



SURIA CAPITAL HOLDINGS BERHAD

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2017

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Condensed consolidated statements of comprehensive income
For the quarter and year ended 31 December 2017

	Note	Current quarter 3 months ended		Year ended	
		31.12.2017 Unaudited RM'000	31.12.2016 Unaudited RM'000	31.12.2017 Unaudited RM'000	31.12.2016 Audited RM'000
Revenue		114,705	78,068	332,658	258,512
Cost of sales		(85,970)	(58,700)	(238,515)	(158,714)
Gross profit		28,735	19,368	94,143	99,798
Other items of income					
Interest income		688	724	1,888	2,385
Other income		6,324	8,043	31,119	31,351
Other items of expense					
Administrative expense		(1,343)	(14,802)	(27,286)	(35,795)
Finance costs		(997)	(929)	(4,075)	(5,896)
Other expenses		(16,458)	(1,351)	(28,127)	(8,310)
Profit before tax	A14	16,949	11,053	67,662	83,533
Income tax expense	A15	686	1,832	(18,782)	(16,870)
Profit net of tax		17,635	12,885	48,880	66,663
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		17,635	12,885	48,880	66,663
Profit net of tax attributable to:					
Owners of the Company		17,635	12,885	48,880	66,663
Non-controlling interests		-	-	-	-
		17,635	12,885	48,880	66,663
Total comprehensive income attributable to:					
Owners of the Company		17,635	12,885	48,880	66,663
Non-controlling interests		-	-	-	-
		17,635	12,885	48,880	66,663
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	A16	6.12	4.47	16.96	23.13

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 December 2017

	Note	As at 31.12.2017 Unaudited RM'000	As at 31.12.2016 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A17	60,680	62,229
Concession assets	A18	780,381	728,614
Deferred tax assets		29,208	30,765
Other assets		50,905	33,931
Trade receivable		237,914	230,799
		1,159,088	1,086,338
Current assets			
Inventories	A19	4,593	4,028
Trade and other receivables		37,894	48,802
Other current assets		10,068	3,628
Tax refundable		766	903
Investment securities	A21	62,611	144,104
Cash and bank balances	A20	71,395	60,958
		187,327	262,423
TOTAL ASSETS		1,346,415	1,348,761

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

	Note	As at 31.12.2017 Unaudited RM'000	As at 31.12.2016 Audited RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	A22	353	10,637
Loan from Sabah Ports Authority		25,943	24,946
Amount due to Sabah State Government		5,987	5,927
Concession liabilities	A23	10,368	10,162
Trade and other payables		44,777	40,209
Income tax payable		-	271
		87,428	92,152
Net current assets		99,899	170,271
Non-current liabilities			
Borrowings	A22	380	225
Loan from Sabah Ports Authority		26,981	52,924
Amount due to Sabah State Government		11,852	17,779
Concession liabilities	A23	113,563	115,823
Employee defined benefit liability		123	196
Deferred tax liabilities		53,232	54,158
		206,131	241,105
TOTAL LIABILITIES		293,559	333,257
Net assets		1,052,856	1,015,504
Equity attributable to owners of the Company			
Share capital	A8	358,825	288,184
Share premium		-	70,641
Other reserves		1,862	1,862
Retained earnings	B10	692,169	654,817
		1,052,856	1,015,504
Non-controlling interests		-	-
TOTAL EQUITY		1,052,856	1,015,504
TOTAL EQUITY AND LIABILITIES		1,346,415	1,348,761

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 ended 31 December 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 year		48,880	48,880	-	-	48,880	-	-	-	-
Transfer pursuant to Companies Act 2016		-	-	70,641	(70,641)	-	-	-	-	-
Transactions with owners										
Dividends on ordinary shares	A9	(11,528)	(11,528)	-	-	(11,528)	-	-	-	-
Total transactions with owners		(11,528)	(11,528)	-	-	(11,528)	-	-	-	-
Closing balance at 31 December 2017		1,052,856	1,052,856	358,825	-	692,169	1,862	2,255	(393)	-

