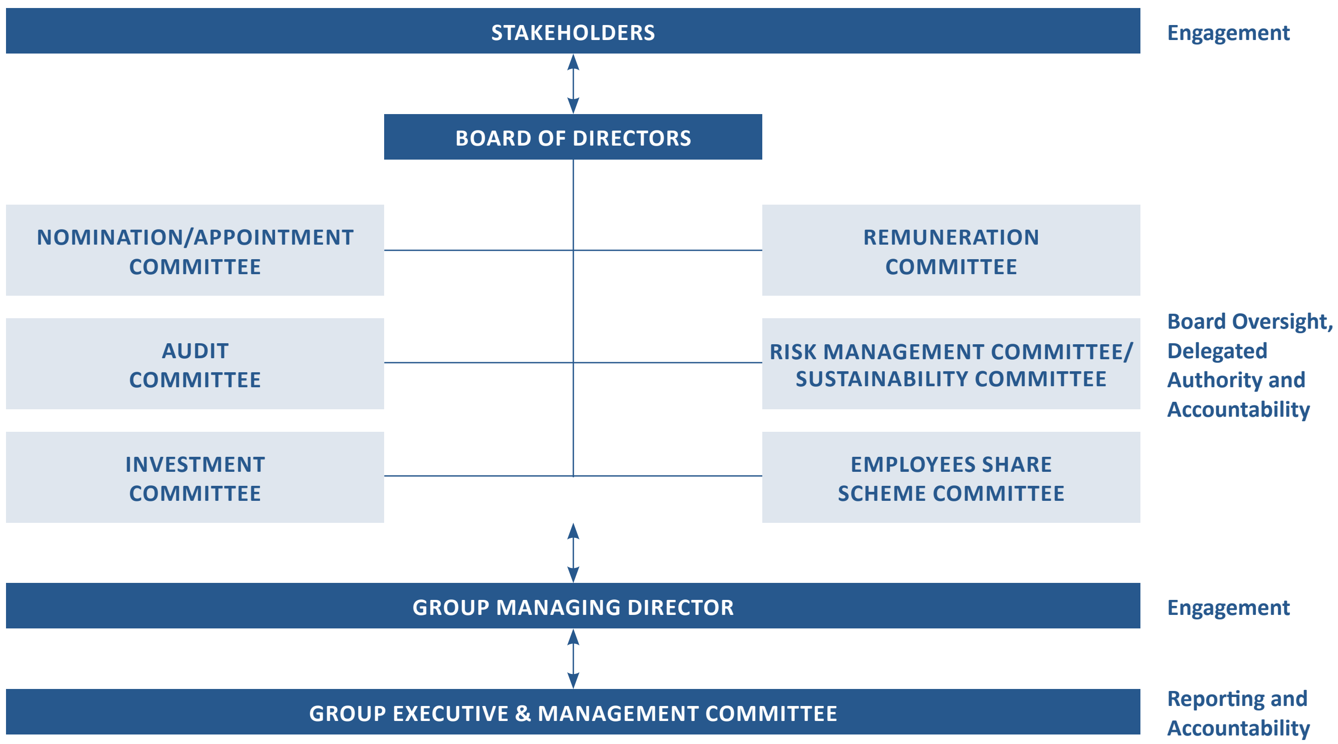
STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors ("the Board") adopts and practices a high standard of corporate governance in conducting the affairs and business of the Group. The Board views this as a fundamental part of its responsibilities to protect and enhance long term shareholder value and the financial performance of the Group, while taking into account the interests of other stakeholders. In tandem with this, the Board is fully committed to the maintenance of a high standard of corporate governance by supporting and implementing the best practices and principles as laid out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and Chapter 15 of Bursa Malaysia Securities Berhad ("Bursa Securities") and Main Market Listing Requirements ("MMLR"). Apart from the above, the Board had also on 14 May 2007 approved SuriaGroup Board Charter to be used in providing guidelines to the Board and the Management including Subsidiaries in improving their effectiveness, effective day to day operations and to fulfil their fundamental roles and responsibilities at best practice level.

Corporate Governance Framework

In ensuring the highest standards of corporate governance, the Group adheres to the following Corporate Governance Framework:



PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITY

Recommendation 1.1:
The Board should establish clear functions reserved for the Board and those delegated to Management

The role of the Board includes overseeing strategy setting, corporate performance management, the development of future leaders and human capital, and risk management. Because the roles of the Board and Management are complementary, it is important to clearly define the mandate of each party to find the right balance between support and check-and-balance. Therefore, clear boundaries are drawn between the Board and Management, such that the Board avoids over-focusing on operational details, which are the responsibilities of Management. Management, in turn, offers the Board open and transparent access to relevant information to enable the Board to make informed decisions.

Below shows how the Board and Management draw their boundaries as derived from the Board Charter:

	BOARD'S ROLE	MANAGEMENT'S ROLE
Strategy development and target setting	• Challenges assumptions, priorities and options put forward by Management in the strategic plan • Reviews the business, strategic plans, budget and sets targets for the Management	• Develops strategic direction and plan for the Company based on agreed direction and boundaries • Coordinates the development of the business plan and budget across all business units
Performance management	• Reviews, approves and provides feedback on corporate key performance indicators and targets • Reviews quarterly results, discussion, material variances, and ensures that corrective actions are taken if required	• Establish corporate key performance indicators • Monitors key performance indicators monthly with business units, investigates variances and develops corrective actions if required • Cascades key performance indicators throughout organisation
Human capital management	• Selects and proactively plans for succession of the Management • Reviews the performance management philosophy • Endorses the development plan of those in pivotal positions • Understands the pool of future leaders	• Develops and implements the Company's performance management system • Evaluates leadership performance and potential of all executives • Identifies the top talent pool and closely manages their performance and identifies training needs
Risk management	• Sets the Company's risk parameters • Understands major risk exposures and ensures appropriate risk mitigation approach is in place • Considers the risk factors	• Analyses and quantifies the Company's risks • Manages all risks within the boundaries set by the Board • Instils risk culture throughout organisation

Recommendation 1.2:
The Board established clear roles and responsibilities in discharging its fiduciary duties and leadership functions

The roles and responsibilities of the Board would include the following:

1. Reviewing and adopting a strategic plan for the Group

The Board provides guidance and overall input on the strategic direction and aspirations of the Group. Prior to providing input to the Management, the Board deepens its knowledge and gains perspectives from industry experts, market analysis or briefings by the internal strategy teams. Management is responsible for developing strategy together with the Board, that actively guides, challenges and clarifies the multiple views and assumptions put forward by the Management.

2. Oversee conduct of the Group's businesses

A basic but critical function of the Board is to oversee the performance of the Group and determine if the business is being properly managed. The most effective way to achieve this is through adopting a strong corporate performance management approach built on the use of key performance indicators ("KPIs").

KPIs are designed to link directly to the core values of a Group's strategy as pre-determined by the Board. KPIs should reflect the Group's historical performance (for example, Return of Equity and earnings before interest, tax, depreciation and amortisation ("EBITDA") margin) and leading indicators (for example, capital productivity or Return of Capital Employed ("ROCE"), number of customer complaints and attrition rate of high performing employees).

3. **Identifying risk and ensuring the implementation of appropriate internal controls and mitigation measures**

The Board's role is to establish the risk parameters, thresholds and boundaries for the Group and ensure that overall corporate risks are measured and thresholds are controlled within pre-determined limits.

The Board understands major risks exposures on an aggregate basis. All risks are rolled into a common metric such as "cash flow at risk" or "value at risk". Further, the Board ensures that there are sufficient internal controls and clear mitigation plans for major risks and that these plans include accountabilities and timeliness. For major risks, the Board should also have a good sense of the costs and benefits of risk mitigation, which takes into account the probability of occurrence and the magnitude of the impact of the risk.

The Board ensures that a culture of identifying and managing risks exists throughout the Group. One way to do this is by setting the right example and tone, and ensure that in-depth risk analysis and qualification is conducted for all major investments or strategic decisions prior to the decision being made by the Board.

4. **Succession planning**

The Board's role under succession planning includes appointing, training, setting the reward system and the replacement of Management. The Board, through the Nomination/Appointment Committee and Remuneration Committee, identifies candidates for both Board and the top Management to ensure the appointment made brings a balance of skill, knowledge, experience and diversity to the Group.

5. **Shareholder communications (policy and implementation)**

The Board acknowledges the importance of communicating to its shareholders, investors and analysts. The Board also recognises the importance of transparency and accountability to its shareholders and investors. This is done through the general meeting that serves as the main communication channel and principal forum for dialogue with shareholders, and also through the distribution of Annual Report to the shareholders and investors.

In the Company's effort to enhance communication with the shareholders, the Corporate Affairs and Communications Department had set up an Investor's email alert where the Company will update shareholders on latest news and announcements on the Company immediately after an announcement is released to Bursa Securities. This service is available to shareholders who had registered for the email alert.

Up-to-date information on the Group is accessible via the Group's website at www.suriagroup.com.my

6. **Review adequacy and integrity of management information and internal control**

The Board has fiduciary responsibility to act in the best interest of the Group. Fulfilling this responsibility can take various forms. The Board takes into account capital market perspectives when making financial and strategic decisions to ensure long-term sustainable value creation. The views of majority shareholders are considered and adopted where such views are aligned with the interests of all shareholders. Further, minority shareholders' interest should also be adequately protected. The most common mechanism to do is to ensure that all related party transactions are on arm's length basis and that such transactions are fully disclosed.

Recommendation 1.3:
The Board has formalised ethical standards through a code of conduct and ensures its compliance

The Board is committed to the highest standard of integrity, openness and accountability in the conduct of its business and operations. It seeks to conduct its affairs in an ethical, responsible and transparent manner.

Effective 1 January 2012, the SuriaGroup Code of Conduct and Discipline was established whereby employees are under a duty to serve the Group with good faith and fidelity and are expected to serve the Group loyally, faithfully, honestly and diligently. The Code of Conduct contains policies and guidelines relating to the standards and ethics that all employees are expected to adhere to in the course of their work. It is designed to maintain discipline and order in the workplace among employees of all levels. It also sets out the circumstances in which such employees would be deemed to have breached the Code and the actions that can be taken against them if they do so.

The Board also recognises the importance of the Whistleblower Policy and had approved the SuriaGroup's Whistleblower Policy on 28 August 2012. By implementing the Whistleblowing Policy, it enables the Group to do the following:

- To monitor any disclosure in a responsible manner by way of internal procedure;
- To address and manage a disclosure in an appropriate manner according to gravity or nature of the wrongdoing;
- To protect the whistleblower from reprisal as direct consequences of making a disclosure and to safeguard such person's confidentiality; and
- To treat both the whistleblower and the alleged wrongdoer fairly.

Recommendation 1.5:
The Board has procedures to allow its members access to information and advice

The quality of the information received by the Board is critical to the Board's effectiveness. All Directors have the same right of access to information. Information provided to the Board should not just be historical financial performance, it should also include other key leading indicators such as customer satisfaction, product and service quality, market share, market reaction and environmental impact.

Board papers that are prepared by Management for the Board are set out logically and contain synthesised information and pertinent critical analyses. The Board papers are preceded with a one-to-two-page summary that lays out what is requested from the Board. The Board gives Management constructed feedback on the quality of the information and analyses received so that Management is able to ensure Board papers are of high standard.

Recommendation 1.6:
The Board ensures it is supported by a suitably qualified and competent Company Secretary

The Company Secretary is charged with facilitating the Company's corporate governance processes and so holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board. The Company Secretary is appointed and dismissed by the Board and all Directors have the right of access to the Company Secretary.

The tasks of the Company Secretary shall include:

MEETINGS AND MINUTES	• Notifying the Directors in advance of a meeting of the Board; • Ensuring that the agenda and Board papers as and when they are required, are prepared and forwarded to Directors prior to Board meetings; • Recording, maintaining and distributing the minutes of all Board and Board Committee meeting as required; • Maintaining a complete set of Board papers at the Company's main office; • Preparing for and attending all annual and extraordinary general meetings of the Company; and • Recording, maintaining and distributing the minutes of all general meetings of the Company.
COMPLIANCE	• Overseeing the Company's compliance programme and ensuring all Company legislative obligations are met; • Ensuring all requirements of the Securities Commission, Bursa Malaysia, Companies Commission and any other regulatory body are fully met; and • Providing counsel on corporate governance principles and Director liability.
GOVERNANCE ADMINISTRATION	• Maintaining a Register of Company's Policies as approved by the Board; • Maintaining, updating and ensuring that all Directors have access to an up-to-date copy of the Board Charter and associated governance documentation; • Maintaining the complete list of the delegations of authority; • Reporting at Board meetings the documents executed under a power of attorney, documents executed in accordance with the Companies Act 2016, and the Company's Articles of Association; and • Any other services the Chairman or Board may require.

The Company Secretary's profile is set out on page 36 of the 2016 Annual Report.

Recommendation 1.7:
The Board formalised, periodically reviews and makes public its Board Charter

The Board Charter is the Board's source of reference for its duties and responsibilities in setting the overall direction and control of the Group. It also assists the Board in assessing its own performance. The Board Charter is consistent with and complements the Malaysian Code of Corporate Governance by emphasising the performance aspects of Boards. It is also intended to be a "living document" and so will be amended and updated as needed.

The Board Charter is available on the Group's website at www.suriagroup.com.my

PRINCIPLE 2: STRENGTHEN COMPOSITION

In line with the Recommendations made under the MCCG 2012 and the requirement for public listed companies under the Bursa Securities Main Market Listing Requirements, the Group had formed Board Committees to assist the management in its operation towards achieving the optimal governance framework. The establishment of the following Board Committees, the Board is well informed of the running of the Group's business and the various areas of risk management:

COMMITTEE	CURRENT MEMBERSHIP	COMPOSITION	KEY ROLES
Nomination/ Appointment	**Chairman** Datuk Hj. Faisyal bin Datuk Yusof Hamdain Diego **Members** Datuk Dr. Mohd. Yaakub bin Hj. Johari Kee Mustafa Datuk Ismail bin Awang Besar	Majority being Independent & Non-Executive Directors The Chairman is Non-Executive & Independent Director Consists of not less than three (3) members	Recommend to the Board candidates for all directorships to be filled for their approval at the general meeting Recommend the appointment of Senior Management of the Group
Audit	**Chairman** Chin Kiang Ming **Members** Datuk Ismail bin Awang Besar Kee Mustafa Georgina L. George	All Committee members are Non-Executive Directors and majority of the Committee comprises Independent Directors The Chairman is an Independent & Non-Executive Director who has the necessary qualification in accordance with Paragraph 15.09(1)(c) of the Bursa Securities Listing Requirements	To assist the Board in assessing the risks and control environment, oversee the financial reporting process, evaluate the internal and external audit process, and review any conflict of interest situations and related party transactions
Investment	**Chairman** Datuk Hj. Faisyal bin Datuk Yusof Hamdain Diego **Members** Datuk Mohd. Hasnol bin Ayub	The Chairman is Independent & Non-Executive Director Members have relevant qualifications and experience	Assist the Board in reviewing and assessing the viability of projects and investment Recommend to the Board for approval
Remuneration	**Chairman** Datuk Ismail bin Awang Besar **Members** Hj. Muluk bin Samad Kee Mustafa	Majority are Independent & Non-Executive Directors	Review and recommend the Group's remuneration policy Ensure remuneration policy reflects the industry practice and contributions

STATEMENT ON CORPORATE GOVERNANCE

COMMITTEE	CURRENT MEMBERSHIP	COMPOSITION	KEY ROLES
Risk Management and Sustainability	**Chairman** Kee Mustafa **Members** Chin Kiang Ming Hj. Muluk bin Samad Georgina L. George	The Committee is made up of two Independent & Non-Executive Directors and one Non-Independent & Non-Executive Director The Chairman is Independent & Non-Executive Director	Maintaining a sound system of internal control that covers financial aspects, operations, risk management and compliance control
Employee Share Scheme	**Chairman** Datuk Ismail bin Awang Besar **Members** Hj. Muluk bin Samad Chin Kiang Ming Kee Mustafa	The Committee comprises Non-Executive Directors with the majority being Independent	Administers the scheme including terms of eligibility of the employees of the Group Determine the method in which the scheme are made to and exercised by eligible employees

Board Diversity

The Directors are professionals in the fields of sociology, economics, accounting, finance, senior public administration and business administration. Together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience to ensure that the Group continues to be competitive within its industry segment with a strong reputation for technical and professional competence.

In evaluating candidates for appointment to the Board, the Nomination Committee and the Board evaluates and matches the criteria of the candidate based on experience, skills, competencies, knowledge, potential contributions and boardroom diversity.

Under the 10th Malaysia Plan, the government had set targets to increase the number of women in key decision-making positions on the Company Boards to 30 percent. In response towards the target shortfall, the Board has taken the effort to increase the total number of woman participation on the Board from 10 percent in year 2016 to 20 percent in year 2017.

The current Board composition in terms of each of the Director's industry and background experience, age, ethnic composition and gender, is as follows:

	INDUSTRY / BACKGROUND EXPERIENCE					AGE COMPOSITION				ETHNIC COMPOSITION		GENDER	
DIRECTORS	SOCIOLOGY	ECONOMICS	ACCOUNTING/ FINANCE	PUBLIC SERVICE	BUSINESS ADMINISTRATION	40 – 49 YEARS	50 – 59 YEARS	60 – 69 YEARS	70 & ABOVE	BUMIPUTERA	NON-BUMIPUTERA	MALE	FEMALE
Datuk Hj. Faisyal bin Datuk Yusof Hamdain Diego		✓	✓				✓			✓		✓	
Ng Kiat Min			✓				✓				✓		✓
Datuk Ismail bin Awang Besar					✓				✓	✓		✓	
Datuk Dr. Mohd. Yaakub bin Hj. Johari	✓							✓		✓		✓	
Datuk Mohd. Hasnol bin Ayub					✓		✓			✓		✓	
Hj. Muluk bin Samad				✓	✓		✓			✓		✓	

DIRECTORS	INDUSTRY / BACKGROUND EXPERIENCE					AGE COMPOSITION				ETHNIC COMPOSITION		GENDER	
	SOCIOLOGY	ECONOMICS	ACCOUNTING/ FINANCE	PUBLIC SERVICE	BUSINESS ADMINISTRATION	40 – 49 YEARS	50 – 59 YEARS	60 – 69 YEARS	70 & ABOVE	BUMIPUTERA	NON-BUMIPUTERA	MALE	FEMALE
Kee Mustafa	✓							✓		✓		✓	
Chin Kiang Ming			✓			✓					✓	✓	
Datuk Hj. Ramlee bin Marahaban		✓		✓			✓			✓		✓	
Georgina L. George		✓		✓		✓				✓			✓

Recommendation 2.1:
The Board established a Nomination/Appointment Committee which should comprise exclusively of Non-Executive Directors, a majority of whom must be Independent

The Nomination/Appointment Committee is responsible to recommend candidates to the Board for all directorship to be filled for their approval and for submission to the Annual General Meeting ("AGM") for re-appointments or re-elections including those of its Subsidiaries. The Committee also recommends the appointment of the Group Managing Director and Senior Management of the Group. In making these recommendations, the Nomination/Appointment Committee considers the required mix of skills and experience that the Directors should bring to the Board. The duties and responsibilities of the Committee include:

- Recommend to the Board, candidates for all directorships to be filled by the Board;
- Consider, in making its recommendations, candidates for directorships proposed by the Group Managing Director and, within the bounds of practicability, by any other Senior Officer or any Director or Shareholder;
- Recommend to the Board, Directors to fill the seats on Board Committees;
- Examine the size of the Board with a view to determine the number of Directors on the Board in relation to its effectiveness;
- Ensure that at every AGM, one third (1/3) of the Directors for the time being shall retire from the office in accordance with the Company's Articles of Association;
- Review annually its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and disclose the same in the annual report; and
- Assess annually the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director based on the process implemented by the Board.

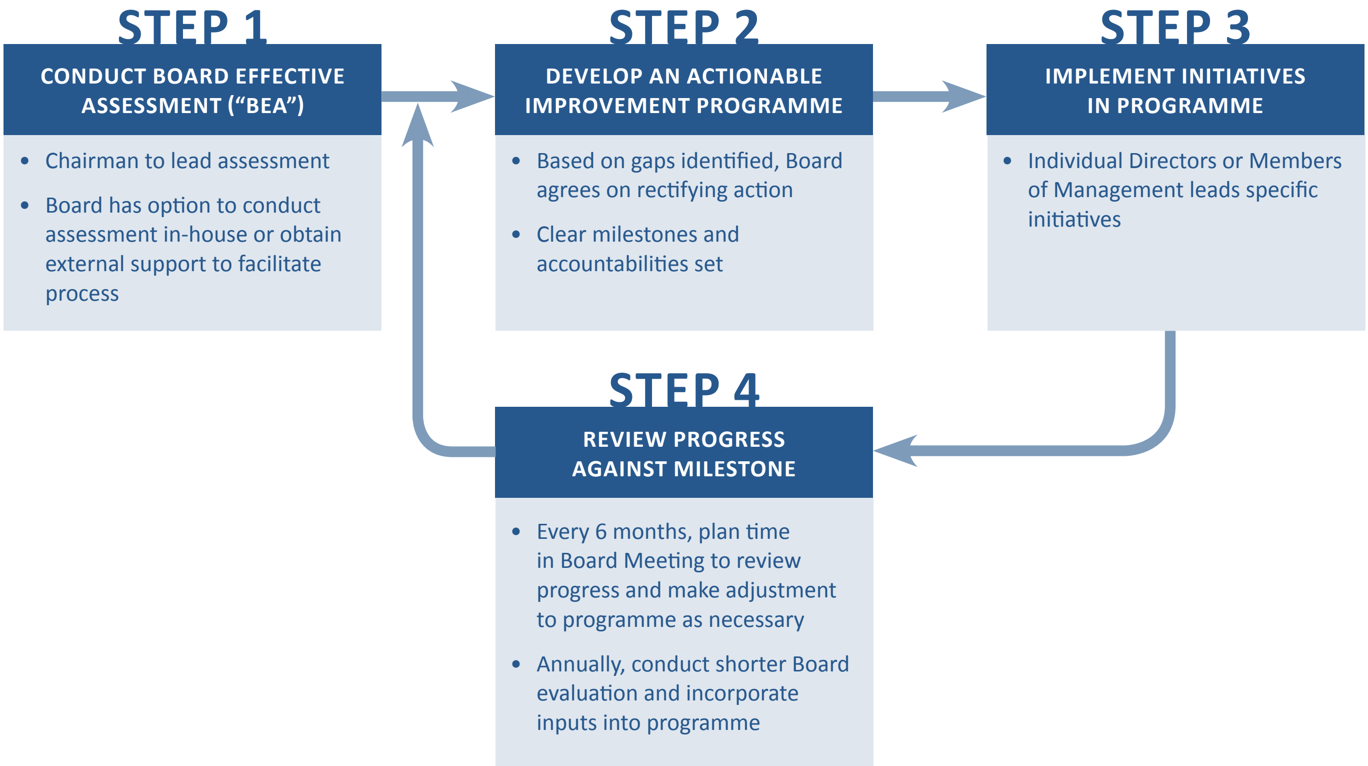
The Nomination/Appointment Committee held one (1) meeting for the financial year ended 31 December 2016.

