



# **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 SEPTEMBER 2018**

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**Condensed consolidated statements of profit or loss and other comprehensive income**  
**For the quarter and year-to-date ended 30 September 2018**

	Note	Current quarter 3 months ended		Year-to-date ended	
		30.09.2018 Unaudited RM'000	30.09.2017 Unaudited RM'000	30.09.2018 Unaudited RM'000	30.09.2017 Unaudited RM'000
<b>Revenue</b>		91,540	86,746	315,000	217,953
Cost of sales		(67,963)	(61,713)	(240,437)	(152,545)
<b>Gross profit</b>		23,577	25,033	74,563	65,408
<b>Other items of income</b>					
Interest income		445	399	1,387	1,200
Other income		6,949	9,092	20,870	24,795
<b>Other items of expense</b>					
Administrative expense		(8,082)	(8,383)	(25,463)	(25,943)
Finance costs		(674)	(1,004)	(2,022)	(3,078)
Other expenses		(3,242)	(10,988)	(10,457)	(11,669)
<b>Profit before tax</b>	A14	18,973	14,149	58,878	50,713
Income tax expense	A15	(3,473)	(10,756)	(13,887)	(19,468)
<b>Profit net of tax</b>		15,500	3,393	44,991	31,245
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		15,500	3,393	44,991	31,245
Profit net of tax attributable to:					
Owners of the Company		15,500	3,393	44,991	31,245
Non-controlling interests		-	-	-	-
		15,500	3,393	44,991	31,245
Total comprehensive income attributable to:					
Owners of the Company		15,500	3,393	44,991	31,245
Non-controlling interests		-	-	-	-
		15,500	3,393	44,991	31,245
<b>Earnings per ordinary share attributable to owners of the Company (sen per share):</b>					
Basic	A16	5.38	1.18	15.61	10.84

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 2017 and the accompanying explanatory notes attached to these condensed consolidated interim financial statements.

**Condensed consolidated statements of financial position**  
**As at 30 September 2018**

	Note	As at 30.09.2018 Unaudited RM'000	As at 31.12.2017 Audited RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	A17	61,425	60,680
Concession assets	A18	834,052	780,381
Deferred tax assets		25,728	28,944
Other assets		13,804	50,905
Trade receivable		237,914	237,914
		1,172,923	1,158,824
<b>Current assets</b>			
Inventories	A19	4,906	4,650
Trade and other receivables		63,834	37,890
Other assets		34,407	10,068
Tax refundable		2,869	766
Investment securities	A21	50,092	62,611
Cash and bank balances	A20	46,347	71,395
		202,455	187,380
<b>TOTAL ASSETS</b>		<b>1,375,378</b>	<b>1,346,204</b>

**Condensed consolidated statements of financial position (continued)**  
**As at 30 September 2018**

	Note	As at 30.09.2018 Unaudited RM'000	As at 31.12.2017 Audited RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	A22	1,400	353
Loan from Sabah Ports Authority		25,943	25,943
Amount due to Sabah State Government		40	5,987
Concession liabilities	A23	2,592	10,368
Trade and other payables		51,943	42,321
		81,918	84,972
<b>Net current assets</b>		120,537	102,408
<b>Non-current liabilities</b>			
Borrowings	A22	167	380
Loan from Sabah Ports Authority		26,981	26,981
Amount due to Sabah State Government		11,853	11,852
Concession liabilities	A23	119,525	113,563
Employee defined benefit liability		71	123
Deferred tax liabilities		50,751	52,981
Other payable		3,511	2,456
		212,859	208,336
<b>TOTAL LIABILITIES</b>		294,777	293,308
<b>Net assets</b>		1,080,601	1,052,896
<b>Equity attributable to owners of the Company</b>			
Share capital	A8	358,825	358,825
Other reserves		1,862	1,862
Retained earnings	B10	719,909	692,209
		1,080,596	1,052,896
<b>Non-controlling interests</b>		5	-
<b>TOTAL EQUITY</b>		1,080,601	1,052,896
<b>TOTAL EQUITY AND LIABILITIES</b>		1,375,378	1,346,204