Condensed consolidated statements of changes in equity (continued)
For the year ended 31 December 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 year		66,663	66,663	-	-	66,663	-	-	-	-
Transactions with owners										
Dividends on ordinary shares	A9	(20,173)	(20,173)	-	-	(20,173)	-	-	-	-
Acquisition of non-controlling interests		(1,989)	(332)	-	-	-	(332)	-	(332)	(1,657)
Total transactions with owners		(22,162)	(20,505)	-	-	(20,173)	(332)	-	(332)	(1,657)
Closing balance at 31 December 2016		1,015,504	1,015,504	288,184	70,641	654,817	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 ended 31 December 2017

	Year ended	
	31.12.2017 Unaudited RM'000	31.12.2016 Audited RM'000
Operating activities		
Profit before tax	67,662	83,533
<u>Adjustments for:</u>		
Amortisation of concession assets	38,646	37,385
Allowance for impairment loss on:		
- trade receivables	619	567
- other receivables	-	-
Concession assets written off	-	12
Depreciation of property, plant and equipment	2,606	2,459
Employee defined benefit expenses	3	(76)
Employee leave entitlement written back	-	(13)
Employee leave entitlement	93	-
Finance costs	4,075	5,896
Gain on disposal of concession assets	(6)	-
Gain on disposal of property, plant and equipment	(50)	(65)
Impairment loss on concession assets	9,798	-
Interest income	(1,888)	(2,385)
Inventories written off	-	-
Investment income from investment securities	(3,851)	(5,106)
Net fair value (gain)/loss on held for trading investment securities	(838)	10
Plant and equipment written off	-	-
Revisions to estimated cash flows on receivables	10,701	7,116
Reversal of allowance for impairment on receivable	(3,357)	(642)
Unrealised exchange loss/(gain)	876	122
Unwinding of discount on:		
- long term receivables	(18,293)	(17,320)
- concession liabilities	8,221	8,242
- dredging costs	-	54
Total adjustments	47,355	36,256
Operating cash flows before changes in working capital	115,017	119,789
<u>Changes in working capital:</u>		
Increase in inventories	(565)	(238)
Decrease/(increase) in trade and other receivables	14,124	(3,049)
Increase in other current assets	(23,414)	(35,528)
Increase in trade and other payables	4,362	1,542
Payment of concession liabilities	(10,162)	(9,963)
Payment of employee defined benefit liability	(76)	-
Total changes in working capital	(15,731)	(47,236)

Condensed consolidated statements of cash flows (continued)
For the year ended 31 December 2017

	Year ended	
	31.12.2017 Unaudited RM'000	31.12.2016 Audited RM'000
Cash flows from operations	99,286	72,553
Interest received	580	478
Income tax paid	(18,973)	(8,079)
Income tax refunded	687	302
Real Property Gain Tax paid	-	(7,411)
Net cash flows from operating activities	81,580	57,843
Investing activities		
Acquisition of non-controlling interests	-	(1,989)
Decrease in cash at banks and deposits pledged and deposits with maturity more than 3 months	1,364	32,997
Increase in concession assets	(100,211)	(31,160)
Proceeds from disposal of concession assets	6	67
Proceeds from disposal of property, plant and equipment	186	-
Proceeds from disposal of investment securities	122,669	123,596
Purchase of investment securities	(40,338)	(140,748)
Purchase of property, plant and equipment	(499)	(1,276)
Investment income received from investment securities	3,851	5,106
Interest received	1,308	1,907
Net cash flows used in investing activities	(11,664)	(11,500)
Financing activities		
Dividends paid	(11,528)	(20,173)
Interest paid	(4,160)	(6,038)
Repayment of Islamic debt securities	(10,000)	(10,000)
Repayment of loan from Sabah Ports Authority	(24,946)	(23,986)
Repayment of loan from Sabah State Government	(5,926)	(5,927)
Repayment of obligations under finance leases	(679)	(455)
Net cash flows used in financing activities	(57,239)	(66,579)
Net increase/(decrease) in cash and cash equivalents	12,677	(20,236)
Effect of exchange rate changes on cash and cash equivalents	(876)	(122)
Cash and cash equivalents at 1 January	31,723	52,081
Cash and cash equivalents at 31 December (Note A20)	43,524	31,723
Composition of cash and cash equivalents		
Cash on hand and at banks	18,188	22,710
Deposits with licensed banks and other financial institutions	25,336	9,013
Cash and cash equivalents at 31 December (Note A20)	43,524	31,723

