



# **SURIA CAPITAL HOLDINGS BERHAD**

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

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2016**

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**Condensed consolidated statements of comprehensive income**  
**For the quarter and year ended 31 December 2016**

	Note	Current quarter 3 months ended		Year ended	
		31.12.2016 Unaudited RM'000	31.12.2015 Unaudited RM'000	31.12.2016 Unaudited RM'000	31.12.2015 Audited RM'000
<b>Revenue</b>		56,094	61,036	228,223	488,460
Cost of sales		(27,719)	(52,179)	(127,733)	(293,324)
<b>Gross profit</b>		28,375	8,857	100,490	195,136
<b>Other items of income</b>					
Interest income		506	873	2,167	3,289
Other income		7,569	8,163	30,877	28,658
<b>Other items of expense</b>					
Administrative expense		(6,249)	(17,937)	(27,242)	(38,009)
Finance costs		(929)	(1,949)	(5,896)	(7,640)
Other expenses		(12,867)	10,865	(19,826)	(33,186)
<b>Profit before tax</b>	A14	16,405	8,872	80,570	148,248
Income tax expense	A15	1,832	(4,770)	(16,870)	(22,531)
<b>Profit net of tax</b>		18,237	4,102	63,700	125,717
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		18,237	4,102	63,700	125,717
Profit net of tax attributable to:					
Owners of the Company		18,237	4,447	63,700	126,434
Non-controlling interests		-	(345)	-	(717)
		18,237	4,102	63,700	125,717
Total comprehensive income attributable to:					
Owners of the Company		18,237	4,447	63,700	126,434
Non-controlling interests		-	(345)	-	(717)
		18,237	4,102	63,700	125,717
<b>Earnings per ordinary share attributable to owners of the Company (sen per share):</b>					
Basic	A16	6.33	1.57	22.10	44.57

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 December 2016**

	Note	As at 31.12.2016 Unaudited RM'000	As at 31.12.2015 Audited RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	A17	62,229	63,412
Concession assets	A18	728,614	734,853
Deferred tax assets		30,765	19,909
Other assets		33,931	-
Trade receivable		230,799	162,038
		1,086,338	980,212
<b>Current assets</b>			
Inventories	A19	4,003	3,790
Property development cost		-	-
Trade and other receivables		45,864	104,233
Other current assets		3,628	2,031
Income tax refundable		903	778
Investment securities	A21	144,104	126,962
Cash and bank balances	A20	60,958	114,313
		259,460	352,107
<b>TOTAL ASSETS</b>		<b>1,345,798</b>	<b>1,332,319</b>

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

	Note	As at 31.12.2016 Unaudited RM'000	As at 31.12.2015 Audited RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	A22	10,637	10,762
Loan from Sabah Ports Authority		24,946	23,986
Amount due to Sabah State Government		5,927	5,927
Concession liabilities	A23	10,162	9,963
Trade and other payables		40,209	38,626
Income tax payable		271	-
		92,152	89,264
<b>Net current assets</b>		167,308	262,843
<b>Non-current liabilities</b>			
Borrowings	A22	225	10,697
Loan from Sabah Ports Authority		52,924	77,870
Amount due to Sabah State Government		17,779	23,706
Concession liabilities	A23	115,823	117,743
Employee defined benefit liability		196	272
Deferred tax liabilities		54,158	41,764
		241,105	272,052
<b>TOTAL LIABILITIES</b>		333,257	361,316
<b>Net assets</b>		1,012,541	971,003
<b>Equity attributable to owners of the Company</b>			
Share capital	A8	288,184	288,184
Share premium		70,641	70,641
Other reserves		1,862	2,194
Retained earnings	B10	651,854	608,327
		1,012,541	969,346
<b>Non-controlling interests</b>		-	1,657
<b>TOTAL EQUITY</b>		1,012,541	971,003
<b>TOTAL EQUITY AND LIABILITIES</b>		1,345,798	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 ended 31 December 2016**

	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	
<b>Opening balance at 1 January 2016</b>		971,003	969,346	288,184	70,641	608,327	2,194	2,255	(61)	1,657
Profit net of tax		63,700	63,700	-	-	63,700	-	-	-	-
<b>Total comprehensive income for the year</b>		63,700	63,700	-	-	63,700	-	-	-	-
<b>Transactions with owners</b>										
Dividends on ordinary shares	A9	(20,173)	(20,173)	-	-	(20,173)	-	-	-	-
Acquisition of non- controlling interests		(1,989)	-	-	-	-	-	-	-	(1,989)
Premium paid on acquisition of non- controlling interests		-	(332)	-	-	-	(332)	-	(332)	332
Total transactions with owners		(22,162)	(20,505)	-	-	(20,173)	(332)	-	(332)	(1,657)
<b>Closing balance at 31 December 2016</b>		1,012,541	1,012,541	288,184	70,641	651,854	1,862	2,255	(393)	-