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 2017 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 September 2018**

	Note	----- Attributable to owners of the Company-----								
		Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Non-distributable		Distributable	Non-distributable			Non-controlling interests RM'000
				Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserves total RM'000	Employee share option reserve RM'000	Premium paid on acquisition of non-controlling interests RM'000	
<b>Opening balance at 1 January 2018</b>		1,052,896	1,052,896	358,825	-	692,209	1,862	2,255	(393)	-
<b>Total comprehensive income for the period</b>		44,991	44,991	-	-	44,991	-	-	-	-
<b>Transactions with owners</b>										
Dividends on ordinary shares	A9	(17,291)	(17,291)	-	-	(17,291)	-	-	-	-
Non-controlling interests' share in a subsidiary		5	-	-	-	-	-	-	-	5
<b>Total transactions with owners</b>		<b>(17,286)</b>	<b>(17,291)</b>	<b>-</b>	<b>-</b>	<b>(17,291)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>
<b>Closing balance at 30 September 2018</b>		<b>1,080,601</b>	<b>1,080,596</b>	<b>358,825 (*)</b>	<b>-</b>	<b>719,909</b>	<b>1,862</b>	<b>2,255</b>	<b>(393)</b>	<b>5</b>

(\*) The Companies Act, 2016 (the "Act"), which became effective on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium amounted to RM70,641,000 for the purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

**Condensed consolidated statements of changes in equity (continued)**  
**For the year-to-date ended 30 September 2018**

	Note	----- Attributable to owners of the Company -----								
		Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Non-distributable		Distributable	Non-distributable			Non- controlling interests RM'000
				Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserves total RM'000	Employee share option reserve RM'000	Premium paid on acquisition of non- controlling interests RM'000	
<b>Opening balance at 1 January 2017</b>		1,015,504	1,015,504	288,184	70,641	654,817	1,862	2,255	(393)	-
<b>Total comprehensive income for the year</b>		31,245	31,245	-	-	31,245	-	-	-	-
<b>Transactions with owners</b>										
Dividends on ordinary shares	A9	(11,527)	(11,527)	-	-	(11,527)	-	-	-	-
Total transactions with owners		(11,527)	(11,527)	-	-	(11,527)	-	-	-	-
<b>Closing balance at 30 September 2017</b>		1,035,222	1,035,222	288,184	70,641	674,535	1,862	2,255	(393)	-

The above condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 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 September 2018**

	<b>Year-to-date ended</b>	
	<b>30.09.2018</b>	<b>30.09.2017</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>		
Profit before tax	58,878	50,713
<u>Adjustments for:</u>		
Amortisation of concession assets	35,047	32,335
Allowance for impairment loss on:		
- trade receivables	83	112
- other receivables	-	-
Concession assets written off	9,508	-
Depreciation of property, plant and equipment	1,820	1,961
Employee defined benefit expenses	52	(73)
Employee leave entitlement	70	209
Finance costs	2,022	3,078
Gain on disposal of concession assets	-	-
Gain on disposal of property, plant and equipment	(33)	(31)
Impairment loss on concession assets	-	-
Interest income	(1,387)	(1,200)
Inventories written down	-	-
Investment income from investment securities	(584)	(3,143)
Net fair value (gain)/loss on held for trading investment securities	(84)	(639)
Plant and equipment written off	-	-
Revisions to estimated cash flows on receivables	-	10,790
Reversal of allowance for impairment on receivable	(255)	-
Unrealised exchange loss/(gain)	(18)	293
Unwinding of discount on:		
- long term receivables	(13,398)	(13,694)
- concession liabilities	5,962	6,081
- dredging costs	-	-
<b>Total adjustments</b>	<b>38,805</b>	<b>36,079</b>
<b>Operating cash flows before changes in working capital</b>	<b>97,683</b>	<b>86,792</b>
<u>Changes in working capital:</u>		
Increase in inventories	(256)	(578)
Increase in trade and other receivables	(25,943)	(7,653)
Decrease/(increase) in other assets	12,762	(26,508)
Increase in trade and other payables	10,677	3,958
Payment of concession liabilities	(7,776)	(7,622)
Payment of employee defined benefit liability	-	(76)
<b>Total changes in working capital</b>	<b>(10,536)</b>	<b>(38,479)</b>



