



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 JUNE 2016

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Condensed consolidated statements of comprehensive income
For the quarter and year-to-date ended 30 June 2016

	Note	Current quarter 3 months ended		Year-to-date ended	
		30.06.2016 Unaudited RM'000	30.06.2015 Unaudited RM'000	30.06.2016 Unaudited RM'000	30.06.2015 Unaudited RM'000
Revenue		56,131	300,467	111,336	362,258
Cost of sales		(31,441)	(160,472)	(62,781)	(199,037)
Gross profit		24,690	139,995	48,555	163,221
Other items of income					
Interest income		532	865	1,207	1,659
Other income		8,075	7,874	16,044	11,484
Other items of expense					
Administrative expense		(6,191)	(6,052)	(13,519)	(12,048)
Finance costs		(1,711)	(1,933)	(3,177)	(3,809)
Other expenses		(2,324)	(39,890)	(4,588)	(41,639)
Profit before tax	A14	23,071	100,859	44,522	118,868
Income tax expense	A15	(5,759)	(10,367)	(11,209)	(15,000)
Profit net of tax		17,312	90,492	33,313	103,868
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		17,312	90,492	33,313	103,868
Profit net of tax attributable to:					
Owners of the Company		17,312	90,586	33,313	103,985
Non-controlling interests		-	(94)	-	(117)
		17,312	90,492	33,313	103,868
Total comprehensive income attributable to:					
Owners of the Company		17,312	90,586	33,313	103,985
Non-controlling interests		-	(94)	-	(117)
		17,312	90,492	33,313	103,868
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	A16	6.01	31.97	11.56	36.70

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 2015 and the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statements of financial position
As at 30 June 2016

	Note	As at 30.06.2016 Unaudited RM'000	As at 31.12.2015 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A17	62,430	63,412
Concession assets	A18	723,044	734,853
Deferred tax assets		17,744	19,909
Trade receivable		162,038	162,038
		965,256	980,212
Current assets			
Inventories	A19	3,964	3,790
Property development cost		115	-
Trade and other receivables		111,776	104,233
Other current assets		25,563	2,031
Income tax refundable		686	778
Investment securities	A21	151,645	126,962
Cash and bank balances	A20	72,839	114,313
		366,588	352,107
TOTAL ASSETS		1,331,844	1,332,319

Condensed consolidated statements of financial position (continued)
As at 30 June 2016

	Note	As at 30.06.2016 Unaudited RM'000	As at 31.12.2015 Audited RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	A22	10,369	10,762
Loan from Sabah Ports Authority		23,986	23,986
Amount due to Sabah State Government		5,927	5,927
Concession liabilities	A23	10,161	9,963
Trade and other payables		27,105	38,626
		77,548	89,264
Net current assets		289,039	262,843
Non-current liabilities			
Borrowings	A22	615	10,697
Loan from Sabah Ports Authority		77,870	77,870
Amount due to Sabah State Government		17,779	23,706
Concession liabilities	A23	116,684	117,743
Employee defined benefit liability		236	272
Deferred tax liabilities		50,312	41,764
		263,496	272,052
TOTAL LIABILITIES		341,044	361,316
Net assets		990,798	971,003
Equity attributable to owners of the Company			
Share capital	A8	288,184	288,184
Share premium		70,641	70,641
Other reserve		1,862	2,194
Retained earnings		630,113	608,327
		990,800	969,346
Non-controlling interests		-	1,657
TOTAL EQUITY		990,800	971,003
TOTAL EQUITY AND LIABILITIES		1,331,844	1,332,319

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 2015 and the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statements of changes in equity
For the year-to-date ended 30 June 2016

