



SURIA CAPITAL HOLDINGS BERHAD

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2019

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Condensed consolidated statements of profit or loss and other comprehensive income
For the quarter and year-to-date ended 30 June 2019

	Note	Current quarter 3 months ended		Year-to-date ended	
		30.06.2019 Unaudited RM'000	30.06.2018 Unaudited RM'000	30.06.2019 Unaudited RM'000	30.06.2018 Unaudited RM'000
Revenue		69,977	96,187	139,302	223,459
Cost of sales		(46,851)	(71,638)	(94,147)	(172,474)
Gross profit		23,126	24,549	45,155	50,985
Other items of income					
Interest income		(226)	398	125	942
Other income		7,937	6,989	15,384	13,921
Other items of expense					
Administrative expense		(8,923)	(8,900)	(17,366)	(17,381)
Finance costs		(1,000)	(692)	(1,941)	(1,348)
Other expenses		-	(2,493)	(24)	(7,215)
Profit before tax	A14	20,914	19,851	41,333	39,904
Income tax expense	A15	(6,511)	(4,644)	(11,247)	(10,414)
Profit net of tax		14,403	15,207	30,086	29,490
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		14,403	15,207	30,086	29,490
Profit net of tax attributable to:					
Owners of the Company		14,403	15,207	30,086	29,490
Non-controlling interests		-	-	-	-
		14,403	15,207	30,086	29,490
Total comprehensive income attributable to:					
Owners of the Company		14,403	15,207	30,086	29,490
Non-controlling interests		-	-	-	-
		14,403	15,207	30,086	29,490
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	A16	4.16	4.40	8.70	8.53

The above condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these condensed consolidated interim financial statements.

Condensed consolidated statements of financial position
As at 30 June 2019

	Note	As at 30.06.2019 Unaudited RM'000	As at 31.12.2018 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A17	60,043	60,668
Concession assets	A18	847,909	860,128
Deferred tax assets		22,534	24,807
Other assets		26,249	25,265
Trade receivable		246,644	246,644
Right-of-use asset		575	-
		1,203,954	1,217,512
Current assets			
Inventories	A19	5,424	6,357
Trade and other receivables		56,270	47,757
Contract asset		15,007	10,710
Other assets		14,013	5,758
Tax refundable		6,612	6,733
Investment securities	A21	51,555	65,970
Cash and bank balances	A20	67,829	56,322
		216,710	199,607
TOTAL ASSETS		1,420,664	1,417,119

Condensed consolidated statements of financial position (continued)
As at 30 June 2019

	Note	As at 30.06.2019 Unaudited RM'000	As at 31.12.2018 Audited RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	A22	54,663	55,971
Loan from Sabah Ports Authority		26,981	26,981
Amount due to Sabah State Government		20	5,966
Concession liabilities	A23	5,291	10,583
Contract liability		9,434	9,434
Trade and other payables		36,282	55,048
Lease liabilities		747	-
Income tax payable		1	-
		133,419	163,983
Net current assets		83,291	35,624
Non-current liabilities			
Borrowings	A22	230	187
Amount due to Sabah State Government		5,926	5,927
Concession liabilities	A23	114,811	110,929
Employee defined benefit liability		77	77
Deferred tax liabilities		57,923	57,549
		178,967	174,669
TOTAL LIABILITIES		312,386	338,652
Net assets		1,108,278	1,078,467
Equity attributable to owners of the Company			
Share capital	A8	358,825	358,825
Other reserves		1,605	1,605
Retained earnings		747,857	718,046
		1,108,287	1,078,476
Non-controlling interests		(9)	(9)
TOTAL EQUITY		1,108,278	1,078,467
TOTAL EQUITY AND LIABILITIES		1,420,664	1,417,119

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these condensed consolidated interim financial statements.

