



SURIA CAPITAL HOLDINGS BERHAD

(COMPANY No: 96895-W)

(INCORPORATED IN MALAYSIA)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2015

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Condensed consolidated statements of comprehensive income
For the quarter and year ended 31 December 2015

	Note	Current quarter 3 months ended		Year ended	
		31.12.2015 Unaudited RM'000	31.12.2014 Unaudited RM'000	31.12.2015 Unaudited RM'000	31.12.2014 Audited RM'000
Revenue		61,091	70,946	488,515	273,138
Cost of sales		(56,118)	(45,701)	(297,263)	(165,291)
Gross profit		4,973	25,245	191,252	107,847
Other items of income					
Interest income		873	859	3,289	2,684
Other income		8,188	3,610	28,683	11,975
Other items of expense					
Administrative expense		(14,798)	(8,799)	(34,870)	(28,083)
Finance costs		(1,949)	(2,324)	(7,640)	(9,298)
Other expenses		13,423	(8,578)	(30,628)	(12,315)
Profit before tax	A14	10,710	10,013	150,086	72,810
Income tax expense	A15	(3,787)	(3,426)	(21,548)	(20,691)
Profit net of tax		6,923	6,587	128,538	52,119
Other comprehensive income					
Remeasurement gain/(loss) on employee defined benefit liability		-	(3,897)	-	(3,998)
Income tax effect		-	956	-	956
		-	(2,941)	-	(3,042)
Total comprehensive income for the period		6,923	3,646	128,538	49,077
Profit net of tax attributable to:					
Owners of the Company		7,268	6,582	129,255	52,108
Non-controlling interests		(345)	5	(717)	11
		6,923	6,587	128,538	52,119
Total comprehensive income attributable to:					
Owners of the Company		7,268	3,641	129,255	49,066
Non-controlling interests		(345)	5	(717)	11
		6,923	3,646	128,538	49,077
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	A16	2.52	2.32	44.85	18.39
Diluted		2.38	2.32	44.26	18.39

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statements of financial position
As at 31 December 2015

	Note	As at 31.12.2015 Unaudited RM'000	As at 31.12.2014 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A17	63,568	64,008
Land held for property development		-	120,885
Concession assets	A18	733,327	773,811
Deferred tax assets		19,909	-
Other receivables		159,864	-
		976,668	958,704
Current assets			
Inventories	A19	3,790	5,051
Trade and other receivables		109,615	22,729
Other current assets		2,031	3,343
Income tax refundable		778	18,836
Investment securities	A21	126,962	107,916
Cash and bank balances	A20	114,313	122,465
		357,489	289,983
TOTAL ASSETS		1,334,157	1,248,687

Condensed consolidated statements of financial position (continued)
As at 31 December 2015

	Note	As at 31.12.2015 Unaudited RM'000	As at 31.12.2014 Audited RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	A22	10,762	10,435
Loan from Sabah Ports Authority		23,986	23,064
Amount due to Sabah Ports Authority		-	2,000
Amount due to Sabah State Government		5,927	5,927
Concession liabilities	A23	9,963	9,772
Trade and other payables		38,626	12,876
Income tax payable		-	163
		89,264	89,531
Net current assets		268,225	200,452
Non-current liabilities			
Borrowings	A22	10,697	20,022
Loan from Sabah Ports Authority		77,870	101,856
Amount due to Sabah State Government		23,706	29,633
Concession liabilities	A23	117,743	119,352
Employee defined benefit liability		272	14,289
Deferred tax liabilities		40,781	23,707
		271,069	308,859
TOTAL LIABILITIES		360,333	398,390
Net assets		973,824	850,297
Equity attributable to owners of the Company			
Share capital	A8	288,184	283,328
Share premium		70,641	62,785
Retained earnings		611,148	502,230
Other reserve		2,194	(61)
		972,167	848,282
Non-controlling interests		1,657	2,015
TOTAL EQUITY		973,824	850,297
TOTAL EQUITY AND LIABILITIES		1,334,157	1,248,687

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statements of changes in equity
For the year ended 31 December 2015