**Condensed consolidated statements of changes in equity (continued)**  
**For the year ended 31 December 2016**

	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	
<b>Opening balance at 1 January 2015</b>		850,297	848,282	283,328	62,785	502,230	(61)	-	(61)	2,015
Profit net of tax		125,717	126,434	-	-	126,434	-	-	-	(717)
<b>Total comprehensive income for the year</b>		125,717	126,434	-	-	126,434	-	-	-	(717)
<b>Transactions with owners</b>										
Issue of ordinary shares		12,712	12,712	4,856	7,856	-	-	-	-	-
Dividends on ordinary shares	A9	(19,978)	(19,978)	-	-	(19,978)	-	-	-	-
Share of equity contribution from the Company		-	(359)	-	-	(359)	-	-	-	359
Grant of equity-settled share options to employees		2,255	2,255	-	-	-	2,255	2,255	-	-
<b>Total transactions with owners</b>		<b>(5,011)</b>	<b>(5,370)</b>	<b>4,856</b>	<b>7,856</b>	<b>(20,337)</b>	<b>2,255</b>	<b>2,255</b>	<b>-</b>	<b>359</b>
<b>Closing balance at 31 December 2015</b>		<b>971,003</b>	<b>969,346</b>	<b>288,184</b>	<b>70,641</b>	<b>608,327</b>	<b>2,194</b>	<b>2,255</b>	<b>(61)</b>	<b>1,657</b>

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 ended 31 December 2016**

	<b>Year ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>Unaudited</b>	<b>Audited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>		
Profit before tax	80,570	148,248
<u>Adjustments for:</u>		
Amortisation of concession assets	37,385	38,341
Allowance for impairment loss on:		
- trade receivables	9,985	4,429
- other receivables	-	459
Concession assets written off	12	570
Depreciation of property, plant and equipment	2,459	2,469
Employee defined benefit expenses	(76)	(215)
Employee leave entitlement	(13)	(513)
Finance costs	5,896	7,640
Gain on disposal of concession assets	(65)	(14)
Impairment loss on concession assets	-	11,726
Interest income	(2,385)	(3,563)
Inventories written off	25	52
Investment income from investment securities	(5,106)	(4,256)
Net fair value loss/(gain) on held for trading investment securities	(27)	(805)
Plant and equipment written off	-	172
Shares and options granted under Employees' share scheme	-	14,967
Unrealised exchange loss/(gain)	122	(479)
Unwinding of discount on:		
- long term receivables	(17,320)	(12,893)
- concession liabilities	8,242	8,354
- dredging costs	54	-
<b>Total adjustments</b>	<b>39,188</b>	<b>66,441</b>
<b>Operating cash flows before changes in working capital</b>	<b>119,758</b>	<b>214,689</b>
<u>Changes in working capital:</u>		
(Increase)/decrease in inventories	(238)	1,209
Increase in trade and other receivables	(3,055)	(225,894)
(Increase)/decrease in other current assets	(35,528)	1,312
Decrease in land held for property development	-	120,885
Decrease in amount due to Sabah Ports Authority	-	(2,000)
Increase in trade and other payables	1,546	973
Payment of concession liabilities	(9,963)	(9,772)
Payment of employee defined benefit liability	-	(13,802)
<b>Total changes in working capital</b>	<b>(47,238)</b>	<b>(127,089)</b>



