



SURIA CAPITAL HOLDINGS BERHAD

**(COMPANY NO: 96895-W)
(INCORPORATED IN MALAYSIA)**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2017

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Condensed consolidated statements of comprehensive income
For the quarter and year-to-date ended 31 March 2017

	Note	Quarter and Year-to-date ended	
		31.03.2017 Unaudited RM'000	31.03.2016 Unaudited RM'000
Revenue		58,715	59,666
Cost of sales		(40,684)	(35,989)
Gross profit		18,031	23,677
Other items of income			
Interest income		413	745
Other income		8,212	8,087
Other items of expense			
Administrative expense		(8,482)	(9,266)
Finance costs		(1,069)	(1,466)
Other expenses		(39)	(326)
Profit before tax	A14	17,066	21,451
Income tax expense	A15	(3,990)	(5,450)
Profit net of tax		13,076	16,001
Other comprehensive income		-	-
Total comprehensive income for the period		13,076	16,001
Profit net of tax attributable to:			
Owners of the Company		13,076	16,001
Non-controlling interests		-	-
		13,076	16,001
Total comprehensive income attributable to:			
Owners of the Company		13,076	16,001
Non-controlling interests		-	-
		13,076	16,001
Earnings per ordinary share attributable to owners of the Company (sen per share):			
Basic	A16	4.54	5.55

The above condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statements of financial position
As at 31 March 2017

	Note	As at 31.03.2017 Unaudited RM'000	As at 31.12.2016 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A17	61,663	62,229
Concession assets	A18	724,495	728,614
Deferred tax assets		29,671	30,765
Other assets		33,931	33,931
Trade receivable		230,799	230,799
		1,080,559	1,086,338
Current assets			
Inventories	A19	4,444	4,028
Property development cost		71	-
Trade and other receivables		48,265	48,802
Other current assets		22,997	3,628
Income tax refundable		928	903
Investment securities	A21	127,624	144,104
Cash and bank balances	A20	71,715	60,958
		276,044	262,423
TOTAL ASSETS		1,356,603	1,345,798

Condensed consolidated statements of financial position (continued)
As at 31 March 2017

	Note	As at 31.03.2017 Unaudited RM'000	As at 31.12.2016 Audited RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	A22	10,645	10,637
Loan from Sabah Ports Authority		24,946	24,946
Amount due to Sabah State Government		5,927	5,927
Concession liabilities	A23	7,621	10,162
Trade and other payables		38,283	40,209
Income tax payable		271	271
		87,693	92,152
Net current assets		188,351	167,308
Non-current liabilities			
Borrowings	A22	409	225
Loan from Sabah Ports Authority		52,924	52,924
Amount due to Sabah State Government		11,911	17,779
Concession liabilities	A23	117,851	115,823
Employee defined benefit liability		196	196
Deferred tax liabilities		57,039	54,158
		240,330	241,105
TOTAL LIABILITIES		328,023	333,257
Net assets		1,028,580	1,012,541
Equity attributable to owners of the Company			
Share capital	A8	288,184	288,184
Share premium		70,641	70,641
Other reserves		1,862	1,862
Retained earnings	B10	667,893	651,854
		1,028,580	1,012,541
Non-controlling interests		-	-
TOTAL EQUITY		1,028,580	1,012,541
TOTAL EQUITY AND LIABILITIES		1,356,603	1,345,798

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

**Condensed consolidated statements of changes in equity
For the year-to-date ended 31 March 2017**

	Note	----- Attributable to owners of the Company -----								
		Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Non-distributable		Distributable	Non-distributable			Non- controlling interests RM'000
				Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserves total RM'000	Employee share option reserve RM'000	Premium paid on acquisition of non- controlling interests RM'000	
Opening balance at 1 January 2017		1,015,504	1,015,504	288,184	70,641	654,817	1,862	2,255	(393)	-
Total comprehensive income for the period		13,076	13,076	-	-	13,076	-	-	-	-
Transactions with owners										
Dividends on ordinary shares	A9	-	-	-	-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-	-	-	-	-
Closing balance at 31 March 2017		1,028,580	1,028,580	288,184	70,641	667,893	1,862	2,255	(393)	-