	Note	-----Attributable to owners of the Company-----								
		Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserve, total RM'000	Employee share option reserve RM'000	Premium paid on acquisition of non- controlling interests RM'000	Non- controlling interests RM'000
Opening balance at 1 January 2015		850,297	848,282	283,328	62,785	502,230	(61)	-	(61)	2,015
Profit net of tax		128,538	129,255	-	-	129,255	-	-	-	(717)
Total comprehensive income for the year		128,538	129,255	-	-	129,255	-	-	-	(717)
Transactions with owners										
Share issuance expense		12,712	12,712	4,856	7,856	-	-	-	-	-
Dividends on ordinary shares	A9	(19,978)	(19,978)	-	-	(19,978)	-	-	-	-
Share of employee share option reserve		-	(359)	-	-	(359)	-	-	-	359
Grant of equity-settled share options to employees		2,255	2,255	-	-	-	2,255	2,255	-	-
Total transactions with owners		(5,011)	(5,370)	4,856	7,856	(20,337)	2,255	2,255	-	359
Closing balance at 31 December 2015		973,824	972,167	288,184	70,641	611,148	2,194	2,255	(61)	1,657

Condensed consolidated statements of changes in equity (continued)
For the year ended 31 December 2015

	Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Attributable to owners of the Company-----			Non- controlling interests RM'000	
				Non-distributable	Distributable	Non- distributable		
				Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserve RM'000	
Opening balance at 1 January 2014 (As restated)		821,137	819,049	283,328	62,785	472,997	(61)	2,088
Profit net of tax		52,119	52,108	-	-	52,108	-	11
Other comprehensive income, net of tax		(3,042)	(3,042)	-	-	(3,042)	-	-
Total comprehensive income for the year		49,077	49,066	-	-	49,066	-	11
Transactions with owners								
Dividends paid by a subsidiary		(84)	-	-	-	-	-	(84)
Dividends on ordinary shares	A9	(19,833)	(19,833)	-	-	(19,833)	-	-
Total transactions with owners		(19,917)	(19,833)	-	-	(19,833)	-	(84)
Closing balance at 31 December 2014		850,297	848,282	283,328	62,785	502,230	(61)	2,015

These condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statements of cash flows
For the year ended 31 December 2015

	Year ended	
	31.12.2015 Unaudited RM'000	31.12.2014 Unaudited RM'000
Operating activities		
Profit before tax	150,086	72,810
<u>Adjustments for:</u>		
Amortisation of:		
- Concession assets	42,623	41,189
Allowance for impairment loss on receivables		
- trade receivables	1,593	96
- other receivables	459	372
Concession assets written off	1,469	3
Depreciation of property, plant and equipment	2,469	2,422
Employee defined benefit expense	(215)	2,266
Employee leave entitlement	(513)	77
Finance costs	7,640	9,298
Gain on disposal of concession assets	(14)	(128)
Impairment loss on concession assets	9,156	589
Interest income	(3,563)	(3,291)
Inventories written down	52	116
Investment income from investment securities	(3,980)	(3,582)
Loss on disposal of property, plant and equipment	-	3
Net fair value gains on investment securities	(1,136)	(202)
Gain on disposal of land held for development	(203,115)	-
Plant and equipment written off	16	56
Share grants and options granted under Employee Share Scheme	14,967	-
Provision for dredging costs	-	223
Reversal of impairment loss on concession assets	(899)	-
Unrealised exchange gain	(423)	(116)
Unrealised exchange loss	-	20
Unwinding of discount on receivables	(12,893)	-
Unwinding of discount on concession liabilities	8,354	8,448
Waiver of amounts due to creditors	-	(92)
Total adjustments	(137,953)	57,767
Operating cash flows before changes in working capital	12,133	130,577
<u>Changes in working capital:</u>		
Decrease/(increase) in inventories	1,209	(18)
Decrease/(increase) in trade and other receivables	97,881	(3,666)
Decrease/(increase) in other current assets	1,312	(1,014)
Increase in cash at banks pledged and deposits with maturity more than 3 months	(46,046)	(4,829)
(Decrease)/increase in amount due to Sabah Ports Authority	(2,000)	2,000
Increase/(decrease) in trade and other payables	957	(67,598)
Payment of concession liabilities	(9,772)	(9,589)
Payment of employee defined benefit liability	(13,802)	(390)
Total changes in working capital	29,739	(85,104)

Condensed consolidated statements of cash flows (continued)
For the year ended 31 December 2015

