



SURIA CAPITAL HOLDINGS BERHAD

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2018

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Condensed consolidated statements of profit or loss and other comprehensive income
For the quarter and year ended 31 December 2018

	Note	Current quarter 3 months ended		Year ended	
		31.12.2018 Unaudited RM'000	31.12.2017 Unaudited RM'000	31.12.2018 Unaudited RM'000	31.12.2017 Audited RM'000
Revenue		85,544	114,705	400,544	332,658
Cost of sales		(64,566)	(85,912)	(305,003)	(238,457)
Gross profit		20,978	28,793	95,541	94,201
Other items of income					
Interest income		476	688	1,863	1,888
Other income		6,743	6,313	27,613	31,108
Other items of expense					
Administrative expense		(1,642)	(1,221)	(27,105)	(27,164)
Finance costs		(943)	(997)	(2,965)	(4,075)
Other expenses		(9,469)	(16,574)	(19,926)	(28,243)
Profit before tax	A14	16,143	17,002	75,021	67,715
Income tax expense	A15	(8,187)	672	(22,074)	(18,796)
Profit net of tax		7,956	17,674	52,947	48,919
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		7,956	17,674	52,947	48,919
Profit net of tax attributable to:					
Owners of the Company		7,970	17,674	52,961	48,919
Non-controlling interests		(14)	-	(14)	-
		7,956	17,674	52,947	48,919
Total comprehensive income attributable to:					
Owners of the Company		7,970	17,674	52,961	48,919
Non-controlling interests		(14)	-	(14)	-
		7,956	17,674	52,947	48,919
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	A16	2.30	5.11	15.31	14.15

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 31 December 2018

	Note	As at 31.12.2018 Unaudited RM'000	As at 31.12.2017 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A17	60,668	60,680
Concession assets	A18	860,128	780,381
Deferred tax assets		24,807	28,944
Other assets		25,265	50,905
Trade receivable		246,644	237,914
		1,217,512	1,158,824
Current assets			
Inventories	A19	6,357	4,650
Trade and other receivables		47,757	37,890
Contract asset		10,587	-
Other assets		5,758	10,068
Tax refundable		6,821	766
Investment securities	A21	65,970	62,611
Cash and bank balances	A20	56,322	71,395
		199,572	187,380
TOTAL ASSETS		1,417,084	1,346,204

Condensed consolidated statements of financial position (continued)
As at 31 December 2018

	Note	As at 31.12.2018 Unaudited RM'000	As at 31.12.2017 Audited RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	A22	55,971	353
Loan from Sabah Ports Authority		26,981	25,943
Amount due to Sabah State Government		5,966	5,987
Concession liabilities	A23	10,583	10,368
Contract liability		9,434	-
Trade and other payables		55,009	42,321
		163,944	84,972
Net current assets		35,628	102,408
Non-current liabilities			
Borrowings	A22	187	380
Loan from Sabah Ports Authority		-	26,981
Amount due to Sabah State Government		5,927	11,852
Concession liabilities	A23	110,929	113,563
Employee defined benefit liability		77	123
Deferred tax liabilities		57,549	52,981
Other payable		-	2,456
		174,669	208,336
TOTAL LIABILITIES		338,613	293,308
Net assets		1,078,471	1,052,896
Equity attributable to owners of the Company			
Share capital	A8	358,825	358,825
Other reserves		1,605	1,862
Retained earnings	B10	718,050	692,209
		1,078,480	1,052,896
Non-controlling interests		(9)	-
TOTAL EQUITY		1,078,471	1,052,896
TOTAL EQUITY AND LIABILITIES		1,417,084	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 ended 31 December 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	
Opening balance at 1 January 2018		1,052,896	1,052,896	358,825	-	692,209	1,862	2,255	(393)	-
Profit net of tax		52,947	52,961	-	-	52,961	-	-	-	(14)
Other comprehensive income		-	-	-	-	-	-	-	-	-
Total comprehensive income for the year		52,947	52,961	-	-	52,961	-	-	-	(14)
Transactions with owners										
Issuance of shares to non-controlling interests		5	-	-	-	-	-	-	-	5
Dividends on ordinary shares	A9	(27,377)	(27,377)	-	-	(27,377)	-	-	-	-
Forfeited of employee share options		-	-	-	-	257	(257)	(257)	-	-
Total transactions with owners		(27,372)	(27,377)	-	-	(27,120)	(257)	(257)	-	5
Closing balance at 31 December 2018		1,078,471	1,078,480	358,825	-	718,050	1,605	1,998	(393)	(9)

Condensed consolidated statements of changes in equity (continued)
For the year ended 31 December 2018