During the year, there were several changes in Board's composition as follow:

NO.	NAME OF DIRECTOR	DESIGNATION	APPOINTMENT DATE
1.	Datuk Ramlee bin Hj. Marahaban	Non-Independent Non-Executive Director	3 February 2016
2.	Ng Kiat Min	Non-Independent Executive Director	1 April 2016

Recommendation 2.2:
The Nomination/Appointment Committee developed, maintained and reviewed the criteria to be used in the recruitment process and annual assessment of Directors

The Nomination/Appointment Committee undertook three (3) steps to begin their journey of raising Board effectiveness: conduct an assessment on the Board's current effectiveness, then develop an actionable improvement programme which covers the next 12 months, and begin implementing the programme. The Board then reviews their progress every six (6) months and refines the improvement programme accordingly. The chart below shows how the Nomination Committee raises the effectiveness of the Board:



Recommendation 2.3:
The Board established formal and transparent remuneration policies and procedures to attract and retain Directors

The Remuneration Committee is responsible for reviewing and recommending to the Board the Group's remuneration policy including that of the Group's Executive and Non-Executive Directors to ensure that their remuneration reflects the industry practice and their contributions to the Group's growth and profitability. The remuneration policy also supports the Group's objectives and Shareholders' interests.

Directors' Remuneration

The Remuneration Committee proposes the Directors' remuneration before tabling to the Board prior to endorsement by the Members during the AGM. The Remuneration Committee and the Board also make necessary reference to industry practice involving comparable organisations in making the recommendation.

The Remuneration Committee ensures that the Executive Directors do not participate in making decisions on their own remuneration packages.

The details of remuneration receivable by Directors of the Company during the financial year ended 31 December 2016 are as follows:

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
EXECUTIVE:				
Salaries and allowances	**376**	953	**376**	953
Bonus	**74**	208	**74**	208
Defined contribution plan	**63**	140	**63**	140
Estimated monetary value of benefits-in-kind	**26**	16	**26**	16
	539	1,317	**539**	1,317
NON-EXECUTIVE:				
Fees	**595**	623	**535**	585
Other emoluments	**402**	353	**373**	344
Estimated monetary value of benefits-in-kind	**8**	5	**8**	5
	1,005	981	**916**	934
	1,544	2,298	**1,455**	2,251

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	NUMBER OF DIRECTORS	
	2016	2015
EXECUTIVE DIRECTORS:		
RM500,001-RM550,000	**1**	-
RM550,001-RM600,000	**-**	-
RM600,001-RM650,000	**-**	-
RM1,000,001-RM1,500,000	**-**	1
NON-EXECUTIVE DIRECTORS:		
Below RM50,000	**-**	-
RM50,001-RM100,000	**6**	7
RM100,001-RM150,000	**2**	2
RM200,001-RM250,000	**-**	1
RM250,001-RM300,000	**1**	-

Re-Election of Directors

In accordance with the Company's Articles of Association, at least one third (1/3) of the Directors (except for Managing Director) for the time being or, if their number is not a multiple of three then the number nearest to but not exceeding one third (1/3), shall retire and be eligible for re-election at each AGM.

The Nomination/Appointment Committee is responsible for recommending to the Board candidates for all directorships to be approved by the Shareholders or the Board. At the forthcoming AGM, the Directors listed in the Notice of AGM on Page 170 are due to retire and being eligible, offer themselves for re-election.

PRINCIPLE 3: REINFORCE INDEPENDENCE

The current composition complies with Bursa Securities' requirements in terms of the number of Independent Non-Executive Directors in the composition of the Board. The Directors bring a diverse range of skills and backgrounds. In view of the composition of the Board, and with regard to the calibre of the Company Directors and their range of experience, the Board believes that the interests of investors including the Group's Minority Shareholders and the Public are adequately protected and advanced.

BOARD COMPOSITION	NO. OF DIRECTOR
Independent & Non-Executive	4
Non-Independent & Executive	1
Non-Independent & Non-Executive	5

Recommendation 3.2
The tenure of an Independent Director not exceed a cumulative term of nine (9) years. Upon completion of the nine (9) years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director

None of the Independent Directors of the Company had served a tenure of nine (9) years and above in an independent capacity.

Other Information on Directors

None of the Directors has any family relationship with any Directors of the Company, its Subsidiaries and/ or the major Shareholders of the Company. None of the Directors have been convicted within the past ten (10) years and all Directors have no conflict of interest with the Company.

Recommendation 3.4
The positions of Chairman and Group Managing Director should be held by different individuals, and the Chairman must be a Non-Executive member of the Board

There is also a clear division of responsibilities between the Chairman (who had never been the Managing Director of the Company) and Group Managing Director to ensure that there is a balance of power and authority in managing the Group as outlined below:

CHAIRMAN	GROUP MANAGING DIRECTOR
• Ensure orderly conduct and working of the Board, which encourages healthy debates on agendas being deliberated	• Implementing the policies and decisions of the Board, overseeing the operations, as well as coordinating the development and implementation of business and corporate strategies
• Ensure that every Board Resolution is put to a vote to ensure that the decision is made collectively and reflects the will of majority	• Developing and translating the strategies into a set of manageable goals and priorities
• Ensure that the Board agrees on the strategy formulated by the Company and monitors its implementation	• Setting direction of the business operations, investment and other activities based on effective risk management controls

PRINCIPLE 4: FOSTER COMMITMENT

Recommendation 4.1
The Board sets out expectations on time commitment for its members and protocols for accepting new directorship

A Director upon acceptance of appointment must commit sufficient time to carry out duties and declare to the Board details of all other significant interest. Prior to accepting a new directorship, the Director is to notify the Chairman on the new directorship and the Company Secretary is to monitor the number of directorships and the changes of each Director's directorship.

Apart from complying with the Bursa Securities' Main Market Listing Requirement, each Director's commitment in carrying out duties and responsibilities is affirmed by attending more than 70% of the Board Meetings held during the financial year ended 31 December 2016, as reflected below:

NO.	NAME OF DIRECTOR	ATTENDED MEETINGS	PERCENTAGE
1.	Datuk Hj. Faisyal bin Datuk Yusof Hamdain Diego	11/11	100%
2.	Ng Kiat Min[2]	8/8	100%
3.	Datuk Ismail bin Awang Besar, J.P.	10/11	90%
4.	Datuk Dr. Mohd. Yaakub bin Hj. Johari, J.P.	11/11	100%
5.	Datuk Mohd. Hasnol bin Ayub	11/11	100%
6.	Datuk Hj. Abu Bakar @ Wahab bin Hj. Abas[3]	9/11	80%
7.	Muluk bin Samad	10/11	90%
8.	Datuk Kee Mustafa	11/11	100%
9.	Chin Kiang Ming	11/11	100%
10.	Datuk Hj. Ramlee bin Marahaban[1]	9/10	89%

[1] Appointed with effect from 3 February 2016
[2] Appointed with effect from 1 April 2016
[3] Resigned with effect from 23 January 2017

Recommendation 4.2
The Board ensures its members have access to appropriate continuing education programmes

All Board members have completed the Mandatory Accreditation Programme in accordance with the Listing Requirements.

The Board members continued to attend various programmes as well as retreats organised by the Company to keep themselves abreast of developments in the economy and industry. In addition, the Directors are also briefed from time to time during Board Meetings by Group staff on any changes in laws and regulations that are relevant to the Group's operations.

The Company Secretary will also facilitate in organising seminars, workshops and training sessions for Directors at the cost borne by the Company subject to the Director's entitlement.

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During the financial year ended 31 December 2016, the Board attended various programmes, conferences and courses organised by regulatory authorities and professional bodies. The programmes in which members of the Board have participated are as follows:

NO.	NAME OF DIRECTOR	ATTENDED MEETINGS
1.	**Datuk Hj. Faisyal bin Datuk Yusof Hamdain Diego**	• Kursus Ahli Lembaga Pengarah Badan Berkanun & Agensi Kerajaan Negeri Tahun 2016 – "Towards Board Excellence" • In-House Training Programme: Update on Corporate Governance in Malaysia with New and Impending Laws and Cores and the Impact on Company and its Board of Directors
2.	**Ng Kiat Min**	• Kursus Ahli Lembaga Pengarah Badan Berkanun & Agensi Kerajaan Negeri Tahun 2016 – "Towards Board Excellence" • Mandatory Accredition Programme for Directors of Public Listed Companies (MAP)
3.	**Datuk Ismail bin Awang Besar**	• Kursus Ahli Lembaga Pengarah Badan Berkanun & Agensi Kerajaan Negeri Tahun 2016 – "Towards Board Excellence"
4.	**Datuk Dr. Mohd. Yaakub bin Hj. Johari**	• Kursus Ahli Lembaga Pengarah Badan Berkanun & Agensi Kerajaan Negeri Tahun 2016 – "Towards Board Excellence"
5.	**Datuk Mohd. Hasnol bin Ayub**	• Kursus Ahli Lembaga Pengarah Badan Berkanun & Agensi Kerajaan Negeri Tahun 2016 – "Towards Board Excellence"
6.	**Datuk Hj. Abu Bakar @ Wahab bin Hj. Abas**	• Kursus Ahli Lembaga Pengarah Badan Berkanun & Agensi Kerajaan Negeri Tahun 2016 – "Towards Board Excellence"
7.	**Hj. Muluk bin Samad**	• Kursus Ahli Lembaga Pengarah Badan Berkanun & Agensi Kerajaan Negeri Tahun 2016 – "Towards Board Excellence"
8.	**Kee Mustafa**	• MSWG – Institutional Investor Council Governance Week 2016: "Stewardship Matters for Long Term Sustainability" • Audit Committee Seminar for the Public Sector 2016
9.	**Chin Kiang Ming**	• Managing Tax Audits in Present Regime • LHDN – MEF Seminar 2016 • Audit Committee Seminar for the Public Sector 2016 • Kursus Ahli Lembaga Pengarah Badan Berkanun & Agensi Kerajaan Negeri Tahun 2016 – "Towards Board Excellence" • Strategic Tax Considerations for Corporate Restructuring • National Tax Seminar 2016
10.	**Datuk Hj. Ramlee bin Marahaban**	• Kursus Ahli Lembaga Pengarah Badan Berkanun & Agensi Kerajaan Negeri Tahun 2016 – "Towards Board Excellence"

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING

The Board should ensure financial statements are a reliable source of information.

Recommendation 5.1:
The Audit Committee should ensure financial statements comply with applicable financial reporting standards

The Board is responsible for ensuring that the financial statements of the Group as reported in the quarterly announcements to Bursa Securities and the Annual Report to Shareholders, are drawn up in accordance with the Companies Act 2016 and applicable Approved Accounting Standards in Malaysia, so as to give a true and fair view of the state of affairs of the Group as at the end of the reporting period.

The Statement by Directors for preparing the Audited Financial Statements pursuant to Section 251(2) of the Companies Act, 2016 is set out at page 81 of this Annual Report.

The Audit Committee assists the Board in ensuring completeness, accuracy and adequacy of information by reviewing and recommending for adoption of information for disclosure. The Committee also reviews the Group's accounting policies and the changes to these policies as well as ensures these financial statements comply with the accounting and regulatory requirements.

Recommendation 5.2:
The Audit Committee should have policies and procedures to assess the suitability and independence of External Auditors

The Audit Committee was previously known as the Audit & Risk Management Committee and on 29 January 2010, the Board decided to separate the Committee into the Audit Committee and Risk Management Committee respectively to enable the Audit Committee to focus on compliance with auditing and accounting standards.

The Committee meets with the External and the Internal Auditors at least twice annually to discuss the financial statements and their audit findings. It also meets with the External Auditors whenever it deems necessary.

The minutes of the Committee meetings are formally tabled to the Board for noting and for action when necessary.

In addition to the duties and responsibilities set out under its terms or reference, the Committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Group's internal control and risk management systems. The Audit Committee also conducts a review of the internal audit function to ensure the adequacy of the scope, functions and resources of Finance Division and that it has the necessary authority to carry out its work impartially.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

The Board should establish a sound risk management framework and internal controls system.

Recommendation 6.1:
The Board should establish a sound framework to manage risks

The Risk Management Committee has been recently established on 29 January 2010 after the Board decided to separate their Audit & Risk Management in two (2) separate Committees, namely the Audit Committee and the Risk Management Committee.

The Board is fully aware and acknowledges their responsibilities to maintain a sound system of internal control that covers not only the financial aspects but also the operations, risk management and compliance control to safeguard Shareholders' investment and the Group's assets. The key management personnel are tasked with the responsibility to monitor, manage and provide reports to the Board on compliance of procedures, financial strength and the business activities of the Group.

Recommendation 6.2:
The Board should establish an internal audit function which reports directly to the Audit Committee

An Internal Audit Function has been established that is independent of the activities it audits, to regularly review and appraise the effectiveness of the Group's system of internal controls. The Internal Audit Function reports directly to the Audit Committee. The Internal Audit Function has the relevant qualifications and the audits are conducted based on operational, financial and administrative controls and compliance to the Group's authority limits, policies and procedures, Securities Commission and Bursa Securities' Listing Requirements, and other applicable laws and regulations. In addition, Internal Audit Division monitors and checks for compliance and standards and the effectiveness of internal control structures across the Group.

Relationship with Auditors

The Board has appropriately established a formal and transparent relationship with the External Auditors. The External Auditors have continued to report to members of the Group, of their findings that are included as part of the Group's financial reports with respect to this year's audit on statutory financial statements.

The Group has established a good working relationship with External Auditors through the Audit Committee and the Internal Audit Department. The Audit Committee has always maintained a professional relationship with the External Auditors by ensuring the Group takes the necessary action to address the key issues highlighted to the Group. Where necessary, meetings with the External Auditors are held. Under its terms of reference, the Audit Committee has expressed authority to communicate directly with External and Internal Auditors.

Meetings with External and Internal Auditors are held at least twice a year as appropriate to discuss the audit plans, findings and financial statements. External Auditors and Internal Auditors may, conversely, call for a meeting with the Audit Committee to discuss issues relating to the financial statements and other related matters. Other Directors and Senior Management of the Group attend the Audit Committee Meetings upon invitation. In addition, the External Auditors are invited to attend the annual general meeting and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

The Audit Committee also reviews the appointment of the Group's External Auditors and the fees payable to them on an annual basis. Whilst the External Auditors may be appointed by the Company or the Group to provide services in relation to non-audit matters, the relationship with the External Auditors is monitored to ensure that their impartiality and independence remains unquestionable. The Audit Committee approves all ad hoc non-audit services and ensures that the objectivity and independence of the External Auditors are not compromised.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Companies should establish corporate disclosure policies and procedures to ensure comprehensive, accurate and timely disclosure.

Recommendation 7.1:
The Board should ensure the Company has appropriate corporate disclosure policies and procedures

The Company adheres strictly to Bursa Securities' disclosure framework to disseminate accurate information to the public in a timely manner. The Company discloses its financial and operational results to the market each year/half year/quarter as well as informing the market of other events throughout the year as they occur. Annual, half-yearly and quarterly financial reports, media releases and AGM speeches are all lodged with Bursa Securities. As all financial information is disclosed through Bursa Securities, the Company will only comment on factual errors in information and underlying assumptions when commenting on market analysis' financial projections, rather than commenting on the projections themselves.

The Company also conducts briefings and discussions with analysts and institutional investors. However, price sensitive information will not be discussed unless that particular information has been previously formally disclosed to the market via any Bursa Securities announcement. After the conclusion of each briefing or discussion, if any price sensitive information was disclosed, it will be announced immediately to Bursa Securities.

Recommendation 7.2:
The Board should encourage the Company to leverage on information technology for effective dissemination of information

The Group has adopted an internal Investor Relation Policy as the Group is obligated to maintain its corporate credibility and instil investor confidence in the Group by having a structured approach to the communication of material information. It is the responsibility of the Group as a public-listed company to consistently inform the shareholders, stakeholders and the general public of the company's development about the Group, its management, operations, financial situation as well as its future prospects. The Group will make every effort to ensure that all material information on the Group is made available as freely and widely as possible. The aim is to fairly and accurately represent the Group so that investors and potential investors can make informed investment decisions.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Board should facilitate the exercise of ownership rights by shareholders.

Recommendation 8.1:
The Board should take reasonable steps to encourage shareholder participation at general meetings

The Group acknowledges the importance of communicating to its shareholders, investors and analysts. The Board also recognises the importance of transparency and accountability to its shareholders and investors. This is done through the general meeting that serves as the main communication channel and principal forum for dialogue with shareholders, also through the distribution of Annual Report to the shareholders and investors.

In the Company's effort to enhance communication with the shareholders, the Corporate Affairs and Communications Department had set up an Investor's email alert where the Company will update shareholders on latest news and announcements on the Company immediately after an announcement is released to Bursa Securities. This service is available to shareholders who had registered for the email alert.

Up-to-date information on the Group is accessible via the Group's website at www.suriagroup.com.my

Recommendation 8.2:
The Board should encourage poll voting

In line with the recent amendments to the Main Market Listing Requirements of Bursa Securities, the Company will implement poll voting for all the resolutions set out in the Notice of AGM via electronic means at the AGM to expedite verification and counting of votes. In addition, the Company will appoint one (1) scrutineer to validate the votes cast at the AGM.

ADDITIONAL COMPLIANCE INFORMATION

COMPLIANCE STATEMENT

The Company has applied most of the Principles and Recommendation of the MCCG 2012 during the financial year.

The Board will continue to make considerable efforts in working towards aligning the Company's governance framework as far as practicable to the Principles and Recommendations of MCCG 2012.

This statement is made in accordance with the resolution of the Board of Directors dated 6 April 2017.

Additional Compliance Information

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

During the financial year, the Company did not sponsor any ADR or GDR programme.

CONFLICT OF INTEREST

None of the Directors have any family relationship with other Directors or major shareholders of the Company. However, the following Directors are holding directly in the share capital of the Company:

NO	NAME OF DIRECTOR	NUMBER OF SHARE CAPITAL
1.	Datuk Hj. Faisyal bin Datuk Yusof Hamdain Diego	20,000
2.	Ng Kiat Min	314,500
3.	Datuk Mohd. Hasnol bin Ayub	2,500
4.	Datuk Hj. Abu Bakar @ Wahab bin Hj. Abas	57,503

CONTRACTS RELATING TO LOAN

There is no contract relating to loans by the Company involving Directors and Major Shareholders.

CONVICTIONS FOR OFFENCES

None of the Directors have been convicted for offences within the past ten (10) years other than traffic offences, if any.

MATERIAL CONTRACTS

There were no material contracts between the Company and its subsidiaries involving Directors' and Major Shareholders' interests.

VARIATION IN RESULTS

During the financial year, there was no variance of ten per centum (10%) or more between the audited results of the financial year ended 31 December 2016 and the unaudited results previously announced.

OPTIONS, WARRANTS OF CONVERTIBLE SECURITIES

Save for the issuance of new options pursuant to the Company's Employees' Share Scheme ("ESOS") and Employees' Share Grant Plan ("ESGP"), in the financial year ended 31 December 2015, there was no further issuance of options, warrants or convertible securities during the financial year.

PROFIT GUARANTEE

During the year, there was no profit guarantee given by the Company.

RECURRENT RELATED PARTY TRANSACTIONS (“RRPT”)

There were no RRPT entered into during the financial year.

REVALUATIONS OF LANDED PROPERTY

The Company does not have a revaluation policy on landed properties.

SHARE BUYBACKS

During the financial year, there was no share buybacks by the Company.

UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate proposal.

IMPOSITION OF SANCTION/PENALTY ON THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

There was no sanction or penalty imposed on the Group, Board Members and Management for the financial year ended 31 December 2016.

NON-AUDIT FEES

During the financial year ended 31 December 2016 the amount of non-audit fees paid by the Company is RM49,000.00

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") is committed in upholding a sound risk management and internal control system to safeguard shareholders' investments and the Group's assets through methods as stipulated in the Malaysian Code on Corporate Governance.

In accordance with Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad and guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, the Board is contented to present the Statement on Risk Management and Internal Control which outlines the key elements and internal control system of Suria Capital Holdings Berhad and its subsidiaries ("Group") for the financial year ended 31 December 2016.

BOARD RESPONSIBILITIES AND ACCOUNTABILITIES

The Board acknowledge its responsibility and accountability for risk management. In ensuring a conducive controlled environment and framework so that sound risk management and internal control can be achieved, the Group has established an ongoing process for identifying, evaluating, managing and monitoring key risks that may hamper the achievement of the Group's business objectives. The Board, through its Board Risk Management Committee, reviews these processes.

In view of the limitations inherent in any process, the Board understands that it is not always possible, cost effective or practical to eliminate risk altogether. The risk management and internal control processes and procedures put in place, can only manage risks within tolerable but not absolute levels against material misstatements of management and financial information as well as records or against financial losses or fraud.

The Board is responsible for providing overall risk oversight function. It approves the risk management policy, risk appetite and performance goals for the Group. The Group Managing Director ("GMD") is responsible to provide assurance to the Board that the risk management and internal control system are operating satisfactorily and effectively within the Group in all material aspect. Management assists the Board in the implementation of the Group's policies, procedures and limits based on the Board risk appetite created through identification and assessment of risks exposure as well as the design, operation and monitoring of suitable internal controls.

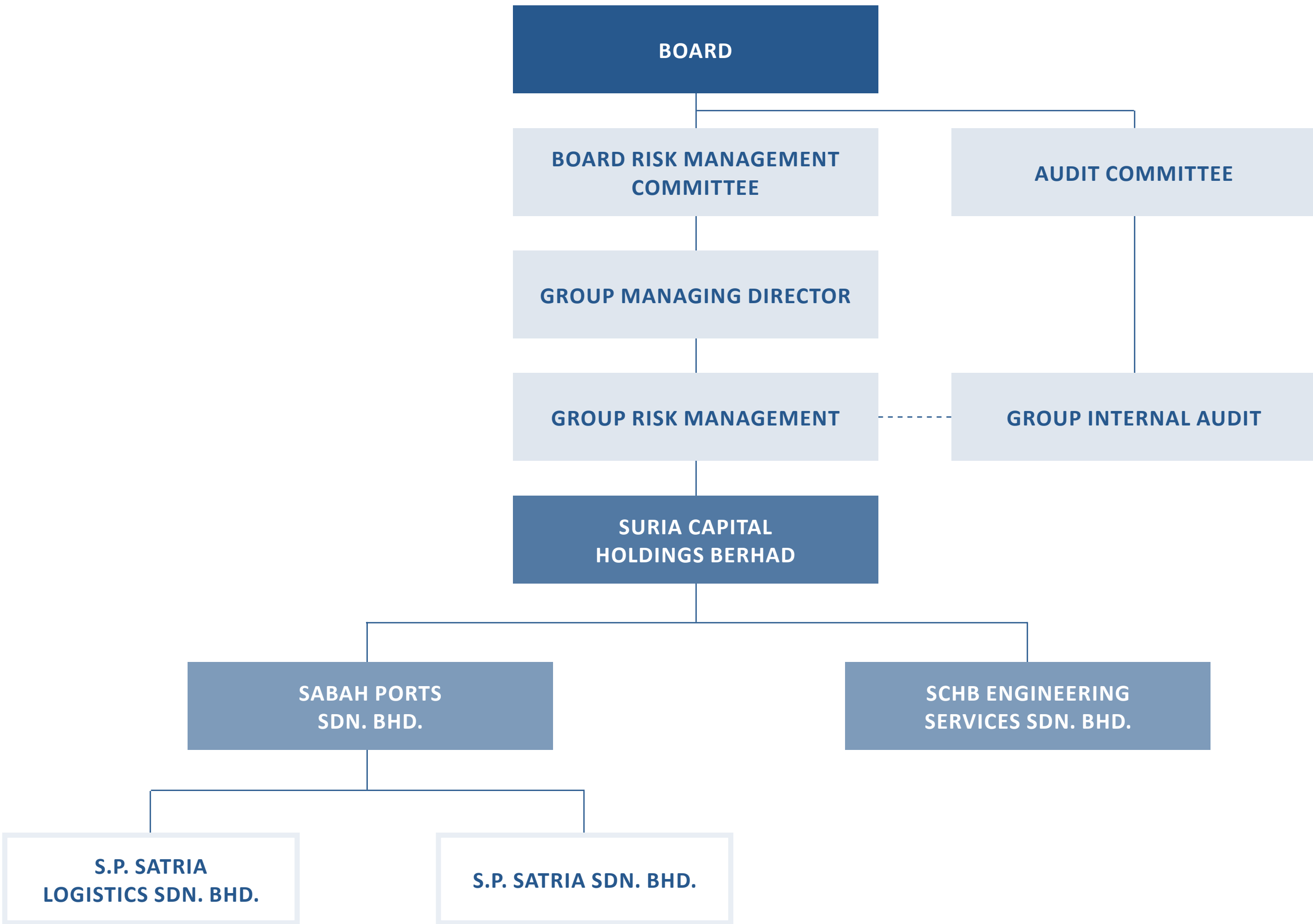
RISK MANAGEMENT

The Group's Risk Management framework is outlined in the Risk Management Policy. The policy aims to provide sound risk management in order to safeguard shareholders' investments, the Group's assets and stakeholders' interests. The Board is responsible in ensuring that this Policy is constantly in place, reviewed and monitored and is adequate to effectively manage risks within the Group.

