



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 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 September 2019

	Note	Current quarter 3 months ended		Year-to-date ended	
		30.09.2019 Unaudited RM'000	30.09.2018 Unaudited RM'000	30.09.2019 Unaudited RM'000	30.09.2018 Unaudited RM'000
Revenue		65,289	91,540	204,591	315,000
Cost of sales		(47,568)	(67,963)	(141,715)	(240,437)
Gross profit		17,721	23,577	62,876	74,563
Other items of income					
Interest income		1,181	445	1,306	1,387
Other income		6,759	6,949	22,143	20,870
Other items of expense					
Administrative expense		(9,143)	(8,082)	(26,509)	(25,463)
Finance costs		(807)	(674)	(2,748)	(2,022)
Other expenses		(827)	(3,242)	(851)	(10,457)
Profit before tax	A14	14,884	18,973	56,217	58,878
Income tax expense	A15	(3,675)	(3,473)	(14,922)	(13,887)
Profit net of tax		11,209	15,500	41,295	44,991
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		11,209	15,500	41,295	44,991
Profit net of tax attributable to:					
Owners of the Company		11,209	15,500	41,295	44,991
Non-controlling interests		-	-	-	-
		11,209	15,500	41,295	44,991
Total comprehensive income attributable to:					
Owners of the Company		11,209	15,500	41,295	44,991
Non-controlling interests		-	-	-	-
		11,209	15,500	41,295	44,991
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	A16	3.24	4.48	11.94	13.01

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 September 2019

	Note	As at 30.09.2019 Unaudited RM'000	As at 31.12.2018 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A17	59,652	60,668
Concession assets	A18	838,297	860,128
Deferred tax assets		21,347	24,807
Other assets		24,965	25,265
Trade receivable		246,644	246,644
Right of use asset		473	-
		1,191,378	1,217,512
Current assets			
Inventories	A19	5,628	6,357
Trade and other receivables		49,231	47,757
Contract asset		6,315	10,710
Other assets		7,055	5,758
Tax refundable		6,688	6,733
Investment securities	A21	61,801	65,970
Cash and bank balances	A20	56,797	56,322
		193,515	199,607
TOTAL ASSETS		1,384,893	1,417,119

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

	Note	As at 30.09.2019 Unaudited RM'000	As at 31.12.2018 Audited RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	A22	22,273	55,971
Loan from Sabah Ports Authority		26,981	26,981
Amount due to Sabah State Government		20	5,966
Concession liabilities	A23	2,646	10,583
Contract liability		3,301	9,434
Trade and other payables		39,196	55,048
Lease liabilities		595	-
		95,012	163,983
Net current assets		98,503	35,624
Non-current liabilities			
Borrowings	A22	207	187
Amount due to Sabah State Government		5,927	5,927
Concession liabilities	A23	116,753	110,929
Employee defined benefit liability		77	77
Deferred tax liabilities		56,076	57,549
		179,040	174,669
TOTAL LIABILITIES		274,052	338,652
Net assets		1,110,841	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		750,420	718,046
		1,110,850	1,078,476
Non-controlling interests		(9)	(9)
TOTAL EQUITY		1,110,841	1,078,467
TOTAL EQUITY AND LIABILITIES		1,384,893	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 September 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		41,295	41,295	-	-	41,295	-	-	-	-
Other comprehensive income		-	-	-	-	-	-	-	-	-
Effect on adoption of MFRS 16		(275)	(275)	-	-	(275)	-	-	-	-
Total comprehensive income for the period		41,020	41,020	-	-	41,020	-	-	-	-
Transactions with owners										
Dividends on ordinary shares	A9	(8,646)	(8,646)	-	-	(8,646)	-	-	-	-
Total transactions with owners		(8,646)	(8,646)	-	-	(8,646)	-	-	-	-
Closing balance at 30 September 2019		1,110,841	1,110,850	358,825	-	750,420	1,605	1,998	(393)	(9)

Condensed consolidated statements of changes in equity (continued)
For the year-to-date ended 30 September 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		44,991	44,991	-	-	44,991	-	-	-	-
Transactions with owners										
Dividends on ordinary Shares	A9	(17,291)	(17,291)	-	-	(17,291)	-	-	-	-
Non-controlling interests' share in a subsidiary		5	-	-	-	-	-	-	-	5
Total transactions with owners		(17,286)	(17,291)	-	-	(17,291)	-	-	-	5
Closing balance at 30 September 2018		1,080,601	1,080,596	358,825	-	719,909	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 September 2019