	Note	----- Attributable to owners of the Company -----								Non-controlling interests RM'000
		Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Non-distributable		Distributable	Non-distributable		Premium paid on acquisition of 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		
Opening balance at 1 January 2017		1,015,504	1,015,504	288,184	70,641	654,817	1,862	2,255	(393)	-
Profit net of tax		48,919	48,919	-	-	48,919	-	-	-	-
Other comprehensive income		-	-	-	-	-	-	-	-	-
Total comprehensive income for the year		48,919	48,919	-	-	48,919	-	-	-	-
Transactions with owners										
Transfer pursuant to the Companies Act, 2016		-	-	70,641	(70,641)	-	-	-	-	-
Dividends on ordinary shares	A9	(11,527)	(11,527)	-	-	(11,527)	-	-	-	-
Total transactions with owners		(11,527)	(11,527)	70,641	(70,641)	(11,527)	-	-	-	-
Closing balance at 31 December 2017		1,052,896	1,052,896	358,825	-	692,209	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 ended 31 December 2018

	Year ended	
	31.12.2018 Unaudited RM'000	31.12.2017 Audited RM'000
Operating activities		
Profit before tax	75,021	67,715
<u>Adjustments for:</u>		
Amortisation of concession assets	46,624	38,646
Allowance for impairment loss on:		
- trade receivables	161	619
- other receivables	2	-
Concession assets written off	10,452	-
Depreciation of property, plant and equipment	2,357	2,606
Employee defined benefit expenses	6	3
Employee leave entitlement	11	93
Employee leave entitlement written back	(73)	-
Finance costs	2,965	4,075
Gain on disposal of concession assets	(29)	(6)
Gain on disposal of plant and equipment	(27)	(50)
Impairment loss on concession assets	-	9,798
Interest income	(1,863)	(1,888)
Inventories written off	94	-
Investment income from investment securities	(975)	(3,851)
Net fair value (gain)/loss on held for trading investment securities	(447)	(838)
Plant and equipment written off	8	-
Revisions to estimated cash flows on receivables	-	10,701
Reversal of allowance for impairment on receivable	-	-
Unrealised exchange loss/(gain)	53	876
Unwinding of discount on:		
- long term receivable	(18,081)	(18,293)
- concession liabilities	7,949	8,108
- dredging costs	179	113
Total adjustments	49,366	50,712
Operating cash flows before changes in working capital	124,387	118,427
<u>Changes in working capital:</u>		
Increase in inventories	(1,801)	(622)
(Increase)/decrease in trade and other receivables	(681)	10,770
Decrease/(increase) in other assets	29,950	(23,414)
Increase in contract assets	(10,587)	-
Increase in trade and other payables	10,115	4,362
Increase in contract liability	9,434	-
Payment of concession liabilities	(10,368)	(10,162)
Payment of employee defined benefit liability	(52)	(76)
Total changes in working capital	26,010	(19,142)

Condensed consolidated statements of cash flows (continued)
For the year ended 31 December 2018

	Year ended	
	31.12.2018	31.12.2017
	Unaudited	Audited
	RM'000	RM'000
Cash flows from operations	150,397	99,285
Interest received	1,120	580
Income tax paid	(19,675)	(18,973)
Income tax refunded	253	687
Net cash flows from operating activities	132,095	81,579
Investing activities		
Decrease in cash at banks and deposits pledged and deposits with maturity more than 3 months	17,012	1,376
Increase in concession assets	(136,823)	(100,211)
Proceeds from disposal of concession assets	29	6
Proceeds from disposal of plant and equipment	292	186
Proceeds from disposal of investment securities	114,079	122,669
Purchase of investment securities	(116,991)	(40,338)
Purchase of property, plant and equipment	(2,488)	(499)
Investment income received from investment securities	975	3,851
Interest received	743	1,308
Net cash flows used in investing activities	(123,172)	(11,652)
Financing activities		
Dividends paid	(27,377)	(11,527)
Interest paid	(2,887)	(3,809)
Drawdown of revolving credit	55,000	-
Increase in trust receipt	5,569	-
Proceed from issuance ordinary shares to non-controlling interests	5	-
Repayment of revolving credit	(5,000)	-
Repayment of Islamic Debt Securities	-	(10,350)
Repayment of loan from Sabah Ports Authority	(25,943)	(24,946)
Repayment of amount due to Sabah State Government	(5,927)	(5,927)
Repayment of obligations under finance leases	(371)	(679)
Net cash flows used in financing activities	(6,931)	(57,238)
Net increase in cash and cash equivalents	1,992	12,689
Effect of exchange rate changes on cash and cash equivalents	(53)	(876)
Cash and cash equivalents at 1 January	43,536	31,723
Cash and cash equivalents at 31 December (Note A20)	45,475	43,536
Composition of cash and cash equivalents		
Cash on hand and at banks	17,628	18,200
Short term deposits with licensed banks	27,847	25,336
Cash and cash equivalents at 31 December (Note A20)	45,475	43,536

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

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 26 February 2019.