ROLES AND RESPONSIBILITIES

- The Board of Directors is responsible for overall oversight function and is responsible for the adequacy and effectiveness of the Group risk management and internal control system. It also holds the authority to approve the Risk Management Policy, the governance structure as well as setting the risk appetite of the Group.
- The Board Risk Management Committee ("BRMC") provides assistance to the Board in terms of adequacy and effectiveness review of the Group's risk management and internal control system. The BRMC is also in charge of reviewing risk exposures, and ensuring resources and systems are in place for effective risk management oversight. BRMC meeting is held four (4) times a year.
- The Group Risk Management Department ("GRM") is responsible for providing risk report to the Board and BRMC on a quarterly basis. GRM is accountable for the overall coordination and implementation of both of the Group's ERM Policy. GRM also serves to assist the RMWC at the holding and subsidiary companies or port level in identifying their key risks and providing assurance on effective implementation of the Risk Management Policy.
- The Risk Management Working Committee ("RMWC") at the respective subsidiary companies or port level is responsible for the management of all identified risks under their portfolio and ensuring that necessary control mechanisms and improvement initiatives are carried out effectively and timely.
- All employees are responsible for identifying, assessing and managing risks within the scope of their assigned roles and responsibilities as well as providing report to the respective head of unit whenever necessary.

SURIAGROUP RISK MANAGEMENT STRUCTURE



Risk Management Process

The Group adopts ISO 31000 – Risk Management Principles and Guidelines in managing its business risks. The SuriaGroup Risk Management Policy has been approved by the Board and it governs the risk management approach applied in the Group.

Based on the risk management process, the Group identifies risks specific to the Group together with their corresponding controls and processes as follows:

RISK CATEGORY	DEFINITION	RISK MANAGEMENT PROCESS
Strategic Risk	Risks which affect the overall direction of the business arising from inappropriate business goals; failure in formulation, evaluation and selection or improper implementation of business strategies; lack of response to market demands and compatibility to external changes.	a) Manage through an integrated process whereby the risk appetite, strategic business direction, budget and business plans are aligned, with appropriate oversight by the Board. b) The Group performs a comprehensive annual budgeting and forecasting exercise including development of business strategies for the next five years. The Group's strategic directions are also reviewed on yearly basis, taking into account changes in market conditions and significant business risks.

RISK CATEGORY	DEFINITION	RISK MANAGEMENT PROCESS
Financial Risk	Risks that affect the ability of the Group to meet its financial obligations which could lead to adverse consequences; and risks of negative impact that arise from an investment that could result in unfavourable returns and cash flow	a) Stringent financial control regulated by efficient procedures such as the authority limits and procurement procedures. b) The accounting procedures and policies manuals sets out the procedures and policies for the Group's day-to-day operations and acts as guidelines as to the proper measures to be undertaken in a given set of circumstances. c) The establishment of an investment committee comprising three members representing the Board of Directors, GMD and CFO. d) Variances against budget are analysed and reported to the Board on a half yearly basis.
Operational Risk	Risks that impact the delivery of the Group's services and products resulting from inadequate or failed internal processes, people and systems; or from external events.	a) Day-to-day management of operational risk through comprehensive system of internal controls. b) Utilisation of various tools and methods such as job manual and techniques to manage operational risks.
Compliance / Legal Risk	Risks arising from changes in legislation, regulatory landscapes and policies. Legislative or regulatory developments or changes in the policies of regulators and governments could have an unfavourable effect on the Group's operations, financial condition and prospects.	Close monitoring, tracking and complying with any changes in the legislation, regulatory landscapes, policies and financial reporting.
Reputational Risk	Risks associated with negative stakeholders' perceptions that can adversely impact the Group's ability to maintain existing business relationship or establish new relationship and continued access to sources of funding.	a) Ensuring good corporate governance; ethical conduct of businesses. b) Maintaining efficient customer services and delivery channels. c) Customer feedback is regularly collated and analysed with appropriate follow-up action at the subsidiary level.

Risk Management Approach

The approach in handling the Group's risk management is based on the identification of business risks at strategic and operational levels, and these risks will be assessed via likelihood and magnitude of impact. Identification and evaluation on the adequacy of mechanisms to manage these risks is in place as well. The whole process comprises assessments at business unit level before being examined on a Group or strategic perspective. Different circumstances require different processes. Therefore, the Group has adopted a number of formal and structured approaches of risk management for each specific occasion.

CONTEXT	FREQUENCY	DESCRIPTIONS
Strategies, goals & objectives	Annual Review	a) Annual review on SWOT and PESTLE analysis are conducted at subsidiary and Group level, taking into account any changes in market conditions and significant business risk. b) Objective centric risk assessment ("OCRA") is conducted on half yearly basis to identify those risks that may prevent the company from achieving its strategic goals and objectives.

CONTEXT	FREQUENCY	DESCRIPTIONS
Operating subsidiaries	Quarterly review	a) Quarterly risk reports are prepared which includes assessment of risk, action plans undertaken and progress made. b) The risk reports are tabled and deliberated at the BRMC on a quarterly basis.
Investment proposal, projects, tenders, etc.	As required	a) Tender Evaluation Committee ("TEC") with cross functional representation to provide oversight on the tendering matters prior to approval by the approving authorities. b) Proposals are deliberated and evaluated at the Investment Committee prior to tabling to the Board.

Risk Management Tools

A workshop on risk profiling was conducted by the GRM team to identify potential risks, assess the effectiveness of existing controls and to develop mitigating measures to counter significant risks. The group is currently guided by its internal risk methodology risk assessment, namely OCRA and RCSA. The OCRA and RCSA record all strategic, financial and operational key risks, their causes and consequences as well as the current controls that are in place. The risk profiles of respective business units are reviewed and updated on a half yearly basis. This is to ensure that the registered action plans are carried out within the agreed time frame and risks are mitigated to a tolerable level.

INTERNAL AUDIT FUNCTION

Internal audit function is distinguished by the Board as an integral component of the governance process. The Group Internal Audit Department ("GIA") as the key figure in handling internal audit function held responsible in assisting the Group in achieving its objectives through a systematic and disciplined method. It is needed to evaluate and improve the effectiveness of risk management, internal control, processes and governance within the Group.

The GIA develops risk-based audit plan to regulate the priorities of the internal audit activities. Moreover, it independently reviews the internal controls in the key activities of the Group's businesses applied by the Management, ascertains the extent of compliance with established policies, procedures and relevant statutory requirements, recommends improvements to the existing system of controls, and conducts follow-up reviews on previous audit reports to ensure that appropriate actions are taken to address issues reported. The Audit Committee is the authority on GIA reviews and approves the internal audit plans annually.

GIA has unrestricted access to all functions, records, documents, personnel and any other resource or information at all levels throughout the Group. The performance of audit is executed on key units or areas within the internal audit perimeter.

The GIA processes and activities are guided by the approved Internal Audit Charter and aligned with internal audit industry standards, i.e. The International Professional Practices Framework ("IPPF") and Statement of Responsibilities issued by the Institute of the Internal Auditors ("IIA").

KEY ELEMENTS

- One of the key elements for the internal control system is the Organisation Structure. The Group has an organisational structure that is aligned to its business and operational requirements, with clearly defined lines of responsibility and authority levels.
- The Corporate Culture and Core Values is also regarded as a key element. It is founded based on the core values of the Group, which are 'Service Excellence', 'Unity of Purpose', 'Respect', 'Integrity' and 'Achievement'. It is based on the concept of connecting our business to the stakeholders, community and environment in a balanced approach; being firm and friendly, business driven and responsible, progressive and practical.
- Apart from that, Strategic Business Plan and Annual Budget, are prepared and presented to the Board for approval. Strategic business plans are reviewed periodically; with consideration on any changes in market conditions and significant business risks. The actual performance of the Group is assessed against the approved budget on a quarterly basis where explanations, clarifications and corrective actions taken for significant variances are reported to the AC and the Board.
- The Group has also put in place Authority Limits and Procurement Procedures which outline the principles and specific requirements related to the procurement processes.
- Employee Code of Ethics is integral when it comes to internal control. Therefore, the Group's Employee Code of Conduct & Discipline Handbook is established to ensure the highest standards of integrity and behaviour among the staff.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- When it comes to Employees' Competency, the Group has put in place a Performance Management System to make the assessment where it measures performance against key performance indicators ("KPI") which are aligned with the Group's business objectives and strategies.
- The Group is committed to ensure its assets are safeguarded. Insurance has been set adequately in order to ensure the assets area sufficiently covered.
- The Group has created a whistleblowing policy with the objective to provide a platform for employees to disclose any irregularities or suspected irregularities within the Group. Any disclosure raised will be investigated and managed accordingly. To facilitate such disclosures, the policy also sets out the protection accorded to the whistleblowers who disclose such irregularities in good faith.

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board takes full accountability for the effectiveness of risk management and internal controls and remains dedicated towards improving the system of internal control and risk management process to meet its corporate objectives. The Board, through the Audit Committee and BRMC, has reviewed the effectiveness of the Group's risk management and internal control system for the year under review and up to the date of approval of this statement for inclusion in the annual report.

- The Board plays an active role in strategic planning. It discusses and reviews the plans, strategies, performances and risks faced by the Group. Mandates are then given to Management to carry out the agreed strategies and action plans. Subsequently, comprehensive management reports are made available monthly and quarterly to the Board covering financial performance and key business indicators, which allow for effective monitoring of significant variances between actual performance against budgets and plans.
- The Board through the Audit Committee receives audit report from the GIA which includes their independent and objective opinion on the adequacy and effectiveness of the organisation's systems of enterprise risk management and internal control together with recommendations for improvement.
- The BRMC receives risk management reports on the business risks of the Group and the subsidiary companies' operation through risk reports prepared by the GRM.
- The Board also reviews the comments made by the External Auditors in their Management Letter and other reports.
- Regular senior management meetings such as the Executive Management Meeting ("EXCOM") and Management Committee Meeting ("MCM") are held every two (2) months to review, identify, discuss and resolve strategic, operational, financial, environmental, compliance and other key management issues. The minutes of the management meetings are extended to the Board for review and information.

The Board is of the view that the system of internal control instituted throughout the Group is sound and provides a level of confidence on which the Board relies on for assurance. The Board has also received assurance from the Group Managing Director that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group. In the year under review, there was no significant control failure or weaknesses that would have resulted in material losses, contingencies or uncertainties requiring separate disclosure in the Annual Report.

The Board provides for a continuous review of the Group's risk management and internal control system to ensure ongoing adequacy and effectiveness of the system of internal control and risk management practices to meet the changing and challenging operating environment.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control for the inclusion in the Annual Report of the Group for the year ended 31 December 2016 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in all material aspects relating to the Group's adequacy and integrity of the system of internal control.

CONCLUSION

In general, the Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. On top of that, the Board is pleased to report for the financial year under review that the state of risk management practices and internal control system are able to meet the objectives of the Group and are in accordance with good corporate governance. This statement is made pursuant to the resolution of the Board dated 6 April 2017.

AUDIT COMMITTEE REPORT

1. MEMBERS

The Audit Committee comprises exclusively of Non-Executive Directors, a majority of whom are Independent Directors.

The present members of the Audit Committee and their respective designations are as follows:

- **Chin Kiang Ming**
  Chairman / Independent & Non-Executive Director
  (Member of the Malaysia Institute of Accountants)
- **Datuk Ismail bin Awang Besar**
  Member / Independent & Non-Executive Director
- **Kee Mustafa**
  Member / Independent & Non-Executive Director
- **Georgina L. George**
  Member / Non-Independent & Non-Executive Director

2. MEETINGS AND ATTENDANCE

During the financial year ended 31 December 2016, the Audit Committee held seven (7) meetings. The details of attendance of the Audit Committee members are as follows:

NAME OF AUDIT COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED
Chin Kiang Ming	7/7
Datuk Ismail bin Awang Besar, J.P.	7/7
Kee Mustafa	7/7
Georgina L. George	Not applicable

A quorum of two (2) members shall be present and both of whom must be Independent Directors. The Company Secretary acts as the Secretary of the Audit Committee. The Group Managing Director and the Head of Internal Audit attended all the meetings to brief and provide clarification to the Audit Committee on their areas of responsibility. Other senior management personnel and the External Auditors are also invited for specific agenda items to support detailed discussions during the Audit Committee's meetings.

Minutes of the Audit Committee Meetings will be distributed to the Board for notation and the Chairman of the Audit Committee shall report key issues discussed to the Board.

3. TERMS OF REFERENCE

The Audit Committee carried out its duties in accordance with its Terms of Reference. The Terms of Reference contains provisions that address the requirement of Bursa Securities and is accessible on the Company's website at www.suriagroup.com.my.

3.1 Composition

The Board shall appoint the Audit Committee members from amongst themselves, comprising not less than three (3), with majority being Independent, in accordance with the requirement of Bursa Securities Listing Requirements on Corporate Governance, Part C of Chapter 15.

At least one (1) member of the Audit Committee:-

(a) must be a member of the Malaysian Institute of Accountants; or

(b) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and –

   (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or

   (ii) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

(c) fulfils such requirements as prescribed or approved by Bursa Securities.

If any member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated above, the vacancy shall be filled within three (3) months and the Nomination/Appointment Committee shall review and recommend for the Board's approval another appropriate Director to fill the vacancy.

3.2 Authority

The Audit Committee is authorised by the Board to:

(a) Investigate any matter within its terms of reference;

(b) Have the resources which are required to perform its duties;

(c) Have full and unrestricted access to any information, records, property and personnel of the Company and any other companies within the Group;

(d) Have direct communication channels with the External and Internal Auditors, and Risk Manager;

(e) Be able to convene meetings with the External and Internal Auditors, and Risk Manager, excluding the attendance of the other Directors and employees of the Company, where deemed necessary;

(f) Invite other Directors and/or employees of the Company to attend any particular Audit Committee meeting to discuss specific issues; and

(g) Be able to obtain outside legal or other independent professional advice, and invite external parties with relevant experience and expertise to attend the Audit Committee meetings for advice.

3.3 Duties and Responsibilities

The main objective of the Audit Committee is to assist the Directors to fulfil its fiduciary responsibilities for corporate governance, timely and accurate financial reporting and development of sound internal controls. In compliance with Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements and Best Practices of the Malaysian Code on Corporate Governance, it is the objective of the Audit Committee to assure the shareholders of the Company that the Directors have complied with specific financial standards and disclosure policies developed and administered by BMSB and other approved accounting standard bodies.

The Audit Committee shall ensure consistency with BMSB commitments to encourage high standards of corporate disclosure and transparency. In addition, the Audit Committee shall evaluate the quality of audits performed by the Internal and External Auditors.

The principal duties and responsibilities of the Audit Committee shall include the following:

(a) Financial Reporting

i) To review the quarterly interim results and annual financial statements of the Company, and thereafter submit them to the Board for approval, focusing particularly on:

- Any changes in implementation of new accounting policies and practices;
- Significant adjustments arising from the external audits and unusual events;
- True and fair view of the Company's financial position and performance; and
- The going concern assumption and compliance with accounting standards as well as other legal requirements.

ii) To review any related party transactions and conflict of interest situation that may arise within the Company of its business units.

iii) To ensure prompt publication of annual audited financial statements.

(b) External Audit

i) To review the competency, independence and suitability of the External Auditors for recommendation to the Board for re-appointment and the audit fee thereof;

ii) To review and discuss the audit plan, audit strategy, the nature and scope of the audit with the External Auditors (before the audit commences) and ensure coordination (where more than one audit firm is involved);

iii) To review with the External Auditors, their evaluation of the system of internal controls and audit findings;

iv) To discuss issues and concerns arising from the interim and final audits, and any other matters the External Auditors wish to discuss, in the absence of Management, if necessary;

v) To review the External Auditors' management letter, management's response, and co-operation given by the Company, its business units and its officers to the auditors;

vi) To make appropriate recommendations to the Board on matters of resignation or dismissal of External Auditors; and

vii) To meet with the External Auditors twice yearly without any Executive Board members and Management staffs present.

(c) Internal Audit

i) To approve the Internal Audit Charter of internal audit function of the Group;

ii) To review and report the adequacy of internal audit plans and scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its works;

iii) To review the internal audit process and where necessary, ensure that appropriate action is taken by the Management on the recommendations of the internal audit function;

iv) To review any appraisal or assessment of the performance of members of the internal audit function to ensure that they have the standing to exercise independence and professionalism in discharging their duties;

v) To contribute to the improvement of risk management, internal control and governance system as spelled out in the Professional Practice of Internal Auditing contained in The International Professional Practices Framework;

vi) To review the major findings of internal audits and investigations, management's response, remedial actions taken and follow-ups; and

vii) To direct any special investigation to be carried out by internal audit.

4. SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE DURING THE FINANCIAL YEAR 2016

In the discharge of its responsibilities and duties, the main activities carried out by the Audit Committee were as follows:

4.1 Financial Reporting

(a) Reviewed the quarterly unaudited financial results and related announcements with the appropriate officers before recommending to the Board for approval to be released to Bursa Malaysia;

(b) Review the annual audited financial statements of the Group and the Company with Management and the External Auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements prior to their recommendation to the Board for approval. The review was particularly focused on:

- Implementation of new and revised accounting policies and practices;
- Significant adjustments arising from the external audits and unusual events;
- True and fair view of the Company's financial position and performance; and
- The going concern assumption and compliance with accounting standards as well as other legal requirements.

(c) Ensured prompt publication of annual audited financial statements.

4.2 External Audit

(a) Reviewed the External Auditors' audit plan for the financial year ending 31 December 2016 and discussed their audit approach, audit strategy and audit scope, engagement team, key dates and deliverables and key audit matters prior to the commencement of their annual audit;

(b) Reviewed and discussed with the External Auditors on their evaluation of the system of internal controls, audit findings and the annual audited financial statements of the Company and the Group prior to recommendation to the Board for approval;

(c) Reviewed the External Auditors' management letter, management's response, and cooperation given by the Company, its business units and its officers to the auditors, and ensured, where appropriate, necessary corrective actions had been taken by Management;

(d) Reviewed the audit related and non-audit services provided by the External Auditors, which included tax compliance and advice

(e) Reviewed the suitability and independence of the External Auditors based on quality of service, adequacy of resources, communication and interaction, independence, objectivity and professional scepticism before making recommendation on their re-appointment to the Board;

(f) Met with the External Auditors in private meetings without the presence of Management twice (2) during the year to confirm that there were no restrictions on the scope of their audit and to discuss any related matter.

(g) Reviewed the proposed audit fees by the External Auditors in relation to their audit of the financial statements of the Group and of the Company and recommended the same to the Board for approval;

4.3 Internal Audit

(a) Reviewed and approved revision of the Internal Audit Charter of the internal audit function;

(b) Reviewed and approved the Group Internal Audit's annual audit plan to ensure the adequacy of scope and comprehensiveness of the activities and focused on significant risk areas that have been identified in the audit plan.

(c) Review the effectiveness of the internal audit process and the resources allocated to Group Internal Audit and assessed the performance of the overall Internal Audit function;

(d) Reviewed and discussed the Group Internal Auditor's audit reports and monitored on the remedial actions taken by the Management.

4.4 Related Parties Transactions

(a) Reviewed the related party transactions entered into by the Company and/or its subsidiaries to ensure the Group's policies and procedures are adhered to and complied to the disclosure requirement of the Main Market Listing Requirements.

4.5 Other Activities

(a) Reviewed the Terms of Reference of the Audit Committee and recommended the same to the Board for approval.

(b) Reviewed Statement on Risk Management and Internal Control and Audit Committee Report to be included in the Annual Report for the financial year 2016 and recommended the same to the Board for approval.

5. SUMMARY OF ACTIVITIES OF INTERNAL AUDIT FUNCTION DURING THE FINANCIAL YEAR 2016

During the financial year ended 31 December 2016, the internal audit carried out review in areas covering operation, information system and compliance to assess the effectiveness and adequacy of the internal control and compliance to the Group's policies and procedures.

Internal audit reports were tabled at the Audit Committee meetings for deliberation and the Audit Committee's comment and expectation on the corrective measures were communicated to the respective head of Company. Follow-up reviews were subsequently conducted to assess if appropriate action has been taken to address issues highlighted in previous audit reports.

Internal audit undertook follow-up on the matters reported by External Auditors at the Audit Committee meeting, participated in working group to provide input on the procurement policy review exercise, the Statement on Risk Management and Internal Control 2016 and the Audit Committee Report 2016.

Internal audit had also attended relevant courses, seminars and conferences to keep abreast with the current developments to improve professional skills in internal auditing.

The total expenditure incurred by the Internal Audit Department for the financial year 2016 was RM430,000.

6. TRAINING

During the financial year ended 31 December 2016, all Audit Committee members have attended various conferences, seminars and training programmes. For further information, kindly refer to page 60 of the Annual Reports.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property development.

