



# **SURIA CAPITAL HOLDINGS BERHAD**

(COMPANY No: 96895-W)

(INCORPORATED IN MALAYSIA)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2015

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**Condensed consolidated statements of comprehensive income**  
**For the quarter and year-to-date ended 30 September 2015**

	Note	Current quarter 3 months ended		Year-to-date ended	
		30.09.2015 Unaudited RM'000	30.09.2014 Unaudited RM'000	30.09.2015 Unaudited RM'000	30.09.2014 Unaudited RM'000
<b>Revenue</b>		65,166	62,355	427,424	202,192
Cost of sales		(42,108)	(35,660)	(241,145)	(119,590)
<b>Gross profit</b>		23,058	26,695	186,279	82,602
<b>Other items of income</b>					
Interest income		757	660	2,416	1,825
Other income		9,011	3,297	20,495	8,365
<b>Other items of expense</b>					
Administrative expense		(8,024)	(6,545)	(20,072)	(19,284)
Finance costs		(1,882)	(2,263)	(5,691)	(6,974)
Other expenses		(2,412)	(1,469)	(44,051)	(3,737)
<b>Profit before tax</b>	A14	20,508	20,375	139,376	62,797
Income tax expense	A15	(2,761)	(5,714)	(17,761)	(17,265)
<b>Profit net of tax</b>		17,747	14,661	121,615	45,532
Other comprehensive income		-	-	-	(101)
<b>Total comprehensive income for the period</b>		17,747	14,661	121,615	45,431
Profit net of tax attributable to:					
Owners of the Company		18,002	14,593	121,987	45,526
Non-controlling interests		(255)	68	(372)	6
		17,747	14,661	121,615	45,532
Total comprehensive income attributable to:					
Owners of the Company		18,002	14,593	121,987	45,425
Non-controlling interests		(255)	68	(372)	6
		17,747	14,661	121,615	45,431
<b>Earnings per ordinary share attributable to owners of the Company (sen per share):</b>					
Basic	A16	6.35	5.15	43.06	16.07

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**Condensed consolidated statements of financial position**  
**As at 30 September 2015**

	Note	As at 30.09.2015 Unaudited RM'000	As at 31.12.2014 Audited RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	A17	64,237	64,008
Land held for property development		-	120,885
Concession assets	A18	733,773	773,811
Deferred tax assets		19,681	
		817,691	958,704
<b>Current assets</b>			
Inventories	A19	4,279	5,051
Trade receivables		259,225	22,729
Other receivables		7,322	9,643
Other current assets		9,106	3,343
Income tax refundable		256	18,836
Investment securities	A21	131,539	107,916
Cash and bank balances	A20	132,724	122,465
		544,451	289,983
<b>TOTAL ASSETS</b>		<b>1,362,142</b>	<b>1,248,687</b>

**Condensed consolidated statements of financial position (continued)**  
**As at 30 September 2015**

Note	As at 30.09.2015 Unaudited RM'000	As at 31.12.2014 Audited RM'000
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Borrowings	10,739	10,435
Loan from Sabah Ports Authority	23,064	23,064
Amount due to Sabah Ports Authority	2,000	2,000
Amount due to Sabah State Government	5,927	5,927
Concession liabilities	9,963	9,772
Trade payables	8,930	12,876
Other payables	38,146	25,294
Income tax payable	10,037	163
	108,806	89,531
<b>Net current assets</b>	<b>435,645</b>	<b>200,452</b>
<b>Non-current liabilities</b>		
Borrowings	11,070	20,022
Loan from Sabah Ports Authority	101,856	101,856
Amount due to Sabah State Government	23,706	29,633
Concession liabilities	118,097	119,352
Employee defined benefit liability	922	14,289
Deferred tax liabilities	37,110	23,707
	292,761	308,859
<b>TOTAL LIABILITIES</b>	<b>401,567</b>	<b>398,390</b>
<b>Net assets</b>	<b>960,575</b>	<b>850,297</b>
<b>Equity attributable to owners of the Company</b>		
Share capital	283,328	283,328
Share premium	62,785	62,785
Retained earnings	612,881	502,230
Other reserve	(61)	(61)
	958,933	848,282
<b>Non-controlling interests</b>	<b>1,642</b>	<b>2,015</b>
<b>TOTAL EQUITY</b>	<b>960,575</b>	<b>850,297</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,362,142</b>	<b>1,248,687</b>