Condensed consolidated statements of changes in equity (continued)
For the year-to-date ended 31 March 2017

	Note	----- Attributable to owners of the Company -----								
		Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Non-distributable		Distributable	Non-distributable			Non- controlling interests RM'000
				Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserves total RM'000	Employee share option reserve RM'000	Premium paid on acquisition of non- controlling interests RM'000	
Opening balance at 1 January 2016		971,003	969,346	288,184	70,641	608,327	2,194	2,255	(61)	1,657
Total comprehensive income for the period		16,001	16,001	-	-	16,001	-	-	-	-
Transactions with owners										
Dividends on ordinary shares	A9	-	-	-	-	-	-	-	-	-
Acquisition of non- controlling interests		(1,989)	(332)	-	-	-	(332)	-	(332)	(1,657)
Total transactions with owners		(1,989)	(332)	-	-	-	(332)	-	(332)	(1,657)
Closing balance at 31 March 2016		985,015	985,015	288,184	70,641	624,328	1,862	2,255	(393)	-

The above condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statements of cash flows
For the year-to-date ended 31 March 2017

	Year-to-date ended	
	31.03.2017	31.03.2016
	Unaudited	Unaudited
	RM'000	RM'000
Operating activities		
Profit before tax	17,066	21,451
<u>Adjustments for:</u>		
Amortisation of concession assets	10,913	10,721
Allowance for impairment loss on:		
- trade receivables	-	2
- other receivables	-	-
Concession assets written off	-	-
Depreciation of property, plant and equipment	648	489
Employee defined benefit expenses	-	-
Employee leave entitlement	136	124
Finance costs	1,069	1,466
Gain on disposal of concession assets	-	-
Impairment loss on concession assets	-	-
Interest income	(413)	(745)
Inventories written off	-	-
Investment income from investment securities	(929)	(1,141)
Net fair value loss/(gain) on held for trading investment securities	(309)	(112)
Plant and equipment written off	-	3
Unrealised exchange loss/(gain)	9	(73)
Unwinding of discount on:		
- long term receivables	(4,562)	(4,425)
- concession liabilities	2,027	2,061
- dredging costs	-	-
Total adjustments	8,589	8,370
Operating cash flows before changes in working capital	25,655	29,821
<u>Changes in working capital:</u>		
Increase in inventories	(416)	(115)
Decrease/(increase) in trade and other receivables	537	(4,475)
Increase in other current assets	(19,369)	(14,420)
Increase/(decrease) in trade and other payables	1,797	(15,802)
Payment of concession liabilities	(2,540)	(2,492)
Payment of employee defined benefit liability	-	(9)
Total changes in working capital	(19,991)	(37,313)

Condensed consolidated statements of cash flows (continued)
For the year-to-date ended 31 March 2017

	Year-to-date ended	
	31.03.2017	31.03.2016
	Unaudited	Unaudited
	RM'000	RM'000
Cash flows from/(used in) operations	5,664	(7,492)
Interest received	-	-
Income tax paid	(1,475)	(376)
Income tax refunded	39	132
Real Property Gain Tax paid	-	-
Net cash flows from/(used in) operating activities	4,228	(7,736)
Investing activities		
(Increase)/decrease in cash at banks pledged and deposits with maturity more than 3 months	(6,252)	15,138
Increase in concession assets	(6,794)	(4,675)
Proceeds from disposal of property, plant and equipment	60	19
Proceeds from disposal of investment securities	32,711	16,139
Purchase of investment securities	(14,873)	(17,181)
Purchase of property, plant and equipment	(59)	(65)
Investment income received from investment securities	929	1,141
Interest received	413	745
Net cash flows from investing activities	6,135	11,261
Financing activities		
Interest paid	(138)	(831)
Proceeds from borrowings	346	171
Repayment of Islamic debt securities	-	(10,000)
Repayment of loan from Sabah State Government	(5,927)	(5,927)
Repayment of obligations under finance leases	(139)	(121)
Net cash flows used in financing activities	(5,858)	(16,708)
Net increase/(decrease) in cash and cash equivalents	4,505	(13,183)
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	31,723	52,081
Cash and cash equivalents at 31 March (Note A20)	36,228	38,898
Composition of cash and cash equivalents		
Cash on hand and at banks	30,162	28,451
Deposits with licensed banks and other financial institutions	6,066	10,447
Cash and cash equivalents at 31 March (Note A20)	36,228	38,898