Note	Equity, total RM'000	----- Attributable to owners of the Company-----							
		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
Profit net of tax	33,313	33,313	-	-	33,313	-	-	-	-
Acquisition of non-controlling interests by a subsidiary	(1,989)	(332)	-	-	-	(332)	-	(332)	(1,657)
Dividend to shareholders	(11,527)	(11,527)	-	-	(11,527)	-	-	-	-
Closing balance at 30 June 2016	990,800	988,125	288,184	70,641	630,113	1,862	2,255	(393)	-
Opening balance at 1 January 2015	850,297	848,282	283,328	62,785	502,230	(61)	-	(61)	2,015
Profit net of tax	103,868	103,985	-	-	103,985	-	-	-	(117)
Closing balance at 30 June 2015	954,165	952,267	283,328	62,785	606,215	(61)	-	(61)	1,898

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 2015 and the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statements of cash flows
For the year-to-date ended 30 June 2016

	Year-to-date ended	
	30.06.2016 Unaudited RM'000	30.06.2015 Unaudited RM'000
Operating activities		
Profit before tax	44,522	118,868
<u>Adjustments for:</u>		
Amortisation of:		
- port concession rights	2,377	2,377
- port lease rental and concession fee	1,864	1,864
- software licences and system development	14	41
- capital expenditure	17,208	16,341
Allowance for impairment loss on receivables		
- trade receivables	9	1,507
- other receivables	-	459
Depreciation of property, plant and equipment	914	1,210
Employee leave entitlement	67	312
Finance costs	3,177	3,809
Gain on disposal of equipment	-	(1)
Impairment loss on concession assets	-	20,300
Interest income	(1,336)	(1,790)
Inventories written down	-	(52)
Investment income from investment securities	(2,386)	(1,611)
Net fair value (gain)/loss on held for trading investment securities	(186)	(339)
Non-recurring gain on property development	-	(112,457)
Plant and equipment written off	265	18
Provision for share grant and ESOS expenses	-	13,500
Unrealised exchange (gain)/loss	436	(141)
Unwinding of discount of trade receivables	(7,947)	(4,264)
Total adjustments	14,637	(85,917)
Operating cash flows before changes in working capital	59,159	32,951
<u>Changes in working capital:</u>		
(Increase)/decrease in inventories	(174)	390
(Increase)/decrease in trade and other receivables	(7,544)	(229,398)
Increase in other current assets	(23,532)	(9,851)
Decrease/(increase) in cash at banks pledged and deposits with maturity more than 3 months	25,659	(13,264)
(Decrease)/increase in trade and other payables	(12,756)	3,330
Increase/(decrease) in tax payables	-	28,454
Payment of concession liabilities	(17,237)	(18,266)
Payment of employee defined benefit liability	(9)	(13,014)
Total changes in working capital	(35,593)	(251,619)

Condensed consolidated statements of cash flows (continued)
For the year-to-date ended 30 June 2016

	Year-to-date ended	
	30.06.2016 Unaudited RM'000	30.06.2015 Unaudited RM'000
Cash flows from/(used in) operations	23,566	(218,668)
Income tax paid	(703)	(503)
Income tax refunded	302	20,980
Net cash flows from/(used in) operating activities	23,165	(198,191)
Investing activities		
Increase in concession assets	(9,654)	-
Decrease/(increase) in land held for property development	-	120,885
Proceeds from disposal of property, plant and equipment	56	25
Purchase of property, plant and equipment	(9,870)	(9,892)
Proceeds from disposal of investment securities	38,197	12,049
Purchase of investment securities	(44,194)	(54,901)
Non-Recurring gain on property development	-	112,457
Investment income received from investment securities	2,386	1,611
Interest received	1,336	1,790
Net cash flows (used in)/from investing activities	(21,743)	184,024
Financing activities		
Interest paid	(1,081)	(1,477)
Proceeds from borrowings	-	1,227
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 obligations under finance leases	(229)	(126)
Net cash flows used in financing activities	(17,237)	(16,303)
Net (decrease)/increase in cash and cash equivalents	(15,815)	(30,470)
Effect of exchange rate changes on cash and cash equivalents		-
Cash and cash equivalents at 1 January	52,081	106,279
Cash and cash equivalents at 30 June	36,266	75,809
Composition of cash and cash equivalents		
Cash on hand and at banks	26,237	23,868
Deposits with licensed banks and other financial institutions	10,029	51,941
Cash and cash equivalents at 30 June	36,266	75,809

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 2015 and the accompanying explanatory notes attached to these interim financial statements.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2016

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 29 August 2016.