The principal activities of the subsidiaries and other information relating to the subsidiaries are disclosed in Note 15 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	66,663	28,392
Profit attributable to:		
Owners of the Company	66,663	28,392
Non-controlling interests	–	–
	66,663	28,392

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2015 were as follows:

	RM'000
In respect of the financial year ended 31 December 2015 as reported in the directors' report of that year:	
Final tax exempt dividend of 4%, on 288,183,992 ordinary shares, declared on 25 May 2016 and paid on 30 June 2016	11,527
In respect of the financial year ended 31 December 2016:	
Interim tax exempt dividend of 3%, on 288,183,992 ordinary shares, declared on 16 December 2016 and paid on 20 January 2017	8,646
	20,173

DIVIDENDS (CONTINUED)

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2016, of 4% on ordinary shares (4 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Datuk Hj. Faisyal Bin Datuk Yusof Hamdain Diego	
Datuk Ismail Bin Awang Besar, J.P.	
Datuk Dr. Mohd. Yaakub Bin Hj. Johari, J.P.	
Datuk Mohd. Hasnol Bin Ayub	
Datuk Hj. Abu Bakar @ Wahab Bin Hj. Abas	(Resigned on 23 January 2017)
Muluk Bin Samad	
Datuk Kee Mustafa	
Datuk Ramlee Bin Marahaban	(Appointed on 3 February 2016)
Chin Kiang Ming	
Ng Kiat Min	(Appointed on 1 April 2016)
Georgina L. George	(Appointed on 23 January 2017)

The names of the directors of the subsidiaries of the Company in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Datuk Hj. Karim Bin Hj. Bujang
Datuk Anthony Lai Vai Ming @ Lai Kheng Ming, J.P.
Datuk Pg. Hassanel Bin Datuk Pg. Hj. Mohd. Tahir
Datuk Filik Bin Madan @ Esong
Datuk Michael Emban
Loh Boon Hon
Mohd. Sahid Bin Hj. Nawab Khan

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the Employees' Share Option Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM1 each			
	1.1.2016	Acquired	Sold	31.12.2016
Name of director				
Direct Interest:				
Ordinary shares of the Company				
Datuk Hj. Faisyal Bin Datuk Yusof Hamdain Diego	–	20,000	–	20,000
Datuk Hj. Abu Bakar @ Wahab Bin Hj. Abas	57,503	–	–	57,503
Datuk Mohd. Hasnol Bin Ayub	2,500	–	–	2,500
Ng Kiat Min	304,500 *	10,000	–	314,500

	Number of options over ordinary shares of RM1 each			
	1.1.2016	Acquired	Sold	31.12.2016
Name of director				
Share options of the Company				
Ng Kiat Min	40,000*	–	–	40,000

* Represents interests in shares and options over shares as at 1 April 2016, the date of appointment as director.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

EMPLOYEES' SHARE SCHEME

At an Extraordinary General Meeting held on 19 November 2015, shareholders approved the Employees' Share Scheme which comprised Employees' Share Grant Plan for the granting of ordinary shares of the Company to eligible employees and Employees' Share Option Scheme for the granting of non-transferable options shares that are settled by physical delivery of the ordinary shares of the Company to eligible employees.

The committee administering the Employees' Share Scheme comprises four directors, Datuk Ismail Bin Awang Besar, J.P., Muluk Bin Samad, Datuk Kee Mustafa and Chin Kiang Ming.

The salient features and other terms of the Employees' Share Scheme are disclosed in Note 32 to the financial statements.

During the financial year, there were no shares and share options granted under the Employees' Share Scheme.

EMPLOYEES' SHARE SCHEME (CONTINUED)

Details of all the options to subscribe for ordinary shares of the Company pursuant to the employees' share option scheme as at 31 December 2016 are as follows:

Expiry date	Exercise price (RM)	Number of options
26 November 2020	2.26	3,208,000

Details of options granted to directors are disclosed in the section on Directors' interests in this report.

The Company has been granted relief under Section 255(1) of the Companies Act, 2016 from having to disclose the names of option holders who have been granted options to subscribe for less than 16,000 ordinary shares of RM1 each. The names of option holders granted options to subscribe for 16,000 or more ordinary shares of RM1 each during the financial year are as follows:

Name	Grant date	Expiry date	Exercise price	|---------- Number of share options			----------|
				01.01.2016	Granted	Exercised	31.12.2016
Ng Kiat Min	17.12.2015	26.11.2020	2.26	40,000	–	–	40,000
Mohammed Sahid Bin Hj. Nawab Khan	16.12.2015	26.11.2020	2.26	30,000	–	–	30,000
Loh Boon Hon	16.12.2015	26.11.2020	2.26	25,000	–	–	25,000
Azman Amarashikin	18.12.2015	26.11.2020	2.26	25,000	–	–	25,000
Siti Noraishah Azizan	18.12.2015	26.11.2020	2.26	20,000	–	–	20,000
Asmah Mohd. Nor	15.12.2015	26.11.2020	2.26	16,000	–	–	16,000
Thien Kai Ling	15.12.2015	26.11.2020	2.26	16,000	–	–	16,000
Datin Mariam Mahmun	16.12.2015	26.11.2020	2.26	16,000	–	–	16,000
Mary Sii Lee Mieng	16.12.2015	26.11.2020	2.26	16,000	–	–	16,000
Mohamad Bin Dahlan	16.12.2015	26.11.2020	2.26	16,000	–	–	16,000
Raiman Bin Ali @ Polo	16.12.2015	26.11.2020	2.26	16,000	–	–	16,000
Suryani Mohd. Saidi	16.12.2015	26.11.2020	2.26	16,000	–	–	16,000
Richard Kiob	17.12.2015	26.11.2020	2.26	16,000	–	–	16,000
Hiew Kim Fatt	18.12.2015	26.11.2020	2.26	16,000	–	–	16,000
Lai Fui Nar	15.12.2015	26.11.2020	2.26	16,000	–	–	16,000
Junita Tajul Ariffin	16.12.2015	26.11.2020	2.26	16,000	–	–	16,000

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONTINUED)

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS AND AUDITORS' REMUNERATION

The auditors, Ernst & Young, have expressed their willingness to continue in office. Auditors' remuneration are disclosed in Note 8 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 April 2017.

Datuk Hj. Faisyal Bin Datuk Yusof Hamdain Diego | **Ng Kiat Min**

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Datuk Hj. Faisyal Bin Datuk Yusof Hamdain Diego and Ng Kiat Min, being two of the directors of Suria Capital Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 86 to 162 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The information set out in Note 44 to the financial statements on page 163 have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 6 April 2017.

Datuk Hj. Faisyal Bin Datuk Yusof Hamdain Diego

Ng Kiat Min

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

I, Ng Kiat Min, being the director primarily responsible for the financial management of Suria Capital Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 86 to 163 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Ng Kiat Min
at Kota Kinabalu in the State
of Sabah on 6 April 2017

Ng Kiat Min

Before me,

PESURUHJAYA SUMPAH
NO. A-S 023
MAIL B. AYUH
Mahkamah Seeyen
Kota Kinabalu
Sabah
MALAYSIA

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SURIA CAPITAL HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Suria Capital Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 86 to 162.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis of opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment testing of concession assets

Refer to Note 2.8 and Note 14 to the financial statements.

The carrying amount of the concession assets as at 31 December 2016 is RM728,614,000, representing 54% of the total assets of the Group.

The Group assessed that there is an indication of impairment on the concession assets relating to port operations due to the continued depressed market price of the Company's share. Accordingly, the Group performed an impairment assessment to determine the recoverable amount of the cash generating unit ("CGU") relating to the concession assets. This involves comparing the recoverable amount of the related CGU to the carrying amount of the concession assets.

We identified the impairment review as an area of focus as the impairment assessment is complex and highly judgemental. It involves assessment of possible variations in the amounts and timing of future cash flows based on assumptions affected by future market and economic conditions. Judgement is also applied in determining an appropriate discount rate to determine the present value of future cash flows.

The impairment assessment did not give rise to any impairment.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Impairment testing of concession assets (continued)

In addressing this area of audit focus, we performed, amongst others, the following procedures:

(1) we obtained an understanding of the methodology adopted by the management in estimating the value in use and assessed whether such methodology is consistent with those used in the industry;

(2) we assessed the reasonableness of key assumptions used, focusing on projected revenue, profit margins and growth rates, taking into consideration the current and expected future economic conditions. We compared the key assumptions against past actual outcomes; and

(3) we assessed the reasonableness of the discount rate used and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset.

Impairment review on investments in subsidiaries

Refer to Note 2.11 and Note 15 to the financial statements.

The carrying amounts of the investments in Suria Bumiria Sdn. Bhd. and SCHB Engineering Services Sdn. Bhd. as at 31 December 2016 are RM18,700,000 and RM9,628,000 respectively

The Company assessed that there is an indication of impairment on the investments due to continued losses reported by these subsidiaries. Accordingly, the Company performed an impairment assessment to determine the recoverable amounts of the CGUs relating to these subsidiaries based on value in use. This involves comparing the recoverable amounts of the related CGUs to the carrying amounts of the investments in these subsidiaries.

We identified the impairment assessment as an area of focus as the impairment assessment is complex and highly judgemental. It involves assessment of possible variations in the amounts and timing of future cash flows based on assumptions affected by future market and economic conditions. Judgement is also applied in determining an appropriate discount rate to determine the present value of future cash flows.

Arising from the impairment assessment, the Company impaired the investments in these two subsidiaries to their recoverable amounts, resulting in an impairment loss of RM6,230,000 being recognised in the statements of comprehensive income.

In addressing this area of audit focus, we performed, amongst others, the following procedures:

(1) we obtained an understanding of the methodology adopted by the management in estimating the value in use and assessed whether such methodology is appropriate and consistently applied;

(2) we assessed the reasonableness of key assumptions used, focusing on projected revenue, profit margins, growth rates and terminal value, taking into consideration the current and expected future economic conditions. We compared the key assumptions against past actual outcomes; and

(3) we assessed the reasonableness of the discount rate used and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon (continued)

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 44 on page 163 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information 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 ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young

Ernst & Young
AF: 0039
Chartered Accountants

Winnie Kwan

Kwan Bitt Jing @ Winnie Kwan
3257/05/18(J)
Chartered Accountant

Kota Kinabalu, Malaysia
6 April 2017

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 (restated) RM'000	Company 2016 RM'000	Company 2015 (restated) RM'000
Revenue	4	**258,512**	496,652	**28,560**	261,831
Cost of sales		**(158,714)**	(302,613)	**–**	(120,885)
Gross profit		**99,798**	194,039	**28,560**	140,946
Other items of income					
Interest income	5	**2,385**	3,563	**227**	294
Other income	6	**31,351**	29,481	**19,929**	13,736
Other items of expense					
Administrative expenses		**(27,216)**	(38,009)	**(10,620)**	(11,189)
Finance costs	7	**(5,896)**	(7,640)	**(38)**	(17)
Other expenses		**(16,889)**	(33,186)	**(13,369)**	(12,137)
Profit before tax	8	**83,533**	148,248	**24,689**	131,633
Income tax expense	11	**(16,870)**	(22,531)	**3,703**	(6,187)
Profit net of tax		**66,663**	125,717	**28,392**	125,446
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income for the year		**66,663**	125,717	**28,392**	125,446
Profit net of tax attributable to:					
Owners of the Company		**66,663**	126,434	**28,392**	125,446
Non-controlling interests		**–**	(717)	**–**	–
		66,663	125,717	**28,392**	125,446
Total comprehensive income attributable to:					
Owners of the Company		**66,663**	126,434	**28,392**	125,446
Non-controlling interests		**–**	(717)	**–**	–
		66,663	125,717	**28,392**	125,446
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	12	**23.13**	44.57		
Diluted	12	**23.13**	44.56		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	**62,229**	63,412	**47,843**	48,296
Concession assets	14	**728,614**	734,853	**–**	–
Investments in subsidiaries	15	**–**	–	**222,436**	231,263
Deferred tax assets	16	**30,765**	19,909	**30,765**	19,651
Other assets	19	**33,931**	–	**–**	–
Trade receivable	18	**230,799**	162,038	**230,799**	162,038
		1,086,338	980,212	**531,843**	461,248
Current assets					
Inventories	17	**4,028**	3,790	**–**	–
Trade and other receivables	18	**48,802**	104,233	**22,774**	81,101
Other assets	19	**3,628**	2,031	**78**	63
Income tax refundable		**903**	778	**342**	326
Investment securities	20	**144,104**	126,962	**20,080**	6,367
Cash and bank balances	21	**60,958**	114,313	**10,510**	8,850
		262,423	352,107	**53,784**	96,707
Total assets		**1,348,761**	1,332,319	**585,627**	557,955
Equity and liabilities					
Current liabilities					
Borrowings	22	**10,637**	10,762	**323**	312
Loan from Sabah Ports Authority	24	**24,946**	23,986	**–**	–
Amount due to Sabah State Government	25	**5,927**	5,927	**–**	–
Concession liabilities	26	**10,162**	9,963	**–**	–
Trade and other payables	27	**40,209**	38,626	**27,480**	7,731
Income tax payable		**271**	–	**–**	–
		92,152	89,264	**27,803**	8,043
Net current assets		**170,271**	262,843	**25,981**	88,664

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Non-current liabilities					
Borrowings	22	**225**	10,697	**75**	382
Loan from Sabah Ports Authority	24	**52,924**	77,870	**–**	–
Amount due to Sabah State Government	25	**17,779**	23,706	**–**	–
Concession liabilities	26	**115,823**	117,743	**–**	–
Employee defined benefit liability	28	**196**	272	**–**	–
Deferred tax liabilities	16	**54,158**	41,764	**–**	–
		241,105	272,052	**75**	382
Total liabilities		**333,257**	361,316	**27,878**	8,425
Net assets		**1,015,504**	971,003	**557,749**	549,530
Equity attributable to owners of the Company					
Share capital	29	**288,184**	288,184	**288,184**	288,184
Share premium	29	**70,641**	70,641	**70,641**	70,641
Other reserve	30	**1,862**	2,194	**2,255**	2,255
Retained earnings	31	**654,817**	608,327	**196,669**	188,450
		1,015,504	969,346	**557,749**	549,530
Non-controlling interests		**–**	1,657	**–**	–
Total equity		**1,015,504**	971,003	**557,749**	549,530
Total equity and liabilities		**1,348,761**	1,332,319	**585,627**	557,955

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	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 reserves total RM'000	Employee share option reserve RM'000	Premium paid on acquisition of non-controlling interests RM'000	Non-controlling interests RM'000
			Attributable to owners of the Company							
				Non-distributable		Distributable	Non-distributable			
Group										
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	41	(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)	–

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	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 reserves total RM'000	Employee share option reserve RM'000	Premium paid on acquisition of non-controlling interests RM'000	Non-controlling interests RM'000
			Attributable to owners of the Company							
				Non-distributable		Distributable	Non-distributable			
Group										
Opening balance at 1 January 2015		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)
Total comprehensive income for the year		125,717	126,434	–	–	126,434	–	–	–	(717)
Transactions with owners										
Issue of ordinary shares		12,712	12,712	4,856	7,856	–	–	–	–	–
Dividends on ordinary shares	41	(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	–	–
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		971,003	969,346	288,184	70,641	608,327	2,194	2,255	(61)	1,657

	Note	Equity, total RM'000	I----- Non-distributable -----I Share capital RM'000	Share premium RM'000	Distributable Retained earnings RM'000	I-------- Non-distributable -------I Other reserve, total RM'000	Employee share option reserve RM'000
Company							
Opening balance at 1 January 2016		**549,530**	**288,184**	**70,641**	**188,450**	**2,255**	**2,255**
Total comprehensive income for the year		**28,392**	**–**	**–**	**28,392**	**–**	**–**
Transactions with owners							
Dividends on ordinary shares	41	**(20,173)**	**–**	**–**	**(20,173)**	**–**	**–**
Total transactions with owners		**(20,173)**	**–**	**–**	**(20,173)**	**–**	**–**
Closing balance at 31 December 2016		**557,749**	**288,184**	**70,641**	**196,669**	**2,255**	**2,255**
Opening balance at 1 January 2015		429,095	283,328	62,785	82,982	–	–
Total comprehensive income for the year		125,446	–	–	125,446	–	–
Transactions with owners							
Issued of ordinary shares		12,712	4,856	7,856	–	–	–
Dividends on ordinary shares	41	(19,978)	–	–	(19,978)	–	–
Grant of equity-settled share options to employees		2,255	–	–	–	2,255	2,255
Total transactions with owners		(5,011)	4,856	7,856	(19,978)	2,255	2,255
Closing balance at 31 December 2015		549,530	288,184	70,641	188,450	2,255	2,255

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating activities				
Profit before tax	**83,533**	148,248	**24,689**	131,633
Adjustments for:				
Amortisation of concession assets	**37,385**	38,341	**–**	–
Allowance for impairment loss on:				
- trade receivables	**567**	4,429	**–**	–
- other receivables	**–**	459	**–**	459
Concession assets written off	**12**	570	**–**	–
Depreciation of property, plant and equipment	**2,459**	2,469	**915**	927
Dividend income from subsidiaries	**–**	–	**(24,300)**	(28,300)
Employee defined benefit expense	**(76)**	(215)	**–**	36
Employee leave entitlement written back	**(13)**	(518)	**(1)**	(172)
Employee leave entitlement	**–**	5	**–**	–
Finance costs	**5,896**	7,640	**38**	17
Gain on disposal of concession assets	**(65)**	(14)	**–**	–
Gain on disposal of subsidiary	**–**	–	**(2,044)**	–
Impairment loss on:				
- concession assets	**–**	11,726	**–**	–
- investments in subsidiaries	**–**	–	**6,230**	9,100
Interest income	**(2,385)**	(3,563)	**(227)**	(294)
Inventories written off	**–**	52	**–**	–
Investment income from investment securities	**(5,106)**	(4,256)	**(447)**	(590)
Net fair value loss/(gain) on investment securities	**10**	(805)	**(27)**	(143)
Plant and equipment written off	**–**	172	**–**	16
Revisions to estimated cash flows on receivables	**7,116**	–	**7,116**	–
Reversal of allowance for impairment on receivable	**(642)**	–	**–**	–
Shares and options granted under Employees' Share Scheme	**–**	14,967	**–**	2,304
Unrealised exchange gain	**–**	(784)	**–**	–
Unrealised exchange loss	**122**	305	**–**	–
Unwinding of discount on:				
- long-term receivable	**(17,320)**	(12,893)	**(17,320)**	(12,893)
- concession liabilities	**8,242**	8,354	**–**	–
- dredging costs	**54**	–	**–**	–
Total adjustments	**36,256**	66,441	**(30,067)**	(29,533)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating cash flows before changes in working capital	**119,789**	214,689	**(5,378)**	102,100
Changes in working capital:				
(Increase)/decrease in inventories	**(238)**	1,209	**–**	–
Increase in trade and other receivables	**(3,049)**	(225,894)	**(230)**	(226,310)
(Increase)/decrease in other current assets	**(35,528)**	1,312	**(15)**	(29)
Decrease in land held for property development	**–**	120,885	**–**	120,885
Decrease in amount due to Sabah Ports Authority	**–**	(2,000)	**–**	–
Increase in trade and other payables	**1,542**	973	**19,750**	1,292
Payment of concession liabilities	**(9,963)**	(9,772)	**–**	–
Payment of employee defined benefit liability	**–**	(13,802)	**–**	(492)
Total changes in working capital	**(47,236)**	(127,089)	**19,505**	(104,654)
Cash flows from/(used in) operations	**72,553**	87,600	**14,127**	(2,554)
Interest received	**478**	490	**–**	–
Income tax paid	**(8,079)**	(1,852)	**(186)**	(170)
Income tax refunded	**302**	21,202	**170**	170
Real property gain tax paid	**(7,411)**	(25,838)	**(7,411)**	(25,838)
Net cash flows from/(used in) operating activities	**57,843**	81,602	**6,700**	(28,392)
Investing activities				
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 subsidiary	**–**	–	**4,641**	–
Proceeds from disposal of concession assets	**67**	18	**–**	–
Proceeds from disposal of investment securities	**123,596**	87,266	**6,700**	21,766
Purchase of investment securities	**(140,748)**	(105,507)	**(20,386)**	(3,964)
Purchase of property, plant and equipment	**(1,276)**	(566)	**(462)**	(215)
Investment income received from investment securities	**5,106**	4,256	**447**	590

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Investing activities (continued)				
Interest received	**1,907**	3,073	**227**	294
Dividends received	**–**	–	**24,300**	28,300
Net cash flows (used in)/from investing activities	**(11,500)**	(69,189)	**15,467**	46,771
Financing activities				
Dividends paid	**(20,173)**	(19,978)	**(20,173)**	(19,978)
Interest paid	**(6,038)**	(7,780)	**(38)**	(17)
Repayment of Islamic Debt Securities	**(10,000)**	(10,000)	**–**	–
Repayment of loan from Sabah Ports Authority	**(23,986)**	(23,064)	**–**	–
Repayment of amount due to Sabah State Government	**(5,927)**	(5,927)	**–**	–
Repayment of obligations under finance leases	**(455)**	(337)	**(296)**	(241)
Net cash flows used in financing activities	**(66,579)**	(67,086)	**(20,507)**	(20,236)
Net (decrease)/increase in cash and cash equivalents	**(20,236)**	(54,673)	**1,660**	(1,857)
Effect of exchange rate changes on cash and cash equivalents	**(122)**	475	**–**	–
Cash and cash equivalents at 1 January	**52,081**	106,279	**8,850**	10,707
Cash and cash equivalents at 31 December (Note 21)	**31,723**	52,081	**10,510**	8,850

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

Suria Capital Holdings Berhad ("the Company") is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Bursa Malaysia Securities Berhad. The registered office of the Company is located at 1st & 2nd Floor, Menara Jubili, No.53, Jalan Gaya, 88000 Kota Kinabalu, Sabah, Malaysia.

The principal activities of the Company are investment holding and property development. The principal activities of the subsidiaries and other information relating to the subsidiaries are disclosed in Note 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as discussed below.

In the current financial year, the Group and the Company adopted all the Standards and Interpretations which are effective for annual financial periods beginning on or after 1 January 2016.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016

The adoption of these standards and interpretations did not have any material effect on the financial performance or position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 107: Disclosures Initiatives	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses	1 January 2017
Annual Improvements to MFRSs 2014 – 2016 Cycle	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments to MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 might have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) exposure, or rights, to variable returns from its investment with the investee; and

(iii) the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) potential voting rights held by the Company, other vote holders or other parties;

(iii) rights arising from other contractual arrangements; and

(iv) any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group losses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currencies (continued)

(b) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Long term leasehold land: remaining lease periods
- Ferry terminal: 5 to 21 years
- Motor vehicles: 4 years
- Furniture, equipment and renovation: 2.5 to 10 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Service concession arrangements

The Company, Sabah Ports Sdn. Bhd. (a subsidiary of the Company), the State Government of Sabah and Sabah Ports Authority have entered into the Privatisation Agreement on 23 September 2003 ("Privatisation Agreement") to privatise the business of port undertakings of Sabah Ports Authority at the seven ports of Sabah for a period 30 years and can be extended for a further period of 30 years.

The terms of the Privatisation Agreement allow the subsidiary to charge and collect from the port users in relation to any services or facilities provided by the subsidiary in accordance with the tariffs prescribed pursuant to the Sabah Ports Authority Enactment 1981 and the Sabah Ports (Privatisation) Enactment 1998, as amended from time to time and including all and any rules made there under ("Port Enactments"). The subsidiary shall apply to Sabah Ports Authority to amend, vary or introduce port dues and charges from time to time in accordance with Port Enactments based on the financial need of the seven ports as well as the financial performance of the subsidiary.

The Group recognises the consideration receivable as an intangible asset to the extent that it receives a right to charge users for the public service. Concession assets received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition. Subsequent to initial recognition, the concession assets are measured at cost, less accumulated amortisation and accumulated impairment losses.

The Group also recognises concession assets (and the corresponding concession liabilities) arising from the annual concession fee payables and the lease rental payable for the existing port infrastructures, facilities and land under the Privatisation Agreement at the present value of the obligations at the inception date of the service concession arrangement.

Concession assets are amortised over the concession period using the straight line method less impairment loss, if any.