	Year ended	
	31.12.2015 Unaudited RM'000	31.12.2014 Audited RM'000
Cash flows from operations	41,872	45,473
Interest received	490	456
Income tax paid	(1,852)	(1,437)
Real Property Gain Tax paid	(25,838)	-
Income tax refunded	21,055	681
Net cash flows from operating activities	35,727	45,173
Investing activities		
Increase in concession assets	(11,869)	(10,690)
Increase in land held for property development	-	(109)
Proceeds from disposal of property, plant and equipment	-	5
Proceeds from disposal of concession assets	18	131
Purchase of property, plant and equipment	(538)	(581)
Proceeds from disposal of investment securities	87,503	120,850
Purchase of investment securities	(105,267)	(97,548)
Investment income received from investment securities	3,834	2,958
Interest received	3,073	2,835
Net cash flows from investing activities	(23,346)	17,851
Financing activities		
Dividends paid	(19,978)	(19,833)
Dividends paid to non-controlling interests	-	(84)
Interest paid	(7,783)	(9,436)
Repayment of Islamic debt securities	(10,000)	(10,000)
Repayment of loan from Sabah State Government	(5,927)	(5,927)
Repayment of loan from Sabah Ports Authority	(23,064)	(22,176)
Repayment of obligations under finance leases	(362)	(9)
Net cash flows used in financing activities	(67,114)	(67,465)
Net increase/(decrease) in cash and cash equivalents	(54,633)	(4,441)
Effect of exchange rate changes on cash and cash equivalents	435	116
Cash and cash equivalents at 1 January	106,279	110,604
Cash and cash equivalents at 31 December (Note A20)	52,081	106,279
Composition of cash and cash equivalents		
Cash on hand and at banks	37,267	24,592
Deposits with licensed banks and other financial institutions	14,814	81,687
Cash and cash equivalents at 31 December	52,081	106,279

These condensed consolidated statements of cash flows should be read in conjunction with 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 2015

A1. Corporate information

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 February 2016.

A2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the fourth quarter ended 31 December 2015 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 2014. 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 2014.

A3. Changes in accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2014, except for the adoption of the following new/revised Malaysian Financial Reporting Standards ("MFRS"):

Effective for annual periods beginning on or after 1 January 2016.

- Annual Improvements to MFRSs 2012 - 2014 Cycle
- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
- MFRS 14 Regulatory Deferral Accounts

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

- MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments

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

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2015

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 2015.

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 2015.

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, the Company issued 4,856,000 new ordinary shares of RM1 each through Employees' share scheme as follows:

- 4,816,000 at an issue price of RM2.62 per ordinary share;
- 20,000 at an issue price of RM2.56 per ordinary share;
- 20,000 at an issue price of RM2.43 per ordinary share.

The share premium arising from the issuance of ordinary shares have been included in the share premium account.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2015

A9. Dividends paid

	Current quarter 3 months ended		Year ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
<u>For 2013:</u> 4.0% final tax exempt dividend, on 283,327,992 ordinary shares, declared on 24 June 2014 and paid on 25 July 2014	-	-	-	11,333
<u>For 2014:</u> 3.0% interim tax exempt dividend, on 283,327,992 ordinary shares, declared on 17 November 2014 and paid on 22 December 2014	-	8,500	-	8,500
<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 291,549,992 ordinary shares, declared on 26 November 2015 and paid on 28 December 2015	8,645	-	8,645	-
	8,645	8,500	19,978	19,833

A10. Segmental information

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

- 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.
- The logistics and bunkering services segment deals with the provisions of bunkering and related services.
- The contract and engineering segment deals with contracts and project management consultancy works.
- The ferry terminal operations segment deals with ferry and international cruise terminal operations.
- The investment holding segment is involved in Group-level corporate services, treasury functions and investment in marketable securities.

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, except for a new business segment of property development which is non-recurring and has been reflected in the current financial year.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2015

A10. Segmental information (continued)

Property development

For the current quarter, the property development segment did not generate any revenue to the Group, except for a RM4.1 million adjustment made due to change in assumptions. However, an amount of RM4.4 million was also recognised as other income, being the unwinding of discounts for trade receivables, considering the proceeds from property development will be receivable in staggered over 8 years. Due to the offsetting effect, this segment only contribute about 1% to the total Group's operating profit for the quarter (31 December 2014: Nil).