A2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the fourth quarter ended 31 December 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 year:

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

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:

Financial Assets / Liabilities	Original Measurement Category Under MFRS 139	New Measurement Category Under MFRS 9
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

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 Group adopted MFRS 15 using the modified retrospective approach with the date of initial application of 1 January 2018. Therefore, comparative was not restated and continues to be reported under MFRS 111, MFRS 118 and related interpretations. The effect of adopting MFRS 15 as at 1 January 2018 was reclassification of RM9,434,000 from other payables, advance payments received from customers to contract liability.

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
- MFRS 119 Plan Amendment, Curtailment or settlement (Amendments to MFRS 119)

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.

- 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:

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

A3. Changes in accounting policies (continued)

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.

A4. Significant events and transactions

There were no significant event and transaction that would have had a material impact on the financial position and performance of the Group as at 31 December 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 year.

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

There was no material unusual item affecting assets, liabilities, equity, net income, or cash flows during the financial year ended 31 December 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 ended 31 December 2018, there was no new issuance of share capital and repayment made for debt securities (31 December 2017: RM10,350,000). The debt securities had been fully settled in the year 2017.

However, there was repayment made for loan from Sabah State Government amounting to RM5,927,000 in the current year (31 December 2017: RM5,927,000).

A9. Dividends paid

During the current quarter and financial year ended 31 December 2018, there were payment of interim dividend for year 2018 of 3.5 sen per share and first and final dividend for year 2017 of 6 sen per share (31 December 2017: final dividend for year 2016 of 4 sen per share), as follows:

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

A9. Dividends paid (continued)

	Current quarter 3 months ended		Year ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 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
<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	-
<u>For 2018:</u> 3.5% interim tax exempt dividend, on 288,183,992 ordinary shares, declared on 3 October 2018 and paid on 22 November 2018	10,086	-	10,086	-
	10,086	-	27,377	11,527

A10. Segmental information

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

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

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

A10. Segmental information (continued)

Port operations

For the current quarter, the port operations segment contributed 87% to the Group's revenue (31 December 2017: >100%) and 90% (31 December 2017: 66%) to the Group's profit before tax.

For the year ended, it contributed 94% to the Group's revenue (31 December 2017: >100%) and 84% (31 December 2017: 92%) 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 5%, mainly attributed to lower fertilizer, wood products and general cargo throughput. For the year ended, there was a slight increase in cargo throughput by 2%. The total tonnage handled for the current quarter and year ended was 7.6 million (31 December 2017: 8.0 million) and 30.9 million metric tonnes (31 December 2017: 30.3 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 6% to 96,493 from 90,853 TEUs in the preceding year's corresponding quarter. For the year ended, total TEUs was also higher by 8% at 382,881 TEUs as compared to 353,161 TEUs registered in prior year.

Profit before tax has increased by RM1.0 million (2%) to RM63.3 million for the current year from RM62.3 million in prior year. The increase in operating revenue was offset by higher operating expenditures in the current quarter and year ended 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.

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

Logistics and bunkering services

For the current quarter and year ended, 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 13% of the Group's revenue (31 December 2017: 1%).

For the year ended, it contributed 6% of the Group's revenue (31 December 2017: 2%).

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

A10. Segmental information (continued)

Contract and engineering and ferry terminal operations (continued)

The increase in the current year's revenue was mainly recognition of revenue from Railway upgrading project connecting Halogilat and Tenom for Sabah State Railway Department amounted to RM17.5 million.

In the ferry terminal operations, the passenger fees from Jesselton Point operations is the main source of revenue, contributed 18% to this segment's revenue (31 December 2017: 55%). 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 14% from 17% in 2017. For the year ended, this segment registered pretax profit of RM0.9 million (31 December 2017: RM2.1 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.

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 RM18.1 million (31 December 2017: RM18.3 million) recognised under other income.