The fair value of a concession asset received as consideration for providing construction services in a service concession arrangement is estimated by reference to the fair value of the construction services provided. The fair value is calculated as the estimated total construction cost with no profit margin as all the construction works are subcontracted out.

When the Company has contractual obligations that it must fulfill as a condition of its license to: a) maintain the infrastructure to a specified standard or, b) to restore the infrastructure when the infrastructure has deteriorated below a specified condition, it recognises and measures these contractual obligations in accordance with the accounting policy for provisions in Note 2.17. Repairs and maintenance and other expenses that are routine in nature are expensed and recognised in the profit or loss as incurred.

2.9 Construction contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Construction contracts (continued)

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date to the estimated costs to complete.

Contract revenue - Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they can be reliably measured.

Contract costs - Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other asses or group of assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long- term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exist, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) exposure, or rights, to variable returns from its investment with the investee; and
(iii) the ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.12 Fair value of assets and liabilities

The Group measures financial instruments such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primary for the purpose of trading;
- it is due to settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classified all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.14 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments – initial recognition and subsequent measurement (continued)

(a) Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by MFRS 139. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Re-assessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in profit or loss in finance costs for loans and in administrative expenses or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 18.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2016 and 2015.

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments – initial recognition and subsequent measurement (continued)

(a) Financial assets (continued)

Available-for-sale (AFS) financial investments (continued)

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss as finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments – initial recognition and subsequent measurement (continued)

(b) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss.

Available-for-sale (AFS) financial investments

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments – initial recognition and subsequent measurement (continued)

(b) Impairment of financial assets (continued)

Available-for-sale (AFS) financial investments (continued)

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments – initial recognition and subsequent measurement (continued)

(c) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 22.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition comprise purchase costs and are accounted for on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

2.20 Employee benefits

(a) Defined contribution plans

The Malaysian companies in the Group make contributions to the Employee Provident Fund (“EPF”) in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee defined benefit liability

The Group and the Company operate unfunded defined benefit plan for its eligible employees that provides retirement benefit to employees upon retirement. On the date of retirement, eligible employees are entitled to 0.5 to 1.0 month last drawn basic salary for each completed year of service.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (continued)

(b) Employee defined benefit liability (continued)

Defined benefit costs comprise the following:

- service cost;
- interest on the defined benefit liability; and
- remeasurements of defined benefit liability.

Service costs which include current service costs, past service costs and gains or losses on curtailment and non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Interest on the defined benefit liability is calculated by applying the discount rate based on high quality corporate bonds to the defined benefit liability. Interest on the defined benefit liability is recognised as expense in profit or loss.

Remeasurements, comprising actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

(c) Share-based compensation

Employees of the Group receive remuneration in the form of shares and/or share options as consideration for services rendered.

Employees' Share Grant Plan

The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the shares at the date on which the shares are granted. This cost is recognised in profit or loss as employee benefits expense.

Employees' Share Option Scheme

The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for the period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

The employee share option reserve is transferred to retained earnings upon expiry of the share option.

(d) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the reporting date is recognised for services rendered by employees up to the reporting date. The liability for leave expected to be settled beyond twelve months from the end of the reporting date is determined using the projected unit credit method. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases in which the Group does not transfer all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(h). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sales of goods

Revenue from sale of goods is recognised net of sales taxes upon transfer of significant risks and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Revenue from construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.9.

(c) Revenue from port operations

Revenue from port operations are recognised on an accrual basis when upon services rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue (continued)

(d) Revenue from services

Revenue from services rendered is recognised net of discounts as and when the services are rendered.

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Management fees

Management fees are recognised when services are rendered.

(g) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(h) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease on a straight-line basis.

2.23 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.24 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

   (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgement made in applying accounting policies

There are no critical judgements made by management in the process of applying the Group's accounting policies on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(a) Impairment of concession assets

The Group assesses whether there are any indicators of impairment for concession assets at each reporting date. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. This requires an estimation of the value in use for the cash generating unit. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rates used for extrapolation purposes.

(b) Impairment of investments in subsidiaries

The Company assess whether there is any indication that investments in subsidiaries may be impaired at each reporting date. If any indication exists, the Company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment in subsidiary exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

The Company determines whether its investments are impaired following certain indications of impairment such as significant changes with adverse effects on the investment and deteriorating financial performance due to observed changes and fundamentals.

Depending on their nature in which the investments related to, judgements are made by management to select suitable methods of valuation such as amongst others, discounted cash flow model.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the investment.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rates used for extrapolation purposes. If the present value of estimated future cash flows varies by 10% from management's estimates, the Group's adjustment of the carrying amount to be recognised in profit or loss will increase by RM2,210,000 (2015: RM2,833,000).

(c) Revision to estimated cash flows on proceeds receivable for the disposal of land held for property development

The Group assesses whether there is any revision to estimated cash flows on proceeds receivable for the disposal of land held for property development.

When estimates change, the carrying amount of the proceeds receivable for the disposal of land held for property development is adjusted to reflect revised estimated cash flows. The carrying amount is calculated by computing the present value of estimated future cash flows at the original effective interest rate. Any consequent adjustments is recognised in profit or loss. The carrying amount of the Group's proceeds receivable for the disposal of land held for property development at the reporting date is disclosed in Note 18. If the present value of estimated future cash flows varies by 5% from management's estimates, the Group's adjustment of the carrying amount to be recognised in profit or loss will increase by RM12,516,000 (2015: RM12,006,000).

(d) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(d) Impairment of loans and receivables (continued)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 18. If the present value of estimated future cash flows varies by 10% from management's estimates, the Group's allowance for impairment will increase by RM557,000 (2015: RM659,000).

4. REVENUE

	Group		Company	
	2016 RM'000	2015 (restated) RM'000	2016 RM'000	2015 (restated) RM'000
Income from port operations	**221,241**	220,177	–	–
Revenue from construction services for concession infrastructure	**30,981**	9,289	–	–
Contract income				
- current year	**99**	31	–	–
- over provision in respect in previous year	**(116)**	–	–	–
Deemed disposal of land held for property development	–	229,226	–	229,226
Dividend income from subsidiaries	–	–	**24,300**	28,300
Management fees	–	–	**4,260**	4,305
Bunkering, shipping fees, scheduled waste disposal services and others	**1,151**	1,344	–	–
Rental income	**1,092**	1,018	–	–
Sale of equipment	**38**	86	–	–
Sale of fuel and lubricants	**4,026**	35,447	–	–
Transportation and handling fee	–	34	–	–
	258,512	496,652	**28,560**	261,831

5. INTEREST INCOME

	Group		Company	
	2016 RM'000	2015 (restated) RM'000	2016 RM'000	2015 (restated) RM'000
Interest income from:				
Deposits with financial institutions	**1,983**	3,163	**218**	274
Other loans and receivables	**402**	400	**9**	20
	2,385	3,563	**227**	294

6. OTHER INCOME

	Group		Company	
	2016 RM'000	2015 (restated) RM'000	2016 RM'000	2015 (restated) RM'000
Gain on disposal of concession assets	**65**	14	**–**	–
Gain on disposal of subsidiary	**–**	–	**2,044**	–
Investment income from investment securities	**5,106**	4,256	**447**	590
Land leasing income	**2,797**	2,814	**–**	–
Net fair value gains on financial instruments:				
- investment securities	**27**	805	**27**	143
Net foreign exchange gain:				
- realised	**3**	6	**–**	–
- unrealised	**–**	784	**–**	–
Rental income	**3,226**	3,723	**90**	90
Reversal of allowance for impairment loss on:				
- trade receivables	**8**	10	**–**	–
- other receivables	**–**	372	**–**	–
Sundry income	**2,799**	2,628	**1**	20
Supply base services income	**–**	1,176	**–**	–
Unwinding of discount on long-term receivable	**17,320**	12,893	**17,320**	12,893
	31,351	29,481	**19,929**	13,736

7. FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on:				
Obligations under finance leases	**62**	30	**38**	17
Loan from Sabah Ports Authority	**4,074**	4,997	**–**	–
Amount due to Sabah State Government	**948**	1,185	**–**	–
Islamic Debt Securities	**812**	1,428	**–**	–
Total finance costs	**5,896**	7,640	**38**	17

8. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Employee benefits expense (Note 9)	**58,034**	74,873	**3,658**	7,817
Non-executive directors' remuneration (Note 10)	**1,374**	1,256	**908**	929
Allowance for impairment loss on:				
- trade receivables (Note 18)	**567**	4,429	**–**	–
- other receivables (Note 18)	**–**	459	**–**	459
Amortisation of concession assets (Note 14)	**37,385**	38,341	**–**	–
Auditors' remuneration:				
Statutory audit:				
- current year	**202**	196	**71**	82
- under/(over) provision in respect of previous year	**2**	9	**(12)**	5
Other services:				
- current year	**82**	539	**49**	208
- (over)/under provision in respect of prior year	**(4)**	1	**(9)**	5
Concession assets written off	**12**	570	**–**	–
Depreciation of property, plant and equipment (Note 13)	**2,459**	2,469	**915**	927
Hiring of equipment and motor vehicles	**71**	176	**71**	108
Impairment loss on:				
- concession assets (Note 14)	**–**	11,726	**–**	–
- investments in subsidiaries (Note 15)	**–**	–	**6,230**	9,100
Inventories written off	**–**	52	**–**	–
Leasing of port land	**6,496**	9,978	**–**	–
Net fair value loss on financial instruments	**37**	–	**–**	–
Plant and equipment written off	**–**	172	**–**	16
Realised loss/(gain) on foreign exchange, net	**–**	193	**–**	–
Rental of office premises	**748**	834	**599**	579
Reversal of allowance for impairment loss:				
- trade and other receivables	**(634)**	(4)	**–**	–
Revisions to estimated cash flows on receivable	**7,116**	–	**7,116**	–
Unrealised exchange loss	**122**	305	**–**	–

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries, wages and allowances	**46,075**	44,876	**3,216**	4,140
Contributions to defined contribution plan	**6,114**	6,500	**516**	644
Bonuses				
- current year	**5,817**	7,167	**395**	719
- over provision in respect of previous year	**(2,880)**	(736)	**(696)**	(133)
Employee defined benefit expense (Note 28)	**(76)**	(215)	**–**	36
Social security contributions	**669**	551	**33**	29
Interest subsidies	**72**	173	**5**	5
Medical expenses	**2,256**	2,103	**190**	245
Employee leave entitlement	**–**	5	**–**	–
Employee leave entitlement written back	**(13)**	(518)	**(1)**	(172)
Shares and options granted under Employees' Share Scheme	**–**	14,967	**–**	2,304
	58,034	74,873	**3,658**	7,817

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM778,000 (2015: RM1,585,000) and RM513,000 (2015: RM1,301,000) respectively as further disclosed in Note 10.

10. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive directors' remuneration (Note 9):				
Other emoluments	**778**	1,585	**513**	1,301
	778	1,585	**513**	1,301
Non-executive directors' remuneration (Note 8):				
Fees	**743**	725	**535**	585
Other emoluments	**631**	531	**373**	344
	1,374	1,256	**908**	929

10. DIRECTORS' REMUNERATION (CONTINUED)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total directors' remuneration (Note 33(b))	**2,152**	2,841	**1,421**	2,230
Estimated money value of benefits-in-kind	**52**	36	**34**	21
Total directors' remuneration including benefits-in-kind	**2,204**	2,877	**1,455**	2,251

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive:				
Salaries and allowances	**376**	953	**376**	953
Bonus	**74**	208	**74**	208
Defined contribution plan	**63**	140	**63**	140
Estimated money value of benefits-in-kind	**26**	16	**26**	16
	539	1,317	**539**	1,317
Non-Executive:				
Fees	**595**	623	**535**	585
Other emoluments	**402**	353	**373**	344
Estimated money value of benefits-in-kind	**8**	5	**8**	5
	1,005	981	**916**	934
	1,544	2,298	**1,455**	2,251

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2016	2015
Executive directors:		
RM500,001 – RM550,000	**1**	–
RM550,001 – RM600,000	**–**	–
RM600,001 - RM650,000	**–**	–
RM1,000,001 – RM1,500,000	**–**	1
Non-executive directors:		
Below RM50,000	**–**	–
RM50,001 - RM100,000	**6**	7
RM100,001 - RM150,000	**2**	2
RM200,001 - RM250,000	**–**	1
RM250,001 – RM300,000	**1**	–

11. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2016 and 2015 are:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Statements of comprehensive income				
Current income tax:				
- Malaysian income tax	**7,790**	940	**–**	–
- Real property gain tax	**7,411**	25,838	**7,411**	25,838
- Over provision in respect of previous year	**131**	(2,395)	**–**	–
	15,332	24,383	**7,411**	25,838
Deferred income tax (Note 16):				
- Origination and reversal of temporary differences	**1,205**	(2,002)	**(11,114)**	(19,651)
- Relating to change in tax rate	**–**	(107)	**–**	–
- Under provision in respect of previous year	**333**	257	**–**	–
	1,538	(1,852)	**(11,114)**	(19,651)
Income tax expense recognised in profit or loss	**16,870**	22,531	**(3,703)**	6,187

A subsidiary of the Company, Sabah Ports Sdn. Bhd. had obtained approval from the Minister of Finance for its port operations to be regarded as an approved service project under Schedule 7B of the Income Tax Act, 1967, whereby this 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 RM689,195,000 and utilised as follows:

	RM'000
Total investment allowance claimed for years of assessment 2004 to 2009	689,195
Less: Utilised for:	
- previous years	(632,634)
- current year	(56,561)
	689,195
Unabsorbed investment allowance carried forward for future years	–

11. INCOME TAX EXPENSE (CONTINUED)

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit before tax	**83,533**	148,248	**24,689**	131,633
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	**20,048**	37,062	**5,925**	32,908
Adjustments:				
Income not subject to taxation	**(7,402)**	(1,383)	**(12,098)**	(7,258)
Income subject to different tax rate	**–**	(24,940)	**–**	(24,940)
Non-deductible expenses	**2,703**	12,231	**2,022**	3,267
Effect of change in tax rate on deferred tax	**–**	712	**–**	819
Deferred tax assets not recognised	**1,057**	1,640	**448**	1,391
Deferred tax assets recognised	**–**	(653)	**–**	–
Over provision of income tax in respect of previous years	**131**	(2,395)	**–**	–
Under provision of deferred income tax in respect of previous year	**333**	257	**–**	–
Income tax expense recognised in profit or loss	**16,870**	22,531	**(3,703)**	6,187

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

Tax savings during the financial year arising from:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Utilisation of current year tax losses	**–**	96	**–**	–

12. EARNINGS PER SHARE

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

Diluted earnings per share amounts are 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 plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

12. EARNINGS PER SHARE (CONTINUED)

The following tables reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group	
	2016 RM'000	2015 RM'000
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share	**66,663**	126,434
Profit net of tax attributable to owners of the Company used in the computation of diluted earnings per share	**66,663**	126,434

	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	**288,184**	283,699
Basic earnings per ordinary share (sen)	**23.13**	44.57
Weighted average number of ordinary shares for basic earnings per share computation	**288,184**	283,699
Effects of dilution:		
- Share options	**–**	10
Weighted average number of ordinary shares for diluted earnings per share computation	**288,184**	283,709
Diluted earnings per ordinary share (sen)	**23.13**	44.56

13. PROPERTY, PLANT AND EQUIPMENT

	Long term leasehold land RM'000	Ferry terminal RM'000	Storage tank and equipment RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Capital work in progress RM'000	Total RM'000
Group							
Cost:							
At 1 January 2015	54,537	15,570	1,654	1,599	7,327	–	80,687
Additions	–	17	2	1,748	278	–	2,045
Write off	–	(501)	–	(4)	(950)	–	(1,455)
At 31 December 2015 and 1 January 2016	**54,537**	**15,086**	**1,656**	**3,343**	**6,655**	**–**	**81,277**
Additions	**–**	**327**	**8**	**486**	**47**	**408**	**1,276**
Write off	**–**	**(51)**	**–**	**(13)**	**(249)**	**–**	**(313)**
At 31 December 2016	**54,537**	**15,362**	**1,664**	**3,816**	**6,453**	**408**	**82,240**
Accumulated depreciation:							
At 1 January 2015	2,946	4,988	1,089	1,437	6,219	–	16,679
Depreciation charge for the year (Note 8)	574	957	163	317	458	–	2,469
Write off	–	(345)	–	(4)	(934)	–	(1,283)
At 31 December 2015 and 1 January 2016	**3,520**	**5,600**	**1,252**	**1,750**	**5,743**	**–**	**17,865**
Depreciation charge for the year (Note 8)	**574**	**960**	**159**	**558**	**208**	**–**	**2,459**
Write off	**–**	**(51)**	**–**	**(13)**	**(249)**	**–**	**(313)**
At 31 December 2016	**4,094**	**6,509**	**1,411**	**2,295**	**5,702**	**–**	**20,011**
Net carrying amount:							
At 31 December 2015	51,017	9,486	404	1,593	912	–	63,412
At 31 December 2016	**50,443**	**8,853**	**253**	**1,521**	**751**	**408**	**62,229**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Long term leasehold land RM'000	Office equipment RM'000	Furniture and office renovation RM'000	Motor vehicles RM'000	Total RM'000
Company					
Cost:					
At 1 January 2015	50,017	2,014	1,302	162	53,495
Additions	–	55	–	1,095	1,150
Write off	–	(830)	(120)	(4)	(954)
At 31 December 2015 and 1 January 2016	**50,017**	**1,239**	**1,182**	**1,253**	**53,691**
Additions	**–**	**449**	**13**	**–**	**462**
At 31 December 2016	**50,017**	**1,688**	**1,195**	**1,253**	**54,153**
Accumulated Depreciation:					
At 1 January 2015	2,547	1,640	1,142	77	5,406
Depreciation charge for the year (Note 8)	506	148	60	213	927
Write off	–	(825)	(109)	(4)	(938)
At 31 December 2015 and 1 January 2016	**3,053**	**963**	**1,093**	**286**	**5,395**
Depreciation charge for the year (Note 8)	**506**	**156**	**18**	**235**	**915**
At 31 December 2016	**3,559**	**1,119**	**1,111**	**521**	**6,310**
Net carrying amount:					
At 31 December 2015	46,964	276	89	967	48,296
At 31 December 2016	**46,458**	**569**	**84**	**732**	**47,843**

Assets held under finance leases

During the financial year, the Group and the Company acquired plant and equipment with an aggregate cost of nil (2015: RM1,479,000) and nil (2015: RM955,000) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM1,276,000 (2015: RM566,000) and RM462,000 (2015: RM215,000) respectively.

The carrying amounts of property, plant and equipment of the Group and Company held under finance leases at the reporting date were RM1,076,000 (2015: RM1,423,000) and RM694,000 (2015: RM904,000) respectively.

Leased assets are pledged as security for the related finance lease liabilities (Note 22).

On 16 March 2015, the Company entered into a Joint Venture Agreement in respect of a parcel of long term leasehold land amounting to RM46,196,000 (2015: RM46,698,000) with Gabungan AQRS Berhad for the development of the said land. As at the reporting date, there were pending conditions precedent to be fulfilled.

14. CONCESSION ASSETS

	Port concession rights RM'000	Leased port infrastructure and facilities RM'000	Capital expenditure RM'000	Total RM'000
Group				
Cost:				
At 1 January 2015	213,679	45,296	849,864	1,108,839
Additions	–	–	11,683	11,683
Disposals	–	–	(204)	(204)
Write off	–	–	(1,523)	(1,523)
At 31 December 2015	213,679	45,296	859,820	1,118,795
At 1 January 2016	**213,679**	**45,296**	**859,820**	**1,118,795**
Additions	**–**	**–**	**31,160**	**31,160**
Disposals	**–**	**–**	**(207)**	**(207)**
Write off	**–**	**–**	**(866)**	**(866)**
At 31 December 2016	**213,679**	**45,296**	**889,907**	**1,148,882**
Accumulated amortisation and impairment:				
At 1 January 2015	72,054	15,602	247,372	335,028
Amortisation	6,973	1,510	29,858	38,341
Disposals	–	–	(200)	(200)
Write off	–	–	(953)	(953)
Impairment	–	–	11,726	11,726
At 31 December 2015	79,027	17,112	287,803	383,942
At 1 January 2016	**79,027**	**17,112**	**287,803**	**383,942**
Amortisation	**7,197**	**1,510**	**28,678**	**37,385**
Disposals	**–**	**–**	**(205)**	**(205)**
Write off	**–**	**–**	**(854)**	**(854)**
At 31 December 2016	**86,224**	**18,622**	**315,422**	**420,268**
Net carrying amount:				
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.

15. INVESTMENTS IN SUBSIDIARIES

	Company 2016 RM'000	2015 RM'000
Shares, at cost		
Unquoted ordinary shares	**112,000**	113,400
Irredeemable preference shares	**90,000**	90,000
Redeemable preference shares	**24,300**	24,300
	226,300	227,700
Impairment losses:		
At 1 January	**(9,100)**	(9,100)
Impairment loss for the year	**(6,230)**	–
At 31 December	**(15,330)**	(9,100)
	210,970	218,600
Employees' Share Scheme granted to employees of subsidiaries	**11,466**	12,663
	222,436	231,263

Details of the subsidiaries are as follows:

Name	Country of incorporation/ principal place of business	Principal Activities	% of ownership interest held by the Group* 2016	2015	% of ownership interest held by non-controlling interests* 2016	2015
Sabah Ports Sdn. Bhd.	Malaysia	Provision and maintenance of port services and facilities, and the regulation and control of the management of ports	**100**	100	–	–
Suria Bumiria Sdn. Bhd.	Malaysia	Inactive	**100**	100	–	–
SCHB Engineering Services Sdn. Bhd.	Malaysia	Construction contractor, provision of project management and technical support services and ferry terminal operation	**100**	100	–	–
Held through Sabah Ports Sdn. Bhd.:						
S.P. Satria Logistics Sdn. Bhd.	Malaysia	Provision of bunkering and related services	**100**	100	–	–
S.P. Satria Sdn. Bhd.	Malaysia	Distribution of port cargo handling equipment and related spare parts, and provision of equipment maintenance services	**100**	70	–	30

* Equals to the proportion of voting rights held.

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

During the financial year, the Company transferred its 70% equity interest in S.P. Satria Sdn. Bhd. to another wholly-owned subsidiary, Sabah Ports Sdn. Bhd., for a cash consideration of RM4,641,000. Upon completion of the transfer, Sabah Ports Sdn. Bhd. acquired the remaining 30% equity interest in S.P. Satria Sdn. Bhd., for a cash consideration of RM1,989,000. Accordingly, S.P. Satria Sdn. Bhd. became a wholly-owned subsidiary of the Group. The difference between the consideration and the book value of the interest of RM332,000 is reflected in equity as premium paid on acquisition of non-controlling interests.

Subsequent to the financial year end, a subsidiary of the Company, SCHB Engineering Services Sdn. Bhd. acquired 2 ordinary shares of RM1 each in Borderless Unity Sdn. Bhd., a company incorporated in Malaysia, representing the entire equity interest in the company for a total cash consideration of RM2.

Impairment of investments in subsidiaries

The Company provided impairment loss of RM6,230,000 (2015: RM9,100,000) on its investments in subsidiaries, namely Suria Bumiria Sdn. Bhd. and SCHB Engineering Services Sdn. Bhd. amounting to RM1,350,000 (2015: RM2,600,000) and RM4,880,000 (2015: RM6,500,000) respectively.