For the year ended, it contributed 47% (31 December 2014: Nil) of the Group's revenue and 81% (31 December 2014: Nil) of the Group's operating profit.

The income was derived from the Joint Venture with SBC Corporation Berhad to develop a parcel of development land approximately 16.25 acres namely Jesselton Quay project at Tanjung Lipat, Kota Kinabalu.

The project has not commenced but income has been recognised based on the minimum entitlement as per the Joint Venture Agreement but after the discounting factor. The income was derived from the deemed disposal of land held for property development due to accounting treatment and tax opinion. The project is targeted to commence by middle of next year.

Port operations

For the current quarter, the port operations segment contributed 89% of the Group's revenue (31 December 2014: 84%) and 22% (31 December 2014: >100%) of the Group's operating profit.

For the year ended, it contributed 44% (31 December 2014: 85%) of the Group's revenue and 27% (31 December 2014: >100%) of the Group's operating profit.

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

The cargo volume handled at Sabah Ports is closely correlated to the Sabah state economy and also the regional economy. For the current quarter and year ended, there was an increase in total tonnage handled by 13% and 1% respectively, mainly contributed by higher bulk oil throughput.

The category of container which is charged differently as per the Sabah Ports' Tariff registered a decline in total TEUs in the current quarter by 12% to 87,466 from 99,541 TEUs in the preceding year's corresponding quarter and a decline by 9% to 363,185 from 398,800 TEUs for the year ended.

The decrease in number of containers handled in the current quarter and year ended has led to the decrease of the segment's revenue by 8% from RM59.3 million in the preceding year's corresponding quarter to RM54.4 million for the quarter. Subsequently, the revenue for the year ended has also decreased by 6% to RM217.2 million from RM232.0 million last year.

Port's operating expenses for the quarter was higher by 38% to RM42.9 million from RM31.1 million mainly due to higher employee benefits, repairs and maintenance and amortization of capital expenditure. Subsequently, the port's operating expenses for the year ended 31 December 2015 has also increased by 8% from RM125.1 million to RM135.1 million, mainly attributable to the same reasons.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2015

A10. Segmental information (continued)

Port operations (continued)

Operating profit has declined by RM9.5 million or 80% to RM2.4 million for the current quarter from RM11.9 million in corresponding quarter of 2014. Subsequently, the current year's operating profit has also declined by RM37.2 million or 48% to RM40.5 million from RM77.6 million mainly due to the lower revenue, higher operating expenditures and impairment of concession assets.

For the coming year, we expect the port operations to face challenges due to the economic slowdown and uncertainties in the regional container trade and the oil palm market.

Logistics and bunkering services

For the current quarter, the logistics and bunkering services segment contributed 16% (31 December 2014: 14%) of the Group's revenue and incurred operating loss of 6% (31 December 2014: <1% profit).

For the year ended, it contributed 7% (31 December 2014: 12%) of the Group's revenue and less than 1% (31 December 2014: <1%) of the Group's operating profit.

This segment shows improvement in term of revenue and profit contribution to the Group during the quarter and year ended, although the percentage declined for the year ended (due to the new segment of property development). The increase in business for this segment was mainly attributable to the increase in the sales of fuel volume.

However, the year ended performance for this segment was somehow affected by lower selling price of fuel in line with the reduction in world's oil market price.

The segment has achieved gross profit margin at 7% this year as compared to only 1% last year. This was mainly due to higher volume.

Contract and engineering

For the current quarter and financial year ended, the contract and engineering segment did not contribute positively to the Group's revenue and operating profit. Currently, the company has no major external project in hand and only doing small project management consultancy works.

An operating loss of RM2.7 million for the year ended 31 December 2015 was recorded for this segment mainly due to provision for impairment of trade receivables.

Ferry terminal operations

During the year, the Group has done a rationalisation exercise whereby the ferry terminal operations and handling of cruise ships passengers which previously under Suria Bumiria Sdn Bhd was injected into another subsidiary, SCHB Engineering Services Sdn Bhd, which at the same time remains as the construction and engineering company for the Group. The exercise is part of the Group's business strategy to strengthen synergy between the two subsidiaries to capitalize on the combined skills and expertise for both companies. In turn, Suria Bumiria will become a dormant company.