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

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:

	Current quarter 3 months ended		Year ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Segment revenue				
Investment holding	9,273	2,572	33,830	19,260
Property development	-	-	-	-
Port operations	74,658	127,981	375,737	338,911
Logistics and bunkering services	(1,693)	1,818	4,327	7,767
Contract and engineering and ferry terminal operations	11,417	1,090	22,935	5,326
Revenue including inter-segment sales	93,655	133,461	436,829	371,264
Elimination of inter-segment sales	(8,111)	(18,756)	(36,285)	(38,606)
Total revenue	85,544	114,705	400,544	332,658
Segment results				
Investment holding	6,452	(4,865)	23,916	5,114
Property development	4,420	4,424	17,818	7,328 (*)
Port operations	14,564	11,287	63,322	62,294
Logistics and bunkering services	(29)	(321)	(343)	(697)
Contract and engineering and ferry terminal operations	(786)	1,803	81	2,427
Profit from operations including inter- segment transactions	24,621	12,328	104,794	76,466
Elimination of inter-segment transactions	(8,478)	4,674	(29,773)	(8,751)
Total profit before tax	16,143	17,002	75,021	67,715

(*) Net of revision to estimated cash flows of RM10.7 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 year ended 31 December 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 ended 31 December 2018 and 31 December 2017:

	Current quarter		Year ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
<i>Subsidiaries:</i>				
Dividend income	8,275	1,575	29,570	15,000
Interest income	18	42	109	43
Interest expense	125	-	375	-
Management fees income	1,065	1,065	4,260	4,260
Rental income	29	22	105	90
<i>Company related to</i>				
<i>Substantial shareholder:</i>				
Car leasing expenses	-	12	-	60
<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	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Employee benefits expense	16,448	14,171	65,585	60,447
Non-executive directors' remuneration	170	314	1,168	1,345
Allowance for impairment loss on:				
- trade receivables	78	507	161	619
- other receivables	2	-	2	-
Amortisation of concession assets	11,577	6,311	46,624	38,646
Auditors' remuneration:				
Statutory audit:				
- current year	136	123	232	219
- under/(over) provision in respect of previous year	(103)	(12)	3	12
Other services:				
- current year	72	134	126	171
- under/ (over) provision in respect of previous year	8	(9)	8	(3)
Concession assets written off	944	-	10,452	-
Depreciation of property, plant and equipment	537	645	2,357	2,606
Rental of equipment	15	15	60	60
Impairment loss on concession assets	-	9,798	-	9,798
Inventories written off	94	-	94	-
Leasing of port land	1,719	907	8,497	7,750
Plant and equipment written off	8	-	8	-
Revisions to estimated cash flows on receivable	-	10,701	-	10,701
Realised (gain)/loss on foreign exchange	-	(353)	(15)	(33)
Rental of office premises	103	56	766	811
Reversal of allowance for impairment loss:				
- trade and other receivables	(41)	(2,207)	(296)	(3,357)
- concession assets	-	-	-	-

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 ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Income tax expense for the year-to-date:				
Malaysian income tax	2,698	6,791	13,369	18,152
Deferred tax	5,489	(7,463)	8,705	644
	8,187	(672)	22,074	18,796

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.

	Current quarter 3 months ended		Year ended	
	31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Profit net of tax for the financial year	7,956	17,674	52,947	48,919
Less: Attributable to non-controlling interests	14	-	14	-
Profit net of tax attributable to owners of the Company	7,970	17,674	52,961	48,919
Weighted average number of ordinary shares	345,821	345,821	345,821	345,821
Basic earnings per ordinary share (sen)	2.30	5.11	15.31	14.15

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 RM2,488,000 (31 December 2017: RM499,000).

During the quarter and year ended 31 December 2018, assets with carrying amount of RM264,000 has been disposed off (31 December 2017: RM137,000), resulting in a gain on disposal of RM27,000 (31 December 2017: RM50,000) 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 31 December 2018, there were no write-down of property, plant and equipment (31 December 2017: 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 2018	213,679	45,296	990,083	1,249,058
Addition	-	-	136,823	136,823
Disposal	-	-	(203)	(203)
Write off	-	-	(13,245)	(13,245)
At 31 December 2018	213,679	45,296	1,113,458	1,372,433
Accumulated amortisation:				
At 1 January 2018	93,421	20,132	355,124	468,677
Amortisation	7,197	1,510	37,917	46,624
Disposal	-	-	(203)	(203)
Write off	-	-	(2,793)	(2,793)
Impairment loss	-	-	-	-
At 31 December 2018	100,618	21,642	390,045	512,305
Net carrying amount:				
At 31 December 2017	120,258	25,164	634,959	780,381
At 31 December 2018	113,061	23,654	723,413	860,128

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 ended 31 December 2018 (31 December 2017: Nil).