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to these interim financial statements.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2017

A1. Corporate information

Suria Capital Holdings Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 May 2017.

A2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the first quarter ended 31 March 2017 are unaudited and have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016. These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

A3. Changes in accounting policies

The accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, except for the adoption of the following new/revised Malaysian Financial Reporting Standards ("MFRS"). The Group intend to adopt these standards, if applicable, when they become effective.

Effective for annual periods beginning on or after 1 January 2017.

- Amendments to MFRS 107: Disclosures Initiatives
- Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018.

- Annual Improvements to MFRSs 2014 – 2016 Cycle
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- MFRS 15 Revenue from Contracts with Customers
- Amendments to MFRS 4: Applying MFRS 9 Financial Instruments to MFRS 4 Insurance Contracts
- Amendments to MFRS 140: Transfers of Investment Property
- MFRS 9 Financial Instruments
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019.

- MFRS 16 Leases

Deferred.

- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2017

A3. Changes in accounting policies (continued)

The directors do not expect that the adoption of the standards and interpretations above to have any material impact on the financial statements in the period of initial application.

A4. Significant events and transactions

There were no significant event and transaction that would have had a material impact on the financial position and performance of the Group as at 31 March 2017.

A5. Comments about seasonal or cyclical factors

The businesses of the Group were not materially affected by the various festive seasons or cyclical fluctuations during the period.

A6. Unusual items due to their nature, size or incidence

There was no material unusual item affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 31 March 2017.

A7. Changes in estimates

There was no change in estimate that had a material effect in the current quarter results and preceding quarter.

A8. Issues, repurchases and repayments of debt and equity securities

During the current quarter, there was no repayment made for debt securities (31 March 2016: RM10,000,000). However, there was repayment made for loan from Sabah State Government amounting to RM5,927,000 in the current quarter (31 March 2016: RM5,927,000).

A9. Dividends paid

There were no payment of dividend during the current quarter and financial year-to-date ended 31 March 2017 (31 March 2016: Nil).

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2017

A10. Segmental information

The Group is organised into business units based on their products and services, and has six operating segments as follows:

- (a) The port operations are involved in the provision and maintenance of port services and facilities, and the regulation and control of the management of ports.
- (b) The logistics and bunkering services segment deals with the provisions of bunkering and related services.
- (c) The contract and engineering segment deals with contracts and project management consultancy works.
- (d) The ferry terminal operations segment deals with ferry and international cruise terminal operations.
- (e) The investment holding segment is involved in Group-level corporate services, treasury functions and investment in marketable securities.
- (f) The property development segment is involved in joint venture projects for mixed commercial development.

There has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

Port operations

For the current quarter and year-to-date, the port operations segment contributed 96% to the Group's revenue (31 March 2016: 96%) and 79% (31 March 2016: 86%) to the Group's profit before tax.

The operations for this segment are mainly in Sabah and Sabah Ports plays an important role in supporting the state's economy as shipping is widely used to transport imports and exports.

The cargo volume handled at Sabah Ports is closely correlated to the Sabah state economy and also the regional economy. For the current quarter and year-to-date, there was an increase in total tonnage handled by 2%, mainly contributed by higher bulk oil throughput. The total tonnage handled for the current quarter and year-to-date was 6.9 million metric tonnes.