This segment gave minimum contribution to the Group's revenue and operating profit for the current quarter and year ended.

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2015

A10. Segmental information (continued)

Ferry terminal operations (continued)

For the year ended, the passenger fees was the main source of revenue contributing 47% of the segment's revenue (31 December 2014: 46%) while rental received from retail outlets contributed 22% (31 December 2014: 19%), passenger fees from Kota Kinabalu international cruise terminal contributed 7% (31 December 2014: 13%) and income from indoor soccer centre contributed 9% (31 December 2014: 10%).

Total revenue declined by 16% mainly attributable to lower passenger fees income from the Kota Kinabalu international cruise terminal and Jesselton Point ferry terminal. Besides, lower income received from the indoor soccer centre.

Gross profit margin has dropped to 28% from 46% in 2014 mainly as a result of lower revenue and higher operating expenditures.

Investment holding

The investment holding or corporate segment contributed 1% (31 December 2014: <1%) of the Group's revenue for the year ended. External revenue is derived mainly from short term investments in investments securities and interest earned from deposits with licensed financial institutions.

There was a decrease in revenue of 27% to RM1,152,000 for the year ended from RM1,577,000 in the preceding year. This resulted from less surplus cash available for investment due to higher financial commitment. Subsequently, loss before tax was recorded for this segment mainly due to impairment of investment in subsidiaries and receivables, employee benefits in share grant and options as well as expenses provision made during the year.

The segment results are as follows :

	Current quarter 3 months ended		Year ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Segment revenue				
Investment holding	13,062	12,915	33,757	38,171
Property development	(4,117)	-	229,226	-
Port operations	54,378	59,272	217,202	232,037
Logistics and bunkering services	10,811	10,908	39,921	38,380
Contract and engineering	598	412	1,328	640
Ferry terminal operations	(57)	1,362	3,646	5,726
Revenue including inter-segment sales	74,675	84,869	525,080	314,954
Elimination of inter-segment sales	(13,584)	(13,923)	(36,565)	(41,816)
Total revenue	61,091	70,946	488,515	273,138

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2015

A10. Segmental information (continued)

	Current quarter 3 months ended		Year ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Segment results				
Investment holding	12,216	10,132	9,399	27,802
Property development	122	-	121,234	-
Port operations	2,397	11,952	40,473	77,647
Logistics and bunkering services	(624)	46	680	6
Contract and engineering	(1,154)	(433)	(2,679)	(1,296)
Ferry terminal operations	(177)	136	(226)	1,050
Profit from operations including inter-segment transactions	12,780	21,833	168,881	105,209
Elimination of inter-segment transactions	(2,070)	(11,820)	(18,795)	(32,399)
Total profit before tax	10,710	10,013	150,086	72,810

A11. Subsequent events after the reporting period

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

A12. Changes in the composition of the Group

There were no changes in the composition of the Group during the interim financial year ended 31 December 2015.

A13. Related party transactions

The following table provides information on the transactions which have been entered into with related parties (between the Company and its subsidiaries) during the three months period and year ended 31 December 2015 and 31 December 2014:

	Current quarter 3 months ended		Year ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Dividend income	11,575	11,575	28,300	32,154
Interest income	3	11	20	50
Management fees income	1,065	1,110	4,305	4,440
Rental income	22	22	90	90
Car leasing expenses	38	172	199	770

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 2015

A14. Profit before tax

Included in the profit before tax are the following items :

	Current quarter 3 months ended		Year ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Employee benefits expense	28,476	14,998	74,978	60,455
Non-executive directors' remuneration	339	472	1,223	1,217
Allowance for impairment loss on:				
- trade receivables	94	39	1,593	96
- other receivables	-	372	459	372
Amortisation of:				
- concession assets	10,456	15,029	42,463	41,189
Auditors' remuneration:				
Statutory audit:				
- current year	69	56	216	180
- under/(over) provision in respect of previous year	(23)	(2)	(2)	8
Other services:				
- current year	(20)	373	276	408
Depreciation of property, plant and equipment	628	591	2,469	2,422
Hiring of equipment and motor vehicles	(18)	(2,725)	176	747
Concession assets written off	1,469	3	1,469	3
Impairment on concession assets	(11,144)	589	11,725	589
Inventories written down	-	83	52	116
Leasing of port land	2,520	2,020	10,003	10,040
Net fair value losses on financial instruments:				
- Investment securities	56	54	56	54
Loss on disposals of property, plant and equipment	-	2	-	3
Plant and equipment written off	(2)	(1)	16	56
Realised loss/(gain) on foreign exchange, net	(75)	(107)	193	(17)
Rental of office premises	36	204	859	1,143
Reversal of allowance for impairment loss				
- trade and other receivables	416	99	-	(10)
- concession assets	(899)	-	(899)	-
Unrealised exchange loss	309	20	309	20