Condensed consolidated statements of changes in equity
For the year-to-date ended 30 June 2019

	Note	----- Attributable to owners of the Company-----								
		Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Non-distributable		Distributable	Non-distributable			Non-controlling interests RM'000
				Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserves total RM'000	Employee share option reserve RM'000	Premium paid on acquisition of non-controlling interests RM'000	
Opening balance at 1 January 2019		1,078,467	1,078,476	358,825	-	718,046	1,605	1,998	(393)	(9)
Profit net of tax		30,086	30,086	-	-	30,086	-	-	-	-
Other comprehensive income		-	-	-	-	-	-	-	-	-
Effect on adoption of MFRS 16		(275)	(275)	-	-	(275)	-	-	-	-
Total comprehensive income for the period		29,811	29,811	-	-	29,811	-	-	-	-
Transactions with owners										
Dividends on ordinary shares	A9	-	-	-	-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-	-	-	-	-
Closing balance at 30 June 2019		1,108,278	1,108,287	358,825	-	747,857	1,605	1,998	(393)	(9)

Condensed consolidated statements of changes in equity (continued)
For the year-to-date ended 30 June 2019

	Note	----- Attributable to owners of the Company -----								
		Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Non-distributable		Distributable	Non-distributable			Non- controlling interests RM'000
				Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserves total RM'000	Employee share option reserve RM'000	Premium paid on acquisition of non- controlling interests RM'000	
Opening balance at 1 January 2018		1,052,896	1,052,896	358,825	-	692,209	1,862	2,255	(393)	-
Total comprehensive income for the period		29,490	29,490	-	-	29,490	-	-	-	-
Transactions with owners										
Dividends on ordinary Shares	A9	-	-	-	-	-	-	-	-	-
Non-controlling interests' share in a subsidiary		5	-	-	-	-	-	-	-	5
Total transactions with owners		5	-	-	-	-	-	-	-	5
Closing balance at 31 June 2018		1,082,391	1,082,386	358,825	-	721,699	1,862	2,255	(393)	5

The above condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these condensed consolidated interim financial statements.

Condensed consolidated statements of cash flows
For the year-to-date ended 30 June 2019

	Year-to-date ended	
	30.06.2019	30.06.2018
	Unaudited	Unaudited
	RM'000	RM'000
Operating activities		
Profit before tax	41,333	39,904
<u>Adjustments for:</u>		
Amortisation of concession assets	25,858	23,997
Allowance for impairment loss on:		
- trade receivables	181	34
- other receivables	-	-
Concession assets written off	-	7,011
Depreciation of property, plant and equipment	944	1,214
Depreciation on Right-of-use asset	204	-
Employee leave entitlement	4	66
Finance costs	1,941	1,348
Finance costs on Right-of-use asset	26	-
Gain on disposal of concession assets	-	-
Gain on disposal of property, plant and equipment	(1)	(14)
Impairment loss on concession assets	-	-
Interest income	(125)	(942)
Inventories written down	-	-
Investment income from investment securities	(717)	(693)
Net fair value (gain)/loss on held for trading investment securities	(319)	(36)
Plant and equipment written off	-	-
Realised gain on foreign exchange	(10)	-
Revisions to estimated cash flows on receivables	-	-
Reversal of allowance for impairment on receivable	(83)	(243)
Unrealised exchange loss/(gain)	-	156
Unwinding of discount on:		
- long term receivables	(9,470)	(8,801)
- concession liabilities	3,883	(3,975)
Total adjustments	22,316	19,122
Operating cash flows before changes in working capital	63,649	59,026
<u>Changes in working capital:</u>		
(Increase)/ decrease in inventories	(2,052)	1,278
Increase in trade and other receivables	(4,595)	(13,227)
Decrease in other assets	16,170	4,541
Increase in contract asset	(15,007)	-
Decrease in trade and other payables	(7,403)	(514)
Increase in Right-of-use asset	(575)	-
Payment of concession liabilities	(5,291)	(5,185)
Increase in contract liability	9,434	-
Increase in lease liability	747	-
Payment of employee defined benefit liability	(46)	-
Total changes in working capital	(8,618)	(13,107)

Condensed consolidated statements of cash flows (continued)
For the year-to-date ended 30 June 2019