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**Condensed consolidated statements of changes in equity**  
**For the year-to-date ended 30 September 2015**

	Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Attributable to owners of the Company-----			Non- controlling interests RM'000	
				Non-distributable	Distributable	Non- distributable		
				Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserve RM'000	
<b>Opening balance at 1 January 2015</b>		850,297	848,282	283,328	62,785	502,230	(61)	2,015
Profit net of tax		121,615	121,987	-	-	121,987	-	(372)
Dividends	A9	(11,333)	(11,333)	-	-	(11,333)	-	-
<b>Closing balance at 30 September 2015</b>		960,579	958,936	283,328	62,785	612,884	(61)	1,643

**Condensed consolidated statements of changes in equity (continued)**  
**For the year-to-date ended 30 September 2015**

	Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Attributable to owners of the Company-----			Non- controlling interests RM'000	
				Non-distributable	Distributable	Non- distributable		
				Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserve RM'000	
<b>Opening balance at 1 January 2014</b>		840,440	838,352	283,328	62,785	492,300	(61)	2,088
Profit net of tax		45,532	45,526	-	-	45,526	-	6
Remeasurement loss on employee defined benefit liability representing other comprehensive income for the period		(101)	(101)	-	-	(101)	-	-
Dividends paid by a subsidiary		(84)	-	-	-	-	-	(84)
Dividends	A9	(11,333)	(11,333)	-	-	(11,333)	-	-
<b>Closing balance at 30 September 2014</b>		874,454	872,444	283,328	62,785	526,392	(61)	2,010

These condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**Condensed consolidated statements of cash flows**  
**For the year-to-date ended 30 September 2015**

	Year-to-date ended	
	30.09.2015 Unaudited RM'000	30.09.2014 Unaudited RM'000
<b>Operating activities</b>		
Profit before tax	139,376	62,797
<u>Adjustments for:</u>		
Amortisation of:		
- port concession rights	3,566	2,765
- port lease rental and concession fee	2,796	-
- PMS software and license	62	62
- capital expenditure	25,583	23,334
Allowance for impairment loss on receivables		
- trade receivables	1,499	57
- other receivables	459	-
Depreciation of property, plant and equipment	1,455	1,064
Employee defined benefit expense	233	1,078
Employee leave entitlement	349	357
Finance costs	5,691	6,974
Gain on disposal of equipment	(1)	-
Impairment loss on concession assets	20,300	-
Interest income	(2,624)	(2,334)
Inventories written down	(52)	-
Investment income from investment securities	(2,943)	(2,502)
Net fair value gain on held for trading investment securities	(385)	(280)
Non-recurring gain on property development	(112,457)	-
Plant and equipment written off	18	57
Provision for share grant and ESOS expenses	(13,500)	-
Unrealised exchange (gain)/loss	(542)	9
Unwinding of discount of trade receivables	(8,654)	-
Waiver of amounts due to creditors	-	-
<b>Total adjustments</b>	<b>(79,147)</b>	<b>30,641</b>
<b>Operating cash flows before changes in working capital</b>	<b>60,229</b>	<b>93,438</b>
<u>Changes in working capital:</u>		
Decrease/(increase) in inventories	772	(86)
(Increase)/decrease in trade and other receivables	(234,175)	1,272
Increase in other current assets	(5,755)	(2,698)
(Increase)/decrease in cash at banks pledged and deposits with maturity more than 3 months	(32,031)	4,397
Increase/(decrease) in trade and other payables	3,330	(73,035)
Increase/(decrease) in other current liability		406
Increase in tax payables	28,454	-
Payment of concession liabilities	(18,266)	(16,667)
Payment of employee defined benefit liability	(13,199)	(230)
<b>Total changes in working capital</b>	<b>(270,870)</b>	<b>(86,641)</b>