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2015

A15. Income tax expense

	Current quarter 3 months ended		Year ended	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Income tax expense for the year:				
Malaysian income tax	(2,086)	90	(1,455)	894
Deferred tax	(15,884)	3,336	(2,835)	19,797
Real property gain tax	21,757	-	25,838	-
	3,787	3,426	21,548	20,691

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, Sabah Ports Sdn Bhd has RM55.7 million of unabsorbed investment allowance carried forward that could be utilised in future to offset future taxable income.

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25% 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	
	31.12.2015 RM'000	31.12.2014 RM'000	31.12.2015 RM'000	31.12.2014 RM'000
Profit net of tax for the financial year	6,923	6,587	128,538	52,119
Less: Attributable to non-controlling interests	345	(5)	717	(11)
Profit net of tax attributable to owners of the Company	7,268	6,582	129,255	52,108
Weighted average number of ordinary shares	288,184	283,328	288,184	283,328
Basic earnings per ordinary share (sen)	2.52	2.32	44.85	18.39

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2015

A17. Property, plant and equipment

Acquisitions and disposals

The cash outflow on acquisition of property, plant and equipment amounted to RM538,000 (31 December 2014: RM581,000).

There were no assets been disposed off by the Group during the three months ended 31 December 2015 (31 December 2014: Nil).

Write-down of property, plant and equipment

During the current quarter, there was no property, plant and equipment been written off (31 December 2014: Nil). However for the year ended, property, plant and equipment with carrying amount of RM16,000 was written off (31 December 2014: RM56,000) and has been included under other operating expenses in the statements of comprehensive income.

A18. Concession assets

Group	Port concession rights RM'000	Leased port infrastructure and facilities RM'000	Capital expenditure RM'000	Total RM'000
Cost:				
At 1 January 2015	213,679	45,296	849,864	1,108,839
Addition	-	-	11,869	11,869
Disposal	-	-	(217)	(217)
Write off	-	-	(1,696)	(1,696)
At 31 December 2015	213,679	45,296	859,820	1,118,795
Accumulated amortisation:				
At 1 January 2015	72,054	15,602	247,372	335,028
Amortisation	6,973	1,510	34,140	42,623
Disposal / write off	-	-	(213)	(213)
Write off	-	-	(1,126)	(1,126)
Impairment loss recognised in profit or loss	-	-	9,156	9,156
At 31 December 2015	79,027	17,112	289,329	385,468
Net carrying amount:				
At 31 December 2014	141,625	29,694	602,492	773,811
At 31 December 2015	134,652	28,184	570,491	733,327

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 written down during the quarter ended 31 December 2015 (31 December 2014: RM83,000). However for the year ended, the Group has recognised a write-down of inventories of RM52,000 (31 December 2014: RM116,000) that were obsolete. This expense has been included under other expenses in the statements of comprehensive income.

A20. Cash and cash equivalents

	As at 31.12.2015 RM'000	As at 31.12.2014 RM'000
Cash at banks and on hand	37,267	24,592
Cash at banks pledged as securities for Islamic debts securities	5,671	10,897
Short term deposits with:		
- licensed banks	11,670	50,634
- other financial institutions	3,144	31,053
Deposits with maturity more than 3 months	56,561	5,289
	114,313	122,465

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 2015 for the Group was 3.8% (31 December 2014: 3.4%).

