



SURIA CAPITAL HOLDINGS BERHAD

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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

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

Condensed consolidated statements of financial position
As at 31 March 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A1. Corporate information

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

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

A2. Basis of preparation

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

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

A3. Changes in accounting policies

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

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

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

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

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

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

- MFRS 16 Leases

Deferred.

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

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

A3. Changes in accounting policies (continued)

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

A4. Significant events and transactions

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

A5. Comments about seasonal or cyclical factors

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

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

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

A7. Changes in estimates

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

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

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

A9. Dividends paid

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

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

A10. Segmental information

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

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

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

Port operations

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

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

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

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

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

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

A10. Segmental information (continued)

Port operations (continued)

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

Logistics and bunkering services

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

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

Contract and engineering and ferry terminal operations

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

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

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

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

Investment holding

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

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

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

A10. Segmental information (continued)

Property development

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

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

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

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

The segment results are as follows:

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

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

A11. Subsequent events after the reporting period

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

A12. Changes in the composition of the Group

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

A13. Related party transactions

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

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

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

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

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

A14. Profit before tax

Included in the profit before tax are the following items :

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

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

A15. Income tax expense

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

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

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

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

A16. Earnings per share

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

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

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

A17. Property, plant and equipment

Acquisitions and disposals

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

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

Write-down of property, plant and equipment

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

A18. Concession assets

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

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

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A19. Inventories

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

A20. Cash and cash equivalents

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

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

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

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

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

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

C. Level 2 fair value measurements

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

Investment securities

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

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A22. Interest-bearing loans and borrowings

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

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

The above borrowings are denominated in local currency.

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

A23. Concession liabilities

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

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

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A24. Capital commitments

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

A25. Contingent liabilities or assets

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

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

B1. Performance review

Quarter and year-to-date

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

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

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

B2. Comment on material change in profit before taxation

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

B3. Commentary on prospects

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

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

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

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

B5. Profit forecast or profit guarantee

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

B6. Corporate proposals

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

B7. Changes in material litigation

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

B8. Dividends declared

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

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

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

B10. Breakdown of retained earnings into realised and unrealised

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

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

B11. Auditors' report on preceding annual financial statements

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

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

B12. Authorisation for issue

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