



# **SURIA CAPITAL HOLDINGS BERHAD**

**(COMPANY NO: 198301001662 (96895-W))**

**(INCORPORATED IN MALAYSIA)**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2020**

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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 2020**

	Note	Current quarter 3 months ended		Year-to-date ended	
		30.09.2020 Unaudited RM'000	30.09.2019 Unaudited RM'000	30.09.2020 Unaudited RM'000	30.09.2019 Unaudited RM'000
<b>Revenue</b>					
Revenue from operations		56,629	62,282	155,295	188,324
Revenue from construction services for concession infrastructure		4,354	3,007	9,157	16,267
<b>Total revenue</b>		<b>60,983</b>	<b>65,289</b>	<b>164,452</b>	<b>204,591</b>
<b>Cost of sales</b>					
Operational cost		(43,198)	(44,561)	(114,262)	(125,448)
Construction services cost for concession infrastructure		(4,354)	(3,007)	(9,157)	(16,267)
<b>Total cost of sales</b>		<b>(47,552)</b>	<b>(47,568)</b>	<b>(123,419)</b>	<b>(141,715)</b>
<b>Gross profit</b>		<b>13,431</b>	<b>17,721</b>	<b>41,033</b>	<b>62,876</b>
<b>Other items of income</b>					
Interest income		477	1,181	1,114	1,306
Other income		6,719	6,759	21,902	22,143
<b>Other items of expense</b>					
Administrative expense		(7,770)	(9,143)	(25,244)	(26,509)
Finance costs		(161)	(807)	(572)	(2,748)
Other expenses		2,114	(827)	(1,976)	(851)
<b>Profit before tax</b>	A14	<b>14,810</b>	<b>14,884</b>	<b>36,257</b>	<b>56,217</b>
Income tax expense	A15	(2,883)	(3,675)	(8,038)	(14,922)
<b>Profit net of tax</b>		<b>11,927</b>	<b>11,209</b>	<b>28,219</b>	<b>41,295</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>11,927</b>	<b>11,209</b>	<b>28,219</b>	<b>41,295</b>
Profit net of tax attributable to:					
Owners of the Company		11,928	11,209	28,220	41,295
Non-controlling interests		(1)	-	(1)	-
		<b>11,927</b>	<b>11,209</b>	<b>28,219</b>	<b>41,295</b>
Total comprehensive income attributable to:					
Owners of the Company		11,928	11,209	28,220	41,295
Non-controlling interests		(1)	-	(1)	-
		<b>11,927</b>	<b>11,209</b>	<b>28,219</b>	<b>41,295</b>

**Condensed consolidated statements of profit or loss and  
 other comprehensive income (continued)**  
**For the quarter and year-to-date ended 30 September 2020**

	Note	Current quarter 3 months ended		Year-to-date ended	
		30.09.2020 Unaudited RM'000	30.09.2019 Unaudited RM'000	30.09.2020 Unaudited RM'000	30.09.2019 Unaudited RM'000
<b>Earnings per ordinary share attributable to owners of the Company (sen per share):</b>					
Basic	A16	3.45	3.24	8.16	11.94

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 2019 and the accompanying explanatory notes attached to these condensed consolidated interim financial statements.

**Condensed consolidated statements of financial position**  
**As at 30 September 2020**

	Note	As at 30.09.2020 Unaudited RM'000	As at 31.12.2019 Audited RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	A17	58,254	60,000
Concession assets	A18	800,393	836,696
Deferred tax assets		17,675	20,062
Other assets		32,683	24,651
Trade receivable		159,028	159,028
		1,068,033	1,100,437
<b>Current assets</b>			
Inventories	A19	11,890	7,037
Trade and other receivables		146,418	135,672
Contract asset		5,160	10,880
Other assets		8,511	7,258
Tax recoverable		1,111	429
Investment securities	A21	59,657	43,911
Cash and bank balances	A20	62,992	70,902
		295,739	276,089
<b>TOTAL ASSETS</b>		<b>1,363,772</b>	<b>1,376,526</b>