**Condensed consolidated statements of cash flows (continued)**  
**For the year ended 31 December 2016**

	Year ended	
	31.12.2016 Unaudited RM'000	31.12.2015 Audited RM'000
<b>Cash flows from operations</b>	72,520	87,600
Interest received	478	490
Income tax paid	(8,079)	(1,852)
Income tax refunded	302	21,202
Real Property Gain Tax paid	(7,411)	(25,838)
<b>Net cash flows from operating activities</b>	57,810	81,602
<b>Investing activities</b>		
Acquisition of non-controlling interests	(1,989)	-
Decrease/(increase) in cash at banks pledged and deposits with maturity more than 3 months	32,997	(46,046)
Increase in concession assets	(31,160)	(11,683)
Proceeds from disposal of concession assets	67	18
Proceeds from disposal of investment securities	123,582	87,266
Purchase of investment securities	(140,697)	(105,507)
Purchase of property, plant and equipment	(1,276)	(566)
Investment income received from investment securities	5,106	4,256
Interest received	1,907	3,073
<b>Net cash flows used in investing activities</b>	(11,463)	(69,189)
<b>Financing activities</b>		
Dividends paid	(20,173)	(19,978)
Interest paid	(6,038)	(7,780)
Repayment of Islamic debt securities	(10,000)	(10,000)
Repayment of loan from Sabah Ports Authority	(23,986)	(23,064)
Repayment of loan from Sabah State Government	(5,927)	(5,927)
Repayment of obligations under finance leases	(455)	(337)
<b>Net cash flows used in financing activities</b>	(66,579)	(67,086)
<b>Net decrease in cash and cash equivalents</b>	(20,232)	(54,673)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(126)	475
<b>Cash and cash equivalents at 1 January</b>	52,081	106,279
<b>Cash and cash equivalents at 31 December (Note A20)</b>	31,723	52,081
<b>Composition of cash and cash equivalents</b>		
Cash on hand and at banks	22,710	37,267
Deposits with licensed banks and other financial institutions	9,013	14,814
<b>Cash and cash equivalents at 31 December (Note A20)</b>	31,723	52,081

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 – 4<sup>th</sup> quarter ended 31 December 2016**

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**A1. Corporate information**

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 28 February 2017.

**A2. Basis of preparation**

The condensed consolidated interim financial statements of the Group for the fourth quarter ended 31 December 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 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 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
- MFRS 14 Regulatory Deferral Accounts

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

- MFRS 107 Disclosures Initiative (Amendments to MFRS 107)
- MFRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)

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

- MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments
- MFRS 2 Classification and Measurement of Share-based Payment Transaction (Amendments to MFRS 2)

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

- MFRS 16 Leases

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2016**

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**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 December 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 year.

**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 year ended 31 December 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 ended there was repayment made for debt securities amounting to RM10,000,000 (31 December 2015: RM10,000,000).

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2016**

**A9. Dividends paid**

	Current quarter 3 months ended		Year ended	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
<u>For 2014:</u>				
4.0% final tax exempt dividend, on 283,327,992 ordinary shares, declared on 15 June 2015 and paid on 31 July 2015	-	-	-	11,333
<u>For 2015:</u>				
3.0% interim tax exempt dividend, on 288,183,992 ordinary shares, declared on 26 November 2015 and paid on 28 December 2015	-	8,645	-	8,645
4.0% final tax exempt dividend, on 288,183,992 ordinary shares, declared on 25 May 2016 and paid on 30 June 2016	-	-	11,528	-
<u>For 2016:</u>				
3.0% interim tax exempt dividend, on 288,183,992 ordinary shares, declared on 16 December 2016 and paid on 20 January 2017	8,645	-	8,645	-
	8,645	8,645	20,173	19,978

**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.

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2016**

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**A10. Segmental information (continued)**

- (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% to the Group's revenue (31 December 2015: 89%) and more than 100% (31 December 2015: 44%) to the Group's profit before tax.

For the year, it contributed 95% to the Group's revenue (31 December 2015: 44%) and 96% (31 December 2015: 28%) 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 9% and 25% respectively, mainly contributed by higher bulk oil throughput. The total tonnage handled for the current quarter and year-to-date are 7.4 million and 28.7 million metric tonnes respectively.

The category of container which is charged differently as per the Sabah Ports' Tariff registered an increase in total TEUs handled in the current quarter by 3% to 90,140 from 87,466 TEUs in the preceding year's corresponding quarter. However for the year 2016, a decline of 2% was registered from 363,185 to 357,386 TEUs.

Profit before tax has gone up by RM35.0 million (83%) to RM77.0 million for the current year from RM42.0 million in prior year. This was mainly due to provision for impairment of assets in 2015 amounted to RM11.7 million.

For the coming year, we expect the wharves in Sabah Ports to handle most of the cargoes in Sabah. However, the port operations segment 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 2% (31 December 2015: 16%) to the Group's revenue and registered a loss before tax of RM2.9 million (31 December 2015: loss of RM1.2 million).

For the year, it contributed 2% (31 December 2015: 7%) to the Group's revenue and registered a loss before tax of RM3.5 million (31 December 2015: profit of RM67,000).