The category of container which is charged differently as per the Sabah Ports' Tariff registered a decrease in total TEUs handled in the current quarter and year-to-date by 4% to 81,014 from 84,733 TEUs in the preceding year's corresponding quarter and year-to-date.

Profit before tax has declined by RM0.4 million (2%) to RM18.2 million for the current year-to-date from RM18.6 million in prior year. This was mainly due to lower revenue and higher operating expenditures in the current quarter and year-to-date under review. Higher operating expenditures was mainly attributable to higher leasing of port land and amortisation of capital expenditure.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2017

A10. Segmental information (continued)

Port operations (continued)

Despite the challenges and uncertainties in the regional trade and oil palm market, we expect there will be improvement in cargo throughput and containers going through the wharves for the coming months in relation to improvement in the national economy.

Logistics and bunkering services

For the current quarter and year-to date, the logistics and bunkering services segment contributed 2% (31 March 2016: 1%) to the Group's revenue and registered a loss before tax of RM0.1 million (31 March 2016: loss of RM0.2 million).

Although low volume was registered for the supply of fuel, the Company will continue to support the ports business in logistics handling, fresh water supply, shipping agency services as well as the collection of waste oil and marine garbage disposal.

Contract and engineering and ferry terminal operations

For the current quarter and year-to-date, this segment contributed 3% of the Group's revenue (31 March 2016: 3%) and registered a small profit of RM49,000 (31 March 2016: profit of RM0.2 million).

In the ferry terminal operations, the passenger fees from Jesselton Point operations is the main source of revenue, contributed 51% to this segment's revenue (31 March 2016: 51%). Other revenues are derived from retail outlets, indoor soccer centre and handling of cruise ship passengers at Kota Kinabalu Port.

As for the contract and engineering, although it has been giving minimum contribution towards to Group's revenue and profit for the recent past years, it is now ready to undertake new projects.

Gross profit margin for this segment has dropped to 35% from 39% in 2016.

Investment holding

The investment holding or corporate segment's revenue, mainly management fees and dividend income receivable from subsidiaries are eventually eliminated at Group's level.

Other income derived from short term investments securities and fixed deposits with licensed financial institutions are classified under other income category.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2017

A10. Segmental information (continued)

Property development

The property development's revenue is a non-recurring income to the Group which was derived from the Joint Venture with SBC Corporation Berhad to develop a parcel of development land approximately 16.25 acres, namely Jesselton Quay project at Tanjung Lipat, Kota Kinabalu.

This segment's revenue has been fully recognised in 2015 based on the minimum entitlement as per the Joint Venture Agreement but discounted to the net present value, as the proceeds will be receivable over 8 years.

Thus, for the year 2017, there would not be any amount recognised in Group's revenue except for the unwinding of discount on long term trade receivable amounted to RM4.6 million recognised under other income.

The physical works of the project have commenced in December 2016.

The segment results are as follows:

	Quarter and Year-to-date ended	
	31.03.2017 RM'000	31.03.2016 RM'000
Segment revenue		
Investment holding	2,663	2,663
Property development		-
Port operations	56,221	57,270
Logistics and bunkering services	2,058	1,467
Contract and engineering and ferry terminal operations	1,527	1,587
Revenue including inter-segment sales	62,469	62,987
Elimination of inter-segment sales	(3,754)	(3,321)
Total revenue	58,715	59,666
Segment results		
Investment holding	668	275
Property development	4,562	4,425
Port operations	13,474	18,357
Logistics and bunkering services	(112)	(178)
Contract and engineering and ferry terminal operations	49	147
Profit from operations including inter- segment transactions	18,641	23,026
Elimination of inter-segment transactions	(1,575)	(1,575)
Total profit before tax	17,066	21,451

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2017

A11. Subsequent events after the reporting period

There were no material events subsequent to the end of the interim reporting year that have not been reflected in the condensed consolidated interim financial statements.

A12. Changes in the composition of the Group

There were no changes in the composition of the Group during the interim financial period ended 31 March 2017.