**Condensed consolidated statements of financial position (continued)**  
**As at 30 September 2020**

	Note	As at 30.09.2020 Unaudited RM'000	As at 31.12.2019 Audited RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	A22	18,064	22,203
Amount due to Sabah State Government		-	5,946
Concession liabilities	A23	10,806	10,806
Contract liability		-	3,301
Tax payable		4,230	2,119
Trade and other payables		38,369	53,421
Lease liabilities		386	761
		71,855	98,557
<b>Net current assets</b>		223,884	177,532
<b>Non-current liabilities</b>			
Concession liabilities	A23	105,447	107,888
Employee defined benefit liability		77	77
Deferred tax liabilities		53,427	56,283
Lease liabilities		1	329
		158,952	164,577
<b>TOTAL LIABILITIES</b>		230,807	263,134
<b>Net assets</b>		1,132,965	1,113,392
<b>Equity attributable to owners of the Company</b>			
Share capital	A8	358,825	358,825
Other reserves		1,501	1,501
Retained earnings		772,651	753,077
		1,132,977	1,113,403
<b>Non-controlling interests</b>		(12)	(11)
<b>TOTAL EQUITY</b>		1,132,965	1,113,392
<b>TOTAL EQUITY AND LIABILITIES</b>		1,363,772	1,376,526

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 2019 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 2020**

	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  Share capital RM'000	Distributable  Retained earnings RM'000	Other reserves total RM'000	Non- Distributable  Employee share option reserve RM'000	Premium paid on acquisition of non- controlling interests RM'000	
<b>Opening balance at 1 January 2020</b>		1,113,392	1,113,403	358,825	753,077	1,501	1,894	(393)	(11)
Profit net of tax		28,219	28,220	-	28,220	-	-	-	(1)
Other comprehensive income		-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		28,219	28,220	-	28,220	-	-	-	(1)
<b>Transactions with owners</b>									
Dividends on ordinary shares	A9	(8,646)	(8,646)	-	(8,646)	-	-	-	-
Total transactions with owners		(8,646)	(8,646)	-	(8,646)	-	-	-	-
<b>Closing balance at 30 September 2020</b>		1,132,965	1,132,977	358,825	772,651	1,501	1,894	(393)	(12)

**Condensed consolidated statements of changes in equity (continued)**  
**For the year-to-date ended 30 September 2020**

	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 Share capital RM'000	Distributable Retained earnings RM'000	Non-distributable Other reserves total RM'000	Non-distributable Employee share option reserve RM'000	Non-distributable Premium paid on acquisition of non-controlling interests RM'000	
<b>Opening balance at 1 January 2019</b>		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	-	-	-	-
Effect on adoption of MFRS 16		(275)	(275)	-	(275)	-	-	-	-
<b>Total comprehensive income for the period</b>		41,020	41,020	-	41,020	-	-	-	-
<b>Transactions with owners</b>									
Dividends on ordinary shares	A9	(8,646)	(8,646)	-	(8,646)	-	-	-	-
Total transactions with owners		(8,646)	(8,646)	-	(8,646)	-	-	-	-
<b>Closing balance at 30 September 2019</b>		1,110,841	1,110,850	358,825	750,420	1,605	1,998	(393)	(9)

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 2019 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 2020**

	<b>Year-to-date ended</b>	
	<b>30.09.2020</b>	<b>30.09.2019</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>		
Profit before tax	36,257	56,217
<u>Adjustments for:</u>		
Amortisation of concession assets	38,269	38,614
Allowance for impairment loss on:		
- trade receivables	219	244
- other receivables	-	-
Concession assets written off	1,162	60
Concession assets written back	(2,703)	-
Depreciation of property, plant and equipment	1,731	1,381
Employee leave entitlement	154	272
Employee leave entitlement written back	-	-
Finance costs	572	2,748
Gain on disposal of concession assets	-	-
Gain on disposal of property, plant and equipment	-	-
Impairment loss on other receivables	-	-
Interest income	(1,114)	(1,306)
Inventories written down	-	-
Investment income from investment securities	(914)	(234)
Net fair value gain on held for trading investment securities	(218)	(188)
Plant and equipment written off	-	-
Realised gain on foreign exchange	(8)	(18)
Reversal of allowance for impairment on receivable	-	(57)
Unrealised exchange loss/(gain)	-	-
Unwinding of discount on:		
- long term receivables	(13,947)	(14,417)
- concession liabilities	5,664	5,824
<b>Total adjustments</b>	<b>28,867</b>	<b>32,923</b>
<b>Operating cash flows before changes in working capital</b>	<b>65,124</b>	<b>89,140</b>
<u>Changes in working capital:</u>		
(Increase)/decrease in inventories	(4,853)	729
Increase in trade and other receivables	(11,313)	(1,474)
Increase in other assets	(9,285)	(997)
Decrease in contract asset	5,720	4,395
Decrease in trade and other payables	(3,030)	(23,789)
Increase in Right-of-use asset	-	(473)
Decrease in contract liability	(3,301)	(6,133)
(Decrease)/increase in lease liability	(375)	595
<b>Total changes in working capital</b>	<b>(26,437)</b>	<b>(27,147)</b>

