



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 2016

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Condensed consolidated statements of comprehensive income
For the quarter and year-to-date ended 31 March 2016

	Note	Quarter and Year-to-date ended	
		31.03.2016 Unaudited RM'000	31.03.2015 Unaudited RM'000
Revenue		55,205	61,791
Cost of sales		(31,340)	(38,565)
Gross profit		23,865	23,226
Other items of income			
Interest income		675	794
Other income		7,969	3,610
Other items of expense			
Administrative expense		(7,328)	(5,996)
Finance costs		(1,466)	(1,876)
Other expenses		(2,264)	(1,749)
Profit before tax	A14	21,451	18,009
Income tax expense	A15	(5,450)	(4,633)
Profit net of tax		16,001	13,376
Other comprehensive income		-	-
Total comprehensive income for the period		16,001	13,376
Profit net of tax attributable to:			
Owners of the Company		16,001	13,399
Non-controlling interests		-	(23)
		16,001	13,376
Total comprehensive income attributable to:			
Owners of the Company		16,001	13,399
Non-controlling interests		-	(23)
		16,001	13,376
Earnings per ordinary share attributable to owners of the Company (sen per share):			
Basic	A16	5.55	4.73

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 31 March 2016

	Note	As at 31.03.2016 Unaudited RM'000	As at 31.12.2015 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A17	62,980	63,412
Concession assets	A18	728,807	734,853
Deferred tax assets		18,589	19,909
Trade receivable		162,038	162,038
		972,414	980,212
Current assets			
Inventories	A19	3,904	3,790
Trade and other receivables		108,823	104,233
Other current assets		16,451	2,031
Income tax refundable		761	778
Investment securities	A21	129,108	126,962
Cash and bank balances	A20	85,992	114,313
		345,039	352,107
TOTAL ASSETS		1,317,453	1,332,319

Condensed consolidated statements of financial position (continued)
As at 31 March 2016

	Note	As at 31.03.2016 Unaudited RM'000	As at 31.12.2015 Audited RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	A22	10,264	10,762
Loan from Sabah Ports Authority		23,986	23,986
Amount due to Sabah State Government		5,927	5,927
Concession liabilities	A23	10,162	9,963
Trade and other payables		22,824	38,626
		73,163	89,264
Net current assets		271,876	262,843
Non-current liabilities			
Borrowings	A22	658	10,697
Loan from Sabah Ports Authority		77,870	77,870
Amount due to Sabah State Government		17,779	23,706
Concession liabilities	A23	117,113	117,743
Employee defined benefit liability		236	272
Deferred tax liabilities		45,619	41,764
		259,275	272,052
TOTAL LIABILITIES		332,438	361,316
Net assets		985,015	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		624,328	608,327
		985,015	969,346
Non-controlling interests		-	1,657
TOTAL EQUITY		985,015	971,003
TOTAL EQUITY AND LIABILITIES		1,317,453	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 31 March 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	16,001	16,001	-	-	16,001	-	-	-	-
Acquisition of non-controlling interests by a subsidiary	(1,989)	-	-	-	-	(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)	-
Opening balance at 1 January 2015	850,297	848,282	283,328	62,785	502,230	(61)	-	(61)	2,015
Profit net of tax	13,376	13,399	-	-	13,399	-	-	-	(23)
Closing balance at 31 March 2015	863,673	861,681	283,328	62,785	515,629	(61)	-	(61)	1,992

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 31 March 2016

	Year-to-date ended	
	31.03.2016 Unaudited RM'000	31.03.2015 Unaudited RM'000
Operating activities		
Profit before tax	21,451	18,009
<u>Adjustments for:</u>		
Amortisation of:		
- port concession rights	1,189	1,189
- port lease rental and concession fee	932	311
- software licences and system development	7	21
- capital expenditure	8,593	7,860
Allowance for impairment loss on receivables		
- trade receivables	2	6
- other receivables	-	-
Depreciation of property, plant and equipment	489	615
Employee leave entitlement	124	-
Finance costs	1,466	1,876
Impairment loss on property, plant and equipment	-	-
Interest income	(745)	(862)
Investment income from investment securities	(1,141)	(694)
Net fair value (gain)/loss on held for trading investment securities	(112)	20
Plant and equipment written off	3	-
Unrealised exchange gain	(73)	-
Unwinding of discount on:		
- trade receivables	(4,425)	-
- concession liabilities	2,061	-
Total adjustments	8,370	10,342
Operating cash flows before changes in working capital	29,821	28,351
<u>Changes in working capital:</u>		
(Increase)/decrease in inventories	(115)	421
(Increase)/decrease in trade and other receivables	(4,475)	7,623
Increase in other current assets	(14,420)	(14,845)
Decrease/(increase) in cash at banks pledged and deposits with maturity more than 3 months	15,138	(5,790)
Decrease in amount due to Sabah Ports Authority	-	(2,000)
(Decrease)/increase in trade and other payables	(15,802)	3,254
Payment of concession liabilities	(2,492)	-
Payment of employee defined benefit liability	(9)	-
Total changes in working capital	(22,175)	(11,337)