	Year-to-date ended	
	30.06.2019	30.06.2018
	Unaudited	Unaudited
	RM'000	RM'000
Cash flows from operations	55,031	45,919
Income tax paid	(4,419)	(10,865)
Income tax refunded	70	233
Real Property Gain Tax paid	-	-
Net cash flows from operating activities	50,682	35,287
Investing activities		
Decrease in cash at banks and deposits pledged and deposits with maturity more than 3 months	(9,867)	8,469
Purchase of concession assets	(13,774)	(21,092)
Proceeds from disposal of concession assets	-	-
Proceeds from disposal of property, plant and equipment	1	17
Proceeds from disposal of investment securities	14,200	33,326
Purchase of investment securities	(6,410)	(25,009)
Purchase of property, plant and equipment	(433)	(80)
Land premium paid	-	(24,238)
Investment income received from investment securities	717	693
Interest received	125	942
Net cash flows used in investing activities	(15,441)	(26,972)
Financing activities		
Interest paid	(432)	(344)
Proceeds from borrowings	5,161	5,000
Repayment of loan from Sabah Ports Authority	(25,943)	-
Repayment of loan from Sabah State Government	(5,946)	(5,927)
Repayment of obligations under finance leases	(6,387)	(210)
Net cash flows used in financing activities	(33,547)	(1,481)
Net increase in cash and cash equivalents	1,694	6,834
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	40,263	43,536
Cash and cash equivalents at 30 June (Note A20)	41,957	50,370
Composition of cash and cash equivalents		
Cash on hand and at banks	24,247	23,452
Short term deposits with licensed banks	17,710	26,918
Cash and cash equivalents at 30 June (Note A20)	41,957	50,370

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A1. Corporate information

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 27 August 2019.

A2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the second quarter ended 30 June 2019 are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the requirements of the Companies Act 2016 in Malaysia.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018. These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2018.

A3. Changes in accounting policies

The accounting policies adopted in these condensed consolidated interim financial statements are consistent with the audited consolidated financial statements for the financial year ended 31 December 2018, except for the adoption of the following MFRSs and Amendments to MFRSs and IC interpretation, which are applicable during the current financial year.

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

- MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- MFRS 16 Leases
- MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)
- Annual Improvements to MFRS Standards 2015 – 2017 Cycle
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- MFRS 119 Plan Amendment, Curtailment or settlement (Amendments to MFRS 119)

The initial application or adoption of the above MFRSs, Amendments to MFRSs and IC interpretation are not expected to have any material financial impact on these condensed consolidated interim financial statements except as mentioned below:

MFRS 16, Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A3. A3. Changes in accounting policies (continued)

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee recognises a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases as either operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group chooses to apply the standard using a modified retrospective approach. The Group has completed its preliminary assessment on the financial impact that may arise from the adoption of MFRS 16. The application of this standard is not expected to have a significant impact on the Group's financial statement in 2019.

New MFRSs, Amendments to MFRSs and IC Interpretations

As at the date of authorisation of these condensed consolidated interim financial statements, the following new MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

Effective for annual periods beginning on or after 1 January 2020:

- MFRS 3 Definition of a Business (Amendments to MFRS 3)
- MFRS 101 and MFRS 108 Definition of Material (Amendments to MFRS 101 and MFRS 108)

Effective for annual periods beginning on or after 1 January 2021:

- MFRS 17 Insurance Contracts

Deferred:

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

The Group plans to apply the above applicable MFRSs, Amendments and Interpretations in the respective annual periods based on their effective dates and applicability.

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A4. Significant events and transactions

There were no significant event and transaction that would have had a material impact on the financial position and performance of the Group as at 30 June 2019.

A5. Comments about seasonal or cyclical factors

The businesses of the Group were not materially affected by the various festive seasons or cyclical fluctuations during the year-to-date.

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

There was no material unusual item affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 June 2019.

A7. Changes in estimates

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

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

During the quarter and year-to-date ended 30 June 2019, there was no new issuance of share capital.

A9. Dividends paid

There were no payment of dividend during the current quarter and financial year-to-date ended 30 June 2019 (30 June 2018: NIL).

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A10. Segmental information

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

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

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

Port operations

For the current quarter, the port operations segment contributed 94% to the Group's revenue (30 June 2018: 91%) and 85% (30 June 2018: 79%) to the Group's profit before tax.

For the year-to-date, it contributed 92% to the Group's revenue (30 June 2018: 95%) and 83% (30 June 2018: 82%) to the Group's profit before tax.