**Condensed consolidated statements of cash flows (continued)**  
**For the year-to-date ended 30 September 2018**

	<b>Year-to-date ended</b>	
	<b>30.09.2018</b>	<b>30.09.2017</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operations</b>	87,147	48,313
Income tax paid	(15,255)	(5,823)
Income tax refunded	233	547
Real Property Gain Tax paid	-	-
<b>Net cash flows from operating activities</b>	<b>72,125</b>	<b>43,037</b>
<b>Investing activities</b>		
Decrease/(increase) in cash at banks and deposits pledged and deposits with maturity more than 3 months	10,124	(7,236)
Purchase of concession assets	(43,335)	(45,435)
Proceeds from disposal of concession assets	-	-
Proceeds from disposal of property, plant and equipment	36	64
Proceeds from disposal of investment securities	51,590	54,211
Purchase of investment securities	(57,910)	(32,675)
Purchase of property, plant and equipment	(109)	(1,436)
Land premium paid	(26,581)	-
Investment income received from investment securities	584	3,143
Interest received	1,387	1,200
<b>Net cash flows used in investing activities</b>	<b>(64,214)</b>	<b>(28,164)</b>
<b>Financing activities</b>		
Dividends paid	(17,291)	(11,527)
Interest paid	(481)	(811)
Proceeds from borrowings	1,138	668
Repayment of Islamic Debt Securities	-	(10,000)
Repayment of loan from Sabah State Government	(5,927)	(5,927)
Repayment of obligations under finance leases	(274)	(539)
<b>Net cash flows used in financing activities</b>	<b>(22,835)</b>	<b>(28,136)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(14,924)</b>	<b>(13,263)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at 1 January</b>	<b>43,536</b>	<b>31,723</b>
<b>Cash and cash equivalents at 30 September (Note A20)</b>	<b>28,612</b>	<b>18,460</b>
<b>Composition of cash and cash equivalents</b>		
Cash on hand and at banks	20,153	14,559
Short term deposits with licensed banks	8,459	3,901
<b>Cash and cash equivalents at 30 September (Note A20)</b>	<b>28,612</b>	<b>18,460</b>

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 2017 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**

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**A1. Corporate information**

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 15 November 2018.

**A2. Basis of preparation**

The condensed consolidated interim financial statements of the Group for the third quarter ended 30 September 2018 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 2017. 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 2017.

**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 2017, except for the adoption of the following MFRSs and Amendments to MFRSs, if applicable during the current financial period:

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

- MFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers
- MFRS 140 Transfers of Investment Property (Amendments to MFRS 140)
- Annual Improvements to MFRS Standards 2014 – 2016 Cycle
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The nature and impact of MFRS 9 Financial Instruments

The Group adopted MFRS 9 Financial Instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting. Hedge accounting is currently not applicable to the Group.

On the effective date, the Group applies MFRS 9 retrospectively, but has elected not to restate the comparative information as there is no significant impact on the interim financial statements.