A2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the second quarter ended 30 June 2016 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 2015. 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 2015.

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 2015, 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 2018.

- MFRS 15 Revenue from Contracts with Customers
- 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 – 2nd quarter ended 30 June 2016

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 June 2016.

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 June 2016.

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 was no repayment made in the current quarter for debt and equity securities. However, for the year-to-date there was repayment made for debt securities amounting to RM10,000,000.00 (30 June 2015: RM10,000,000.00).

A9. Dividends paid

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
<u>For 2015:</u> 4.0% final tax exempt dividend, on 288,183,992 ordinary shares, declared on 25 May 2016 and paid on 30 June 2016	11,527	-	11,527	-
	11,527	-	11,527	-

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2016

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, the port operations segment contributed 96% of the Group's revenue (30 June 2015: 19%) and more than 100% (30 June 2015: 1%) of the Group's operating profit.

For the year-to-date, it contributed 96% of the Group's revenue (30 June 2015: 30%) and 94% (30 June 2015: 16%) 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.

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 12% and 23% respectively, mainly contributed by higher bulk oil throughput. The total tonnage handled for the current quarter and year-to-date are 6.3 million and 13.1 million metric tonnes respectively.

The category of container which is charged differently as per the Sabah Ports' Tariff registered an increase in total TEUs in the current quarter by 1% to 95,781 from 94,866 TEUs in the preceding year's corresponding quarter. However, for the year-to-date, there was a decline in total TEUs handled by -1% from 182,537 to 180,514 TEUs.

The drop in total TEUs handled for the year-to-date has led to the decrease of the segment's revenue by less than 1% from RM107.2 million in the preceding year to RM106.4 million for the current year-to-date.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2016

A10. Segmental information (continued)

Port operations (continued)

Operating profit has increased by RM22.5 million (>100%) to RM41.9 million for the current year-to-date from RM19.5 million in prior year. This was mainly due to provision for impairment of assets in 2015 amounting to RM20.3 million.

For the coming months, we expect the wharves in Sabah Ports to handle most of the cargoes in Sabah. However, the port operations is expected to face challenges due to uncertainties in the regional container trade and oil palm market.

Logistics and bunkering services

For the current quarter, the logistics and bunkering services segment contributed 3% (30 June 2015: <1%) of the Group's revenue and incurred operating profit of less than 1% (30 June 2015: <1% profit).

For the year-to-date, it contributed 3% (30 June 2015: 5%) of the Group's revenue and incurred an operating loss of less than 1% (30 June 2015: profit of <1%).

This segment shows declining trend in term of revenue and profit contribution to the Group during the quarter and year-to-date due to some problems faced by the local oil and gas market. Besides, the lower selling price of fuel has somehow affected the performance of this segment.

Contract and engineering

For the current quarter and 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.

An operating loss was recorded for the quarter and year-to-date. Higher loss were recorded in 2015 mainly due to impairment of receivables.

Ferry terminal operations

For the current quarter, the ferry terminal operations contributed 2% of the Group's revenue (30 June 2015: <1%) and registered an operating profit of RM608,000 (30 June 2015: loss of RM278,000).

For the year-to-date, it contributed 2% (30 June 2015: 1%) of the Group's revenue and registered operating profit of 1% (30 June 2015: <1%).

For the year-to-date, the passenger fees was the main source of revenue contributing 50% of the segment's revenue (30 June 2015: 44%) while rental received from retail outlets contributed 21% (30 June 2015: 21%), passenger fees from Kota Kinabalu international cruise terminal contributed 3% (30 June 2015: 10%) and income from indoor soccer centre contributed 8% (30 June 2015: 9%).

Total revenue was at par with prior year mainly due to lower passenger fees income and rental of space from the Kota Kinabalu international cruise terminal was offset by overall higher income from the operations of Jesselton Point ferry terminal. In prior year, StarCruise had been berthing at KK port for two (2) months which ended on 28 February 2015.