Deposits of the Group with a financial institution with maturity more than 3 months amounting to RM5,583,000 (2014: RM5,289,000) 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 31.12.2015 RM'000	As at 31.12.2014 RM'000
Cash on hand and at banks	37,267	24,592
Short term deposits with:		
- licensed banks	11,670	50,634
- other financial institutions	3,144	31,053
	52,081	106,279

Part A: Explanatory notes pursuant to MFRS 134
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A21. Fair value hierarchy

A. Fair value hierarchy

The Group categories 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 categorized 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 asset 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				
Asset – financial assets				
Investment securities				
- 31 December 2015	126,962	-	-	126,962
- 31 December 2014	107,916	-	-	107,916

Part A: Explanatory notes pursuant to MFRS 134
Interim financial report – 4th quarter ended 31 December 2015

A22. Interest-bearing loans and borrowings

Total Group's loans and borrowings as at 31 December 2015 and 31 December 2014 were as follows:

	As at 31.12.2015 RM'000	As at 31.12.2014 RM'000
Current		
Secured:		
- Islamic debt securities	10,287	10,427
- Obligations under finance leases	475	8
	<u>10,762</u>	<u>10,435</u>
Non-current		
Secured:		
- Islamic debt securities	10,000	20,000
- Obligations under finance leases	697	22
	<u>10,697</u>	<u>20,022</u>
	<u>21,459</u>	<u>30,457</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	31.12.2015 RM'000	31.12.2014 RM'000
At 1 January	129,124	130,265
Unwinding of discount	8,354	8,448
Payments	(9,772)	(9,589)
	<u>127,706</u>	<u>129,124</u>
Current	9,963	9,772
Non current:		
More than 1 year and less than 2 years	9,497	9,311
More than 2 years and less than 5 years	25,939	25,413
5 years or more	82,307	84,628
	<u>117,743</u>	<u>119,352</u>
	<u>127,706</u>	<u>129,124</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 31.12.2015 RM'000	As at 31.12.2014 RM'000
Approved and contracted for		
Sapangar Bay bunkering line	227	518
Bulk fertiliser storage facilities for Sandakan	1,030	1,504
Purchase of other property, plant and equipment	3,172	5,368
	4,429	7,390
Approved but not contracted for		
Purchase of property, plant and equipment	370,660	371,652
Improvement to port infrastructure facilities	244,182	250,626
	614,842	622,278
	619,271	629,668

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 RM61.1 million, decreased by RM9.9 million or 14% when compared to the previous year's corresponding quarter ended 31 December 2014 of RM70.9 million. The decline in revenue was mainly attributable to the decrease in contribution by core business of port operations.

However, the Group's pre-tax profit slightly increased for the quarter to RM10.7 million from RM10.0 million registered in the corresponding quarter of last year, up by RM0.7 million or 7%, mainly due to adjustment in impairment provision during the year.

Year ended

For the financial year ended 31 December 2015, the Group registered revenue of RM488.5 million from RM273.1 million recorded in previous year, went up by RM215.4 million or 79%. This was mainly contributed by a new business segment of property development.

As a result, the Group's pre-tax profit for financial year ended increased to RM150.1 million from RM72.8 million, increasing by RM77.3 million or 106%.

Explanatory comment on the performance of each of the Group's business activities is provided in Note 6.

B2. Comment on material change in profit before taxation

The Group reported a lower profit before taxation of RM10.7 million for the current financial quarter as compared to RM20.5 million for the immediate preceding quarter. This represents a decrease of RM9.8 million or 48%, which was mainly as a result of lower revenue and higher operating expenditures in the current quarter.

B3. Commentary on prospects

The new segment of property development is contributing good profit (non-recurring) to the Group for the financial year. Port operations will continue to be the core business of the Group. However, the Board is of the view that the port operations will be facing challenges for the coming financial year due to the economic slowdown and uncertainties in the regional container trade and the oil palm market.

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

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

B5. Profit forecast or profit guarantee

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

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

B6. Corporate proposals

There are no corporate proposals announced but not completed as at the date of issue of these financial statements.

B7. Changes in material litigation

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

B8. Dividends declared

Interim tax exempt dividend of 3% has been recommended in respect of the financial year ended 31 December 2015 (31 December 2014: 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 2015 and 31 December 2014.

B10. Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group as at 31 December 2015 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 31.12.2015 RM'000	As at 31.12.2014 RM'000
Realised	623,404	536,867
Unrealised	(20,361)	(35,453)
	603,043	501,414
Add: Consolidation adjustments	8,105	816
Total Group retained earnings as per financial statements	611,148	502,230

B11. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2014 was not qualified.

B12. Authorisation for issue

The Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 February 2016.