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

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**A3. Changes in accounting policies (continued)**

The nature and impact of MFRS 9 Financial Instruments (continued)

The adoption of MFRS 9 results in the following changes to the Group's accounting policies, which is the classification and measurement of financial instruments. The following table summarises the impact on classification and measurement to the Group's financial assets and financial liabilities:

<b>Financial Assets / Liabilities</b>	<b>Original Measurement Category Under MFRS 139</b>	<b>New Measurement Category Under MFRS 9</b>
Cash and Bank Balances	Amortised Cost	Amortised Cost
Investment Securities	Fair Value Through Profit or Loss	Fair Value Through Profit or Loss
Trade and Other Receivables	Amortised Cost	Amortised Cost
Trade and Other Payables	Amortised Cost	Amortised Cost

The accounting for financial liabilities remains the same as it was under MFRS 139.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured on either 12 month ECLs or lifetime ECLs.

The Group adopts a simplified approach and all trade and other receivables are subject to MFRS 9's new expected credit loss impairment model.

Based on the Group's impairment assessment on its trade and other receivables using the simplified approach, there is no material impairment to be recognised in the interim financial statements.

The nature and impact of MFRS 15 Revenue from Contracts with Customers

MFRS 15 Revenue from Contracts with Customers is effective for annual period beginning 1 January 2018, replaces MFRS 118 'Revenue' and MFRS 111 Construction Contracts and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, the Group 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.

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

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**A3. Changes in accounting policies (continued)**

The nature and impact of MFRS 15 Revenue from Contracts with Customers (continued)

Consistent with the disclosures under Note 2.4 of the Audited Financial Statement for the financial year ending 31 December 2017, the Group has identified the following revenue generation areas that are affected with the adoption of MFRS 15:

- Income from Port Operations.
- Construction Contracts.
- Advance Received from Customers.
- Sale of Goods.

The Group has assessed the existing policies applied by the Group in respect of the recognition of revenue pursuant to the requirements of MFRS 15. The application of MFRS 15 does not have significant impact on the interim financial statements.

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 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

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

- MFRS 17 Insurance Contracts

Deferred.

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

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

The initial application of the accounting standards, amendments and interpretation are not expected to have any material financial impact on the financial statements of the Group except as mentioned below:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

**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 September 2018.

**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 period.

**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 September 2018.

**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 September 2018, there was no new issuance of share capital and repayment made for debt securities (30 September 2017: RM10,000,000). The debt securities had been fully paid in the year 2017.

However, there was repayment made for loan from Sabah State Government amounting to RM5,927,000 in the current year-to-date (30 September 2017: RM5,927,000).

**A9. Dividends paid**

During the current quarter and financial year-to-date ended 30 September 2018, there were payment of first and final dividend for year 2017 of 6 sen per share (30 September 2017: final dividend for year 2016 of 4 sen per share), as follows:

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
<u>For 2016:</u> 4.0% final tax exempt dividend, on 288,183,992 ordinary shares, declared on 22 May 2017 and paid on 30 June 2017	-	11,527	-	11,527
<u>For 2017:</u> 6.0% first and final tax exempt dividend, on 288,183,992 ordinary shares, declared on 26 June 2018 and paid on 31 July 2018	17,291	-	17,291	-
	17,291	11,527	17,291	11,527

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

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**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 97% to the Group's revenue (30 September 2017: 97%) and 84% (30 September 2017: >100%) to the Group's profit before tax.

For the year-to-date, it contributed 96% to the Group's revenue (30 September 2017: 97%) and 83% (30 September 2017: >100%) to the Group's profit before tax.

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

The cargo volume handled at Sabah Ports is closely correlated to the Sabah state economy and also the regional economy. For the current quarter, there was a drop in total tonnage handled by 13%, mainly attributed to lower palm oil and fertiliser throughput. However, for the year-to-date, there was a slight increase in cargo throughput by 4%. The total tonnage handled for the current quarter and year-to-date ended was 7.2 million (30 September 2017: 8.2 million) and 23.2 million metric tonnes (30 September 2017: 22.2 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 14% to 105,244 from 91,941 TEUs in the preceding year's corresponding quarter. For the year-to-date, total TEUs was also higher by 9% at 286,388 TEUs as compared to 262,308 TEUs registered in prior year-to-date.