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

The cargo volume handled at Sabah Ports is closely correlated to the Sabah State's economy and also the regional economy. For the current quarter and year-to-date, there was a drop in total tonnage handled by 7% and 6% respectively, mainly attributed to lower bulk oil, fertilizer, wood products and general cargo throughput. The total tonnage handled for the current quarter and year-to-date ended was 7.3 million and 15.0 million metric tonnes respectively.

The category of container which is charged differently as per the Sabah Ports' Tariff registered an increase in total TEUs handled in the current quarter by 8% to 98,648 from 91,091 TEUs in the preceding year's corresponding quarter. For the year-to-date, total TEUs was 3% higher at 188,290 TEUs as compared to 183,073 TEUs registered in prior year-to-date.

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A10. Segmental information (continued)

Port operations (continued)

Profit before tax has increased by RM1.7 million (5%) to RM34.4 million for the current year-to-date from RM32.7 million in prior year. This was mainly due to lower other expenses which was mainly due to write-off of bulk fertilizer conveyor facility at Sandakan Port in prior year.

Despite the challenges in the regional trade, we expect there will be improvement in cargo throughput and containers going through the wharves for the coming months.

Logistics and bunkering services

For the current quarter and year-to-date, the logistics and bunkering services segment contributed 1% (30 June 2018: 2%) to the Group's revenue.

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

Contract and engineering and ferry terminal operations

For the current quarter, this segment contributed 5% of the Group's revenue (30 June 2018: 9%).

For the year-to-date, it contributed 7% of the Group's revenue (30 June 2018: 5%).

The main contributor to the contract segment's revenue is the Railway upgrading project connecting Halogilat and Tenom for Sabah State Railway Department amounted to RM6.7 million for the year-to-date.

In the ferry terminal operations, the passenger fees from Jesselton Point operations is the main source of revenue, contributed 54% (30 June 2018: 54%). Other revenues are derived from berthing fees, retail outlets, indoor soccer centre and handling of cruise ship passengers at Kota Kinabalu Port.

Gross profit margin for this segment has decreased to 16% from 23% in 2018.

Investment holding

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

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

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A10. Segmental information (continued)

Property development

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

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

Thus, for the year 2019, there would not be any amount recognised in Group's revenue except for the unwinding of discount on long term trade receivable amounted to RM9.5 million (30 June 2018: RM8.8 million) recognised under other income.

The physical works of the project have commenced in December 2016 and has been progressing well.

The segment results are as follows:

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Segment revenue				
Investment holding	13,048	19,232	15,688	21,895
Property development	-	-	-	-
Port operations	65,995	87,283	128,588	211,982
Logistics and bunkering services	504	1,843	1,560	3,807
Contract and engineering and ferry terminal operations	3,166	8,516	9,208	10,092
Revenue including inter-segment sales	82,713	116,874	155,044	247,776
Elimination of inter-segment sales	(12,736)	(20,687)	(15,742)	(24,317)
Total revenue	69,977	96,187	139,302	223,459

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A10. Segmental information (continued)

The segment results are as follows (continued):

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Segment results				
Investment holding	9,836	16,654	9,997	17,089
Property development	4,804	4,465	9,470	8,801
Port operations	17,727	15,650	34,364	32,756
Logistics and bunkering services	(57)	(95)	(32)	(261)
Contract and engineering and ferry terminal operations	(111)	1,322	394	1,239
Profit from operations including inter- segment transactions	32,199	37,996	54,193	59,624
Elimination of inter-segment transactions	(11,285)	(18,145)	(12,860)	(19,720)
Total profit before tax	20,914	19,851	41,333	39,904

A11. Subsequent events after the reporting period

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

A12. Changes in the composition of the Group

There were no changes in the composition of the Group during the interim financial period ended 30 June 2019.

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A13. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the three months period and year-to-date ended 30 June 2019 and 30 June 2018:

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
<i>Subsidiaries:</i>				
Dividend income	11,285	18,145	12,860	19,720
Interest income	17	18	35	73
Management fees income	1,065	1,065	2,130	2,130
Rental income	22	22	45	45
<i>Company related to Substantial shareholder:</i>				
	-	-	-	-
<i>Sabah State Government:</i>				
Payment of Land premium*	-	-	-	24,238

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

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

* Payment of land premium is in relation to the proposed alienation of a parcel of land measuring approximately 28.9 acres from the Sabah State Government to Suria Capital Holdings Berhad as per the announcement made to Bursa Malaysia Securities Berhad on 21 March 2018.