The recoverable amounts of the investment in Suria Bumiria Sdn. Bhd. and SCHB Engineering Services Sdn. Bhd. as at the reporting date are RM17,350,000 and RM4,748,000 respectively.

16. DEFERRED TAX

	As at 1 January 2015 RM'000	Recognised in profit or loss RM'000	As at 31 December 2015 RM'000	Recognised in profit or loss RM'000	As at 31 December 2016 RM'000
Group					
Deferred tax liabilities:					
Property, plant and equipment	(350)	228	(122)	**122**	**–**
Concession assets	(89,145)	3,067	(86,078)	**1,355**	**(84,723)**
	(89,495)	3,295	(86,200)	**1,477**	**(84,723)**
Deferred tax assets:					
Concession liabilities	32,281	(1,631)	30,650	**(413)**	**30,237**
Employee defined benefit liability	3,458	(3,393)	65	**(18)**	**47**
Provision for dredging	1,493	(1,471)	22	**259**	**281**
Receivable	–	19,651	19,651	**3,703**	**23,354**
Real property gain tax	–	–	–	**7,411**	**7,411**
Unabsorbed capital allowance	134	233	367	**(367)**	**–**
Unutilised investment allowance	28,422	(14,832)	13,590	**(13,590)**	**–**
	65,788	(1,443)	64,345	**(3,015)**	**61,330**
	(23,707)	1,852	(21,855)	**(1,538)**	**(23,393)**
Company					
Deferred tax asset:					
Receivable	–	19,651	19,651	**3,703**	**23,354**
Real property gain tax	–	–	–	**7,411**	**7,411**
	–	19,651	19,651	**11,114**	**30,765**

	Group	
	2016 RM'000	2015 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	**30,765**	19,909
Deferred tax liabilities	**(54,158)**	(41,764)
	(23,393)	(21,855)

16. DEFERRED TAX (CONTINUED)

Unrecognised temporary differences

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unrecognised tax losses	**21,939**	18,095	**16,391**	14,826
Unabsorbed capital allowances	**4,035**	3,240	**3,420**	3,075
Other temporary differences	**104**	338	**(308)**	(264)
	26,078	21,673	**19,503**	17,637
Deferred tax assets@24%	**6,259**	5,202	**4,681**	4,233

The unutilised tax losses and unabsorbed capital allowances of the Company and certain subsidiaries are available for offsetting against future taxable profits of the Company and the subsidiaries in which the losses arose, for which no deferred tax assets are recognised due to uncertainty of their recoverability. The availability of unused tax losses and unabsorbed capital allowances for offsetting against future taxable profit of the respective companies are subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

17. INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
Cost		
Fuel and lubricants	**261**	174
Spare parts	**3,767**	3,616
	4,028	3,790
Inventories recognised as an expense in profit or loss	**12,875**	39,814

18. TRADE AND OTHER RECEIVABLES

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current				
Trade receivables				
Third party – proceeds receivable for disposal of land held for property development (Note b)	**19,523**	78,081	**19,523**	78,081
Third parties	**22,467**	23,317	**641**	255
Amounts due from subsidiaries	**–**	–	**1,234**	1,237
	41,990	101,398	**21,398**	79,573
Less: Allowance for impairment				
Third parties	**(4,936)**	(5,952)	**–**	–
Trade receivables, net	**37,054**	95,446	**21,398**	79,573
Other receivables				
Amounts due from subsidiaries	**–**	–	**420**	1,080
Goods and services tax refundable	**2,955**	1,192	**–**	–
Refundable deposits	**4,490**	4,370	**296**	191
Sundry receivables	**4,939**	3,861	**1,296**	893
	12,384	9,423	**2,012**	2,164
Less: Allowance for impairment				
Third parties	**(636)**	(636)	**(636)**	(636)
Other receivables, net	**11,748**	8,787	**1,376**	1,528
	48,802	104,233	**22,774**	81,101
Non-current				
Trade receivable				
Third party – proceeds receivable for disposal of land held for property development (Note b)	**230,799**	162,038	**230,799**	162,038
Total trade and other receivables	**279,601**	266,271	**253,573**	243,139
Add: Cash and bank balances (Note 21)	**60,958**	114,313	**10,510**	8,850
Total loans and receivables	**340,559**	380,584	**264,083**	251,989

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2015: 30 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables of the Group amounting to RM10,272,000 (2015: RM10,363,000) are secured by bank guarantees made in favour of the Group.

Ageing analysis of trade receivables
The ageing analysis of the Group's and the Company's trade receivables are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Neither past due nor impaired	**263,016**	252,343	**251,318**	240,442
1 to 30 days past due not impaired	**702**	784	**37**	66
31 to 60 days past due not impaired	**709**	324	**37**	37
61 to 90 days past due not impaired	**–**	–	**37**	37
More than 91 days past due not impaired	**3,303**	524	**768**	1,029
	4,714	1,632	**879**	1,169
	267,730	253,975	**252,197**	241,611
Impaired	**5,059**	9,461	**–**	–
	272,789	263,436	**252,197**	241,611

Receivables that are neither past due nor impaired
Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company.

None of the Group's and the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired
The Group has trade receivables amounting to RM4,714,000 (2015: RM1,632,000) that are past due at the reporting date but not impaired.

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired			
	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables	**5,059**	9,461	**–**	–
Less: Allowances for impairment	**(4,936)**	(5,952)	**–**	–
At 31 December	**123**	3,509	**–**	–

Movement in allowance accounts:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	**5,952**	1,603	**–**	–
Charge for the year (Note 8)	**567**	4,429	**–**	–
Written off	**(941)**	(66)	**–**	–
Reversal of impairment loss	**(642)**	(14)	**–**	–
At 31 December	**4,936**	5,952	**–**	–

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have in significant financial difficulties and have defaulted on payments.

(b) Proceeds receivable for disposal of land held for property development

This represents fair value of the balance of proceeds from deemed disposal of land held for property development pursuant to the Joint Venture Agreement entered between the Company and SBC Corporation Berhad dated 21 May 2013. RM2 million was received upon execution of the Joint Venture Agreement in 2013. The remaining of the estimated proceeds of RM322 million is to be received in tranches within 7 years from the presentation date of instrument of charge for the creation of the third party charge on the said land, of which the management expected to be presented in the second quarter of 2017 (2015: second quarter of 2016).

During the financial year, the Company has agreed with the joint venture partner whereby the second payment of RM80 million in cash would be fulfilled by RM20 million in cash and RM60 million entitlement in-kind in the form of the delivery of the identified completed commercial property.

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Proceeds receivable for disposal of land held for property development (continued)

The remaining maturities of the proceeds receivable as at the reporting date are as follows:

	2016 RM'000	2015 RM'000
Within 1 year	**19,523**	78,081
Later than 1 year but not later than 2 years	**–**	–
Later than 2 year but not later than 5 years	**131,764**	63,015
More than 5 years	**99,035**	99,023
	250,322	240,119

(c) Other receivables

These amounts are non-interest bearing. Other receivables are normally settled on 30-days (2015: 30-days) terms.

(d) Amounts due from subsidiaries

Amounts due from subsidiaries are non-interest bearing except for an amount due from a subsidiary of RM151,000 (2015: RM401,000) which bears interest of 3.5% (2015: 3.5%) per annum. This amount is unsecured and repayable upon demand.

Other receivables that are impaired

At the reporting date, the Group and the Company have provided an allowance of RM636,000 (2015: RM636,000) and RM636,000 (2015: RM636,000) respectively for impairment of other receivables.

Movement in allowance accounts:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January:	**636**	549	**636**	177
Charge for the year (Note 8)	**–**	459	**–**	459
Reversal of impairment loss (Note 6)	**–**	(372)	**–**	–
At 31 December	**636**	636	**636**	636

19. OTHER ASSETS

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current:				
Prepaid operating expenses	**2,380**	880	**78**	63
Prepaid expenditure	**1,248**	782	**–**	–
Accrued billings in respect of completed contract	**–**	369	**–**	–
	3,628	2,031	**78**	63
Non-current:				
Prepaid capital expenditure	**33,931**	–	**–**	–

Prepaid capital expenditure (non-current) represents partial payments made for the purchase of equipment, of which the Company will take delivery subsequent to the reporting date.

20. INVESTMENT SECURITIES

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Unquoted unit trust in Malaysia	**144,104**	126,962	**20,080**	6,367
Market value of investments	**144,104**	126,962	**20,080**	6,367

21. CASH AND BANK BALANCES

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash at banks and on hand	**22,710**	37,267	**4,497**	3,505
Cash at banks pledged as securities for Islamic Debts Securities	**5,242**	5,671	**–**	–
Short term deposits with:				
- licensed banks	**9,013**	14,814	**6,013**	5,345
Deposits with maturity more than 3 months	**23,993**	56,561	**–**	–
Total cash and bank balances	**60,958**	114,313	**10,510**	8,850
Less: Cash at bank pledged as securities for Islamic Debts Securities	**(5,242)**	(5,671)	**–**	–
Deposits with maturity more than 3 months	**(23,993)**	(56,561)	**–**	–
Cash and cash equivalents	**31,723**	52,081	**10,510**	8,850

21. CASH AND BANK BALANCES (CONTINUED)

Short-term deposits are made for varying periods of between 1 day and 3 months depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2016 for the Group and the Company were 3.8% (2015: 4.2%) and 3.7% (2015: 3.3%) respectively.

Deposits more than 3 months are made for a period of one year (2015: 1 year) and the weighted average effective interest as at 31 December for the Group were 3.5% (2015: 4%).

Included in deposits with maturity more than 3 months of the Group are deposits amounting to RM5,775,000 (2015: RM5,583,000) 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.

22. BORROWINGS

		Group		Company	
	Maturity	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current					
Secured:					
Islamic Debt Securities (Note 23)	2017	**10,144**	10,287	**–**	–
Obligations under finance leases (Note 34(c))	2017	**493**	475	**323**	312
		10,637	10,762	**323**	312
Non-current					
Secured:					
Islamic Debt Securities (Note 23)		**–**	10,000	**–**	–
Obligations under finance leases (Note 34(c))	2018	**225**	697	**75**	382
		225	10,697	**75**	382
Total borrowings		**10,862**	21,459	**398**	694
Add: Loan from Sabah Ports Authority (Note 24)		**77,870**	101,856	**–**	–
Add: Amount due to Sabah State Government (Note 25)		**23,706**	29,633	**–**	–
Total loans and borrowings (Note 27)		**112,438**	152,948	**398**	694

22. BORROWINGS (CONTINUED)

The remaining maturities of the loans and borrowings as at 31 December 2016 are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
On demand or within one year	**41,510**	40,675	**323**	312
More than 1 year and less than 2 years	**32,032**	41,352	**75**	312
More than 2 years and less than 5 years	**38,896**	70,921	**–**	70
	112,438	152,948	**398**	694

<u>Obligations under finance leases</u>
These obligations are secured by a charge over the leased assets (Note 13). The average discount rate implicit in the leases is 4.6% per annum (2015: 4.6% per annum).

23. ISLAMIC DEBT SECURITIES

RM80 million Bai' Bithaman Ajil Islamic Debt Securities ("BAIDS")

	Group	
	2016 RM'000	2015 RM'000
Secured:		
BAIDS		
Current	**10,144**	10,287
Non-current	**–**	10,000
Total	**10,144**	20,287
Nominal value of BAIDS facility	**10,000**	20,000
Accrued finance costs	**144**	287
	10,144	20,287

23. ISLAMIC DEBT SECURITIES (CONTINUED)

RM80 million Bai' Bithaman Ajil Islamic Debt Securities ("BAIDS") (continued)

On 2 April 2007, a subsidiary of the Company, Sabah Ports Sdn. Bhd. issued BAIDS of RM80,000,000.

The BAIDS comprised tranches as follows:

	Coupon Rates	Tenure	RM
Tranche 1	5.15%	3 years	10,000,000
Tranche 2	5.25%	4 years	10,000,000
Tranche 3	5.35%	5 years	10,000,000
Tranche 4	5.45%	6 years	10,000,000
Tranche 5	5.55%	7 years	10,000,000
Tranche 6	5.65%	8 years	10,000,000
Tranche 7	5.75%	9 years	10,000,000
Tranche 8	5.85%	10 years	10,000,000
			80,000,000

The BAIDS is secured over:

(i) assignment and charge of the Designated Accounts and monies standing to the credit of the accounts, including permitted investments; and
(ii) an undertaking from the Company.

24. LOAN FROM SABAH PORTS AUTHORITY

	Group	
	2016 RM'000	2015 RM'000
Cumulative:		
Amounts drawndown	**193,000**	193,000
Accrued interest	**81,292**	77,218
Repayment	**(196,422)**	(168,362)
	77,870	101,856
Current	**24,946**	23,986
Non-current	**52,924**	77,870
	77,870	101,856

On 5 February 2005, a subsidiary of the Company, Sabah Ports Sdn. Bhd., entered into a loan agreement with Sabah Ports Authority, to secure a loan facility of RM193 million from Sabah Ports Authority. This loan was made in pursuant to the Loan Agreement entered between the Government of Malaysia and Sabah Ports Authority dated 31 December 2004, wherein, the Government of Malaysia has agreed to make available a sum of RM193 million to Sabah Ports Authority to be on-lend to Sabah Ports Sdn. Bhd. for the purpose of part financing the purchase of cargo handling equipment and construction of the Sapangar Bay Container Terminal.

24. LOAN FROM SABAH PORTS AUTHORITY (CONTINUED)

The principal terms of the loan are as follows:

Repayment: Over a period of ten years commencing from the sixth year after the date of the first drawdown.

Interest: Shall bear interest at a rate of 4% per annum, and interest for the first five years after the date of the first drawdown shall be capitalised.

25. AMOUNT DUE TO SABAH STATE GOVERNMENT

	2016 RM'000	2015 RM'000
Current	**5,927**	5,927
Non-current	**17,779**	23,706
	23,706	29,633

This represents reimbursements payable to Sabah Ports Authority in respect of payments of capital expenditure made by Sabah Ports Authority prior to the takeover date pursuant to the terms of the Privatisation Agreement.

On 24 January 2006, the repayment of this amount due to Sabah Ports Authority was restructured in the following manner:

(i) immediate repayment of RM20 million, which has been settled in 2006;
(ii) the balance of the RM59 million is repayable over ten years commencing from the sixth year after the loan has been restructured; and
(iii) interest bearing at 4% per annum and is payable annually.

Subsequently, the Sabah State Government has approved the novation of this amount from Sabah Ports Authority to the Sabah State Government. The agreement to formalise the novation and restructured terms is pending execution by parties involved.

26. CONCESSION LIABILITIES

	Group	
	2016 RM'000	2015 RM'000
At 1 January	**127,706**	129,124
Unwinding of discount	**8,242**	8,354
Payments	**(9,963)**	(9,772)
At 31 December	**125,985**	127,706
Current	**10,162**	9,963
Non current:		
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
	115,823	117,743
	125,985	127,706

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

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables				
Third parties	**4,948**	10,383	**–**	–
Other payables				
Amount due to subsidiary	**–**	–	**8,645**	2,503
Amount due to joint venture partner	**7,940**	2,000	**7,940**	2,000
Accrued operating expenses	**18,094**	11,151	**9,290**	1,444
Deposits received	**4,161**	3,992	**–**	–
Amounts due to contractors	**51**	51	**–**	–
Goods and services tax payable	**90**	159	**55**	13
Retention monies of contractors	**1,077**	873	**–**	–
Provision for dredging costs	**1,171**	91	**–**	–
Sundry payables	**2,677**	9,926	**1,550**	1,771
	35,261	28,243	**27,480**	7,731
	40,209	38,626	**27,480**	7,731
Total trade and other payables	**40,209**	38,626	**27,480**	7,731
Add: Loans and borrowings (Note 22)	**112,438**	152,948	**398**	694
Less: Provision for dredging costs	**(1,171)**	(91)	**–**	–
Total financial liabilities carried at amortised cost	**151,476**	191,483	**27,878**	8,425

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 days (2015: 30-days) terms.

(b) Amounts due to subsidiaries

These amounts are unsecured, non-interest bearing and are repayable upon demand.

(c) Other payables

These amounts are non-interest bearing. Other payables are normally settled on an average term of one month (2015: average term of one month).

27. TRADE AND OTHER PAYABLES (CONTINUED)

(d) Provision for dredging costs

	Group 2016 RM'000	Group 2015 RM'000
At 1 January	**91**	4,500
Provision for the year	**1,026**	707
Payment	**–**	(5,116)
Unwinding of discount	**54**	–
At 31 December	**1,171**	91
Current	**1,171**	91
Non-current	**–**	–
	1,171	91

28. EMPLOYEE DEFINED BENEFIT LIABILITY

The Group and the Company operate unfunded defined benefit plan for its eligible employees that provides retirement benefit to employees upon retirement. On the date of retirement, eligible employees are entitled to 0.5 to 1.0 month last drawn basic salary for each completed year of service.

The following tables summarise the components of benefit expense recognised in profit or loss and the amount recognised in the statement of financial position for the plan.

Changes in present value of defined benefit obligations are as follows:

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
At 1 January	**272**	14,289	**–**	456
Included in profit or loss:				
(Gain)/loss on settlements	**(76)**	(215)	**–**	36
	(76)	(215)	**–**	36
Benefits paid	**–**	(13,802)	**–**	(492)
At 31 December	**196**	272	**–**	–

28. EMPLOYEE DEFINED BENEFIT LIABILITY (CONTINUED)

Benefit expense recognised in profit or loss is included in the following line items:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cost of sales	**(53)**	215	**–**	–
Administrative expenses	**(23)**	(430)	**–**	36
	(76)	(215)	**–**	36

The cost of defined benefit plan is determined using the projected unit credit method. The valuation involves making various assumptions.

The principal assumptions used in determining employee defined benefit liability are shown below:

	Group	
	2016	2015
Discount rate	**5.5%**	5.5%
Future salary increases (subject to ceiling of each salary scales)	**5.0%**	5.0%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the employee defined benefit liability as of the reporting date, assuming if all other assumptions were held constant:

		Increase/ (decrease) Group RM'000
2016		
Discount rates	+100 basis point	(1)
	-100 basis point	1
Future salary increase	+1%	–
	-1%	–

The average duration of the employee defined benefit liability of the Group at the reporting date is 3 years (2015: 4 years).

29. SHARE CAPITAL AND SHARE PREMIUM

	Group and Company			
	Number of ordinary shares of RM1 each		Amount	
	2016 ’000	2015 ’000	2016 RM’000	2015 RM’000
Share capital				
Authorised				
At 1 January and 31 December	**800,000**	800,000	**800,000**	800,000
Issued and fully paid				
At 1 January	**288,184**	283,328	**288,184**	283,328
Issue of ordinary shares	**–**	4,856	**–**	4,856
At 31 December	**288,184**	288,184	**288,184**	288,184

	Group and Company	
	2016 RM’000	2015 RM’000
Share premium		
At 1 January	**70,641**	62,785
Issue of ordinary shares	**–**	7,856
31 December	**70,641**	70,641

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company’s residual assets.

The Company has an Employees’ Share Option Scheme under which options to subscribe for the Company’s ordinary shares have been granted to employees of the Group.

30. OTHER RESERVES

	Employee share option reserve RM'000	Premium paid on acquisition of non-controlling interests RM'000	Total RM'000
Group			
At 1 January 2016	**2,255**	**(61)**	**2,194**
Transactions with owners			
Acquisition of non-controlling interests	**–**	**(332)**	**(332)**
At 31 December 2016	**2,255**	**(393)**	**1,862**
At 1 January 2015	–	(61)	(61)
Transactions with owners			
Grant of equity-settled share options to employees	2,255	–	2,255
At 31 December 2015	2,255	(61)	2,194
Company			
At 1 January 2016	**2,255**	**–**	**2,255**
Transactions with owners			
Acquisition of non-controlling interests	**–**	**–**	**–**
At 31 December 2016	**2,255**	**–**	**2,255**
At 1 January 2015	–	–	–
Transactions with owners			
Grant of equity-settled share options to employees	2,255	–	2,255
At 31 December 2015	2,255	–	2,255

Employee share option reserve

Employee share option reserve represents the equity-settled share options granted to employees (Note 32). The reserve is made up of the cumulative value of services received from employees recorded and is reduced by the expiry of exercise of the share options.

31. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 December 2016 under the single tier system.

32. EMPLOYEE BENEFITS

Employees' Share Scheme

At an Extraordinary General Meeting held on 19 November 2015, shareholders approved the Employees' Share Scheme which comprised Employees' Share Grant Plan for the granting of ordinary shares of the Company to eligible employees and Employees' Share Option Scheme for the granting of non-transferable options shares that are settled by physical delivery of the ordinary shares of the Company to eligible employees.

The exercise price of the options shall be fixed based on the higher of the 5-day weighted average market price of the Company's shares immediately preceeding the date of the award with a discount, if any, of not more than 10%, or the par value of the shares of the Company of RM1.00 each.

There has been no cancellation or modification to the ESS during the financial year.

Employees' Share Grant Plan

The Employees' Share Grant Plan entails the awarding of the Company's ordinary shares to eligible employees, subject to the terms and conditions of the By-laws. There will be no performance targets which the eligible employees must achieve and will be vested immediately to the eligible employees upon the award of the share grants.

Employees' Share Option Scheme

The Employees' Share Option Scheme ("ESOS") entails the awarding of options to eligible employees of the Group to subscribe for ordinary shares of the Company, subject to the terms and conditions of the By-laws. There will be no performance targets which the eligible employees must achieve and there is no vesting period for the options as all options, once accepted by the eligible employees will be vested immediately to the eligible employees. The exercise price of the options granted during the previous year is equal to RM2.26. The contractual life of the options is five years. These are no cash settlement alternatives.

Movement of share options during the financial year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the financial year:

	2016		2015	
	No.	WAEP (RM)	No.	WAEP (RM)
Outstanding at 1 January	**3,208,000**	**2.26**	–	–
- Granted	–	–	3,208,000	2.26
- Exercised	–	–	–	–
Outstanding at 31 December	**3,208,000**	**2.26**	3,208,000	2.26
Exercisable at 31 December	**3,208,000**	**2.26**	3,208,000	2.26

- The weighted average fair value of options granted during the financial year ended 31 December 2015 was RM0.70.
- The exercise price for options outstanding at the end of the year was RM2.26 (2015: RM2.26). The weighted average remaining contractual life for these options is 4 years (2015: 5 years).

32. EMPLOYEE BENEFITS (CONTINUED)

Employees' Share Scheme (continued)

Employees' Share Option Scheme (continued)

Fair value of share options granted

The fair value of the share options granted under the ESOS is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The following table lists the inputs to the option pricing models for the years ended 31 December 2016 and 2015:

	2016	2015
Dividend yield (%)	–	2.66
Expected volatility (%)	–	30.03
Risk-free interest rate (% p.a.)	–	4.10
Expiry date (years)	–	5
Weighted average share price (RM)	–	2.45

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

33. RELATED PARTY DISCLOSURES

(a) Rendering and receiving services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

	Company	
	2016 RM'000	2015 RM'000
Subsidiaries:		
- Dividend income	**24,300**	28,300
- Interest income	**9**	20
- Management fees income	**4,260**	4,305
- Rental income	**90**	90
Company related to substantial shareholder:		
- Car leasing rental expenses	**71**	199

33. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Compensation of key management personnel

The remuneration of directors and other member of key management during the financial year was as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term employee benefits	**3,657**	4,683	**1,501**	2,606
Defined contribution plan	**410**	482	**83**	212
Share-based payments	**–**	2,001	**–**	681
	4,067	7,166	**1,584**	3,499

Included in the total remuneration of key management personnel are:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Directors' remuneration (Note 10)	**2,152**	2,841	**1,421**	2,230

34. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Capital expenditure				
Approved and contracted for:				
Sandakan Port wharf extension	**128,791**	–	**–**	–
Sandakan container handling	**–**	1,030	**–**	–
Sapangar Bay bunkering line	**217**	227	**–**	–
Other projects and equipment	**50,096**	3,172	**–**	–
	179,104	4,429	**–**	–
Approved but not contracted for:				
Purchase of property, plant and equipment	**277,339**	370,643	**1,188**	192
Improvement to port infrastructure facilities	**101,573**	244,182	**–**	–
	378,912	614,825	**1,188**	192
	558,016	619,254	**1,188**	192

34. COMMITMENTS (CONTINUED)

(b) Operating lease commitments - as lessor

The Group has entered into non-cancellable operating lease agreements on its land and office building. These leases have remaining lease terms of between 1 and 18 years.