Condensed consolidated statements of cash flows (continued)
For the year-to-date ended 31 March 2016

	Year-to-date ended	
	31.03.2016	31.03.2015
	Unaudited	Unaudited
	RM'000	RM'000
Cash flows from operations	7,646	17,014
Income tax paid	(376)	(317)
Income tax refunded	132	21,171
Net cash flows from operating activities	7,402	37,868
Investing activities		
Increase in concession assets	(4,675)	-
Increase in land held for property development	-	(43)
Proceeds from disposal of property, plant and equipment	19	-
Purchase of property, plant and equipment	(65)	(1,357)
Proceeds from disposal of investment securities	16,139	-
Purchase of investment securities	(17,181)	(8,412)
Investment income received from investment securities	1,141	694
Interest received	745	862
Net cash flows used in investing activities	(3,877)	(8,256)
Financing activities		
Interest paid	(831)	(1,926)
Proceeds from borrowings	171	956
Repayment of Islamic debt securities	(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	(121)	-
Net cash flows used in financing activities	(16,708)	(6,897)
Net (decrease)/increase in cash and cash equivalents	(13,183)	22,715
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 31 March (Note A20)	38,898	128,994
Composition of cash and cash equivalents		
Cash on hand and at banks	28,451	54,087
Deposits with licensed banks and other financial institutions	10,447	74,907
Cash and cash equivalents at 31 March	38,898	128,994

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 – 1st quarter ended 31 March 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 27 May 2016.

A2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the first quarter ended 31 March 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 – 1st quarter ended 31 March 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 31 March 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 31 March 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

During the current quarter, there was repayment made for debt securities amounting to RM10,000,000 (31 March 2015: Nil) and repayment of loan from Sabah State Government amounting to RM5,927,000 (31 March 2015: RM5,927,000).

A9. Dividends paid

There were no payment of dividend during the current quarter and financial year-to-date ended 31 March 2016 (31 March 2015: Nil)

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 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 and year-to-date, the port operations segment contributed 95% of the Group's revenue (31 March 2015: 83%) and 86% (31 March 2015: >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.

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 36%, mainly contributed by higher bulk 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 and year-to-date by 3% to 84,733 from 87,671 TEUs in the preceding year's corresponding quarter and year-to-date.

The increase in cargo throughput handled in the current quarter and year-to-date has led to the increase of the segment's revenue by 3% from RM51.1 million in the preceding year's corresponding quarter to RM52.6 million for the quarter.

Port's operating expenses for the quarter was lower by 1% to RM29.0 million from RM29.2 million mainly due to lower leasing of port land and concession fees.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2016

A10. Segmental information (continued)

Port operations (continued)

Operating profit has slightly increased by RM93,000 (<1%) to RM18.4 million for the current quarter from RM18.3 million in corresponding quarter of 2015.

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 and year-to-date, the logistics and bunkering services segment contributed 1% (31 March 2015: 14%) of the Group's revenue and incurred operating loss of 12% (31 March 2015: 2% profit).

This segment shows declining trend in term of revenue and profit contribution to the Group during the quarter 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.

A small profit contribution of RM98,000 was recorded for this quarter (31 March 2015: RM107,000).

Ferry terminal operations

For the current quarter and year-to-date, the ferry terminal operations contributed 2% of the Group's revenue (31 March 2015: 3%) and registered a small profit of RM50,000 (31 March 2015: RM450,000).

For the year-to-date, the passenger fees was the main source of revenue contributing 51% of the segment's revenue (31 March 2015: 36%) while rental received from retail outlets contributed 21% (31 March 2015: 17%), passenger fees from Kota Kinabalu international cruise terminal contributed 4% (31 March 2015: 22%) and income from indoor soccer centre contributed 8% (31 March 2015: 8%).

Total revenue declined by 16% mainly attributable to lower passenger fees income and rental of space from the Kota Kinabalu international cruise 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 39% from 49% in 2015 mainly as a result of lower revenue and higher operating expenditures.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2016

A10. Segmental information (continued)

Investment holding

The investment holding or corporate segment contributed less than 1% (31 March 2015: <1%) of the Group's revenue for the current quarter. External revenue is derived mainly from short term investments in investments securities and interest earned from deposits with licensed financial institutions.