	Year-to-date ended	
	30.09.2019	30.09.2018
	Unaudited	Unaudited
	RM'000	RM'000
Operating activities		
Profit before tax	56,217	58,878
<u>Adjustments for:</u>		
Amortisation of concession assets	38,614	35,047
Allowance for impairment loss on:		
- trade receivables	244	83
- other receivables	-	-
Concession assets written off	60	9,508
Depreciation of property, plant and equipment	1,381	1,820
Depreciation on Right-of-use asset		
Employee defined benefit expenses	-	52
Employee leave entitlement	272	70
Finance costs	2,748	2,022
Finance costs on Right-of-use asset		
Gain on disposal of concession assets	-	-
Gain on disposal of property, plant and equipment	-	(33)
Impairment loss on concession assets	-	-
Interest income	(1,306)	(1,387)
Inventories written down	-	-
Investment income from investment securities	(234)	(584)
Net fair value (gain)/loss on held for trading investment securities	(188)	(84)
Plant and equipment written off	-	-
Realised gain on foreign exchange	(18)	-
Revisions to estimated cash flows on receivables		
Reversal of allowance for impairment on receivable	(57)	(255)
Unrealised exchange loss/(gain)	-	(18)
Unwinding of discount on:		
- long term receivables	(14,417)	(13,398)
- concession liabilities	5,824	5,962
Total adjustments	32,923	38,805
Operating cash flows before changes in working capital		
<u>Changes in working capital:</u>		
Decrease/(increase) in inventories	729	(256)
(Increase)/ decrease in trade and other receivables	(1,474)	(25,943)
(Increase)/ decrease in other assets	(997)	12,762
Decrease in contract asset	4,395	-
(Decrease)/ increase in trade and other payables	(15,852)	10,677
(Increase)/decrease in Right-of-use asset	(473)	-
Payment of concession liabilities	(7,937)	(7,776)
(Decrease)/increase in contract liability	(6,133)	-
Increase/ (decrease) in lease liability	595	-
Payment of employee defined benefit liability	-	-
Total changes in working capital	(27,147)	(10,536)

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

	Year-to-date ended	
	30.09.2019	30.09.2018
	Unaudited	Unaudited
	RM'000	RM'000
Cash flows from operations	61,993	87,147
Income tax paid	(13,118)	(15,255)
Income tax refunded	265	233
Net cash flows from operating activities	49,140	72,125
Investing activities		
(Increase)/decrease in cash at banks and deposits pledged and deposits with maturity more than 3 months	(9,940)	10,124
Purchase of concession assets	(15,869)	(43,335)
Proceeds from disposal of concession assets	-	-
Proceeds from disposal of property, plant and equipment	33	36
Proceeds from disposal of investment securities	24,360	51,590
Purchase of investment securities	(16,711)	(57,910)
Purchase of property, plant and equipment	(840)	(109)
Land premium paid	-	(26,581)
Investment income received from investment securities	909	584
Interest received	1,306	1,387
Net cash flows used in investing activities	(16,752)	(64,214)
Financing activities		
Dividends paid	(8,716)	(17,291)
Interest paid	(726)	(481)
Proceeds from borrowings	6,884	1,138
Repayment of loan from Sabah Ports Authority	-	-
Repayment of loan from Sabah State Government	(5,927)	(5,927)
Repayment of obligations under finance leases	(33,382)	(274)
Net cash flows used in financing activities	(41,867)	(22,835)
Net increase in cash and cash equivalents	(9,479)	(14,924)
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 September (Note A20)	30,784	28,612
Composition of cash and cash equivalents		
Cash on hand and at banks	15,941	20,153
Short term deposits with licensed banks	14,843	8,459
Cash and cash equivalents at 30 September (Note A20)	30,784	28,612

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 November 2019.

A2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the third quarter ended 30 September 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 September 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 September 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 September 2019, there was no new issuance of share capital.

A9. Dividends paid

During the current quarter and financial year-to-date ended 30 September 2019, there were payment of final dividend for year 2018 of 2.5 sen per share (30 September 2018: first and final dividend for year 2017 of 6.0 sen per share), as follows:

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
<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
<u>For 2018:</u> 2.5% final tax exempt dividend, on 345,820,779 ordinary shares, declared on 27 June 2019 and paid on 31 July 2019	8,646	-	8,646	-
	8,646	17,291	8,646	17,291

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 86% to the Group's revenue (30 September 2018: 97%) and 76% (30 September 2018: 84%) to the Group's profit before tax.

For the year-to-date, it contributed 90% to the Group's revenue (30 September 2018: 96%) and 81% (30 September 2018: 83%) 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 12% and 8% 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 6.3 million and 21.3 million metric tonnes respectively.

The category of container which is charged differently as per the Sabah Ports' Tariff registered a decrease in total TEUs handled in the current quarter by 11% to 94,146 from 105,224 TEUs in the preceding year's corresponding quarter. For the year-to-date, total TEUs was 2% lower at 282,436 TEUs as compared to 288,297 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 decreased by RM3.1 million (6%) to RM45.6 million for the current year-to-date from RM48.7 million in prior year. This was mainly due to lower operating revenue but offset by lower other expenses which was mainly due to write off of bulk fertilizer conveyor facility at Sandakan Port in prior year.