Gross profit margin has dropped to 34% from 38% in 2015 mainly as a result of higher operating expenditures.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2016

A10. Segmental information (continued)

Investment holding

The investment holding or corporate segment contributed less than 1% (30 June 2015: <1%) of the Group's revenue for the current quarter and year-to-date. External revenue is derived mainly from short term investments in investments securities and interest earned from deposits with licensed financial institutions. Management fees and dividend income from subsidiaries are eliminated at Group level.

There was a decline in revenue by 37% to RM378,000 for the current year-to-date from RM599,000 in the preceding year-to-date. This resulted from less surplus cash available for investment. Subsequently, loss before tax was recorded for this segment due to high administrative expenses consisting mainly personnel costs and directors remuneration.

Property development

For the current quarter and year-to-date, the property development segment did not generate any revenue to the Group, except for an amount of RM7.9 million which was recognised under other income, being the unwinding of discounts for trade receivable, considering the proceeds from property development will be receivable in staggered over 8 years. Due to this, the segment contributed about 18% to the total Group's operating profit for the year-to-date (30 June 2015: 98%).

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 in 2015 based on the minimum entitlement as per the Joint Venture Agreement but after the discounting factor. The non-recurring income was derived from the accounting and tax treatments on the joint venture development which is treated as deemed disposal of land held for property development. The project is targeted to commence by middle of the year.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2016

A10. Segmental information (continued)

The segment results are as follows:

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Segment revenue				
Investment holding	10,852	3,188	13,703	5,969
Property development	-	233,343	-	233,343
Port operations	53,795	56,103	106,416	107,215
Logistics and bunkering services	1,627	9,920	3,094	19,912
Contract and engineering	78	507	356	658
Ferry terminal operations	1,182	1,011	2,491	2,572
Revenue including inter-segment sales	67,534	304,072	126,060	369,669
Elimination of inter-segment sales	(11,403)	(3,605)	(14,724)	(7,411)
Total revenue	56,131	300,467	111,336	362,258
Segment results				
Investment holding	5,669	(14,300)	5,944	(13,759)
Property development	3,522	116,721	7,947	116,721
Port operations	23,617	1,244	41,974	19,508
Logistics and bunkering services	33	456	(145)	678
Contract and engineering	(803)	(1,409)	(706)	(1,302)
Ferry terminal operations	608	(278)	658	172
Profit from operations including inter-segment transactions	32,646	102,434	55,672	122,018
Elimination of inter-segment transactions	(9,575)	(1,575)	(11,150)	(3,150)
Total profit before tax	23,071	100,859	44,522	118,868

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 were no changes in the composition of the Group during the interim financial period ended 30 June 2016, except for acquisition of a 70% owned subsidiary of the Company (S.P. Satria Sdn Bhd) by another subsidiary (Sabah Ports Sdn Bhd) to be made a wholly owned subsidiary of Sabah Ports Sdn Bhd.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2016

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 30 June 2016 and 30 June 2015:

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
<i>Subsidiaries:</i>				
Dividend income	9,575	1,575	11,150	3,150
Interest income	2	4	5	12
Management fees income	1,065	1,065	2,130	2,175
Rental income	22	22	45	45
<i>Company related to Substantial shareholder:</i>				
Car leasing expenses	38	86	75	124

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 – 2nd quarter ended 30 June 2016

A14. Profit before tax

Included in the profit before tax are the following items :