**Condensed consolidated statements of cash flows (continued)**  
**For the year-to-date ended 30 September 2015**

	Year-to-date ended	
	30.09.2015 Unaudited RM'000	30.09.2014 Unaudited RM'000
<b>Cash flows from operations</b>	(210,641)	6,797
Income tax paid	(932)	(791)
Real Property Gain Tax paid	(15,503)	-
Income tax refunded	21,018	681
<b>Net cash flows used in operating activities</b>	(206,058)	6,687
<b>Investing activities</b>		
Decrease/(increase) in land held for property development	120,885	(224)
Proceeds from disposal of property, plant and equipment	29	121
Purchase of property, plant and equipment	(14,232)	(6,674)
Proceeds from disposal of investment securities	41,649	87,253
Purchase of investment securities	(62,168)	(72,526)
Non-recurring gain on property development	121,111	-
Investment income received from investment securities	2,943	2,502
Interest received	2,624	2,334
<b>Net cash flows from investing activities</b>	212,841	12,787
<b>Financing activities</b>		
Dividends paid	(11,333)	(11,333)
Dividends paid to non-controlling interests	-	(84)
Interest paid	(2,271)	(2,246)
Proceeds from borrowings	1,173	33
Repayment of Islamic debt securities	(10,000)	(10,000)
Repayment of loan from Sabah State Government	(5,927)	(5,927)
Repayment of loan from Sabah Ports Authority	-	-
Repayment of borrowings	-	-
Repayment of obligations under finance leases	(197)	-
<b>Net cash flows used in financing activities</b>	(28,555)	(29,557)
<b>Net increase/(decrease) in cash and cash equivalents</b>	(21,772)	(10,083)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	-	-
<b>Cash and cash equivalents at 1 January</b>	106,279	110,604
<b>Cash and cash equivalents at 30 September (Note A20)</b>	84,507	100,521
<b>Composition of cash and cash equivalents</b>		
Cash on hand and at banks	16,584	19,436
Deposits with licensed banks and other financial institutions	67,923	81,085
<b>Cash and cash equivalents at 30 September</b>	84,507	100,521

These condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2015**

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**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 26 November 2015.

**A2. Basis of preparation**

The condensed consolidated interim financial statements of the Group for the third quarter ended 30 September 2015 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 2014. 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 2014.

**A3. Changes in accounting policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2014, except for the adoption of the following new/revised Malaysian Financial Reporting Standards ("MFRS"):

Effective for annual periods beginning on or after 1 January 2016.

- Annual Improvements to MFRSs 2012 - 2014 Cycle
- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
- MFRS 14 Regulatory Deferral Accounts

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

- MFRS 15 Revenue from Contracts with Customers

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

- MFRS 9 Financial Instruments

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.

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2015**

**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 30 September 2015.

**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 30 September 2015.

**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**

There were no issue, repurchase, and repayment of debt and equity securities for the current quarter ended 30 September 2015.

**A9. Dividends paid**

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2015 RM'000	30.09.2014 RM'000	30.09.2015 RM'000	30.09.2014 RM'000
<u>For 2013:</u> 4.0% final tax exempt dividend, on 283,327,992 ordinary shares, declared on 24 June 2014 and paid on 25 July 2014	-	11,333	-	11,333
<u>For 2014:</u> 4.0% final tax exempt dividend, on 283,327,992 ordinary shares, declared on 15 June 2015 and paid on 31 July 2015	11,333	-	11,333	-
	11,333	11,333	11,333	11,333

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2015**

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**A10. Segmental information**

The Group is organised into business units based on their products and services, and has five 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.

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, except for a new business segment of property development which is non-recurring and has been reflected in the current year-to-date.

**Property development**

For the current quarter, the property development segment did not generate any revenue to the Group. However, an amount of RM4.4 million was recognised as other income during the quarter, being the unwinding of discounts for trade receivables, considering the proceeds from property development will be receivable over 8 years. This constitutes about 21% from the total Group's operating profit for the quarter (30 September 2014: Nil).

For the year-to-date, it contributed 55% (30 September 2014: Nil) of the Group's revenue and 87% (30 September 2014: Nil) of the Group's operating profit.

The income 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.

The project has not commenced but income has been recognised based on the minimum entitlement as per the Joint Venture Agreement but after the discounting factor. The income derived from the deemed disposal of land held for property development due to accounting treatment and tax opinion. The project is targeted to commence by end of this year.

**Port operations**

For the current quarter, the port operations segment contributed 85% of the Group's revenue (30 September 2014: 92%) and 91% (30 September 2014: >100%) of the Group's operating profit.

For the year-to-date, it contributed 38% (30 September 2014: 85%) of the Group's revenue and 27% (30 September 2014: >100%) of the Group's operating profit.

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.

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2015**

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**A10. Segmental information (continued)**

**Port operations (continued)**

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 a decrease in total tonnage handled by 2% and 3% respectively, mainly attributed to lower palm oil and general cargo throughput.