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 – 4th quarter ended 31 December 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 28 February 2018.

A2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the fourth quarter ended 31 December 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 intends 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 – 4th quarter ended 31 December 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 December 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 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 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 quarter and year ended 31 December 2017, there was no new issuance of share capital. The increase in the share capital was due to share premium been capitalised pursuant to the requirement of Companies Act 2016.

In the current quarter, there was repayment made for loan from Sabah Ports Authority amounting to RM24,946,000 (2016: RM23,986,000). Besides, there was also repayment made for debt securities amounting to RM10,000,000 (31 December 2016: RM10,000,000) and amount due to Sabah State Government amounting to RM5,926,000 in the current year (31 December 2016: RM5,927,000) respectively.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2017

A9. Dividends paid

	Current quarter 3 months ended		Year ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
<u>For 2015:</u> 4.0% final tax exempt dividend, on 288,183,992 ordinary shares, declared on 25 May 2016 and paid on 30 June 2016	-	-	-	11,527
<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	-	8,646	-	8,646
4.0% final tax exempt dividend, on 288,183,992 ordinary shares, declared on 22 May 2017 and paid on 30 June 2017	-	-	11,528	-
	-	8,646	11,528	20,173

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.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2017

A10. Segmental information (continued)

Port operations

For the current quarter, the port operations segment contributed 98% to the Group's revenue (31 December 2016: 97%) and 73% (31 December 2016: >100%) to the Group's profit before tax.

For the year, it contributed 97% to the Group's revenue (31 December 2016: 96%) and 94% (31 December 2016: 92%) 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, there was an increase in total tonnage handled by 9%. However, an increase by 5% for the year, mainly contributed by higher bulk oil and general cargo throughput. The total tonnage handled for the current quarter and year ended were 8.0 million and 30.3 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 1% to 90,853 from 90,140 TEUs in the preceding year's corresponding quarter. For the year, total TEUs was 1% lower at 353,161 TEUs as compared to 357,386 TEUs registered in prior year.

Profit before tax has declined by RM15.3 million (20%) to RM63.0 million for the year from RM78.3 million in prior year. This was mainly due to higher operating expenditures and provision for impairment of assets for the year under review. Higher operating expenditures were mainly attributable to higher leasing of port land, personnel costs, stevedorage for tug boat services and amortisation of capital expenditure.

Despite the challenges 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 year.

Logistics and bunkering services

For the current quarter, the logistics and bunkering services segment contributed 1% (31 December 2016: 1%) to the Group's revenue.

For the year, it contributed 1% to the Group's revenue (31 December 2016: 2%) and registered a loss before tax of RM0.7 million (31 December 2016: loss of RM0.5 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.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2017

A10. Segmental information (continued)

Contract and engineering and ferry terminal operations

For the year ended, this segment contributed 2% of the Group's revenue (31 December 2016: 2%) and registered a profit before tax of RM2.1 million for the year (31 December 2016: loss of RM0.7 million).

In the ferry terminal operations, the passenger fees from Jesselton Point operations is the main source of revenue, contributed 57% to this segment's revenue (31 December 2016: 53%). 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 decreased to 14% from 20% 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.

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 RM18.3 million (31 December 2016: RM17.3 million) recognised under other income. However, due to revisions of estimated cash flows for the proceeds, the trade receivable was adjusted during the year by RM10.7 million (2016: RM7.1 million). Therefore, profit contribution by this segment to the total Group's profit before tax for the year is RM7.6 million (31 December 2016: RM10.2 million).