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2016**

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**A10. Segmental information (continued)**

**Logistics and bunkering services (continued)**

There was lesser volume achieved for the year as compared to the previous year. Nevertheless, going forward, the Company is going to operate and manage oil tankage facilities in the ports area in collaboration with a partner in the industry to tap into the oil and gas local market.

**Contract and engineering and ferry terminal operations**

For the current quarter, this segment contributed 2% of the Group's revenue (31 December 2015: <1%) and registered a loss before tax of RM174,000 (31 December 2015: loss of RM3.7 million).

For the year, it contributed 2% (31 December 2015: 1%) of the Group's revenue and registered a loss before tax of RM719,000 (31 December 2015: loss of RM5.3 million). Higher loss in 2015 was mainly due to impairment of receivables.

In the ferry terminal operations, the passenger fees from Jesselton Point operations is the main source of revenue, contributed 53% to this segment's revenue (31 December 2015: 48%). 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 gone up to 23% from 21% in 2015.

**Investment holding**

The investment holding or corporate segment contributed less than 1% (31 December 2015: <1%) of the Group's revenue for the year. 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 RM692,000 for the current year from RM1,097,000 in the preceding year. This resulted from less surplus cash available for investment.

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2016**

**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 2016, there would not be any amount recognised in Group's revenue except for the unwinding of discount on long term trade receivable amounted to RM17.3 million recognised under other income. However, due to some delay in the project implementation, the long term trade receivable was impaired during the quarter amounted to RM7.1 million. Therefore, the net profit contributed by this segment to the total Group's profit before tax for the year is RM10.2 million (31 December 2015: RM121.2 million).

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

The segment results are as follows:

	Current quarter 3 months ended		Year ended	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
<b>Segment revenue</b>				
Investment holding	12,840	13,007	29,342	33,702
Property development	-	(4,117)	-	229,226
Port operations	53,873	54,378	217,841	217,202
Logistics and bunkering services	1,963	10,811	7,992	39,921
Contract and engineering and ferry terminal operations	1,129	541	5,012	4,974
Revenue including inter-segment sales	69,805	74,620	260,187	525,025
Elimination of inter-segment sales	(13,711)	(13,584)	(31,964)	(36,565)
<b>Total revenue</b>	<b>56,094</b>	<b>61,036</b>	<b>228,223</b>	<b>488,460</b>
<b>Segment results</b>				
Investment holding	13,007	21,348	21,877	18,531
Property development	(875)	168	10,204	121,280
Port operations	18,959	3,902	76,979	41,978
Logistics and bunkering services	(2,937)	(1,237)	(3,471)	67
Contract and engineering and ferry terminal operations	(174)	(3,734)	(719)	(5,308)
Profit from operations including inter- segment transactions	27,980	20,447	104,870	176,548
Elimination of inter-segment transactions	(11,575)	(11,575)	(24,300)	(28,300)
<b>Total profit before tax</b>	<b>16,405</b>	<b>8,872</b>	<b>80,570</b>	<b>148,248</b>

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2016**

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**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 year ended 31 December 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.

**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 ended 31 December 2016 and 31 December 2015:

	Current quarter 3 months ended		Year ended	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
<i>Subsidiaries:</i>				
Dividend income	11,575	11,575	24,300	28,300
Interest income	2	3	9	20
Management fees income	1,065	1,065	4,260	4,305
Rental income	22	22	90	90
<i>Company related to Substantial shareholder:</i>				
Car leasing expenses	22	37	116	199

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 – 4<sup>th</sup> quarter ended 31 December 2016**

**A14. Profit before tax**

Included in the profit before tax are the following items :

	Current quarter 3 months ended		Year ended	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Employee benefits expense	15,228	28,371	58,031	74,873
Non-executive directors' remuneration	373	372	1,382	1,256
Allowance for impairment loss on:				
- trade receivables	9,970	2,930	9,985	4,429
- other receivables	-	-	-	459
Amortisation of concession assets	5,174	6,334	37,385	38,341
Auditors' remuneration:				
Statutory audit:				
- current year	106	49	202	196
- under/(over) provision in respect of previous year	(9)	(12)	2	9
Other services:				
- current year	67	243	87	539
- under/ (over) provision in respect of previous year	(33)	(6)	(9)	1
Depreciation of property, plant and equipment	624	628	2,459	2,469
Hiring of equipment and motor vehicles	39	(19)	175	176
Concession assets written off	12	570	12	570
Impairment loss on concession assets	-	(8,574)	-	11,726
Inventories written down	25	-	25	52
Leasing of port land	12	2,520	6,496	10,003
Net fair value loss/(gain) on financial instruments:				
- Investment securities	88	-	37	-
Loss on disposals of property, plant and equipment	(1)	-	-	-
Plant and equipment written off	(12)	154	-	172
Realised (gain)/loss on foreign exchange, net	(1,046)	(192)	-	193
Rental of office premises	251	36	950	859
Reversal of allowance for impairment loss:				
- trade and other receivables	8	412	-	(4)
Unrealised exchange (gain)/loss	802	969	117	305