Due to the uncertainties in current economic condition, we expect lesser cargo throughput and containers going through the wharves for the coming months.

Logistics and bunkering services

For the current quarter, the logistics and bunkering services segment contributed <1% (30 September 2018: 1%) to the Group's revenue.

For the year-to-date, it contributed 1% of the Group's revenue (30 September 2018: 1%).

Although low volume was registered for the supply of fuel and lubricants, 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 14% of the Group's revenue (30 September 2018: 2%).

For the year-to-date, it contributed 9% of the Group's revenue (30 September 2018: 4%).

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 RM14.2 million.

In the ferry terminal operations, the passenger fees from Jesselton Point operations is the main source of revenue, contributed 57% (30 September 2018: 56%). 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 13% from 20% 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 RM14.4 million (30 September 2018: RM13.4 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	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Segment revenue				
Investment holding	1,942	2,662	17,630	24,557
Property development	-	-	-	-
Port operations	55,931	89,098	184,519	301,079
Logistics and bunkering services	359	2,213	1,919	6,020
Contract and engineering and ferry terminal operations	9,833	1,426	19,041	11,518
Revenue including inter-segment sales	68,065	95,399	223,109	343,174
Elimination of inter-segment sales	(2,776)	(3,859)	(18,518)	(28,174)
Total revenue	65,289	91,540	204,591	315,000

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	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Segment results				
Investment holding	(33)	375	9,964	17,464
Property development	4,947	4,597	14,417	13,398
Port operations	11,240	16,001	45,604	48,758
Logistics and bunkering services	(128)	(53)	(160)	(314)
Contract and engineering and ferry terminal operations	433	(372)	827	867
Profit from operations including inter- segment transactions	16,459	20,548	70,652	80,173
Elimination of inter-segment transactions	(1,575)	(1,575)	(14,435)	(21,295)
Total profit before tax	14,884	18,973	56,217	58,878

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 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 September 2019 and 30 September 2018:

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
<i>Subsidiaries:</i>				
Dividend income	1,575	1,575	14,435	21,295
Interest income	12	18	47	91
Management fees income	1,065	1,065	3,195	3,195
Rental income	23	23	68	68
<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	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Employee benefits expense	17,082	16,300	49,202	49,137
Non-executive directors' remuneration	177	291	655	998
Allowance for impairment loss on:				
- trade receivables	63	49	244	83
- other receivables	-	-	-	-
Amortisation of concession assets	12,756	11,050	38,614	35,047
Auditors' remuneration:				
Statutory audit:				
- current year	35	31	107	96
- under/(over) provision in respect of previous year	30	112	100	106
Other services:				
- current year	2	52	2	54
- under/ (over) provision in respect of previous year	4	-	4	-
Depreciation of property, plant and equipment	437	606	1,381	1,820
Hiring of equipment and motor vehicles	18	33	38	45
Concession assets written off	60	2,497	60	9,508
Impairment loss on concession assets	-	-	-	-
Inventories written down	-	-	-	-
Leasing of port land	2,059	2,273	6,176	6,778
Net fair value (gain)/loss on financial instruments:				
- Investment securities	85	(126)	(234)	(99)
(Gain)/loss on disposals of concession assets	-	-	-	-
(Gain)/loss on disposals of property, plant and equipment	(33)	(19)	(33)	(33)
Plant and equipment written off	-	-	-	-
Realised (gain)/loss on foreign exchange	(8)	8	(18)	(15)
Rental of office premises	217	210	648	663
Reversal of allowance for impairment loss:				
- trade and other receivables	26	(12)	(57)	(255)
- 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	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Income tax expense for the year-to-date:				
Malaysian income tax	3,221	2,369	11,462	10,671
Deferred tax	454	1,104	3,460	3,216
	3,675	3,473	14,922	13,887

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	
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
Profit net of tax for the financial year-to-date	11,209	15,500	41,295	44,991
Less: Attributable to non-controlling interests	-	-	-	-
Profit net of tax attributable to owners of the Company	11,209	15,500	41,295	44,991
Weighted average number of ordinary shares (*)	345,821	345,821	345,821	345,821
Basic earnings per ordinary share (sen)	3.24	4.48	11.94	13.01

(*) 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 RM840,088 (30 September 2018: RM109,000).