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

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2017

A10. Segmental information (continued)

The segment results are as follows:

	Current quarter 3 months ended		Year ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Segment revenue				
Investment holding	2,572	12,572	19,260	28,560
Property development	-	-	-	-
Port operations	112,731	87,148	323,661	259,945
Logistics and bunkering services	1,818	1,963	7,767	7,992
Contract and engineering and ferry terminal operations	1,089	1,128	5,325	5,011
Revenue including inter-segment sales	118,210	102,811	356,013	301,508
Elimination of inter-segment sales	(3,505)	(24,743)	(23,355)	(42,996)
Total revenue	114,705	78,068	332,658	258,512
Segment results				
Investment holding	(4,861)	4,955	5,118	22,140
Property development	4,688	(875)	7,592	10,204
Port operations	12,332	18,959	63,339	76,979
Logistics and bunkering services	(321)	25	(697)	(509)
Contract and engineering and ferry terminal operations	1,137	(436)	1,761	(981)
Profit from operations including inter- segment transactions	12,975	22,628	77,113	107,833
Elimination of inter-segment transactions	3,974	(11,575)	(9,451)	(24,300)
Total profit before tax	16,949	11,053	67,662	83,533

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 2017, except for the wholly-owned subsidiary of the Company, SCHB Engineering Services Sdn Bhd has acquired two (2) new subsidiaries namely Borderless Unity Sdn Bhd and Borneo Waterways Explorer Sdn Bhd (formerly known as Al-Miqdad Sdn Bhd and Borneo Waterways Sdn Bhd). The subsidiaries are currently dormant but will be used as special purpose vehicles to undertake future projects.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 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 ended 31 December 2017 and 31 December 2016:

	Current quarter		Year ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
<i>Subsidiaries:</i>				
Dividend income	1,575	11,575	15,000	24,300
Interest income	42	2	43	9
Management fees income	1,065	1,065	4,260	4,260
Rental income	22	22	90	90
<i>Company related to</i>				
<i>Substantial shareholder:</i>				
Car leasing expenses	12	(23)	60	71

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 – 4th quarter ended 31 December 2017

A14. Profit before tax

Included in the profit before tax are the following items :

	Current quarter 3 months ended		Year ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Employee benefits expense	14,171	15,231	60,447	58,034
Non-executive directors' remuneration	313	365	1,344	1,374
Allowance for impairment loss on:				
- trade receivables	507	552	619	567
- other receivables	-	-	-	-
Amortisation of concession assets	6,311	5,174	38,646	37,385
Auditors' remuneration:				
Statutory audit:				
- current year	123	106	219	202
- under/(over) provision in respect of previous year	(12)	(9)	12	2
Other services:				
- current year	134	62	171	82
- under/ (over) provision in respect of previous year	(9)	(28)	(3)	(4)
Depreciation of property, plant and equipment	645	624	2,606	2,459
Hiring of equipment and motor vehicles	23	(65)	114	71
Concession assets written off	-	12	-	12
Impairment loss on concession assets	9,798	-	9,798	-
Inventories written down	-	-	-	-
Leasing of port land	907	12	7,750	6,496
Net fair value (gain)/loss on financial instruments:				
- Investment securities	(199)	88	(838)	37
Gain on disposals of concession assets	(6)	-	(6)	-
Gain on disposals of property, plant and equipment	(19)	(1)	(50)	-
Plant and equipment written off	-	(12)	-	-
Revisions to estimated cash flows on receivable	(89)	7,116	10,701	7,116
Realised (gain)/loss on foreign exchange	(353)	(1,046)	(33)	-
Rental of office premises	56	49	811	748
Reversal of allowance for impairment loss:				
- trade and other receivables	(2,196)	(626)	(3,346)	(634)
- concession assets	118	-	118	-
Unrealised exchange (gain)/loss	882	807	882	122

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2017

A15. Income tax expense

	Current quarter 3 months ended		Year ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Income tax expense for the year-to-date:				
Malaysian income tax	6,790	7,225	18,151	7,921
Deferred tax	(7,476)	(16,468)	631	1,538
Real property gain tax	-	7,411	-	7,411
	(686)	(1,832)	18,782	16,870

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 as well.