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2016**

**A15. Income tax expense**

	Current quarter 3 months ended		Year ended	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Income tax expense for the year-to-date:				
Malaysian income tax	7,098	(2,086)	7,794	(1,455)
Deferred tax	(16,468)	(14,901)	1,538	(1,852)
Real property gain tax	7,538	21,757	7,538	25,838
	(1,832)	4,770	16,870	22,531

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. As at 31 December 2015, it has RM56.6 million of unabsorbed investment allowance carried forward which is expected to be fully utilised during the year.

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year. 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, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Current quarter 3 months ended		Year ended	
	31.12.2016 RM'000	31.12.2015 RM'000	31.12.2016 RM'000	31.12.2015 RM'000
Profit net of tax for the financial year	18,237	4,102	63,700	125,717
Less: Attributable to non-controlling interests	-	345	-	717
Profit net of tax attributable to owners of the Company	18,237	4,447	63,700	126,434
Weighted average number of ordinary shares	288,184	283,699	288,184	283,699
Basic earnings per ordinary share (sen)	6.33	1.57	22.10	44.57

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2016**

**A17. Property, plant and equipment**

**Acquisitions and disposals**

The cash outflow on acquisition of property, plant and equipment amounted to RM1,276,000 (31 December 2015: RM566,000).

During the current quarter and year ended 31 December 2016, there were no assets been disposed-off (31 December 2015: Nil).

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

During the current quarter and year ended 31 December 2016, there were no write-down of property, plant and equipment (31 December 2015: Nil).

**A18. Concession assets**

<b>Group</b>	<b>Port concession rights RM'000</b>	<b>Leased port infrastructure and facilities RM'000</b>	<b>Capital expenditure RM'000</b>	<b>Total RM'000</b>
<b>Cost:</b>				
<b>At 1 January 2016</b>	213,679	45,296	859,820	1,118,795
Addition	-	-	31,160	31,160
Disposal	-	-	(207)	(207)
Write off	-	-	(866)	(866)
<b>At 31 December 2016</b>	<b>213,679</b>	<b>45,296</b>	<b>889,907</b>	<b>1,148,882</b>
<b>Accumulated amortisation:</b>				
<b>At 1 January 2016</b>	79,027	17,112	287,803	383,942
Amortisation	7,197	1,510	28,678	37,385
Disposal	-	-	(205)	(205)
Write off	-	-	(854)	(854)
Impairment loss recognised in profit or loss	-	-	-	-
<b>At 31 December 2016</b>	<b>86,224</b>	<b>18,622</b>	<b>315,422</b>	<b>420,268</b>
<b>Net carrying amount:</b>				
At 31 December 2015	134,652	28,184	572,017	734,853
At 31 December 2016	127,455	26,674	574,485	728,614

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 – 4<sup>th</sup> quarter ended 31 December 2016**

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**A19. Inventories**

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

**A20. Cash and cash equivalents**

	<b>As at 31.12.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
Cash at banks and on hand	22,710	37,267
Cash at banks pledged as securities for Islamic debts securities	5,242	5,671
Short term deposits with:		
- licensed banks	9,013	14,814
Deposits with maturity more than 3 months	23,993	56,561
	<b>60,958</b>	<b>114,313</b>

Short term deposits are made for varying periods of between 1 month and 3 months depending on the immediate cash requirements of the Group, and earn interests at the respective short term deposit rates. The weighted average effective interest rate as at 31 December 2016 for the Group was 3.7% (31 December 2015: 3.9%).

Deposits of the Group with a financial institution with maturity more than 3 months amounting to RM5,775,000 (2015: RM5,583,000) are held under lien to secure bank guarantees which includes guarantees made in favour of the Sabah Ports Authority against lease rental of port land payable to Sabah Ports Authority and the due maintenance of Sabah Ports' properties and facilities.