Future minimum rental receivable under operating leases as at the reporting date are as follows:

	Group	
	2016 RM'000	2015 RM'000
Future minimum rental payments receivable:		
Not later than 1 year	**1,292**	1,292
Later than 1 year and not later than 5 years	**4,346**	4,653
Later than 5 years	**9,695**	10,680
	15,333	16,625

The rental income recognised in profit or loss during the financial year is disclosed in Note 6.

(c) Finance lease commitments

The Group has finance leases for certain items of plant and equipment (Note 13).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Minimum lease payments:				
Not later than 1 year	**516**	517	**334**	334
Later than 1 year but not later than 2 years	**163**	517	**76**	334
Later than 2 years but not later than 5 years	**66**	230	**–**	75
Total minimum lease payments	**745**	1,264	**410**	743
Less: Amount representing finance charges	**(27)**	(92)	**(12)**	(49)
Present value of minimum lease payments	**718**	1,172	**398**	694
Present value of payments:				
Not later than 1 year	**493**	475	**323**	312
Later than 1 year but not later than 2 years	**162**	480	**75**	312
Later than 2 years but not later than 5 years	**63**	217	**–**	70
Present value of minimum lease payments	**718**	1,172	**398**	694
Less: Amount due within 1 year (Note 22)	**(493)**	(475)	**(323)**	(312)
Amount due after 1 year (Note 22)	**225**	697	**75**	382

35. CONTINGENT LIABILITIES

Claims

During the financial year ended 31 December 2015, the subsidiary of the Company, Sabah Ports Sdn. Bhd. was served with six Bills of Claims from the Royal Malaysian Customs Department amounting to RM1,097,497 for alleged import duty, sales tax and excise duties on cargo lost at container yard. The subsidiary has written a letter of representation to the Director General of the said department for the Bills of Claims to be withdrawn. The subsidiary still awaiting reply to the letter of representation.

The Group is of the view that it has a good chance that the Bills of Claims will be withdrawn as:

(i) the subject goods were in transshipment and hence no basis to subject the goods to excise or sales tax; and
(ii) the loss of the subject goods occurred in the container yard and hence Section 65(4) of the Customs Act 1967 on goods found deficient at licensed warehouse is not applicable.

36. SUBSEQUENT EVENTS

Subsequent to the financial year end, a subsidiary of the Company, SCHB Engineering Services Sdn. Bhd. acquired 2 ordinary shares of RM1 each in Borderless Unity Sdn. Bhd., a company incorporated in Malaysia, representing the entire equity interest in the company for a total cash consideration of RM2.

37. FAIR VALUE OF ASSETS AND LIABILITIES

A. 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				
Group				
Investment securities (Note 20)				
- 2016	**–**	**144,104**	**–**	**144,104**
- 2015	–	126,962	–	126,962
Company				
Investment securities (Note 20)				
- 2016	**–**	**20,080**	**–**	**20,080**
- 2015	–	6,367	–	6,367

37. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

B. Level 2 fair value measurements

The following is a 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.

C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Note	2016 Carrying amount RM'000	2016 Fair value RM'000	2015 Carrying amount RM'000	2015 Fair value RM'000
Group					
Financial liabilities (non-current):					
Borrowings					
- Islamic Debt Securities	23	**–**	**–**	10,000	10,009
- Obligations under finance leases	23	**225**	**225**	697	697
Loan from Sabah Ports Authority	24	**52,924**	**50,938**	77,870	74,101
Amount due to Sabah State Government	25	**17,779**	**17,244**	23,706	22,752
Company					
Financial liabilities (non-current):					
Borrowings					
- Obligations under finance leases		**75**	**75**	382	382

37. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

D. Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at the reporting date but for which fair value is disclosed:

	Fair value measurements at the reporting period using				
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying Amount RM'000
Group					
At 31 December 2016					
Liabilities (non-current):					
Borrowings					
- Obligations under finance leases	–	–	**225**	**225**	**225**
Loan from Sabah Ports Authority	–	–	**50,938**	**50,938**	**52,924**
Amount due to Sabah State Government	–	–	**17,244**	**17,244**	**17,779**
At 31 December 2015					
Liabilities (non-current):					
Borrowings					
- Islamic Debt Securities	–	–	10,009	10,009	10,000
- Obligations under finance leases	–	–	697	697	697
Loan from Sabah Ports Authority	–	–	74,101	74,101	77,870
Amount due to Sabah State Government	–	–	22,752	22,752	23,706
Company					
At 31 December 2016					
Liabilities (non-current):					
Borrowings					
- Obligations under finance leases	–	–	**75**	**75**	**75**
At 31 December 2015					
Liabilities (non-current):					
Borrowings					
- Obligations under finance leases	–	–	382	382	382

37. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

D. Assets and liabilities not carried at fair value but for which fair value is disclosed

Determination of fair value

Borrowings, loan from Sabah Ports Authority and amount due to Sabah State Government

The fair value disclosed in the table above are estimated by discounting future cash flows using rates currently available for debts on similar terms, credit risk and remaining maturities.

E. Financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current and non-current)	18
Cash and bank balances	21
Borrowings (current)	22
Loan from Sabah Ports Authority (current)	24
Amount due from/(to) Sabah Ports Authority (current)	
Amount due to Sabah State Government (current)	25
Trade and other payables (current)	27

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to the short-term maturities of these instruments or evaluated by the Group based on estimation by discounting expected future cash flows at market incremental lending rate for similar types of lending arrangements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board Risk Management Committee reviews and agrees policies and procedures for the management of these risks, which are executed by the management committee. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

<u>Exposure to credit risk</u>
At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

<u>Credit risk concentration profile</u>
At the reporting date, excluding proceeds for disposal of land held for property development of RM250,322,000 (2015: RM240,119,000), approximately 27% (2015:20%) of the Group's trade receivables were due from two (2015: one) major customer located in Malaysia. The Group does not have any other significant exposure to individual customer or counter party nor does it have any major concentration of credit risk related to any financial assets.

<u>Financial assets that are neither past due nor impaired</u>
Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 18. Cash, deposits with licensed banks and other financial institutions, and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

<u>Financial assets that are either past due or impaired</u>
Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities.

At the reporting date, approximately 37% (2015: 27%) of the Group's loans and borrowings (Note 22) will mature in less than one year based on the carrying amount reflected in the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted amounts:

	On demand or within one year RM'000	Two to five years RM'000	Over five years RM'000	Total RM'000
Group				
2016				
Financial assets:				
Trade and other receivables	**49,279**	**168,635**	**159,000**	**376,914**
Investment securities	**144,104**	**–**	**–**	**144,104**
Cash and bank balances	**60,958**	**–**	**–**	**60,958**
Total undiscounted financial assets	**254,341**	**168,635**	**159,000**	**581,976**
Financial liabilities:				
Trade and other payables	**40,209**	**–**	**–**	**40,209**
Loans and borrowings	**45,507**	**74,845**	**–**	**120,352**
Total undiscounted financial liabilities	**85,716**	**74,845**	**–**	**160,561**
Total net undiscounted financial assets	**168,625**	**93,790**	**159,000**	**421,415**
2015				
Financial assets:				
Trade and other receivables	106,786	83,000	159,000	348,786
Investment securities	126,962	–	–	126,962
Cash and bank balances	114,313	–	–	114,313
Total undiscounted financial assets	348,061	83,000	159,000	590,061
Financial liabilities:				
Trade and other payables	38,535	–	–	38,535
Loans and borrowings	46,325	120,350	–	166,675
Total undiscounted financial liabilities	84,860	120,350	–	205,210
Total net undiscounted financial assets/(liabilities)	263,201	(37,350)	159,000	384,851

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted amounts: (continued)

	On demand or within one year RM'000	Two to five years RM'000	Over five years RM'000	Total RM'000
Company				
2016				
Financial assets:				
Trade and other receivables	**23,251**	**168,635**	**159,000**	**350,886**
Investment securities	**20,080**	**–**	**–**	**20,080**
Cash and bank balances	**10,510**	**–**	**–**	**10,510**
Total undiscounted financial assets	**53,841**	**168,635**	**159,000**	**381,476**
Financial liabilities:				
Trade and other payables	**27,480**	**–**	**–**	**27,480**
Borrowings	**334**	**76**	**–**	**410**
Total undiscounted financial liabilities	**27,814**	**76**	**–**	**27,890**
Total net undiscounted financial assets	**26,027**	**168,559**	**159,000**	**353,586**
2015				
Financial assets				
Trade and other receivables	83,020	83,000	159,000	325,020
Investment securities	6,367	–	–	6,367
Cash and bank balances	8,850	–	–	8,850
Total undiscounted financial assets	98,237	83,000	159,000	340,237
Financial liabilities:				
Trade and other payables	7,731	–	–	7,731
Borrowings	334	334	75	743
Total undiscounted financial liabilities	8,065	334	75	8,474
Total net undiscounted financial assets	90,172	82,666	158,925	331,763

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

The Group's policy is to manage interest cost using mainly fixed rate debts. At the reporting date, all (2015: 100%) of the Group's borrowings are at fixed rates of interest.

(d) Foreign currency risk

The Group has transactional currency exposures arising from purchases that are denominated in a currency other than the functional currency of the Group entities, primarily RM. The foreign currencies in which these transactions are dominated are mainly US Dollars ("USD"), Euro ("EUR") and Singapore Dollar ("SGD").

Approximately nil (2015: nil) and 1% (2015: 10%) of the Group's receivable and payable balances at the reporting are dominated in foreign currencies.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (in USD and EUR) amounted to RM684,000 (2015: RM5,835,000) for the Group.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, EUR and SGD exchange rates against the functional currency of the Group entities, with all other variables held constant.

	Change in currency rate	Group Increase/(decrease) in profit before tax 2016 RM'000	Group Increase/(decrease) in profit before tax 2015 RM'000
USD/RM	+5%	**33**	120
EUR/RM	+5%	**–**	170
SGD/RM	+5%	**(17)**	(8)

An equivalent decrease in each of the currencies shown above would have resulted in an equivalent, but opposite, impact.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risk arising from its investment in unit trusts. These instruments are classified as held for trading financial assets. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the reporting date, if the market price had been 5% higher/lower, with all other variables held constant, the Group's and the Company's profit net of tax would have been RM7,205,000 (2015: RM6,348,000) and RM1,004,000 (2015: RM318,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments.

39. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 50%. The Group includes within net debt, loans and borrowings. Capital includes equity attributable to the owners of the Company.

	Group	
	2016 RM'000	2015 RM'000
Loans and borrowings	**112,438**	152,948
Net debt (Note 22)	**112,438**	152,948
Equity attributable to the owners of the Company	**1,015,504**	969,346
Total capital	**1,015,504**	969,346
Capital and net debt	**1,127,942**	1,122,294
Gearing ratio	**10%**	14%

40. SEGMENT INFORMATION

For management purpose, the Group is organised into business units based on its products and services, and has five reportable operating segments as follow:

(i) Investment holding - investments in deposits and investment securities for interest, dividend and investment income.

(ii) Property development - the development of residential and commercial properties.

(iii) Port operations - provision and maintenance of port services and facilities, the regulation and control of the management of ports, distributor of port cargo handling equipment and related spare parts, and provision of equipment maintenance services.

(iv) Logistics and bunkering - provision of bunkering and related services.

(v) Contract and engineering, and ferry terminal operations - construction contractor, provision of project management, technical support services and operating of ferry terminal.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

40. SEGMENT INFORMATION (CONTINUED)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Investment holding RM'000	Property development RM'000	Port operations RM'000	Logistics and bunkering services RM'000	Contract and engineering and ferry terminal operations RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
31 December 2016								
Revenue:								
External customers	–	–	248,822	4,787	4,903	–		258,512
Inter-segment	28,560	–	11,123	3,205	108	(42,996)	A	–
Total revenue	28,560	–	259,945	7,992	5,011	(42,996)		258,512
Results:								
Interest income	227	15	2,019	71	62	(9)	A	2,385
Depreciation and amortisation	915	268	37,614	258	789	–		39,844
Other non-cash expenses	6,229	–	2,534	469	64	(8,730)	B	566
Segment profit/(loss)	32,344	(262)	76,979	(509)	(719)	(24,300)	B	83,533
Assets:								
Additions to non-current assets	462	–	31,205	10	759	–	C	32,436
Segment assets	333,069	273,953	975,496	5,880	10,135	(249,772)	D	1,348,761
Segment liabilities	27,878	5	313,009	3,645	3,634	(14,914)	E	333,257

40. SEGMENT INFORMATION (CONTINUED)

	Investment holding RM'000	Property development RM'000	Port operations RM'000	Logistics and bunkering services RM'000	Contract and engineering and ferry terminal operations RM'000	Adjustments and eliminations RM'000	Note	Per consolidated financial statements RM'000
31 December 2015								
Revenue:								
External customers	–	229,226	226,491	36,180	4,755	–		496,652
Inter-segment	32,605	–	–	3,741	219	(36,565)	A	–
Total revenue	32,605	229,226	226,491	39,921	4,974	(36,565)		496,652
Results:								
Interest income	294	69	3,172	26	22	(20)	A	3,563
Depreciation and amortisation	927	–	38,589	235	1,059	–		40,810
Impairment of non financial assets	–	–	11,726	–	–	–	B	11,726
Other non-cash expenses	9,403	–	344	744	3,778	(9,100)	B	5,169
Segment profit/(loss)	31,424	108,387	41,978	67	(5,308)	(28,300)	B	148,248
Assets:								
Additions to non-current assets	1,150	–	11,962	272	5,635	(5,291)	C	13,728
Segment assets	317,581	257,157	980,081	8,374	13,544	(244,418)	D	1,332,319
Segment liabilities	8,425	4	349,979	6,355	6,266	(9,713)	E	361,316

40. SEGMENT INFORMATION (CONTINUED)

Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues and interest income are eliminated on consolidation.

B The following items are deducted from segment profit to arrive at profit before tax presented in the consolidated statement of comprehensive income:

	2016 RM'000	2015 RM'000
Impairment in investment in subsidiaries	**(8,730)**	(9,100)
Dividend income from subsidiaries	**(24,300)**	(28,300)
	(33,030)	(37,400)

C Additions to non-current assets consist of:

	2016 RM'000	2015 RM'000
Property, plant and equipment	**1,276**	2,045
Concession assets	**31,160**	11,683
	32,436	13,728

D The following item is deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2016 RM'000	2015 RM'000
Inter-segment assets	**(249,772)**	(244,418)

E The following item is deducted from segment liabilities to arrive at total assets reported in the consolidated statement of financial position:

	2016 RM'000	2015 RM'000
Inter-segment liabilities	**(14,914)**	(9,713)

41. DIVIDENDS

	Group and Company 2016 RM'000	2015 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
- Final tax exempt dividend for year 2015: 4.00 sen (2014: 4.00 sen) per share	**11,527**	11,333
- Interim tax exempt dividend for year 2016: 3.00 sen (2015: 3.00 sen) per share	**8,646**	8,645
	20,173	19,978

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of financial year ended 31 December 2016, of 4% on ordinary shares (4 sen per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

42. COMPARATIVE INFORMATION

The following comparatives have been reclassified to include:

(a) revenue and cost from construction services in respect of the construction and upgrading of port facilities accounted for in accordance with IC Interpretation 12 Service Concession Arrangements; and

(b) reclassification of interest income, investment income, fair value gain on investment securities and rental income of the Company from revenue to interest income and other income to conform with current year's presentation.

	As previously stated RM'000	Increase/ (decrease) RM'000	As restated RM'000
Statements of comprehensive income			
Group			
For the financial year ended 31 December 2015			
Revenue	488,460	8,192	496,652
Cost of sales	293,324	9,289	302,613
Interest income	3,289	274	3,563
Other income	28,658	823	29,481

42. COMPARATIVE INFORMATION (CONTINUED)

	As previously stated RM'000	Increase/ (decrease) RM'000	As restated RM'000
Statements of comprehensive income			
Company			
For the financial year ended 31 December 2015			
Revenue	262,928	(1,097)	261,831
Interest income	20	274	294
Other income	12,913	823	13,736

The above reclassifications do not have any impact to the statements of cash flow of the Group and the Company for the financial year ended 31 December 2015.

43. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 6 April 2017.

44. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED EARNINGS INTO REALISED AND UNREALISED

The breakdown of the retained earnings of the Group and of the Company 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 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.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries				
- Realised	**663,858**	622,372	**165,904**	168,760
- Unrealised	**(23,430)**	(20,778)	**30,765**	19,690
	640,428	601,594	**196,669**	188,450
Add: Consolidation adjustments	**14,389**	6,733	**–**	–
	654,817	608,327	**196,669**	188,450

LIST OF PROPERTIES

	Location	Postal Address	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Land Area / Built-up Area	Date of Acquisition	Net Book Value (RM'000)
SURIA CAPITAL HOLDINGS BERHAD										
1	Kota Kinabalu Port area under Town Lease No. 017561974	1st and 2nd Floor, Menara Jubili, No. 53 Jalan Gaya, 88000 Kota Kinabalu, Sabah	Future Property Development	Container yard and godown	99	92 years (31.12.2108)	7 years	7 acres	01.01.2010	46,196
2	Lot A24, Country Lease 065323266, Mount Kinabalu Golf Course Complex, Kundasang	1st and 2nd Floor, Menara Jubili, No. 53 Jalan Gaya, 88000 Kota Kinabalu, Sabah	Vacant Residential Lot	Idle	99	77 years (31.12.2093)	23 years	1 acre	18.05.2006	262
SURIA BUMIRIA SDN. BHD.										
1	Kota Kinabalu Ferry Terminal known as Jesselton Point	1st and 2nd Floor, Menara Jubili, No. 53 Jalan Gaya, 88000 Kota Kinabalu, Sabah	K.K. Ferry Terminal Building	Ferry Passengers Terminal	30	18 Years (31.08.2034)	48 years	Land Area: 3.4 acres Built-up Area: 43,164 sq. ft.	01.09.2004	4,794
SCHB ENGINEERING SERVICES SDN. BHD.										
1	Kota Kinabalu Ferry Terminal known as Jesselton Point	4th Floor, Wisma Perkasa Jalan Gaya 88821 Kota Kinabalu, Sabah	K.K. Ferry Terminal Building	Ferry Passengers Terminal	30	18 Years (31.08.2034)	48 years	Land Area: 3.4 acres Built-up Area: 43,164 sq. ft.	01.09.2004	3,276
2	Kota Kinabalu Port	4th Floor, Wisma Perkasa Jalan Gaya 88821 Kota Kinabalu, Sabah	Renovation	Cruise Passengers Terminal	-	-	-	Built-up Area: 17,879 sq. ft.	31.12.2013	916
SABAH PORTS SDN. BHD.										
1	Lahad Datu Port Jalan Kastam Baru Lahad Datu	P. O. Box No. 143 91007 Lahad Datu, Sabah	Wharves & Approaches	Vessel	30	18 Years (31.08.2034)	20 Years (01.08.1997)	37 acres	01.09.2004	1,270(*)
2	Lahad Datu Port Jalan Kastam Baru Lahad Datu	P. O. Box No. 143 91007 Lahad Datu, Sabah	Office Building	Office	30	18 Years (31.08.2034)	10 Years			1,474(*)
3	Lahad Datu Port Jalan Kastam Baru Lahad Datu	P. O. Box No. 143 91007 Lahad Datu, Sabah	Oil Storage Tank	Gas oil	99	54 years (31.12.2070)	45 years	0.9 acres	01.12.2013	2,879
4	Lahad Datu Port Jalan Kastam Baru Lahad Datu	P. O. Box No. 143 91007 Lahad Datu, Sabah	Wharves & Approaches	Storage Depot	99	54 years (31.12.2070)	45 years			2,283
5	Sandakan Oil Jetty at Karamunting	Wisma Pelabuhan Jalan Pelabuhan, Karamunting Baru P. O. Box No. 1368 90715 Sandakan, Sabah	Oil Jetty	Bulk oil and Palm oil	30	18 Years (31.08.2034)	10 Years	16.8 acres	01.09.2004	25,002(*)
6	Sandakan Oil Jetty at Sg. Mowtas	Wisma Pelabuhan Jalan Pelabuhan, Karamunting Baru P. O. Box No. 1368 90715 Sandakan, Sabah	Oil Jetty	Palm oil	30	18 Years (31.08.2034)	13 Years	350 acres	01.09.2004	12,380(*)
7	Wisma Pelabuhan Jalan Pelabuhan Karamunting Baru Sandakan	Wisma Pelabuhan Jalan Pelabuhan, Karamunting Baru P. O. Box No. 1368 90715 Sandakan, Sabah	Wharves & Approaches	Container	30	18 Years (31.08.2034)	13 Years	445 acres	01.09.2004	9,039(*)
8	Wisma Pelabuhan Jalan Pelabuhan, Karamunting Baru, Sandakan	Wisma Pelabuhan Jalan Pelabuhan, Karamunting Baru P. O. Box No. 1368 90715 Sandakan, Sabah	Sandakan Ferry Terminal Building	Ferry Passengers	30	18 Years (31.08.2034)	48 Years			

	Location	Postal Address	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Land Area / Built-up Area	Date of Acquisition	Net Book Value (RM'000)
9	Kunak Oil Jetty	Jalan Ke Pangkalan, Kg. Pangkalan 91207 Kunak, Sabah	Oil Jetty	Palm oil	30	18 Years (31.08.2034)	10 Years	100 acres	01.09.2004	23,536(*)
10	Kunak Oil Jetty	Jalan Ke Pangkalan, Kg. Pangkalan 91207 Kunak, Sabah	Office Building	Office	30	18 Years (31.08.2034)	10 Years			1,807(*)
11	Wisma Pelabuhan Jalan Dunlop, Tawau	P. O. Box 335 91107 Tawau, Sabah	Wharves & Approaches	Storage of Cargo	30	18 Years (31.08.2034)	11 Years (31/12/2005)	70 acres	01.09.2004	1,509(*)
12	Kota Kinabalu Port	Wisma Pelabuhan, Jalan Tun Fuad Tanjung Lipat, Locked Bag 75 88992 Kota Kinabalu, Sabah	Wharves & Approaches	Storage of Cargo	30	18 Years (31.08.2034)	10 Years	290 acres	01.09.2004	444(*)
13	Sapangar Bay Oil Terminal, Jln Sapangar, Sapangar Bay	Sabah Ports Sdn. Bhd. P.O.Box 57 Pejabat Pos Indah Permai 88450 Kota Kinabalu, Sabah	Oil Jetty	Bulk Oil	30	18 years (31.08.2034)	10 Years	340 acres	01.09.2004	1,027(*)
14	Headquarters and Sapangar Bay Container Port's Operation Building Jln Sapangar, Sapangar Bay	Sabah Ports Sdn. Bhd. P. O. Box 203 Pejabat Pos Mini Indah Permai 88450 Kota Kinabalu, Sabah	Office Building	Office and Operation Building	30	18 Years (31.08.2034)	10 Years	1,530 acres	01.09.2004	12,880(*)
15	Sapangar Bay Container Port Jln Sapangar, Sapangar Bay	Sabah Ports Sdn. Bhd. P. O. Box 203 Pejabat Pos Mini Indah Permai 88450 Kota Kinabalu, Sabah	Container Port	Vessel and Container	30	18 Years (31.08.2034)	10 Years			187,201(*)
16	Town Lease 017530415 at Kg Banjaran, Kota Kinabalu	Headquarters & Operation Building Sapangar Bay Container Port, Sapangar Bay, Kota Kinabalu, Sabah	Vacant Land	Idle	68	57 Years (31.12.2073)	13 Years	0.98 acre	01.09.2004	824
17	Lot AA7, Country Lease 065323408, Mount Kinabalu Golf Course Complex, Kundasang	Headquarters & Operation Building Sapangar Bay Container Port, Sapangar Bay, Kota Kinabalu, Sabah	Vacant Residential Lot	Idle	90	79 Years (31.12.2095)	13 Years	4.996 acres	01.09.2004	878
									Total :	**339,877**

(*) These are land areas gazetted by the State Government of Sabah to Sabah Ports Authority which have been leased to Sabah Ports Sdn. Bhd. for a period of 30 years under the Privatisation Agreement between the State Government of Sabah, Sabah Ports Authority, Suria Capital Holdings Berhad and Sabah Ports Sdn. Bhd.