**Condensed consolidated statements of cash flows (continued)**  
**For the year-to-date ended 30 September 2020**

	<b>Year-to-date ended 30.09.2020 Unaudited RM'000</b>	<b>30.09.2019 Unaudited RM'000</b>
<b>Cash flows from operations</b>	38,687	61,993
Income tax paid	(7,073)	(13,118)
Income tax refunded	-	265
<b>Net cash flows from operating activities</b>	31,614	49,140
<b>Investing activities</b>		
Increase in cash at banks and deposits pledged and deposits with maturity more than 3 months	(16,083)	(9,940)
Purchase of concession assets	(14,838)	(15,869)
Proceeds from disposal of plant and equipment	2	33
Proceeds from disposal of investment securities	18,000	24,360
Purchase of investment securities	(20,065)	(16,711)
Purchase of property, plant and equipment	(65)	(840)
Investment income received from investment securities	914	909
Interest received	1,114	1,306
<b>Net cash flows used in investing activities</b>	(31,021)	(16,752)
<b>Financing activities</b>		
Dividends paid	(8,646)	(8,716)
Interest paid	(1,100)	(726)
Proceeds from borrowing	-	6,884
Repayment of borrowing	(4,139)	
Repayment of loan from Sabah State Government	(5,927)	(5,927)
Repayment of obligations under finance leases	(44)	(33,382)
<b>Net cash flows used in financing activities</b>	(19,856)	(41,867)
<b>Net decrease in cash and cash equivalents</b>	(19,263)	(9,479)
<b>Effect of exchange rate changes on cash and cash equivalents</b>		-
<b>Cash and cash equivalents at 1 January</b>	46,362	40,263
<b>Cash and cash equivalents at 30 September (Note A20)</b>	27,099	30,784
<b>Composition of cash and cash equivalents</b>		
Cash on hand and at banks	17,037	15,941
Short term deposits with licensed banks	10,062	14,843
<b>Cash and cash equivalents at 30 September (Note A20)</b>	27,099	30,784

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 2019 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 Main Market of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 27 November 2020.

**A2. Basis of preparation**

The condensed consolidated interim financial statements of the Group for the third quarter ended 30 September 2020 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 2019. 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 2019.

**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 2019, except for the adoption of the following MFRSs and Amendments to MFRSs, which are applicable during the current financial year.

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)

The initial application or adoption of the above MFRSs and Amendments to MFRSs are not expected to have any material financial impact on 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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**A3. Changes in accounting policies (continued)**

New MFRSs and Amendments to MFRSs

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

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 and Amendments to MFRSs in the respective annual periods based on their effective dates and applicability.

**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 2020.

**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 2020.

**A7. Changes in estimates**

There was no change in estimates 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 2020, there was no new issuance of share capital.

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

**A9. Dividends paid**

During the current quarter and financial year-to-date ended 30 September 2020, there were payment of final dividend for year 2019 of 2.5 sen per share (30 September 2019: final dividend for year 2018 of 2.5 sen per share), as follows:

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
<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
<u>For 2019:</u> 2.5% interim tax-exempt dividend, on 345,820,779 ordinary shares, declared on 20 June 2020 and paid on 30 July 2020	8,646	-	8,646	-
	8,646	8,646	8,646	8,646

**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**

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**A10. Segmental information (continued)**

**Port operations**

For the current quarter, the port operations segment contributed 97% to the Group's revenue (30 September 2019: 90%) and 85% (30 September 2019: 76%) to the Group's profit before tax.

For the year-to-date, it contributed 96% to the Group's revenue (30 September 2019: 90%) and 73% (30 September 2019: 81%) 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, there was an increase in cargo throughput of 8% as compared to the preceding year's corresponding quarter, mainly attributed to higher bulk oil and palm oil throughput. However, for the year to date, there was a decrease in cargo throughput of 15% mainly due to imposition of Movement Control Order during the year which has resulted in the drop in throughput of all types of commodities handled by the ports. The total tonnage handled for the current quarter and year-to-date was 6.8 million and 18.1 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 9% to 102,649 from 94,146 TEUs in the preceding year's corresponding quarter. For the year-to-date, total TEUs was 7% lower at 262,657 as compared to 282,446 TEUs registered in prior year-to-date.

Profit before tax has decreased by RM19.2 million (42%) to RM26.4 million for the current year-to-date from RM45.6 million in prior year. This was mainly due to lower revenue from operations registered during the year-to-date.

Despite the uncertainties in current economic condition which has been significantly impacted by the COVID-19 pandemic, we expect there will be gradual and continuous improvements in cargo throughput and containers going through the wharves for the coming months.