A13. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the three months period and year-to-date ended 31 March 2017 and 31 March 2016:

	Quarter and Year-to-date ended	
	31.12.2016 RM'000	31.03.2016 RM'000
<i>Subsidiaries:</i>		
Dividend income	1,575	1,575
Interest income	1	3
Management fees income	1,065	1,065
Rental income	23	23
<i>Company related to Substantial shareholder:</i>		
Car leasing expenses	24	38

The directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

All outstanding balances with these related parties are unsecured and are to be settled in cash within three months of the reporting date.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2017

A14. Profit before tax

Included in the profit before tax are the following items :

	Quarter and Year-to-date ended	
	31.03.2017 RM'000	31.03.2016 RM'000
Employee benefits expense	15,997	15,614
Non-executive directors' remuneration	325	317
Allowance for impairment loss on:		
- trade receivables	23	2
- other receivables	-	-
Amortisation of concession assets	10,986	10,721
Auditors' remuneration:		
Statutory audit:		
- current year	32	32
- under/(over) provision in respect of previous year	5	-
Other services:		
- current year	20	-
- under/ (over) provision in respect of previous year	-	9
Depreciation of property, plant and equipment	648	489
Hiring of equipment and motor vehicles	44	47
Concession assets written off	-	-
Impairment loss on concession assets	-	-
Inventories written down	-	-
Leasing of port land	2,675	1,317
Net fair value (gain)/loss on financial instruments:		
- Investment securities	(310)	41
(Gain)/loss on disposals of property, plant and equipment	(27)	-
Plant and equipment written off	-	3
Realised (gain)/loss on foreign exchange, net	6	696
Rental of office premises	251	230
Reversal of allowance for impairment loss:		
- trade and other receivables	(134)	6
Unrealised exchange (gain)/loss	9	(73)

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2017

A15. Income tax expense

	Quarter and Year-to-date ended	
	31.03.2017 RM'000	31.03.2016 RM'000
Income tax expense for the year-to-date:		
Malaysian income tax	13	275
Deferred tax	3,977	5,175
Real property gain tax	-	-
	3,990	5,450

A subsidiary company, Sabah Ports Sdn. Bhd. had obtained approval from the Minister of Finance for its operations to be regarded as an approved service project under Schedule 7B of the Income Tax Act, 1967, whereby the subsidiary is entitled to claim investment allowance tax incentive at the rate of 100% on capital expenditure incurred for the period of five years from 1 September 2004 to 31 August 2009.

As at 31 December 2016, the total investment allowance claimed by this subsidiary arising from this approval was approximately RM689.2 million and it has been fully utilised in year 2016.

Income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year-to-date.

A16. Earnings per share

Basic earnings per share amount is calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year-to-date.

	Quarter and Year-to-date ended	
	31.03.2017 RM'000	31.03.2016 RM'000
Profit net of tax for the financial year-to-date	13,076	16,001
Less: Attributable to non-controlling interests	-	-
Profit net of tax attributable to owners of the Company	13,076	16,001
Weighted average number of ordinary shares	288,184	288,184
Basic earnings per ordinary share (sen)	4.54	5.55

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2017

A17. Property, plant and equipment

Acquisitions and disposals

The cash outflow on acquisition of property, plant and equipment amounted to RM59,000 (31 March 2016: RM65,000).

During the current quarter and year-to-date ended 31 March 2017, assets with carrying amount of RM33,000 had been disposed off (31 March 2016: Nil), resulting in a gain on disposal of RM27,000 which had been included under other income in the statements of comprehensive income.

Write-down of property, plant and equipment

During the current quarter and year-to-date ended 31 March 2017, there were no write-down of property, plant and equipment (31 March 2016: Nil).