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A14. Profit before tax

Included in the profit before tax are the following items:

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Employee benefits expense	15,941	17,339	32,120	32,837
Non-executive directors' remuneration	235	368	478	707
Allowance for impairment loss on:				
- trade receivables	93	9	181	34
- other receivables	-	-	-	-
Amortisation of concession assets	12,827	11,907	25,858	23,997
Auditors' remuneration:				
Statutory audit:				
- current year	36	33	72	65
- under/(over) provision in respect of previous year	73	(3)	70	(6)
Other services:				
- current year	-	2	-	2
- under/ (over) provision in respect of previous year	-	-	-	-
Depreciation of property, plant and equipment	469	605	944	1,214
Hiring of equipment and motor vehicles	8	-	20	12
Concession assets written off	-	2,388	-	7,011
Impairment loss on concession assets	-	-	-	-
Inventories written down	-	-	-	-
Leasing of port land	2,058	2,252	4,117	4,505
Net fair value (gain)/loss on financial instruments:				
- Investment securities	(30)	36	(319)	27
(Gain)/loss on disposals of concession assets	-	-	-	-
(Gain)/loss on disposals of property, plant and equipment	(1)	(7)	(1)	(14)
Plant and equipment written off	-	-	-	-
Realised (gain)/loss on foreign exchange	-	(7)	(10)	(23)
Rental of office premises	214	246	431	453
Reversal of allowance for impairment loss:				
- trade and other receivables	(65)	(59)	(83)	(243)
- concession assets	-	-	-	-
Unrealised exchange (gain)/loss	-	107	-	156

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A15. Income tax expense

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Income tax expense for the year-to-date:				
Malaysian income tax	4,625	3,572	8,241	8,302
Deferred tax	1,886	1,072	3,006	2,112
	6,511	4,644	11,247	10,414

Income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year-to-date.

A16. Earnings per share

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

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2019 RM'000	30.06.2018 RM'000	30.06.2019 RM'000	30.06.2018 RM'000
Profit net of tax for the financial year-to-date	14,403	15,207	30,086	29,490
Less: Attributable to non-controlling interests	-	-	-	-
Profit net of tax attributable to owners of the Company	14,403	15,207	30,086	29,490
Weighted average number of ordinary shares (*)	345,821	345,821	345,821	345,821
Basic earnings per ordinary share (sen)	4.16	4.40	8.70	8.53

(*) The weighted average number of ordinary shares after the bonus issue. The prior year has been retrospectively adjusted.

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A17. Property, plant and equipment

Acquisitions and disposals

The cash outflow on acquisition of property, plant and equipment amounted to RM433,000 (30 June 2018: RM80,000).

During the quarter and year-to-date ended 30 June 2019, assets with carrying amount of RM56,000 has been disposed off (30 June 2018: RM2,800), resulting in a gain on disposal of RM389 (30 June 2018: RM13,700) which has been included under other income in the statements of comprehensive income.

Write-down of property, plant and equipment

During the quarter and year-to-date ended 30 June 2019, there were no write-down of property, plant and equipment (30 June 2018: NIL).

A18. Concession assets

Group	Port concession rights RM'000	Leased port infrastructure and facilities RM'000	Capital expenditure RM'000	Total RM'000
Cost:				
At 1 January 2019	213,679	45,296	1,113,430	1,372,406
Addition	-	-	13,774	13,774
Disposal	-	-	(56)	(56)
Write off	-	-	-	-
At 30 June 2019	213,679	45,296	1,127,148	1,386,124
Accumulated amortisation:				
At 1 January 2019	100,621	21,642	390,043	512,306
Amortisation	3,599	755	21,556	25,910
Disposal	-	-	(1)	(1)
Write off	-	-	-	-
Impairment loss	-	-	-	-
At 30 June 2019	104,220	22,396	411,598	538,215
Net carrying amount:				
At 31 December 2018	113,061	23,654	723,413	860,128
At 30 June 2019	109,459	22,900	715,550	847,909

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.