The category of container which is charged differently as per the Sabah Ports' Tariff registered a decline in total TEUs in the current quarter by 6% to 93,182 from 98,777 TEUs in the preceding year's corresponding quarter and a decline by 8% to 275,719 from 299,259 TEUs for the year-to-date.

The decrease in throughput and containers handled in the current quarter and year-to-date has led to the decrease of the segment's revenue by 3% from RM57.4 million in the preceding year's corresponding quarter to RM55.6 million for the quarter. Subsequently, the year-to-date's revenue has also decreased by 6% to RM162.8 million from RM172.8 million for the same period last year.

Port's operating expenses for the quarter was slightly higher by 5% to RM32.9 million from RM31.5 million mainly due to higher amortization of capital expenditure. However, there was a slight decrease in the port's operating expenses for the year-to-date ended 30 September 2015 by 2% from RM93.9 million to RM92.2 million, mainly attributable to lower repairs and maintenance and fuel and oil cost.

Operating profit has declined by RM3.2 million or 15% to RM18.6 million for the current quarter from RM21.8 million in corresponding quarter of 2014 mainly due to lower revenue. Subsequently, the year-to-date's operating profit has declined by RM27.6 million or 42% to RM38.1 million from RM65.7 million mainly due to the lower revenue and impairment of concession assets.

For the coming months, we expect the port operations to face challenges due to the economic slowdown and uncertainties in the regional container trade and the oil palm market.

**Logistics and bunkering services**

For the current quarter, the logistics and bunkering services segment contributed 13% (30 September 2014: 6%) of the Group's revenue and 3% (30 September 2014: <1% loss) of the Group's operating profit.

For the year-to-date, it contributed 6% (30 September 2014: 12%) of the Group's revenue and less than 1% (30 September 2014: <1% loss) of the Group's operating profit.

This segment shows improvement in term of revenue and profit contribution to the Group during the quarter and year-to-date, although the percentage declined for the year-to-date (due to the new segment of property development). The increase in business for this segment was mainly attributable to the increase in the sales of fuel volume.

However, the year-to-date performance for this segment was somehow affected by lower selling price of fuel in line with the reduction in world's oil price.

The segment was able to maintain the gross profit margin at 3% this year as compared to less than 1% last year. This was mainly due to higher volume.

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2015**

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**A10. Segmental information (continued)**

**Contract and engineering**

For the current quarter and financial year-to-date, the contract and engineering segment did not contribute positively to the Group's revenue and operating profit. Currently, the company has no major external project in hand and only doing small project management consultancy works.

A loss before tax of RM1.5 million for the year-to-date ended 30 September 2015 was recorded for this segment mainly due to provision for impairment of trade receivables.

**Ferry terminal operations**

During the year, the Group has done a rationalisation exercise whereby the ferry terminal operations and handling of cruise ships passengers which previously under Suria Bumiria Sdn Bhd was injected into another subsidiary, SCHB Engineering Services Sdn Bhd, which at the same time remains as the construction and engineering company for the Group. The exercise is part of the Group's business strategy to strengthen synergy between the two subsidiaries to capitalize on the combined skills and expertise for both companies. In turn, Suria Bumiria will become a dormant company.

This segment contributed less than 2% (30 September 2014: 2%) to the Group's revenue for the current quarter and 1% (30 September 2014: 2%) for the year-to-date.

For the current year-to-date, the passenger fees was the main source of revenue contributing 47% of the segment's revenue (30 September 2014: 49%) while rental received from retail outlets contributed 22% (30 September 2014: 19%), passenger fees from Kota Kinabalu international cruise terminal contributed 7% (30 September 2014: 12%) and income from indoor soccer centre contributed 9% (30 September 2014: 10%).

Total revenue declined by 15% mainly attributable to lower passenger fees income from the Jesselton Point ferry terminal which depicts the decrease in tourist arrivals in Sabah. Normally, tourists will go through the ferry terminal to go to nearby islands.

Gross profit margin has dropped to 34% from 46% in 2014 mainly as a result of lower revenue.

**Investment holding**

The investment holding or corporate segment contributed less than 1% (30 September 2014: 1%) of the Group's revenue for the year-to-date ended. External revenue is derived mainly from short term investments in investments securities and interest earned from deposits with licensed financial institutions.

There was a decrease in revenue of 48% to RM663,000 for the year-to-date from RM1,279,000 in the preceding year. This resulted from less surplus cash available for investment due to higher financial commitment. Subsequently, loss before tax was recorded for this segment mainly due to expenses provisions made during the year. These provisions relate to few exercises to be carried out by the holding company during the year.