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

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**A10. Segmental information (continued)**

**Port operations (continued)**

Profit before tax has decreased by RM2.2 million (4%) to RM48.8 million for the current year-to-date from RM51.0 million in prior year. The increase in operating revenue was offset by higher operating expenditures in the current quarter and year-to-date which were mainly attributable to higher personnel costs, stevedorage contract labour, amortisation of capital expenditure and stevedorage cost for tug boat services as well as write-off of bulk fertilizer conveyor facility at Sandakan Port.

For the coming months, it is expected that higher volume of containers will go through the wharves due to festive seasons.

**Logistics and bunkering services**

For the current quarter and year-to-date, the logistics and bunkering services segment has given minimum contribution to the Group's revenue and registered a loss before tax.

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 2% of the Group's revenue (30 September 2017: 2%).

For the year-to-date, it contributed 4% of the Group's revenue (30 September 2017: 2%).

The increase in the year-to-date's revenue was mainly recognition of revenue from Railway upgrading project connecting Halogilat and Tenom for Sabah State Railway Department amounted to RM7.3 million.

In the ferry terminal operations, the passenger fees from Jesselton Point operations is the main source of revenue, contributed 21% to this segment's revenue (30 September 2017: 57%). 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 20% from 29% in 2017. For the year-to-date, this segment registered pretax profit of RM0.9 million (30 September 2017: RM0.6 million).

**Investment holding**

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

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

**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 2018, there would not be any amount recognised in Group's revenue except for the unwinding of discount on long term trade receivable amounted to RM13.4 million (30 September 2017: RM13.5 million) recognised under other income.

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

The segment results are as follows:

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
<b>Segment revenue</b>				
Investment holding	2,662	2,663	24,557	16,688
Property development	-	-	-	-
Port operations	89,098	84,536	301,079	210,930
Logistics and bunkering services	2,213	1,924	6,020	5,949
Contract and engineering and ferry terminal operations	1,426	1,337	11,518	4,236
Revenue including inter-segment sales	95,399	90,460	343,174	237,803
Elimination of inter-segment sales	(3,859)	(3,714)	(28,174)	(19,850)
<b>Total revenue</b>	<b>91,540</b>	<b>86,746</b>	<b>315,000</b>	<b>217,953</b>



**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	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
<b>Segment results</b>				
Investment holding	375	462	17,464	9,979
Property development	4,597	(6,110)	13,398	2,904 (*)
Port operations	16,001	20,834	48,758	51,007
Logistics and bunkering services	(53)	(206)	(314)	(376)
Contract and engineering and ferry terminal operations	(372)	744	867	624
Profit from operations including inter- segment transactions	20,548	15,724	80,173	64,138
Elimination of inter-segment transactions	(1,575)	(1,575)	(21,295)	(13,425)
<b>Total profit before tax</b>	<b>18,973</b>	<b>14,149</b>	<b>58,878</b>	<b>50,713</b>

(\*) Net of revision to estimated cash flows of RM10.8 million.