A18. Concession assets

Group	Port concession rights RM'000	Leased port infrastructure and facilities RM'000	Capital expenditure RM'000	Total RM'000
Cost:				
At 1 January 2017	213,679	45,296	889,907	1,148,882
Addition	-	-	7,278	7,278
Disposal	-	-	(483)	(483)
Write off	-	-	-	-
At 31 March 2017	213,679	45,296	896,702	1,155,677
Accumulated amortisation:				
At 1 January 2017	86,224	18,622	315,422	420,268
Amortisation	1,799	378	8,737	10,914
Disposal	-	-	-	-
Write off	-	-	-	-
Impairment loss recognised in profit or loss	-	-	-	-
At 31 March 2017	88,023	19,000	324,159	431,182
Net carrying amount:				
At 31 December 2016	127,455	26,674	574,485	728,614
At 31 March 2017	125,656	26,296	572,543	724,495

Capital expenditures recognised as concession assets are to be handed over at no costs to Sabah Ports Authority upon the expiry of the concession period.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2017

A19. Inventories

There were no inventories been written down during the current quarter and financial year-to-date ended 31 March 2017 (31 March 2016: Nil).

A20. Cash and cash equivalents

	As at 31.03.2017 RM'000	As at 31.03.2016 RM'000
Cash at banks and on hand	30,162	28,451
Cash at banks pledged as securities for Islamic debts securities	10,298	343
Short term deposits with:		
- licensed banks	3,812	7,275
- other financial institutions	2,254	3,172
Deposits with maturity more than 3 months	25,189	46,751
	71,715	85,992

Short term deposits are made for varying periods of between 1 month and 3 months depending on the immediate cash requirements of the Group, and earn interests at the respective short term deposit rates. The weighted average effective interest rate as at 31 March 2017 for the Group was 3.75% (31 March 2016: 3.5%).

Deposits of the Group with a financial institution with maturity more than 3 months amounting to RM5,864,000 (2016: RM5,694,000) are held under lien to secure bank guarantees which includes guarantees made in favour of the Sabah Ports Authority against lease rental of port land payable to Sabah Ports Authority and the due maintenance of Sabah Ports' properties and facilities.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	As at 31.03.2017 RM'000	As at 31.03.2016 RM'000
Cash on hand and at banks	30,162	28,451
Short term deposits with:		
- licensed banks	3,812	7,275
- other financial institutions	2,254	3,172
	36,228	38,898

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2017

A21. Fair value hierarchy

A. Fair value hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

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

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

B. Assets measured at fair value

The following table shows an analysis of the class of assets measured at fair value at the reporting date:

	Fair value measurements at the reporting date using			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Assets – financial assets				
Investment securities				
- 31 March 2017	-	127,624	-	127,624
- 31 December 2016	-	144,104	-	144,104

C. Level 2 fair value measurements

The following is the description of the valuation techniques and inputs used in the fair value measurement for assets that are categorised within Level 2 of the fair value hierarchy.

Investment securities

The fair value of investment securities are determined by reference to prices quoted by independent brokers.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2017

A22. Interest-bearing loans and borrowings

Total Group's loans and borrowings as at 31 March 2017 and 31 December 2016 were as follows:

	As at 31.03.2017 RM'000	As at 31.12.2016 RM'000
Current		
Secured:		
- Islamic debt securities	10,180	10,144
- Obligations under finance leases	465	493
	<u>10,645</u>	<u>10,637</u>
Non-current		
Secured:		
- Islamic debt securities	-	-
- Obligations under finance leases	409	225
	<u>409</u>	<u>225</u>
	<u>11,054</u>	<u>10,862</u>

The above borrowings are denominated in local currency.

There were no loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period.

A23. Concession liabilities

Group	31.03.2017 RM'000	31.12.2016 RM'000
At 1 January	125,985	127,706
Unwinding of discount	2,027	8,242
Payments	(2,540)	(9,963)
At 31 December	<u>125,472</u>	<u>125,985</u>
Current	7,621	10,162
Non current:		
More than 1 year and less than 2 years	10,583	9,690
More than 2 years and less than 5 years	43,708	26,486
5 years or more	63,560	79,647
	<u>117,851</u>	<u>115,823</u>
	<u>125,472</u>	<u>125,985</u>

This represents provision for annual fixed periodic lease payments and concession fees payable to the Sabah Ports Authority.