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

	<b>As at 31.12.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
Cash on hand and at banks	22,710	37,267
Short term deposits with:		
- licensed banks	9,013	14,814
	<b>31,723</b>	<b>52,081</b>

**Part A: Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2016**

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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:

	<b>Fair value measurements at the reporting date using</b>			
	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Recurring fair value measurements</b>				
<b>Assets – financial assets</b>				
Investment securities				
- 31 December 2016	-	144,104	-	144,104
- 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 – 4<sup>th</sup> quarter ended 31 December 2016**

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

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

	<b>As at 31.12.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
<b>Current</b>		
Secured:		
- Islamic debt securities	10,144	10,287
- Obligations under finance leases	493	475
	<u>10,637</u>	<u>10,762</u>
<b>Non-current</b>		
Secured:		
- Islamic debt securities	-	10,000
- Obligations under finance leases	225	697
	<u>225</u>	<u>10,697</u>
	<u>10,862</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**

<b>Group</b>	<b>31.12.2016 RM'000</b>	<b>31.12.2015 RM'000</b>
At 1 January	127,706	129,124
Unwinding of discount	8,242	8,354
Payments	<u>(9,963)</u>	<u>(9,772)</u>
At 31 December	<u>125,985</u>	<u>127,706</u>
<b>Current</b>	10,162	9,963
<b>Non current:</b>		
More than 1 year and less than 2 years	9,690	9,497
More than 2 years and less than 5 years	26,486	25,939
5 years or more	79,647	82,307
	<u>115,823</u>	<u>117,743</u>
	<u>125,985</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**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2016**

**A24. Capital commitments**

	<b>As at 31.12.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
<b>Approved and contracted for</b>		
Bulk fertiliser storage facilities for Sandakan	-	1,030
Sapangar Bay bunkering line	179	227
Jetty head extension at Sapangar Bay Oil Terminal	1,400	-
Jetty extension at Karamunting Palm Oil Terminal, Sandakan port	134,371	-
Extension of container yard at Sapangar Bay Container Port	294	-
Purchase of cargo handling equipment	53,994	-
Major repairs and improvements at ports	2,434	-
Purchase of other property, plant and equipment	832	3,172
	<b>193,504</b>	<b>4,429</b>
<b>Approved but not contracted for</b>		
Purchase of property, plant and equipment	246,126	370,643
Improvement to port infrastructure facilities	68,674	244,182
	<b>314,800</b>	<b>614,825</b>
	<b>508,304</b>	<b>619,254</b>

**A25. Contingent liabilities or assets**

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

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

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**B1. Performance review**

**Current quarter**

For the current quarter, the Group registered revenue of RM56.1 million, decreased by RM4.9 million or 8% when compared to the previous year's corresponding quarter ended 31 December 2015 of RM61.0 million. The decline in revenue was mainly attributable to the lower revenue registered by logistics and bunkering services segment.

The Group registered a pre-tax profit of RM16.4 million for the quarter ended 31 December 2016, increased by RM7.5 million (84%) from RM8.9 million for the corresponding quarter ended 31 December 2015, mainly due to lower operating expenditures.

**Year ended**

For the financial year ended 31 December 2016, the Group registered revenue of RM228.2 million from RM488.5 million recorded in previous year, declined by RM260.3 million or 53%. This was mainly resulted from recognition of the non-recurring property development income in previous year.

Subsequently, the Group's pre-tax profit for the financial year end declined to RM80.6 million from RM148.2 million, decreasing by RM67.6 million or 46%.

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 RM16.4 million for the current quarter as compared to RM19.6 million for the immediate preceding quarter, representing a decrease of RM3.2 million (16%), which was mainly as a result of allowance for impairment loss on trade receivables of RM9.9 million 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 coming financial year. Despite the challenges that may be faced, high domestic demand of project cargo for property development and highway is expected to boost the cargo throughput coming through our ports.

**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**

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**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.

**B8. Dividends declared**

Interim tax exempt dividend of 3% has been recommended in respect of the financial year ended 31 December 2016 (31 December 2015: 3%). 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 December 2016 and 31 December 2015.

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

The breakdown of the retained earnings of the Group as at 31 December 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.

	<b>As at 31.12.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
Realised	664,661	622,372
Unrealised	(22,315)	(20,778)
Add: Consolidation adjustments	642,346	601,594
Total Group retained earnings as per financial statements	9,508	6,733
	651,854	608,327

**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.

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

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**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 28 February 2017.