**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 September 2018.

**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 September 2018 and 30 September 2017:

	<b>Current quarter 3 months ended</b>		<b>Year-to-date ended</b>	
	<b>30.09.2018 RM'000</b>	<b>30.09.2017 RM'000</b>	<b>30.09.2018 RM'000</b>	<b>30.09.2017 RM'000</b>
<i>Subsidiaries:</i>				
Dividend income	1,575	1,575	21,295	13,425
Interest income	18	(4)	91	1
Management fees income	1,065	1,065	3,195	3,195
Rental income	23	23	68	68
<i>Company related to Substantial shareholder:</i>				
Car leasing expenses	-	16	-	48
<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	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Employee benefits expense	16,300	16,058	49,137	46,276
Non-executive directors' remuneration	291	354	998	1,031
Allowance for impairment loss on:				
- trade receivables	49	(68)	83	112
- other receivables	-	-	-	-
Amortisation of concession assets	11,050	10,441	35,047	32,335
Auditors' remuneration:				
Statutory audit:				
- current year	31	32	96	96
- under/(over) provision in respect of previous year	112	14	106	24
Other services:				
- current year	52	2	54	37
- under/ (over) provision in respect of previous year	-	6	-	6
Depreciation of property, plant and equipment	606	766	1,820	1,961
Hiring of equipment and motor vehicles	33	25	45	91
Concession assets written off	2,497	608	9,508	608
Impairment loss on concession assets	-	-	-	-
Inventories written down	-	-	-	-
Leasing of port land	2,273	3,971	6,778	6,843
Net fair value (gain)/loss on financial instruments:				
- Investment securities	(126)	(303)	(99)	(639)
(Gain)/loss on disposals of concession assets	-	-	-	-
(Gain)/loss on disposals of property, plant and equipment	(19)	(4)	(33)	(31)
Plant and equipment written off	-	-	-	-
Revisions to estimated cash flows on receivable	-	10,790	-	10,790
Realised (gain)/loss on foreign exchange	8	65	(15)	320
Rental of office premises	210	293	663	755
Reversal of allowance for impairment loss:				
- trade and other receivables	(12)	(940)	(255)	(1,150)
- concession assets	-	-	-	-
Unrealised exchange (gain)/loss	-	-	(18)	-

**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	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Income tax expense for the year-to-date:				
Malaysian income tax	2,369	4,812	10,671	11,361
Deferred tax	1,104	5,944	3,216	8,107
	3,473	10,756	13,887	19,468

Income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 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, 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	
	30.09.2018 RM'000	30.09.2017 RM'000	30.09.2018 RM'000	30.09.2017 RM'000
Profit net of tax for the financial year-to-date	15,500	3,393	44,991	31,245
Less: Attributable to non-controlling interests	-	-	-	-
Profit net of tax attributable to owners of the Company	15,500	3,393	44,991	31,245
Weighted average number of ordinary shares	288,184	288,184	288,184	288,184
Basic earnings per ordinary share (sen)	5.38	1.18	15.61	10.84

**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 RM109,000 (30 September 2017: RM1,436,000).

During the quarter and year-to-date ended 30 September 2018, assets with carrying amount of RM2,800 has been disposed off (30 September 2017: RM33,000), resulting in a gain on disposal of RM33,000 (30 September 2017: RM31,000) 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 September 2018, there were no write-down of property, plant and equipment (30 September 2017: Nil).

**A18. Concession assets**

<b>Group</b>	<b>Port concession rights RM'000</b>	<b>Leased port infrastructure and facilities RM'000</b>	<b>Capital expenditure RM'000</b>	<b>Total RM'000</b>
<b>Cost:</b>				
<b>At 1 January 2018</b>	213,679	45,296	990,083	1,249,058
Addition	-	-	108,058	108,058
Disposal	-	-	-	-
Write off	-	-	(17,722)	(17,722)
<b>At 30 September 2018</b>	<b>213,679</b>	<b>45,296</b>	<b>1,080,419</b>	<b>1,339,394</b>
<b>Accumulated amortisation:</b>				
<b>At 1 January 2018</b>	93,421	20,132	355,124	468,677
Amortisation	5,398	1,132	33,960	40,490
Disposal	-	-	-	-
Write off	-	-	(3,825)	(3,825)
Impairment loss recognised in profit or loss	-	-	-	-
<b>At 30 September 2018</b>	<b>98,819</b>	<b>21,264</b>	<b>385,259</b>	<b>505,342</b>
<b>Net carrying amount:</b>				
At 31 December 2017	120,258	25,164	634,959	780,381
At 30 September 2018	114,860	24,032	695,160	834,052

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 September 2018 (30 September 2017: Nil).