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2015**

**A10. Segmental information (continued)**

The segment results are as follows :

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2015 RM'000	30.09.2014 RM'000	30.09.2015 RM'000	30.09.2014 RM'000
<b>Segment revenue</b>				
Investment holding	14,726	18,148	20,695	25,256
Property development	-	-	233,343	-
Port operations	55,609	57,396	162,824	172,765
Logistics and bunkering services	9,198	4,787	29,110	27,472
Contract and engineering	72	193	730	228
Ferry terminal operations	1,131	1,145	3,703	4,364
Revenue including inter-segment sales	80,736	81,669	450,405	230,085
Elimination of inter-segment sales	(15,570)	(19,314)	(22,981)	(27,893)
<b>Total revenue</b>	<b>65,166</b>	<b>62,355</b>	<b>427,424</b>	<b>202,192</b>
<b>Segment results</b>				
Investment holding	10,942	15,664	(2,817)	17,670
Property development	4,391	-	121,112	-
Port operations	18,568	21,809	38,076	65,695
Logistics and bunkering services	626	(154)	1,304	(40)
Contract and engineering	(223)	(200)	(1,525)	(863)
Ferry terminal operations	(221)	27	(49)	914
Profit from operations including inter-segment transactions	34,083	37,146	156,101	83,376
Elimination of inter-segment transactions	(13,575)	(16,771)	(16,725)	(20,579)
<b>Total profit before tax</b>	<b>20,508</b>	<b>20,375</b>	<b>139,376</b>	<b>62,797</b>

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2015**

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**A11. Subsequent events after the reporting period**

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

**A12. Changes in the composition of the Group**

There was no change in the composition of the Group during the interim financial period ended 30 September 2015.

**A13. Related party transactions**

The following table provides information on the transactions which have been entered into with related parties (between the Company and its subsidiaries) during the three months period and year-to-date ended 30 September 2015 and 30 September 2014:

	<b>Current quarter 3 months ended</b>		<b>Year-to-date ended</b>	
	<b>30.09.2015 RM'000</b>	<b>30.09.2014 RM'000</b>	<b>30.09.2015 RM'000</b>	<b>30.09.2014 RM'000</b>
Dividend income	13,575	16,771	16,725	20,579
Interest income	5	13	17	39
Management fees income	1,065	1,110	3,240	3,330
Rental income	23	23	68	68

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 – 3<sup>rd</sup> quarter ended 30 September 2015**

**A14. Profit before tax**

Included in the profit before tax are the following items :

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2015 RM'000	30.09.2014 RM'000	30.09.2015 RM'000	30.09.2014 RM'000
Employee benefits expense	16,721	15,678	46,502	45,457
Non-executive directors' remuneration	341	280	884	745
Allowance for impairment loss on:				
- trade receivables	(8)	55	1,499	57
- other receivables	-	-	459	-
Amortisation of:				
- port concession rights	1,189	921	3,566	2,765
- port lease rental and concession fee	932	-	2,796	-
- software licenses and system development	21	21	62	62
- capital expenditure	9,242	7,970	25,583	23,333
Auditors' remuneration:				
Statutory audit:				
- current year	45	39	147	124
- under/(over) provision in respect of previous year	18	2	21	10
Other services:				
- current year	278	23	296	35
- under/(over) provision in respect of previous year	7	-	7	-
Depreciation of property, plant and equipment	631	636	1,841	1,831
Hiring of equipment and motor vehicles	54	419	194	3,472
Impairment of concession assets	-	-	20,300	-
Inventories written down	-	33	52	33
Leasing of port land	2,494	2,673	7,483	8,020
Loss/(gain) on disposals of property, plant and equipment	-	-	(1)	1
Plant and equipment written off	-	56	18	57
Realised loss/(gain) on foreign exchange, net	133	90	268	90
Rental of office premises	293	314	823	939
Reversal of allowance for impairment loss on receivables	(34)	(71)	(416)	(109)

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2015**

**A15. Income tax expense**

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2015 RM'000	30.09.2014 RM'000	30.09.2015 RM'000	30.09.2014 RM'000
Income tax expense for the year-to-date:				
Malaysian income tax	149	270	631	804
Deferred tax	2,612	5,444	13,049	16,461
Real property gain tax	-	-	4,081	-
	2,761	5,714	17,761	17,265

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 2014, Sabah Ports Sdn Bhd has RM113.69 million of unabsorbed investment allowance carried forward that could be utilised in future to offset future taxable income.