These lands now categorised under Concession Assets are to be handed over at no costs to Sabah Ports Authority upon the expiry of the concession period.

The Net Book Value of these assets as at 31.12.2016 are costs of new structures and upgrading as well as renovation to the existing structures that have been capitalised subsequent to 1 September 2004.

SHAREHOLDERS' INFORMATION

AS AT 10 APRIL 2017

1. ANALYSIS OF SHAREHOLDINGS

AUTHORISED SHARE CAPITAL : RM800,000,000
ISSUED AND FULLY PAID-UP : RM288,183,992
CLASS OF SHARES : Ordinary shares of One Ringgit Malaysia each
NO. OF SHAREHOLDERS : 15,324

2. DIRECTORS' SHAREHOLDINGS AS AT 10 APRIL 2017

NO.	NAME OF DIRECTORS	SHAREHOLDINGS (DIRECT INTEREST)	%
1.	Datuk Hj. Faisyal Bin Datuk Yusof Hamdain Diego	20,000	0.006
2.	Datuk Ismail Awang Besar	-	-
3.	Datuk Dr. Mohd. Yaakub Hj. Johari	-	-
4.	Datuk Mohd. Hasnol Bin Ayub	2,500	0.000
5.	Hj. Muluk Bin Samad	-	-
6.	Chin Kiang Ming	-	-
7.	Kee Mustafa	-	-
8.	Datuk Ramlee Bin Marahaban	-	-
9.	Ng Kiat Min	314,500	0.109
10.	Georgina L. George	-	-
	TOTAL	**337,000**	**0.115**

3. ANALYSIS OF HOLDING AS AT 10 APRIL 2017 (MALAYSIAN & FOREIGN- COMBINE)

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	55	0.358	2,024	0.000
100 - 1,000	9,132	59.592	6,052,401	2.100
1,001 - 10,000	5,215	34.031	18,391,312	6.381
10,001 - 100,000	794	5.181	22,743,853	7.892
100,001 - 14,409,198 (*)	126	0.822	83,366,898	28.928
14,409,199 AND ABOVE (**)	2	0.013	157,627,504	54.696
TOTAL	**15,324**	**100.000**	**288,183,992**	**100.000**

REMARK: * less than 5% of issued shares
** 5% and above of issued shares

4. ANALYSIS OF HOLDINGS AS AT 10 APRIL 2017 (MALAYSIAN & FOREIGN- SEPARATE)

	NO. OF HOLDERS		NO. OF SHARES		%	
SIZE OF HOLDINGS	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN
1 - 99	53	2	1,999	25	0.000	0.000
100 - 1,000	9,043	89	5,985,651	66,750	2.077	0.023
1,001 - 10,000	5,033	182	17,599,162	792,150	6.106	0.274
10,001 - 100,000	705	89	19,870,803	2,873,050	6.895	0.996
100,001 - 14,409,198 (*)	101	25	67,530,948	15,835,950	23.433	5.495
14,409,199 AND ABOVE (**)	2	0	157,627,504	0	54.696	0.000
TOTAL	**14,937**	**387**	**268,616,067**	**19,567,925**	**93.207**	**6.788**

SIZE OF HOLDINGS	NO. OF HOLDERS	NO. OF SHARES	%
GRAND TOTAL	**15,324**	**288,183,992**	**100.000**

REMARK: * less than 5% of issued shares
** 5% and above of issued shares

5. HOLDERS WITH HOLDINGS OF 5% AND ABOVE AS AT 10 APRIL 2017

NO.	NAME	HOLDINGS	%
1.	WARISAN HARTA SABAH SDN. BHD.	130,827,504	45.397
2.	LEMBAGA TABUNG HAJI	26,800,000	9.299

6. LIST OF TOP 30 HOLDERS AS AT 10 APRIL 2017

NO.	NAME	NATIONALITY/ COUNTRY OF INCORPORATION	HOLDINGS	%
1.	WARISAN HARTA SABAH SDN. BHD.	MALAYSIAN/ MALAYSIA	130,827,504	45.397
2.	LEMBAGA TABUNG HAJI	MALAYSIAN/ MALAYSIA	26,800,000	9.299
3.	YAYASAN SABAH	MALAYSIAN/ MALAYSIA	10,571,000	3.668
4.	CARTABAN NOMINEES (TEMPATAN) SDN. BHD. ICAPITAL.BIZ BERHAD	MALAYSIAN/ MALAYSIA	9,244,400	3.207
5.	CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 12)	MALAYSIAN/ MALAYSIA	4,991,100	1.731
6.	CHIEF MINISTER, STATE OF SABAH	MALAYSIAN/ MALAYSIA	4,800,000	1.665
7.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC OPPORTUNITIES FUND	MALAYSIAN/ MALAYSIA	3,297,700	1.144
8.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	MALAYSIAN/ MALAYSIA	3,201,600	1.110
9.	SIAW TECK HWA	MALAYSIAN/ MALAYSIA	2,000,000	0.694
10.	PUBLIC NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHEAM HENG MING (E-KTN/RAU)	MALAYSIAN/ MALAYSIA	1,773,700	0.615
11.	CHEAM HENG MING	MALAYSIAN/ MALAYSIA	1,576,400	0.547
12.	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	MALAYSIAN/ MALAYSIA	1,537,600	0.533
13.	LIEW YAM FEE	MALAYSIAN/ MALAYSIA	1,300,000	0.451
14.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL- CAP FUND	MALAYSIAN/ MALAYSIA	1,277,100	0.443
15.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE. LTD. (CLIENTS)	MALAYSIAN/ MALAYSIA	1,252,000	0.434
16.	UOB KAY HIAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR UOB KAY HIAN PTE. LTD. (A/C CLIENTS)	MALAYSIAN/ MALAYSIA	1,236,200	0.428
17.	CIMB GROUP NOMINEES (TEMPATAN) SDN. BHD. CIMB COMMERCE TRUSTEE BERHAD-AMB SMALLCAP TRUST FUND	MALAYSIAN/ MALAYSIA	1,188,000	0.412
18.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSEQUITY INCOME FUND	MALAYSIAN/ MALAYSIA	1,109,300	0.384
19.	LIM KHUAN ENG	MALAYSIAN/ MALAYSIA	1,000,000	0.347

NO.	NAME	NATIONALITY/ COUNTRY OF INCORPORATION	HOLDINGS	%
20.	LEE KUAN GIN	MALAYSIAN/ MALAYSIA	1,000,000	0.347
21.	AFFIN HWANG NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE. LTD. (REM & EMPLOYEES)	MALAYSIAN/ MALAYSIA	990,000	0.343
22.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR SIAW TECK SIONG	MALAYSIAN/ MALAYSIA	930,700	0.322
23.	CITYGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 9)	MALAYSIAN/ MALAYSIA	872,900	0.302
24.	CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	MALAYSIAN/ MALAYSIA	824,400	0.286
25.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR TEH KIAN LANG (CEB)	MALAYSIAN/ MALAYSIA	806,500	0.279
26.	HLB NOMINEES (TEMPATAN) SDN. BHD. PLEDGED SECURITIES ACCOUNT FOR CHEE SAI MUN	MALAYSIAN/ MALAYSIA	773,600	0.268
27.	RHB NOMINEES (TEMPATAN) SDN. BHD. RHB ASSET MANAGEMENT SDN. BHD. FOR YOONG KAH YIN (EPF)	MALAYSIAN/ MALAYSIA	770,000	0.267
28.	LEE HAU HIAN	MALAYSIAN/ MALAYSIA	754,000	0.261
29.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN. BHD. CIMB ISLAMIC TRUSTEE BERHAD – KENANGA SYARIAH GROWTH FUND	MALAYSIAN/ MALAYSIA	715,348	0.248
30.	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. CAPITAL DYNAMICS ASSET MANAGEMENT SDN. BHD. FOR KESM INDUSTRIES BERHAD (CDAM30-990472)	MALAYSIAN/ MALAYSIA	713,000	0.247

SUMMARY

TOTAL NO. OF HOLDERS : 30
TOTAL HOLDINGS : 218,134,052
TOTAL PERCENTAGE (%) : 75.692

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty Fourth (34th) Annual General Meeting (AGM) of the Company will be held at Training Centre, 1st Floor, Wisma SabahPorts, Sapangar Bay Container Port, Sapangar Bay, Kota Kinabalu, Sabah on Monday, 22 May 2017 at 10.00 am for the following purposes:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statement for the financial year ended 31 December 2016 and the Reports of the Directors and Auditors thereon.

2. To re-elect the following Directors who retire by rotation pursuant to Article 89 of the Company's Articles of Association:

   (1) Datuk Dr. Mohd. Yaakub Bin Hj. Johari — **RESOLUTION 1**
   (2) Hj. Muluk Bin Samad — **RESOLUTION 2**
   (3) Chin Kiang Ming — **RESOLUTION 3**

3. To re-appoint Datuk Ismail Bin Awang Besar as Director of Company. **RESOLUTION 4**

4. To re-elect Georgina L. George who retires pursuant to Articles 93 of the Company's Articles of Association. **RESOLUTION 5**

5. To approve the final tax exempt dividend of 4% (4 cents per ordinary share) in respect of the financial year ended 31 December 2016. **RESOLUTION 6**

6. To approve the payment of Directors' fees amounting to RM535,000.00 for the financial year ending 31 December 2016. **RESOLUTION 7**

7. To approve the payment of Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors up to an amount of RM1,000,000.00 from 1 January 2017 until the next Annual General Meeting of the Company. **RESOLUTION 8**

8. To re-appoint Auditors of the Company and to authorise the Directors to determine their remuneration. **RESOLUTION 9**

As Special Business

To consider and if thought fit, to pass the following as ordinary resolution:

9. Authority to the Directors to allot and issue shares: **RESOLUTION 10**

   "**THAT,** pursuant to Section 75 and Section 76 of the Companies Act 2016, the Directors be and are hereby empowered to allot and issue shares in the Company, at any time, at such issue price, until the conclusion of the next annual general meeting and upon such terms and conditions and for such proposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares does not exceed ten per centum (10%) of the issued capital of the Company at the time of issue **AND THAT** the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued, subject to the Act, the Articles of Association of the Company and approval from the Bursa Malaysia Securities Berhad and other relevant bodies where such approval is necessary."

10. To transact and other business for which due notice shall have been given in accordance with the Companies Act, 2016.

NOTICE OF BOOK CLOSURE AND DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN subject to the shareholders' approval for the payment of that the final tax exempt dividend of 4% (4 cents per ordinary share) in respect of the financial year ended 31 December 2016, the dividend will be paid to the shareholders on 30 June 2017.

The entitlement date shall be fixed on 9 June 2017 and a Depositor shall qualify for entitlement only in respect of:

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 9 June 2017 in respect of transfers.
(b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

SURYANI BINTI MOHD. SAIDI (LS 0005574)
Company Secretary

Dated on this 28 April 2017
Kota Kinabalu, Sabah

Explanatory Notes:

(i) Agenda on item 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders.

(ii) **Resolution 4 (Re-appointment of Datuk Ismail Bin Awang Besar)**
During the 33rd AGM of the Company held on 25 May 2016, Datuk Ismail Bin Awang Besar who is above 70 years were re-appointed pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the 34th AGM. He has offered himself for re-appointment. With the enforcement of the Companies Act, 2016 on 31 January 2017, there is no more requirements on maximum age limit for directors. Resolution 4, if passed, will enable the director to continue in office and in the future he shall be subject to retirement by rotation in accordance with the Company's Articles of Association.

(iii) **Resolution 8 (Directors' Remuneration)**
Section 230(1) of the Companies Act, 2016 provides amongst others, that 'the Fees' of the directors and 'any benefits' payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The directors' remuneration (excluding Directors' Fees) comprises the allowances and other emoluments payable to the Non-Executive Directors in the Company and Subsidiaries.

(iv) **Resolution 9 (Re-appointment of auditors)**
The Board at its meeting on 6 April 2017 approved the recommendation on the re-appointment of Messrs. Ernst & Young as Auditors of the Company.

(v) Resolution 10, if passed, would, subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, enable the Directors to issue up to a maximum of ten per centum (10%) of the total issued and paid up share capital of the Company for such purpose as the Directors considers to be in the best interest of the Company. This authority unless revoked or varied at a general meeting, will expire at the next AGM. As at the date of this Notice, no new shares in the Company were issued by the Company.

The Company is seeking the approval from the shareholders on the above mandate for the purpose of possible fund raising exercise(s) including but not limited to the further placement of fund for future investments, acquisitions and/or to meet working capital requirements.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27 (2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

(1) Directors retiring by rotation pursuant to Article 89 of the Company's Articles of Association and are eligible for re-election are:

i. Datuk Dr. Mohd. Yaakub Bin Hj. Johari
ii. Hj. Muluk Bin Samad
iii. Chin Kiang Ming

(2) Director standing for re-appointment;

i. Datuk Ismail Bin Awang Besar

(3) Director retiring pursuant to Article 93 of the Company's Articles of Association and is eligible for re-election is:

i. Georgina L. George

Further details of the Directors seeking re-election are provided in the Directors' Profile on page 29 to 33 of the Annual Report:

Notes:

1. A member of the Company entitled to attend and vote at this Meeting is entitled to appoint up to two proxies to attend and vote instead of him/her. A proxy may but need not be a member of the Company.
2. Where a member appoints two (2) proxies, the appointments shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.
3. In the case of a corporate body, the proxy appointed must be in accordance with the Memorandum and Articles of Association, and the instrument appointing a proxy shall be given under the company's seal or under the hand of an officer or attorney duly authorised.
4. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories Act 1991) which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be deposited at the Registered Office of the Company at 1st & 2nd, Menara Jubili, No. 53, Jalan Gaya, 88000 Kota Kinabalu at least forty-eight (48) hours before the time for holding the Meeting or any adjournment thereof.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of the meeting will be put to vote by way of poll. Poll Administrator and Independent Scrutiniser will be appointed respectively to conduct the polling/e-voting process and to verify the results of the poll.

SURIAGROUP

PROXY FORM

SURIA CAPITAL HOLDINGS BERHAD
(CO. NO. 96895-W)
(Incorporated in Malaysia)

NO. OF SHARES HELD

I/We ______________________________ NRIC No./Co. No.: ______________
(FULL NAME IN BLOCK LETTERS)

of ______________________________
(FULL ADDRESS)

being a Member of SURIA CAPITAL HOLDINGS BERHAD, hereby appoint ______________________________
(FULL NAME IN BLOCK LETTERS)

______________________________ NRIC No.: ______________

of ______________________________
(ADDRESS)

or failing him, ______________________________ NRIC No.: ______________
(FULL NAME IN BLOCK LETTERS)

of ______________________________
(ADDRESS)

As my/our proxy to vote for me/us on my/our behalf at the Thirty Fourth Annual General Meeting of the Company to be held at Training Centre, 1st Floor, Wisma SabahPorts, Sapangar Bay Container Port, Sapangar Bay, Kota Kinabalu, Sabah, on Monday, 22 May 2017 at 10.00 a.m. or at any adjournment thereof in respect of my/our holding of ______________________ shares in the manner as indicated below:

NO.	RESOLUTION	FOR	AGAINST
1.	**AS ORDINARY BUSINESS.** To re-elect the following Directors pursuant to Article 89 of the Company's Articles of Association. i. Datuk Dr. Mohd. Yaakub Bin Hj. Johari ii. Hj. Muluk Bin Samad iii. Chin Kiang Ming		
2.	To re-appoint Datuk Ismail Bin Awang Besar as Director of the Company.		
3.	To re-elect Georgina L. George who retires pursuant to Article 93 of the Company's Articles of Association.		
4.	To approve the final tax exempt dividend of 4% (4 cents per ordinary share), in respect of the financial year ended 31 December 2016.		
5.	To approve the payment of Directors' Fees amounting to RM535,000.00 for the financial year ended 31 December 2016.		
6.	To approve the payment of Directors' Remuneration (excluding Directors' Fees).		
7.	To re-appoint Auditors of the Company and to authorise the Directors to determine their remuneration.		
8.	**AS SPECIAL BUSINESS** To authorise the Directors to allot and issue shares under Section 75 and Section 76 of the Companies Act, 2016.		

(Please indicate with a cross [X] in the spaces provided whether you wish your votes to be cast for or against the Resolutions. In the absence of specific directions, your proxy will vote or abstain as he thinks fit.)

Dated this ………………………………… day of ………………………………………, 2017

____
Signature/Common Seal of Member(s)

Notes:

1. A member of the company entitled to attend and vote at this Meeting is entitled to appoint up to two (2) proxies to attend and vote instead of him/her. A proxy may but need not be a member of the Company.

2. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his/her shareholdings to be represented by each proxy.

3. In the case of a corporate body, the proxy appointed must be in accordance with the Memorandum and Articles of Association, and the instrument appointing a proxy shall be given under the Company's Common Seal or under the hand of an officer or attorney duly authorised.

4. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industries (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in the securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy shall be deposited at the Registered Office of the Company at 1st & 2nd Floor Menara Jubili, 53, Jalan Gaya, 88000 Kota Kinabalu, Sabah at least forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the notice of the meeting will be put to vote by way of poll. Poll Administrator and Independent Scrutiniser will be appointed respectively to conduct the polling/e-voting process and to verify the results of the poll.

Please fold here

STAMP

Company Secretary
SURIA CAPITAL HOLDINGS BERHAD (96895-W)
1st & 2nd Floor, Menara Jubili
No. 53, Jalan Gaya
88000 Kota Kinabalu
Sabah, Malaysia

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GROUP CORPORATE DIRECTORY

REGISTERED OFFICE

SURIA CAPITAL HOLDINGS BHD.
1st & 2nd Floor, Menara Jubili
53, Jalan Gaya
88000 Kota Kinabalu
Sabah, Malaysia.
Tel : +6 088-257 788 (4 lines)
Fax : +6 088-260 355, 231 032
Email : info@suriaplc.com.my
Website : www.suriagroup.com.my

SUBSIDIARY COMPANIES

SABAH PORTS SDN. BHD. (583073-H)
Wisma SabahPorts
Jalan Sapangar, Sapangar Bay
Pejabat Pos Mini, Indah Permai, P.O.Box 203
88450 Kota Kinabalu, Sabah, Malaysia.
Tel : +6 088-483 390-399 (10 lines)
Fax : +6 088-489 912-914
Email : customer_relations@spsb.com.my
Website : www.spsb.com.my

S.P. SATRIA LOGISTICS SDN. BHD. (722286-V)
4th Floor (Level 5) Wisma SEDCO
Lorong Wawasan, Off Coastal Highway
88300 Kota Kinabalu, Sabah, Malaysia.
Tel : +6 088-231 026, 253 026, 250 026
Fax : +6 088-223 288
Email : enquiry@spslogistics.com.my
Website : www.spslogistics.com.my

SCHB ENGINEERING SERVICES SDN. BHD. (645642-W)
4th Floor, Wisma Perkasa, Jalan Gaya
88821 Kota Kinabalu, Sabah, Malaysia.
Tel : +6 088-235 787 (4 lines)
Fax : +6 088-231 050
Email : schbeng@suriaplc.com.my
Website : www.suriagroup.com.my/schbengineering

S.P. SATRIA SDN. BHD. (622494-V)
Suite 6-8, 11th Floor
Menara Jubili, 53, Jalan Gaya
88000 Kota Kinabalu, Sabah, Malaysia.
Tel : +6 088-316 696
Fax : +6 088-231 086
Email : allesandra@spsatria.com.my
Website : www.suriagroup.com.my/spsatria

OUR PORTS

SAPANGAR BAY CONTAINER PORT
Senior Manager
Jalan Sapangar, Sapangar Bay
Pejabat Pos Mini, Indah Permai, P. O. Box 203
88450 Kota Kinabalu, Sabah, Malaysia.
Tel : +6 088-489 904
Fax : +6 088-489 925
Email : fnlai@spsb.com.my

KOTA KINABALU PORT
Port Manager
Wisma Pelabuhan, Jalan Tun Fuad
Tanjung Lipat, Locked Bag 75
88992 Kota Kinabalu, Sabah, Malaysia.
Tel : +6 088-538 500
Fax : +6 088-254 089
Email : suhaili.k@spsb.com.my

SAPANGAR BAY OIL TERMINAL
Port Manager
Pejabat Pos Mini Indah Permai, P. O. Box 57
88450 Kota Kinabalu, Sabah, Malaysia.
Tel : +6 088-411 069
Fax : +6 088-411 130
Email : victor@spsb.com.my

SANDAKAN PORT
Senior Manager
Wisma Pelabuhan, Jalan Karamunting
P. O. Box 1368
90715 Sandakan, Sabah, Malaysia.
Tel : +6 089-612 411
Fax : +6 089-612 975
Email : raiman.ali@spsb.com.my

TAWAU PORT
Port Manager
Wisma Pelabuhan, Jalan Dunlop
P. O. Box 335
91007 Tawau, Sabah, Malaysia.
Tel : +6 089-773 700
Fax : +6 089-761 808
Email : subardjoe@spsb.com.my

LAHAD DATU PORT / KUNAK PORT
Port Manager
Jalan Kastam Baru
P. O. Box 60143
91111 Lahad Datu, Sabah, Malaysia.
Tel : +6 089-889 722
Fax : +6 089-882 749
Email : clarence@spsb.com.my

KUDAT PORT
Officer-In-Charge
P. O. Box 228
89058 Kudat, Sabah, Malaysia.
Tel : +6 088-611 261
Fax : +6 088-621 320
Email : andyliew@spsb.com.my

www.suriagroup.com.my

SURIA CAPITAL HOLDINGS BERHAD 96895-W

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