**A20. Cash and cash equivalents**

	<b>As at 30.09.2018 RM'000</b>	<b>As at 31.12.2017 RM'000</b>
Cash at banks and on hand	20,153	18,200
Cash at banks pledged as securities for Bank facilities	1,600	130
Deposits pledged as securities for Bank Guarantee	6,316	11,024
Short term deposits with licensed banks	8,459	25,336
Deposits with maturity more than 3 months	9,819	16,705
	<b>46,347</b>	<b>71,395</b>

Short term deposits are made for varying periods of between 1 month and 3 months depending on the immediate cash requirements of the Group, and earn interests at the respective short term deposit rates. The weighted average effective interest rates as at 30 September 2018 for the Group were 3.7% (2017: 3.7%).

Deposits more than 3 months are made for periods of 6 months to 24 months (2017: 1 year) and the weighted average effective interest rates as at 30 September 2018 for the Group were 3.8% (2017: 3.7%).

Included in deposits with maturity more than 3 months of the Group are deposits amounting to RM6,073,000 (2017: RM15,868,000) 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:

	<b>As at 30.09.2018 RM'000</b>	<b>As at 30.09.2017 RM'000</b>
Cash on hand and at banks	20,153	14,559
Short term deposits with licensed banks	8,459	3,901
	<b>28,612</b>	<b>18,460</b>

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

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**A21. Fair value of assets and liabilities**

**A. Fair value hierarchy**

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical financial assets or liabilities that the Group can access at the measurement date,
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly; and
- Level 3 Inputs for the financial assets or liabilities that are not based on observable market data

**B. Financial assets measured at fair value**

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

	<b>Fair value measurements at the reporting period using</b>				<b>Carrying amount RM'000</b>
	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investment securities					
- 30 September 2018	-	50,092	-	50,092	50,092
- 31 December 2017	-	62,611	-	62,611	62,611

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. 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**

The following table analyses financial instruments carried at fair value and those not carried at fair value 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	
<b>At 30 September 2018</b>					
<b>Financial liabilities (Non-current)</b>					
Other payable			3,511	3,511	3,511
Borrowings					
- Obligations under finance leases			167	167	167
- Term loan			-	-	-
Loan from Sabah Ports Authority			26,146	26,146	26,981
Amount due to Sabah State Government			11,576	11,576	11,853
<b>At 31 December 2017</b>					
<b>Financial liabilities (Non-current)</b>					
Other payable			2,456	2,456	2,456
Borrowings					
- Obligations under finance leases			367	367	380
Loan from Sabah Ports Authority			26,146	26,146	26,981
Amount due to Sabah State Government			11,576	11,576	11,852

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 September 2018 and 31 December 2017 were as follows:

	<b>As at 30.09.2018 RM'000</b>	<b>As at 31.12.2017 RM'000</b>
<b>Current</b>		
Secured:		
- Obligations under finance leases	401	353
- Letter of Credit / Trust Receipt	999	-
	<u>1,400</u>	<u>353</u>
<b>Non-current</b>		
Secured:		
- Obligations under finance leases	167	380
	<u>167</u>	<u>380</u>
	<u>1,567</u>	<u>733</u>

The above borrowings are denominated in local currency.

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

**A23. Concession liabilities**

<b>Group</b>	<b>As at 30.09.2018 RM'000</b>	<b>As at 31.12.2017 RM'000</b>
At 1 January	123,931	125,985
Unwinding of discount	5,962	8,108
Payments	(7,776)	(10,162)
	<u>122,117</u>	<u>123,931</u>
<b>Current</b>	2,592	10,368
<b>Non current:</b>		
More than 1 year and less than 2 years	10,099	9,891
More than 2 years and less than 5 years	27,646	27,055
5 years or more	81,780	76,617
	<u>119,525</u>	<u>113,563</u>
	<u>122,117</u>	<u>123,931</u>