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year-to-date. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25% effective year of assessment 2016.

**A16. Earnings per share**

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

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2015 RM'000	30.09.2014 RM'000	30.09.2015 RM'000	30.09.2014 RM'000
Profit net of tax for the financial year-to-date	17,747	14,661	121,615	45,532
Less: Attributable to non-controlling interests	255	(68)	372	(6)
Profit net of tax attributable to owners of the Company	18,002	14,593	121,987	45,526
Weighted average number of ordinary shares	283,328	283,328	283,328	283,328
Basic earnings per ordinary share (sen)	6.35	5.15	43.06	16.07

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2015**

**A17. Property, plant and equipment**

**Acquisitions and disposals**

The cash outflow on acquisition of property, plant and equipment amounted to RM14,232,000 (30 September 2014: RM6,674,000).

There were no assets been disposed off by the Group during the three months ended 30 September 2015 (30 September 2014: Nil).

**Write-down of property, plant and equipment**

During the current quarter, there was no property, plant and equipment been written down (30 September 2014: RM56,000). However for the year-to-date, property, plant and equipment with carrying amount of RM18,000 was written down (30 September 2014: RM57,000) and has been included under administrative expenses in the statements of comprehensive income.

**A18. Concession assets**

Group	Port concession rights RM'000	Leased port infrastructure and facilities RM'000	Capital expenditure RM'000	Total RM'000
<b>Cost:</b>				
<b>At 1 January 2015</b>	213,679	45,296	849,864	1,108,839
Addition	-	50,122	14,186	64,308
Disposal / write off	-	-	(2,182)	(2,182)
<b>At 30 September 2015</b>	<b>213,679</b>	<b>95,418</b>	<b>861,868</b>	<b>1,170,965</b>
<b>Accumulated amortisation:</b>				
<b>At 1 January 2015</b>	72,054	15,602	247,372	335,028
Amortisation	4,675	52,827	24,629	82,131
Disposal / write off	-	-	(269)	(269)
Impairment	-	-	20,300	20,300
<b>At 30 September 2015</b>	<b>76,729</b>	<b>68,429</b>	<b>292,032</b>	<b>437,190</b>
<b>Net carrying amount:</b>				
At 31 December 2014	141,625	29,694	602,492	773,811
At 30 September 2015	136,950	26,989	569,836	733,775

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 – 3<sup>rd</sup> quarter ended 30 September 2015**

**A19. Inventories**

There was no inventories written down during the quarter ended 30 September 2015 (30 September 2014: RM33,000). However for the year-to-date, the Group has recognised a write-down of inventories of RM51,500 (30 September 2014: RM33,000) that were obsolete. This expense has been included under other expenses in the statements of comprehensive income.

**A20. Cash and cash equivalents**

	<b>As at 30.09.2015 RM'000</b>	<b>As at 30.09.2014 RM'000</b>
Cash at banks and on hand	16,584	19,436
Cash at banks pledged as securities for Islamic debts securities	6,240	1,757
Short term deposits with:		
- licensed banks	42,039	42,612
- other financial institutions	25,884	38,473
Deposits with maturity more than 3 months	41,977	5,203
	<b>132,724</b>	<b>107,481</b>

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 30 September 2015 for the Group was 3.7% (30 September 2014: 3.3%).

Deposits of the Group with a financial institution with maturity more than 3 months amounting to RM5,491,000 (2014: RM5,203,000) 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:

	<b>As at 30.09.2015 RM'000</b>	<b>As at 30.09.2014 RM'000</b>
Cash on hand and at banks	16,584	19,436
Short term deposits with:		
- licensed banks	42,039	42,612
- other financial institutions	25,884	38,473
	<b>84,507</b>	<b>100,521</b>

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2015**

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**A21. Fair value hierarchy**

**A. Fair value hierarchy**

The Group categories 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 categorized 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 asset measured at fair value at the reporting date:

	<b>Fair value measurements at the reporting date using</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Recurring fair value measurements</b>				
<b>Asset – financial assets</b>				
Investment securities				
- 30 September 2015	131,539	-	-	131,539
- 31 December 2014	107,916	-	-	107,916