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

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	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Profit net of tax for the financial year	17,635	12,885	48,880	66,663
Less: Attributable to non-controlling interests	-	-	-	-
Profit net of tax attributable to owners of the Company	17,635	12,885	48,880	66,663
Weighted average number of ordinary shares	288,184	288,184	288,184	288,184
Basic earnings per ordinary share (sen)	6.12	4.47	16.96	23.13

Part A: Explanatory notes pursuant to MFRS 134
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A17. Property, plant and equipment

Acquisitions and disposals

The cash outflow on acquisition of property, plant and equipment amounted to RM499,000 (31 December 2016: RM1,276,000).

There were assets with carrying amount of RM137,000 been disposed off by the Group during the current quarter and year ended 31 December 2017 (31 December 2016: RM Nil), resulting in a gain on disposal of RM50,000 which had been included under other income in the statements of comprehensive income (31 December 2016: RM Nil).

Write-down of property, plant and equipment

During the current quarter and year ended 31 December 2017, there were no write-down of property, plant and equipment (31 December 2016: RM 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	-	-	100,211	100,211
Disposal	-	-	(26)	(26)
Write off	-	-	(9)	(9)
At 31 December 2017	213,679	45,296	990,083	1,249,058
Accumulated amortisation:				
At 1 January 2017	86,224	18,622	315,422	420,268
Amortisation	7,197	1,510	29,939	38,646
Disposal	-	-	(26)	(26)
Write off	-	-	(9)	(9)
Impairment loss recognised in profit or loss	-	-	9,798	9,798
At 31 December 2017	93,421	20,132	355,124	468,677
Net carrying amount:				
At 31 December 2016	127,455	26,674	574,485	728,614
At 31 December 2017	120,258	25,164	634,959	780,381

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
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A19. Inventories

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

A20. Cash and cash equivalents

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Cash at banks and on hand	18,188	22,710
Cash at banks pledged as securities for Islamic debts securities	12	5,242
Cash at banks pledged as securities for Bank Guarantee	130	-
Deposits pledged as securities for Bank Guarantee	11,024	-
Short term deposits with:		
- licensed banks	22,333	9,013
- other financial institutions	3,003	-
Deposits with maturity more than 3 months	16,705	23,993
	71,395	60,958

Term deposits are made for varying periods of between 1 month and 24 months depending on the immediate cash requirements of the Group, and earn interests at the respective term deposit rates. The weighted average effective interest rate as at 31 December 2017 for the Group was 3.7% (31 December 2016: 3.8%).

Deposits of the Group with a financial institution with maturity more than 3 months amounting to RM5,961,000 (2016: RM5,775,000) 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 31.12.2017 RM'000	As at 31.12.2016 RM'000
Cash on hand and at banks	18,188	22,710
Short term deposits with:		
- licensed banks	22,333	9,013
- other financial institutions	3,003	-
	43,524	31,723

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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 December 2017	-	62,611	-	62,611
- 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.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2017

A22. Interest-bearing loans and borrowings

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

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Current		
Secured:		
- Islamic debt securities	-	10,144
- Obligations under finance leases	353	493
	<u>353</u>	<u>10,637</u>
Non-current		
Secured:		
- Islamic debt securities	-	-
- Obligations under finance leases	380	225
	<u>380</u>	<u>225</u>
	<u>733</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 year.