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**

	<b>As at 30.09.2018 RM'000</b>	<b>As at 30.09.2017 RM'000</b>
<b>Approved and contracted for</b>		
Sapangar Bay bunkering line	149	179
Jetty head extension at Sapangar Bay Oil Terminal	1,191	1,233
Jetty extension at Karamunting Palm Oil Terminal, Sandakan Port	33,195	97,012
Extension of container yard at Sapangar Bay Container Port	36	284
Sapangar Bay Conventional Cargo Terminal	-	450
Purchase of cargo handling equipment	-	33,781
Major repairs and improvements at ports	7,539	14,375
	42,110	147,314
<b>Approved but not contracted for</b>		
Purchase of property, plant and equipment	209,529	276,224
Improvement to port infrastructure facilities	46,631	49,309
	256,160	325,533
	298,270	472,847

The approved but not contracted for amounting to RM269.1 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**

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**B1. Performance review**

**Current quarter**

For the current quarter ended 30 September 2018, the Group registered revenue of RM91.5 million, increased by RM4.8 million or 6% when compared to the previous year's corresponding quarter ended 30 September 2017 of RM86.7 million. The increase in revenue was mainly contributed by 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 RM30.0 million (30 September 2017: RM23.8 million). However, lower ports' operating revenue by 2% was recorded for the current quarter mainly due to lower cargo throughput during the current quarter by 13%. However, containers registered higher volume by 14%.

The Group registered a pre-tax profit of RM19.0 million for the quarter ended 30 September 2018, higher by RM4.9 million (35%) from RM14.1 million for the corresponding quarter ended 30 September 2017, mainly due to lower other expenses for the quarter. Other expenses attributed to assets written-off and revision to estimated cash flows on receivable.

**Year-to-date**

For the year-to-date ended 30 September 2018, the Group registered revenue of RM315.0 million, higher by RM97.1 million or 45% when compared to the previous year-to-date ended 30 September 2017 of RM217.9 million. The increase in revenue was mainly attributable to the port operations and contract and engineering business segments. Higher ports' operating revenue by 7% was due to improvement in cargo throughput handled by 4% and higher containers volume handled by 9% during the year-to-date. Whereas for contract and engineering, it registered construction revenue from the railway upgrading project which is currently on-going.

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 RM121.3 million (30 September 2017: RM45.7 million) which was also the contributing factor for the revenue increase for the year-to-date.

The Group registered a pre-tax profit of RM58.9 million for the year-to-date ended 30 September 2018, increased by RM8.2 million (16%) from RM50.7 million for the prior year-to-date ended 30 September 2017, mainly due to higher gross profit corresponding to the increase in operating revenue from port operations as well as lower finance costs and other expenses.

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**

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**B2. Comment on material change in profit before taxation**

The Group reported a pre-tax profit of RM19.0 million for the current quarter as compared to RM19.9 million for the immediate preceding quarter, representing a decrease of RM0.9 million (5%), mainly due to lower gross profit corresponding to lower revenue reported for the current quarter.

**B3. Commentary on prospects**

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

Interim ordinary dividend of 3.5% (3.5 sen per ordinary share) has been recommended in respect of the financial year ended 31 December 2018 (30 September 2017: Nil), to be made payable on 22 November 2018.

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

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**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 September 2018 and 30 September 2017.

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

The breakdown of the retained earnings of the Group as at 30 September 2018 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with *Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses* in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>As at 30.09.2018 RM'000</b>	<b>As at 30.09.2017 RM'000</b>
Realised	722,471	709,750
Unrealised	(21,213)	(49,986)
	701,258	659,764
Add: Consolidation adjustments	18,651	14,771
<b>Total Group retained earnings as per financial statements</b>	<b>719,909</b>	<b>674,535</b>

**B11. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2017 was not qualified.

**B12. Authorisation for issue**

The Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 November 2018.