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Employee benefits expense	12,685	14,622	28,299	29,781
Non-executive directors' remuneration	371	257	688	543
Allowance for impairment loss on:				
- trade receivables	7	1,501	9	1,507
- other receivables	-	459	-	459
Amortisation of:				
- port concession rights	1,188	1,188	2,377	2,377
- port lease rental and concession fee	932	1,553	1,864	1,864
- software licences and system development	7	20	14	41
- capital expenditure	8,615	8,481	17,208	16,341
Auditors' remuneration:				
Statutory audit:				
- current year	31	73	63	102
- under/(over) provision in respect of previous year	6	3	6	3
Other services:				
- current year	-	18	-	18
- under/ (over) provision in respect of previous year	-	-	9	-
Depreciation of property, plant and equipment	351	595	840	1,210
Hiring of equipment and motor vehicles	32	77	79	140
Concession assets written off	-	-	-	-
Impairment on concession assets	-	20,300	-	20,300
Inventories written down	-	52	-	52
Leasing of port land	2,584	3,092	3,901	4,989
Net fair value loss/(gain) on financial instruments:				
- Investment securities	99	(360)	140	(339)
Loss/(gain) on disposals of property, plant and equipment	-	(1)	-	(1)
Plant and equipment written off	-	18	3	18
Realised loss/(gain) on foreign exchange, net	264	187	960	252
Rental of office premises	225	179	455	530
Reversal of allowance for impairment loss:				
- trade and other receivables	1	4	7	382
Unrealised loss/(gain) on foreign exchange	(498)	(133)	(571)	(277)

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd ended 30 June 2016

A15. Income tax expense

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Income tax expense for the year-to-date:				
Malaysian income tax	221	166	496	482
Deferred tax	5,538	6,120	10,713	10,437
Real property gain tax	-	4,081	-	4,081
	5,759	10,367	11,209	15,000

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 2015, the total investment allowance claimed by this subsidiary arising from this approval was approximately RM689.2 million and as at 31 December 2015, it has RM56.6 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 24% (2015: 25%) of the estimated assessable profit for the year-to-date. The domestic statutory tax rate is reduced to 24% 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	
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
Profit net of tax for the financial year-to-date	17,312	90,492	33,313	103,868
Less: Attributable to non-controlling interests	-	94	-	117
Profit net of tax attributable to owners of the Company	17,312	90,586	33,313	103,985
Weighted average number of ordinary shares	288,184	283,328	288,184	283,328
Basic earnings per ordinary share (sen)	6.01	31.97	11.56	36.70

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A17. Property, plant and equipment

Acquisitions and disposals

The cash outflow on acquisition of property, plant and equipment amounted to RM9,870,000 (30 June 2015: RM9,892,000).

There were no assets been disposed off by the Group during the current quarter and financial year-to-date ended 30 June 2016. However, assets with carrying amount of RM278 had been disposed off by the Group during the three months ended 30 June 2015, resulting in a gain on disposal of RM1,292 which had been included in other income in the statements of comprehensive income for previous year.

Write-down of property, plant and equipment

During the current quarter ended 30 June 2016, there was no property, plant and equipment been written off (30 June 2015: RM18,000).

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 2016	213,679	45,296	859,820	1,118,795
Addition	-	-	10,182	10,182
Disposal	-	-	(720)	(720)
Write off	-	-	-	-
At 30 June 2016	213,679	45,296	869,282	1,128,257
Accumulated amortisation:				
At 1 January 2016	79,027	17,112	287,803	383,942
Amortisation	3,487	755	17,170	21,412
Disposal	-	-	(141)	(141)
Write off	-	-	-	-
Impairment loss recognised in profit or loss	-	-	-	-
At 30 June 2016	82,514	17,867	304,832	405,213
Net carrying amount:				
At 31 December 2015	134,652	28,184	572,017	734,853
At 30 June 2016	131,165	27,429	564,450	723,044

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.

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A19. Inventories

There were no inventories been written down during the current quarter and financial year-to-date ended 30 June 2016 (30 June 2015: RM52,000).

A20. Cash and cash equivalents

	As at 30.06.2016 RM'000	As at 30.06.2015 RM'000
Cash at banks and on hand	26,237	23,868
Cash at banks pledged as securities for Islamic debts securities	344	5,649
Short term deposits with:		
- licensed banks	6,828	25,097
- other financial institutions	3,201	26,844
Deposits with maturity more than 3 months	36,229	23,801
	72,839	105,259

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 June 2016 for the Group was 3.6% (30 June 2015: 3.6%).