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A19. Inventories

There were no inventories been written down during the current quarter and financial year-to-date ended 30 June 2019 (30 June 2018: Nil).

A20. Cash and cash equivalents

	As at 30.06.2019 RM'000	As at 31.12.2018 RM'000
Cash at banks and on hand	24,247	17,628
Cash at banks pledged as securities for bank Guarantees and facilities	-	489
Short term deposits pledged as securities for bank Guarantees and facilities	7,326	6,891
Short term deposits with licensed banks	17,710	22,635
Deposits with maturity more than 3 months	18,546	8,679
	67,829	56,322

Short term deposits are made for varying periods of between 1 month and 3 months depending on the immediate cash requirements of the Group, and earn interests at the respective short term deposit rates. The weighted average effective interest rates as at 30 June 2019 for the Group were 3.4% (2018: 3.7%).

Deposits more than 3 months are made for periods of 6 months to 36 months (2018: 1 year) and the weighted average effective interest rates as at 30 June 2019 for the Group were 3.9% (2018: 3.8%).

Included in deposits with maturity more than 3 months of the Group are deposits amounting to RM6,291,165 (2018: RM6,070,000) held under lien to secure bank guarantees made in favour of the Sabah Ports Authority against lease rental of port land payable to Sabah Ports Authority and the due maintenance of Sabah Ports' properties and facilities.

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

	As at 30.06.2019 RM'000	As at 30.06.2018 RM'000
Cash on hand and at banks	24,247	23,452
Short term deposits with licensed banks	17,710	26,918
	41,957	50,370

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A21. Fair value of assets and liabilities

A. Assets measured at fair value

The following table shows an analysis of the financial assets measured at fair value at the reporting period:

	Fair value measurements at the reporting period using			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial assets				
Investment securities				
- 30 June 2019	-	51,555	-	51,555
- 31 December 2018	-	65,970	-	65,970

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 categorized 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.

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A21. Fair value of assets and liabilities (continued)

C. 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				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
At 30 June 2019					
Financial liabilities (Non-current)					
Borrowings					
- Obligations under finance leases	-	-	230	230	230
- Amount due to Sabah State Government	-	-	5,926	5,926	5,926
At 31 December 2018					
Financial liabilities (Non-current)					
Borrowings					
- Obligations under finance leases	-	-	179	179	187
- Amount due to Sabah State Government	-	-	5,820	5,820	5,820

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.

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A22. Interest-bearing loans and borrowings

Total Group's loans and borrowings as at 30 June 2019 and 31 December 2018 were as follows:

	As at 30.06.2019 RM'000	As at 31.12.2018 RM'000
Current		
Secured:		
- Obligations under finance leases	223	305
- Trust Receipts	4,343	5,569
Unsecured:		
Short-term revolving credit	50,097	50,097
	54,663	55,971
Non-current		
Secured:		
- Obligations under finance leases	230	187
	230	187
	54,893	56,158

The above borrowings are denominated in local currency.

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

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A23. Concession liabilities

Group	As at 30.06.2019 RM'000	As at 31.12.2018 RM'000
At 1 January	121,512	123,931
Unwinding of discount	3,881	7,949
Payments	(5,291)	(10,368)
	<hr/>	<hr/>
At 30 June	120,102	121,512
	<hr/>	<hr/>
Current	5,291	10,583
Non current:		
More than 1 year and less than 2 years	4	10,099
More than 2 years and less than 5 years	27,646	27,647
5 years or more	87,161	73,183
	<hr/>	<hr/>
	114,811	110,929
	<hr/>	<hr/>
	120,102	121,512
	<hr/>	<hr/>

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

Notes to the condensed consolidated interim financial statements
Part A: Explanatory notes pursuant to MFRS 134

