obtain the full refund of GST receivable. The final outcome of such negotiation remains uncertain and therefore the amount refundable cannot be presently determined.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

### **Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**KPMG**  
Firm Number: AF 0758  
Chartered Accountants



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

Petaling Jaya,

Date: 28 November 2016