Part A: Explanatory notes pursuant to MFRS 134
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A24. Capital commitments

	As at 31.03.2017 RM'000	As at 31.03.2016 RM'000
Approved and contracted for		
Sapangar Bay bunkering line	179	179
Jetty head extension at Sapangar Bay Oil Terminal	1,391	1,134
Jetty extension at Karamunting Palm Oil Terminal, Sandakan port	135,096	843
Extension of container yard at Sapangar Bay Container Port	294	785
Purchase of cargo handling equipment	43,896	-
Major repairs and improvements at ports	7,145	3,170
	188,001	6,111
Approved but not contracted for		
Purchase of property, plant and equipment	234,338	326,248
Improvement to port infrastructure facilities	57,192	212,863
	291,530	539,111
	479,531	545,222

A25. Contingent liabilities or assets

There were no changes in contingent liabilities or contingent assets since the last balance sheet date.

Part B: Explanatory notes pursuant to Listing Requirements of Bursa Malaysia Securities Berhad

B1. Performance review

Quarter and year-to-date

For the current quarter and year-to-date ended 31 March 2017, the Group registered revenue of RM58.7 million, decreased by RM1.0 million or 2% when compared to the previous year's corresponding quarter and year-to-date ended 31 March 2016 of RM59.7 million. The decline in revenue was mainly attributable to the lower revenue registered by port operations segment.

The Group registered a pre-tax profit of RM17.1 million for the quarter and year-to-date ended 31 March 2017, decreased by RM4.4 million (20%) from RM21.5 million for the corresponding quarter and year-to-date ended 31 March 2016, mainly due to higher operating expenditures.

Explanatory comment on the performance of each of the Group's business activities is provided in Note A10.

B2. Comment on material change in profit before taxation

The Group reported a pre-tax profit of RM17.1 million for the current quarter as compared to RM16.4 million for the immediate preceding quarter, representing an increase of RM0.7 million (4%), mainly due to higher other income in the current quarter.

B3. Commentary on prospects

Port operations will continue to be the core business of the Group. The weak economic condition has caused the softening of cargoes and containers throughput handled at wharves. Despite the challenges that may be faced, the Board is of the view that the port operations will remain resilient and the Board is optimistic of achieving satisfactory performance for the financial year.

B4. Statement by directors on achievability of revenue or profit estimate, forecast, projection or internal targets

The statement by directors on achievability of revenue or profit estimate, forecast, projection or internal targets are not applicable. The Board did not announce or disclose any profit estimate, forecast, projection or internal management targets in a public document.

Part B: Explanatory notes pursuant to Listing Requirements of Bursa Malaysia Securities Berhad

B5. Profit forecast or profit guarantee

The disclosure requirements for explanatory information for the variance of actual profit after tax and non-controlling interest and forecast profit after tax and non-controlling interest and for the shortfall in profit guarantee are not applicable.

B6. Corporate proposals

There are no corporate proposals announced as at the date of issue of these financial statements.

B7. Changes in material litigation

There were no material litigations for the current financial quarter and financial year-to-date.

B8. Dividends declared

No interim ordinary dividend has been recommended in respect of the financial year-to-date ended 31 March 2017 (31 March 2016: Nil). Please refer note A9.

B9. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not enter into any financial liabilities measured at fair value through profit or loss as at 31 March 2017 and 31 March 2016.

B10. Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group as at 31 March 2017 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with *Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

	As at 31.03.2017 RM'000	As at 31.03.2016 RM'000
Realised	676,218	643,378
Unrealised	(22,977)	(23,735)
Add: Consolidation adjustments	653,241	619,643
Total Group retained earnings as per financial statements	14,652	4,685
	667,893	624,328

B11. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2016 was not qualified.

Part B: Explanatory notes pursuant to Listing Requirements of Bursa Malaysia Securities Berhad

B12. Authorisation for issue

The Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 May 2017.