A24. Capital commitments

	As at 30.06.2019 RM'000	As at 30.06.2018 RM'000
Approved and contracted for		
Sapangar Bay bunkering line	149	149
Jetty head extension at Sapangar Bay Oil Terminal	631	1,191
Jetty extension at Karamunting Palm Oil Terminal, Sandakan Port	11,674	46,956
Extension of container yard at Sapangar Bay Container Port	-	36
Sapangar Bay Conventional Cargo Terminal	173	-
Purchase of cargo handling equipment	-	3,412
Major repairs and improvements at ports	8,795	8,252
	21,422	59,996
Approved but not contracted for		
Purchase of property, plant and equipment	202,793	222,266
Improvement to port infrastructure facilities	36,835	46,785
	239,628	269,051
	261,050	329,047

The approved but not contracted for amounting to RM240 million represents the balance of the total capital expenditures commitment of RM1.3 billion during the concession period of 30 years under the Ports Privatisation Agreement.

A25. Contingent liabilities or assets

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

Notes to the condensed consolidated interim financial statements
Part B: Explanatory notes pursuant to Listing Requirements of Bursa Malaysia Securities Berhad

B1. Performance review

Current quarter

For the current quarter ended 30 June 2019, the Group registered revenue of RM69.9 million, decreased by RM26.3 million or 27% when compared to the previous year's corresponding quarter ended 30 June 2018 of RM96.2 million. The decrease in revenue was mainly contributed by lower construction services revenue from port operations segment.

In accordance with IC Interpretation 12: Service Concession Arrangements, the port operations segment registered construction services revenue which relates to upgrading and construction of ports infrastructure and facilities during the quarter amounted to RM7.7 million (30 June 2018: RM26.9 million).

The Group registered a pre-tax profit of RM20.9 million for the quarter ended 30 June 2019, higher by RM1.0 million (5%) from RM19.9 million for the corresponding quarter ended 30 June 2018, mainly due to lower other expenses for the quarter under review.

Year-to-date

For the year-to-date ended 30 June 2019, the Group registered revenue of RM139.3 million, lower by RM84.2 million or 38% when compared to the prior year-to-date ended 30 June 2018 of RM223.5 million. The decrease in revenue was mainly attributable to the port operations business segment. Lower ports' operating revenue by 5% was due to lower cargo throughput during the year-to-date.

Besides, in accordance with IC Interpretation 12: Service Concession Arrangements, the port operations segment registered construction services revenue which relates to upgrading and construction of ports infrastructure and facilities amounted to RM13.3 million (30 June 2018: RM91.3 million) which was the main contributing factor for the significant drop in revenue for the year-to-date. The high construction services revenue in previous year was mainly due to construction of Sandakan Port's wharf extension.

The Group registered a pre-tax profit of RM41.3 million for the year-to-date ended 30 June 2019, increased by RM1.4 million (4%) from RM39.9 million for the prior year-to-date ended 30 June 2018, mainly due to higher other income and lower other expenses for the quarter and year-to-date under review.

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

Notes to the condensed consolidated interim financial statements
Part B: Explanatory notes pursuant to Listing Requirements of Bursa Malaysia Securities Berhad

B2. Comment on material change in profit before taxation

The Group reported a pre-tax profit of RM20.9 million for the current quarter as compared to RM20.4 million for the immediate preceding quarter, representing a slight increase of RM0.5 million (2%), mainly due to slightly higher revenue and other income registered for the current quarter under review.

B3. Commentary on prospects

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

Apart from port operations, the Board is optimistic, except for any unforeseen circumstances, about the property development projects as it is anticipated that the projects will provide favourable prospects and results to the Group for the financial year.

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

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

B5. Profit forecast or profit guarantee

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

B6. Corporate proposals

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

B7. Changes in material litigation

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

B8. Dividends declared

Final ordinary dividend has been recommended in respect of the financial year ended 31 December 2018 during the current quarter, to be made payable on 31 July 2019.

No interim dividend was recommended in respect of the financial year-to-date ended 30 June 2019 (30 June 2018: Nil). Please refer note A9.

Notes to the condensed consolidated interim financial statements
Part B: Explanatory notes pursuant to Listing Requirements of Bursa Malaysia Securities Berhad

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

The Group did not enter into any financial liabilities measured at fair value through profit or loss as at 30 June 2019 and 30 June 2018.

B10. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2018 was not qualified.

B11. Authorisation for issue

The Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 August 2019.