There was an increase in revenue of more than 100% to RM188,000 for the current quarter from RM73,000 in the preceding year's corresponding quarter. However, profit declined to RM276,000 from RM541,000 previously, due to higher administrative expenses consisting mainly personnel costs.

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 RM4.4 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 20% to the total Group's operating profit for the quarter (31 March 2015: Nil).

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 – 1st quarter ended 31 March 2016

A10. Segmental information (continued)

The segment results are as follows:

	Quarter and Year-to-date ended	
	31.03.2016 RM'000	31.03.2015 RM'000
Segment revenue		
Investment holding	2,851	2,781
Property development	-	-
Port operations	52,621	51,112
Logistics and bunkering services	1,467	9,992
Contract and engineering	278	151
Ferry terminal operations	1,309	1,561
Revenue including inter-segment sales	58,526	65,597
Elimination of inter-segment sales	(3,321)	(3,806)
Total revenue	55,205	61,791
Segment results		
Investment holding	275	541
Property development	4,425	-
Port operations	18,357	18,264
Logistics and bunkering services	(178)	222
Contract and engineering	97	107
Ferry terminal operations	50	450
Profit from operations including inter-segment transactions	23,026	19,584
Elimination of inter-segment transactions	(1,575)	(1,575)
Total profit before tax	21,451	18,009

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 31 March 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 – 1st quarter ended 31 March 2016

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 31 March 2016 and 31 March 2015:

	Quarter and Year-to-date ended	
	31.03.2016 RM'000	31.03.2015 RM'000
Dividend income	1,575	1,575
Interest income	3	8
Management fees income	1,065	1,110
Rental income	23	23
Car leasing expenses	38	86

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 2016

A14. Profit before tax

Included in the profit before tax are the following items :

	Quarter and Year-to-date ended	
	31.03.2016 RM'000	31.03.2015 RM'000
Employee benefits expense	15,614	15,159
Non-executive directors' remuneration	317	286
Allowance for impairment loss on:		
- trade receivables	2	6
- other receivables	-	-
Amortisation of:		
- port concession rights	1,189	1,189
- port lease rental and concession fee	932	311
- software licences and system development	7	21
- capital expenditure	8,593	7860
Auditors' remuneration:		
Statutory audit:		
- current year	32	29
- under/(over) provision in respect of previous year	-	-
Other services:		
- current year	-	-
- under/ (over) provision in respect of previous year	9	-
Depreciation of property, plant and equipment	489	615
Hiring of equipment and motor vehicles	47	1,435
Concession assets written off	-	-
Impairment on concession assets	-	-
Inventories written down	-	-
Leasing of port land	1,317	1,897
Net fair value losses on financial instruments:		
- Investment securities	41	-
Loss on disposals of property, plant and equipment	-	-
Plant and equipment written off	3	-
Realised loss/(gain) on foreign exchange, net	696	56
Rental of office premises	230	351
Reversal of allowance for impairment loss:		
- trade and other receivables	6	378
- concession assets	-	-
Unrealised loss/(gain) on foreign exchange	(73)	-

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2016

A15. Income tax expense

	Quarter and Year-to-date ended	
	31.03.2016 RM'000	31.03.2015 RM'000
Income tax expense for the year-to-date:		
Malaysian income tax	275	316
Deferred tax	5,175	4,317
	5,450	4,633

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.

	Quarter and Year-to-date ended	
	31.03.2016 RM'000	31.03.2015 RM'000
Profit net of tax for the financial year-to-date	16,001	13,376
Less: Attributable to non-controlling interests	-	23
Profit net of tax attributable to owners of the Company	16,001	13,399
Weighted average number of ordinary shares	288,184	283,328
Basic earnings per ordinary share (sen)	5.55	4.73

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2016

A17. Property, plant and equipment

Acquisitions and disposals

The cash outflow on acquisition of property, plant and equipment amounted to RM65,000 (31 March 2015: RM1,357,000).

There were no assets been disposed off by the Group during the current quarter and financial year-to-date ended 31 March 2016 (31 March 2015: Nil).