During the quarter and year-to-date ended 30 September 2019, assets with carrying amount of RM987,347 has been disposed off (30 September 2018: RM2,800), resulting in a gain on disposal of RM32,568 (30 September 2018: RM33,000) 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 2019, there were no write-down of property, plant and equipment (30 September 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	-	-	16,601	16,601
Disposal	-	-	(937)	(937)
Write off	-	-	-	-
At 30 September 2019	213,679	45,296	1,129,094	1,388,070
Accumulated amortisation:				
At 1 January 2019	100,621	21,642	390,043	512,306
Amortisation	5,398	1,132	30,938	37,468
Disposal	-	-	(1)	(1)
Write off	-	-	-	-
Impairment loss	-	-	-	-
At 30 September 2019	106,019	22,774	420,980	549,773
Net carrying amount:				
At 31 December 2018	113,061	23,654	723,413	860,128
At 30 September 2019	107,660	22,522	708,114	838,297

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 2019 (30 September 2018: Nil).

A20. Cash and cash equivalents

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
Cash at banks and on hand	15,941	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	7,394	6,891
Short term deposits with licensed banks	14,843	22,635
Deposits with maturity more than 3 months	18,619	8,679
	56,797	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 September 2019 for the Group were 3.7% (2018: 3.7%).

Deposits more than 3 months are made for periods of 6 months to 24 months (2018: 6 months to 24 months) and the weighted average effective interest rates as at 30 September 2019 for the Group were 3.76% (2018: 3.8%).

Included in deposits with maturity more than 3 months of the Group are deposits amounting to RM6,295,000 (2018: RM6,073,000) 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 30.09.2019 RM'000	As at 30.09.2018 RM'000
Cash on hand and at banks	15,941	20,153
Short term deposits with licensed banks	14,843	8,459
	30,784	28,612

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 September 2019	-	61,801	-	61,801
- 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 September 2019					
Financial liabilities (Non-current)					
Borrowings					
- Obligations under finance leases	-	-	207	207	207
- Amount due to Sabah State Government	-	-	5,927	5,927	5,927
At 31 December 2018					
Financial liabilities (Non-current)					
Borrowings					
- Obligations under finance leases	-	-	179	179	187
- Amount due to Sabah State Government	-	-	5,927	5,927	5,927

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 2019 and 31 December 2018 were as follows:

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
Current		
Secured:		
- Obligations under finance leases	158	305
- Trust Receipts	2,018	5,569
Unsecured:		
Short-term revolving credit	20,097	50,097
	22,273	55,971
Non-current		
Secured:		
- Obligations under finance leases	207	187
	207	187
	22,480	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 30.09.2019 RM'000	As at 31.12.2018 RM'000
At 1 January	121,512	123,931
Unwinding of discount	5,824	7,949
Payments	(7,937)	(10,368)
	<hr/>	<hr/>
At 30 June	119,399	121,512
	<hr/>	<hr/>
Current	2,646	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	89,103	73,183
	<hr/>	<hr/>
	116,753	110,929
	<hr/>	<hr/>
	119,399	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 30.09.2019 RM'000	As at 30.09.2018 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	11,625	33,195
Extension of container yard at Sapangar Bay Container Port	173	36
Sapangar Bay Conventional Cargo Terminal	-	-
Purchase of cargo handling equipment	-	-
Major repairs and improvements at ports	9,015	7,539
	21,593	42,110
Approved but not contracted for		
Purchase of property, plant and equipment	202,711	209,529
Improvement to port infrastructure facilities	26,701	46,631
	229,412	256,160
	251,005	298,270

The approved but not contracted for amounting to RM229.4 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 September 2019, the Group registered revenue of RM65.3 million, decreased by RM26.2 million or 29% when compared to the previous year's corresponding quarter ended 30 September 2018 of RM91.5 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 RM3.0 million (30 September 2018: RM30.0 million).

The Group registered a pre-tax profit of RM14.9 million for the quarter ended 30 September 2019, lower by RM4.0 million (21%) from RM18.9 million for the corresponding quarter ended 30 September 2018, mainly due to lower revenue for the quarter under review.

Year-to-date

For the year-to-date ended 30 September 2019, the Group registered revenue of RM204.6 million, lower by RM110.4 million or 35% when compared to the prior year-to-date ended 30 September 2018 of RM315.0 million. The drop in revenue was partly attributable to the port operations business segment. Lower ports' operating revenue by 6% 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 RM16.3 million (30 September 2018: RM121.3 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 RM56.2 million for the year-to-date ended 30 September 2019, decreased by RM2.7 million (5%) from RM58.9 million for the prior year-to-date ended 30 September 2018, mainly due to lower revenue for the 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 RM14.9 million for the current quarter as compared to RM20.9 million for the immediate preceding quarter, representing a decrease of RM6.0 million (29%), mainly due to lower revenue 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 also 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

There were no interim dividend recommended in respect of the financial year-to-date ended 30 September 2019 (30 September 2018: 3.5 sen per ordinary share).

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 September 2019 and 30 September 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 November 2019.