Deposits of the Group with a financial institution with maturity more than 3 months amounting to RM5,669,000 (2015: RM5,485,000) 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 30.06.2016 RM'000	As at 30.06.2015 RM'000
Cash on hand and at banks	26,237	23,868
Short term deposits with:		
- licensed banks	6,828	25,097
- other financial institutions	3,201	26,844
	36,266	75,809

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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			Total RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Recurring fair value measurements				
Assets – financial assets				
Investment securities				
- 30 June 2016	-	151,645	-	151,645
- 31 December 2015	-	126,962	-	126,962

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
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A22. Interest-bearing loans and borrowings

Total Group's loans and borrowings as at 30 June 2016 and 31 December 2015 were as follows:

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Current		
Secured:		
- Islamic debt securities	10,070	10,287
- Obligations under finance leases	299	475
	<u>10,369</u>	<u>10,762</u>
Non-current		
Secured:		
- Islamic debt securities	-	10,000
- Obligations under finance leases	615	697
	<u>615</u>	<u>10,697</u>
	<u>10,984</u>	<u>21,459</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	30.06.2016 RM'000	31.12.2015 RM'000
At 1 January	127,706	129,124
Unwinding of discount	4,121	8,354
Payments	(4,982)	(9,772)
At 30 June	<u>126,845</u>	<u>127,706</u>
Current	10,161	9,963
Non current:		
More than 1 year and less than 2 years	10,368	9,497
More than 2 years and less than 5 years	32,428	25,939
5 years or more	73,888	82,307
	<u>116,684</u>	<u>117,743</u>
	<u>126,845</u>	<u>127,706</u>

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

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A24. Capital commitments

	As at 30.06.2016 RM'000	As at 30.06.2015 RM'000
Approved and contracted for		
Sapangar Bay bunkering line	179	179
Jetty head extension at Sapangar Bay Oil Terminal	1,002	350
Jetty extension at Karamunting Palm Oil Terminal, Sandakan port	843	1,653
Extension of container yard at Sapangar Bay Container Port	345	751
Purchase of cargo handling equipment	27,312	-
Major repairs and improvements at ports	2,342	3,395
	32,023	6,328
Approved but not contracted for		
Purchase of property, plant and equipment	298,520	330,461
Improvement to port infrastructure facilities	217,137	219,254
	515,657	549,715
	547,680	556,043

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

Current quarter

For the current quarter, the Group registered revenue of RM56.1 million, decreased by RM244.3 million or 81% when compared to the previous year's corresponding quarter ended 30 June 2015 of RM300.5 million. The decline in revenue was mainly attributable to the recognition of property development income in the previous year's corresponding quarter which is non-recurring in nature.

As a result, the Group's pre-tax profit for the quarter date ended 30 June 2016 decreased to RM23.1 million from RM100.9 million registered in the corresponding quarter ended 30 June 2015, down by RM77.8 million or 77%, due to the same reason above.

Year-to-date

For the financial year-to-date ended 30 June 2016, the Group registered revenue of RM111.3 million from RM362.3 million recorded previously, declined by RM250.9 million or 69%. This was mainly contributed by recognition of property development income in the previous year.

Subsequently, the Group's pre-tax profit for financial year-to-date decreased to RM44.5 million from RM118.9 million, decreasing by RM74.3 million or 63%.

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 higher profit before taxation of RM23.1 million for the current quarter as compared to RM21.4 million for the immediate preceding quarter, representing an increase RM1.6 million (8%), which was mainly as a result of lower administrative expenses in the current quarter.

B3. Commentary on prospects

Port operations will continue to be the core business of the Group 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.

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

No interim ordinary dividend has been recommended in respect of the financial year-to-date ended 30 June 2016 (30 June 2015: 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 30 June 2016 and 30 June 2015.

B10. Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group as at 30 June 2016 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 30.06.2016 RM'000	As at 30.06.2015 RM'000
Realised	653,672	650,609
Unrealised	(28,246)	(48,128)
	625,426	602,481
Add: Consolidation adjustments	4,687	3,734
Total Group retained earnings as per financial statements	630,113	606,215

B11. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2015 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 29 August 2016.