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2015**

**A22. Interest-bearing loans and borrowings**

Total Group's loans and borrowings as at 30 September 2015 and 31 December 2014 were as follows:

	<b>As at 30.09.2015 RM'000</b>	<b>As at 31.12.2014 RM'000</b>
<b>Current</b>		
Secured:		
- Islamic debt securities	10,539	10,427
- Obligations under finance leases	200	8
	<u>10,739</u>	<u>10,435</u>
<b>Non-current</b>		
Secured:		
- Islamic debt securities	10,000	20,000
- Obligations under finance leases	1,070	22
	<u>11,070</u>	<u>20,022</u>
	<u>21,809</u>	<u>30,457</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**

<b>Group</b>	<b>30.09.2015 RM'000</b>	<b>31.12.2014 RM'000</b>
At 1 January	129,124	130,265
Unwinding of discount	6,266	8,448
Payments	(7,330)	(9,589)
	<u>128,060</u>	<u>129,124</u>
<b>Current</b>	9,963	9,772
<b>Non current:</b>		
More than 1 year and less than 2 years	10,162	9,311
More than 2 years and less than 5 years	31,757	25,413
5 years or more	76,178	84,628
	<u>118,097</u>	<u>119,352</u>
	<u>128,060</u>	<u>129,124</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**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2015**

**A24. Capital commitments**

	As at 30.09.2015 RM'000	As at 30.09.2014 RM'000
<b>Approved and contracted for</b>		
Sapangar Bay bunkering line	179	938
Jetty head extension at Sapangar Bay Oil Terminal	350	-
Major repairs and improvements at ports	1,000	920
Extension of Sandakan container stacking yard	-	41
Jetty extension at Karamunting Palm Oil Terminal at Sandakan Port	1,206	-
Extension of container yard at Sapangar Bay Container Port	751	-
	3,486	1,899
<b>Approved but not contracted for</b>		
Purchase of property, plant and equipment	330,461	372,209
Improvement to port infrastructure facilities	218,942	245,277
	549,403	617,486
	552,889	619,385

**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**

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**B1. Performance review**

**Current quarter**

For the current quarter, the Group registered revenue of RM65.2 million, increased by RM2.8 million or 5% when compared to the previous year's corresponding quarter ended 30 September 2014 of RM62.4 million. The growth in revenue was mainly contributed by the logistics and bunkering segment.

Subsequently, the Group's pre-tax profit slightly increase for the quarter to RM20.5 million from RM20.4 million registered in the corresponding quarter of last year, up by RM0.1 million or 1%.

**Year-to-date**

For the financial year-to-date ended 30 September 2015, the Group registered revenue of RM427.4 million from RM202.2 million recorded previously, went up by RM225.2 million or more than 100%. This was mainly contributed by a new business segment of property development.

As a result, the Group's pre-tax profit for financial year-to-date increased to RM121.6 million from RM45.5 million, increasing by RM76.1 million or 167%.

Explanatory comment on the performance of each of the Group's business activities is provided in Note 6.

**B2. Comment on material change in profit before taxation**

The Group reported a lower profit before taxation of RM20.5 million for the current financial quarter as compared to RM100.8 million for the immediate preceding quarter. This represents a decrease of RM80.4 million or 80%, which was mainly as a result of non-recurring income recognised from property development in the immediate preceding quarter.

**B3. Commentary on prospects**

The new segment of property development is contributing good profit (non-recurring) to the Group for the financial year. Port operations will continue to be the core business of the Group. However, the Board is of the view that the port operations will be facing challenges for the coming months due to the economic slowdown and uncertainties in the regional container trade and the oil palm market.

**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.

**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.



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

**B6. Corporate proposals**

There are no corporate proposals announced but not completed 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**

Interim tax exempt dividend of 3% has been recommended in respect of the financial year-to-date ended 30 September 2015 (30 September 2014: 3%).

**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 30 September 2015 and 30 September 2014.

**B10. Breakdown of retained earnings into realised and unrealised**

The breakdown of the retained earnings of the Group as at 30 September 2015 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.

	<b>As at 30.09.2015 RM'000</b>	<b>As at 31.12.2014 RM'000</b>
Realised	639,781	536,867
Unrealised	(30,879)	(35,453)
	608,902	501,414
Add: Consolidation adjustments	3,979	816
<b>Total Group retained earnings as per financial statements</b>	<b>612,881</b>	<b>502,230</b>

**B11. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2014 was not qualified.

**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 26 November 2015.