A23. Concession liabilities

Group	31.12.2017 RM'000	31.12.2016 RM'000
At 1 January	125,985	127,706
Unwinding of discount	8,108	8,242
Payments	(10,162)	(9,963)
	<u>123,931</u>	<u>125,985</u>
Current	10,368	10,162
Non current:		
More than 1 year and less than 2 years	9,891	9,690
More than 2 years and less than 5 years	27,055	26,486
5 years or more	76,617	79,647
	<u>113,563</u>	<u>115,823</u>
	<u>123,931</u>	<u>125,985</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 31.12.2017 RM'000	As at 31.12.2016 RM'000
Approved and contracted for		
Sapangar Bay bunkering line	217	217
Proposed Sandakan Port wharf extension	78,048	128,791
Other projects	12,029	50,096
	90,294	179,104
Approved but not contracted for		
Purchase of property, plant and equipment	267,198	277,339
Improvement to port infrastructure facilities	82,404	101,573
	349,602	378,912
	439,896	558,016

A25. Contingent liabilities or assets

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

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

B1. Performance review

Current quarter

For the current quarter, the Group registered revenue of RM114.7 million, increased by RM36.6 million or 47% when compared to the previous year's corresponding quarter ended 31 December 2016 of RM78.1 million. The increase in revenue was mainly attributable to the increase in revenue by the port operations segment mainly contributed by construction services revenue accounted for in accordance with IC Interpretation 12: Service Concession Arrangements. In the current quarter, the port operations registered construction services revenue amounted to RM54.5 million (31 December 2016: RM22.1 million). At the same time, there was also higher operating revenue by the segment due to higher cargo and containers throughput handled during the current quarter under review.

The Group registered a pre-tax profit of RM16.9 million for the quarter ended 31 December 2017, higher by RM5.8 million (52%) from RM11.1 million for the corresponding quarter ended 31 December 2016, mainly due to higher gross profit corresponding the increase in revenue for the quarter under review.

Year ended

For the year ended 31 December 2017, the Group registered revenue of RM332.6 million, higher by RM74.1 million or 29% when compared to the previous year ended 31 December 2016 of RM258.5 million. The increase in revenue was mainly attributable to the increase in revenue by the port operations segment mainly contributed by construction services revenue accounted for in accordance with IC Interpretation 12: Service Concession Arrangements as explained above. For the current year, the port operations registered construction services revenue amounted to RM100.2 million (31 December 2016: RM31.0 million). At the same time, there was also higher operating revenue by the segment due to higher cargo throughput handled during the year under review.

However, the Group registered a pre-tax profit of RM67.7 million for the year ended 31 December 2017, decreased by RM15.8 million (19%) from RM83.5 million for the prior year ended 31 December 2016, mainly due to higher operating expenditures and provision for impairment of concession assets and receivables for the year under review.

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 RM16.9 million for the current quarter as compared to RM14.1 million for the immediate preceding quarter, representing an increase of RM2.8 million (20%), mainly due higher gross profit in the current quarter.

B3. Commentary on prospects

Port operations will continue to be the core business of the Group. The Board is of the view that the port operations will remain resilient and will continue to contribute positive results for the Group for the coming financial year.

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

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.

B6. Corporate proposals

There are no corporate proposals announced as at the date of issue of these financial statements, except for the Company had received an Offer Letter from Sabah State's Lands and Surveys Department dated 22 December 2017 to alienate a land approximately 28.9 acres located within Kota Kinabalu port area at Tanjung Lipat, Kota Kinabalu to the Company. The Company will proceed to comply with the terms of the Offer Letter and will make necessary announcement in due course.

The Company intends to fund the proposed land acquisition via a fundraising exercise, details of which will be determined by the Board and announced at a later date.

B7. Changes in material litigation

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

B8. Dividends declared

No interim ordinary dividend has been recommended in respect of the financial year ended 31 December 2017 (31 December 2016: 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 2017 and 31 December 2016.

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

B10. Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group as at 31 December 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 31.12.2017 RM'000	As at 31.12.2016 RM'000
Realised	694,651	663,858
Unrealised	(22,685)	(23,430)
Add: Consolidation adjustments	671,966 20,203	640,428 14,389
Total Group retained earnings as per financial statements	692,169	654,817

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.

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 2018.