Write-down of property, plant and equipment

During the current quarter and financial year-to-date ended 31 March 2016, property, plant and equipment with carrying amount of RM3,000 was written off (31 March 2015: Nil) and has been included under other operating 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
Cost:				
At 1 January 2016	213,679	45,296	859,820	1,118,795
Addition	-	-	5,100	5,100
Disposal	-	-	(488)	(488)
Write off	-	-	-	-
At 31 March 2016	213,679	45,296	864,432	1,123,407
Accumulated amortisation:				
At 1 January 2016	79,027	17,112	287,803	383,942
Amortisation	1,743	377	8,600	10,720
Disposal	-	-	(62)	(62)
Write off	-	-	-	-
Impairment loss recognised in profit or loss	-	-	-	-
At 31 March 2016	80,770	17,489	296,341	394,600
Net carrying amount:				
At 31 December 2015	134,652	28,184	572,017	734,853
At 31 March 2016	132,909	27,807	568,091	728,807

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 2016

A19. Inventories

There were no inventories been written down during the current quarter and financial year-to-date ended 31 March 2016 (31 March 2015: Nil).

A20. Cash and cash equivalents

	As at 31.03.2016 RM'000	As at 31.03.2015 RM'000
Cash at banks and on hand	28,451	54,087
Cash at banks pledged as securities for Islamic debts securities	343	16,491
Short term deposits with:		
- licensed banks	7,275	39,381
- other financial institutions	3,172	35,526
Deposits with maturity more than 3 months	46,751	5,486
	85,992	150,971

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 2016 for the Group was 3.5% (31 March 2015: 3.4%).

Deposits of the Group with a financial institution with maturity more than 3 months amounting to RM5,694,000 (2015: RM5,486,000) 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 31.03.2016 RM'000	As at 31.03.2015 RM'000
Cash on hand and at banks	28,451	54,087
Short term deposits with:		
- licensed banks	7,275	39,381
- other financial institutions	3,172	35,526
	38,898	128,994

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 1st quarter ended 31 March 2016

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 2016	-	129,108	-	129,108
- 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
Interim financial report – 1st quarter ended 31 March 2016

A22. Interest-bearing loans and borrowings

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

	As at 31.03.2016 RM'000	As at 31.12.2015 RM'000
Current		
Secured:		
- Islamic debt securities	9,889	10,287
- Obligations under finance leases	375	475
	<u>10,264</u>	<u>10,762</u>
Non-current		
Secured:		
- Islamic debt securities	-	10,000
- Obligations under finance leases	658	697
	<u>658</u>	<u>10,697</u>
	<u>10,922</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	31.03.2016 RM'000	31.12.2015 RM'000
At 1 January	127,706	129,124
Unwinding of discount	2,061	8,354
Payments	(2,492)	(9,772)
At 31 March	<u>127,275</u>	<u>127,706</u>
Current	10,162	9,963
Non current:		
More than 1 year and less than 2 years	10,367	9,497
More than 2 years and less than 5 years	32,428	25,939
5 years or more	74,318	82,307
	<u>117,113</u>	<u>117,743</u>
	<u>127,275</u>	<u>127,706</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 31.03.2016 RM'000	As at 31.03.2015 RM'000
Approved and contracted for		
Sapangar Bay bunkering line	179	761
Jetty head extension at Sapangar Bay Oil Terminal	1,134	-
Jetty extension at Karamunting Palm Oil Terminal, Sandakan port	843	-
Extension of container yard at Sapangar Bay Container Port	785	-
Major repairs and improvements at ports	3,170	8,248
Extension of Sandakan container stacking yard	-	45
	6,111	9,054
Approved but not contracted for		
Purchase of property, plant and equipment	326,248	330,461
Improvement to port infrastructure facilities	212,863	232,733
	539,111	563,194
	545,222	572,248

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 2016, the Group registered revenue of RM55.2 million, decreased by RM6.6 million or 11% when compared to the previous year's corresponding quarter and year-to-date ended 31 March 2015 of RM61.8 million. The decline in revenue was mainly attributable to the decrease in contribution by the logistics and bunkering services segment.

However, the Group's pre-tax profit for the quarter and year-to-date ended 31 March 2016 increased to RM21.5 million from RM18.0 million registered in the corresponding quarter ended 31 March 2015, up by RM3.4 million or 19%, mainly due to recognition of unwinding of discount for trade receivable (captured under other income) relating to the property development segment.

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 RM21.5 million for the current quarter as compared to RM10.7 million for the immediate preceding quarter. This represents an increase RM10.7 million (100%), which was mainly as a result of higher expenses provision and allowance for impairment of assets and receivables in the fourth quarter of last year.

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 31 March 2016 (31 March 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 31 March 2016 and 31 March 2015.

B10. Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group as at 31 March 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 31.03.2016 RM'000	As at 31.03.2015 RM'000
Realised	643,378	553,776
Unrealised	(23,735)	(39,192)
	619,643	514,584
Add: Consolidation adjustments	4,685	1,045
Total Group retained earnings as per financial statements	624,328	515,629

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 27 May 2016.