A20. Cash and cash equivalents

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Cash at banks and on hand	17,628	18,200
Cash at banks pledged as securities for bank guarantees and facilities	489	130
Short term deposits pledged as securities for bank guarantees and facilities	1,679	-
Short term deposits with licensed banks	27,847	25,336
Deposits with maturity more than 3 months	8,679	27,729
	56,322	71,395

Short term deposits are made for varying periods of between 1 day and 3 months depending on the immediate cash requirements of the Group, and earn interests at the respective short term deposit rates. The weighted average effective interest rates as at 31 December 2018 for the Group were 3.6% (2017: 3.4%).

Deposits more than 3 months are made for a period of 1 year (2017: 1 year) and the weighted average effective interest rates as at 31 December 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 RM6,170,000 (2017: RM5,961,000) 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 31.12.2018 RM'000	As at 31.12.2017 RM'000
Cash on hand and at banks	17,628	18,200
Short term deposits with licensed banks	27,847	25,336
	45,475	43,536

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 class of assets measured at fair value at the reporting period:

	Fair value measurements at the reporting date using			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial assets				
Investment securities				
- 31 December 2018	-	65,970	-	65,970
- 31 December 2017	-	62,611	-	62,611

B. Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets that are categorised within Level 2 of the fair value hierarchy.

Investment securities

The fair value of investment securities are determined by reference to prices quoted by independent brokers.

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 date using				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
At 31 December 2018					
Liabilities (Non-current)					
Borrowings					
- Obligations under finance leases	-	-	179	179	187
Amount due to Sabah State Government	-	-	5,820	5,820	5,927
At 31 December 2017					
Liabilities (Non-current)					
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 31 December 2018 and 31 December 2017 were as follows:

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Current		
Secured:		
- Obligations under finance leases	305	353
- Trust Receipts	5,569	-
Unsecured:		
Revolving credit facility	50,097	-
	<u>55,971</u>	<u>353</u>
Non-current		
Secured:		
- Obligations under finance leases	187	380
	<u>187</u>	<u>380</u>
	<u>56,158</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

Group	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
At 1 January	123,931	125,985
Unwinding of discount	7,949	8,108
Payments	(10,368)	(10,162)
At 31 December	<u>121,512</u>	<u>123,931</u>
Current	10,583	10,368
Non current:		
More than 1 year and less than 2 years	10,099	9,891
More than 2 years and less than 5 years	27,647	27,055
5 years or more	73,183	76,617
	<u>110,929</u>	<u>113,563</u>
	<u>121,512</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

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Approved and contracted for		
Sapangar Bay bunkering line	187	217
Sandakan Port wharf extension	15,466	78,048
Other projects and equipment	6,770	12,029
	22,423	90,294
Approved but not contracted for		
Purchase of property, plant and equipment	260,629	267,198
Improvement to port infrastructure facilities	73,252	82,404
	333,881	349,602
	356,304	439,896

The approved but not contracted for amounting to RM333.9 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 31 December 2018, the Group registered revenue of RM85.5 million, decreased by RM29.2 million or 25% when compared to the previous year's corresponding quarter ended 31 December 2017 of RM114.7 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 RM15.5 million (31 December 2017: RM54.5 million). The high construction services revenue in the previous year's corresponding quarter was mainly due to construction of Sandakan Port's wharf extension.

The Group registered a pre-tax profit of RM16.1 million for the quarter ended 31 December 2018, lower by RM0.9 million (5%) from RM17.0 million for the corresponding quarter ended 31 December 2017, mainly due to lower revenue for the quarter.

Year-to-date

For the year-to-date ended 31 December 2018, the Group registered revenue of RM400.6 million, higher by RM67.9 million or 20% when compared to the prior year ended 31 December 2017 of RM332.7 million. The increase in revenue was mainly attributable to the port operations and contract and engineering business segments. Higher ports' operating revenue by 6% was due to improvement in cargo throughput handled by 2% and higher containers volume handled by 8% during the year. 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 RM136.8 million (31 December 2017: RM100.2 million) which was also the contributing factor for the revenue increase for the year.

The Group registered a pre-tax profit of RM75.0 million for the year ended 31 December 2018, increased by RM7.3 million (11%) from RM67.7 million for the prior year ended 31 December 2017, mainly due to lower other expenses related to impairment and write-off of assets in the current year.

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 RM16.1 million for the current quarter as compared to RM18.9 million for the immediate preceding quarter, representing a decrease of RM2.8 million (15%), as a result of lower revenue 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 coming 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.

B8. Dividends declared

Interim ordinary dividend of 3.5% (3.5 sen per ordinary share) had been recommended in respect of the financial year ended 31 December 2018 (31 December 2017: Nil), and has been paid 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

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

The Group did not enter into any financial liabilities measured at fair value through profit or loss as at 31 December 2018 and 31 December 2017.

B10. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2017 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 26 February 2019.