**Logistics and bunkering services**

For the current quarter and year-to-date, the logistics and bunkering services segment contributed <1% (30 September 2019: <1%) to the Group's revenue.

Although low revenue was registered for the segment, the company will continue to support the ports business as agent in logistics handling and shipping agency services.

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

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**A10. Segmental information (continued)**

**Contract and engineering and ferry terminal operations**

For the current quarter, this segment contributed 3% of the Group's revenue (30 September 2019: 15%).

For the year-to-date, it contributed 3% of the Group's revenue (30 September 2019: 9%).

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 RM3.5 million for the year-to-date (30 September 2019: RM14.2 million).

In the ferry terminal operations, the passenger fees from Jesselton Point operations is the main source of revenue, contributed 35% (30 September 2019: 57%). Other revenues are derived from berthing fees, retail outlets, indoor soccer centre and handling of cruise ship passengers at Kota Kinabalu Port. During the current quarter and year-to-date, the business was adversely affected by the COVID-19 pandemic and the imposition of Movement Control Order which has affected the State's tourism sector.

Gross profit margin for this segment has decreased to <1% from 13% in 2019.

**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.

**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 2020, there would not be any amount recognised in Group's revenue except for the unwinding of discount on long term trade receivable amounted to RM13.9 million (30 September 2019: RM14.4 million) recognised under other income.

The physical works of the first phase of the project have commenced in December 2016 and has been progressing well until the imposition of the Movement Control Order ("MCO") starting 18 March 2020. Due to the MCO, the completion of the project is expected to be deferred to early 2021.

**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-to-date ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
<b>Segment revenue</b>				
Investment holding	2,670	1,942	17,670	17,630
Property development	-	-	-	-
Port operations				
- Operating revenue	54,526	52,924	149,311	168,252
- Construction services revenue	4,354	3,007	9,157	16,267
Logistics and bunkering services	159	359	621	1,919
Contract and engineering and ferry terminal operations	1,877	9,833	5,481	19,041
Revenue including inter-segment sales	63,586	68,065	182,240	223,109
Elimination of inter-segment sales	(2,603)	(2,776)	(17,788)	(18,518)
<b>Total revenue</b>	<b>60,983</b>	<b>65,289</b>	<b>164,452</b>	<b>204,591</b>

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
<b>Segment results</b>				
Investment holding	348	(33)	11,437	9,964
Property development	4,075	4,947	13,947	14,417
Port operations	12,641	11,240	26,411	45,604
Logistics and bunkering services	(4)	(128)	171	(160)
Contract and engineering and ferry terminal operations	(675)	433	(1,324)	827
Profit from operations including inter- segment transactions	16,385	16,459	50,642	70,652
Elimination of inter-segment transactions	(1,575)	(1,575)	(14,385)	(14,435)
<b>Total profit before tax</b>	<b>14,810</b>	<b>14,884</b>	<b>36,257</b>	<b>56,217</b>

**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.



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

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**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 2020.

**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 2020 and 30 September 2019:

	<b>Current quarter 3 months ended</b>		<b>Year-to-date ended</b>	
	<b>30.09.2020 RM'000</b>	<b>30.09.2019 RM'000</b>	<b>30.09.2020 RM'000</b>	<b>30.09.2019 RM'000</b>
<i>Subsidiaries:</i>				
Dividend income	1,575	1,575	14,385	14,435
Interest income	13	18	51	53
Management fees income	1,095	1,065	3,285	3,195
Rental income	7	23	52	68

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.

**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	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Employee benefits expense	13,523	17,082	46,356	49,202
Non-executive directors' remuneration	192	177	573	655
Allowance for impairment loss on:				
- trade receivables	(27)	63	219	244
- other receivables	-	-	-	-
Amortisation of concession assets	12,997	12,756	38,269	38,614
Auditors' remuneration:				
Statutory audit:				
- current year	35	35	107	107
- under/(over) provision in respect of previous year	-	30	(2)	100
Other services:				
- current year	-	2	-	2
- under/ (over) provision in respect of previous year	-	4	-	4
Depreciation of property, plant and equipment	841	437	1,731	1,381
Hiring of equipment and motor vehicles	2	18	5	38
Concession assets written off/ (written back)	(2,703)	60	1,162	60
Inventories written off	-	-	-	-
Leasing of port land	2,042	2,059	6,126	6,176
Net fair value (gain)/loss on financial instruments:				
- Investment securities	(21)	85	(218)	(234)
Loss/(gain) on disposal of property, plant and equipment	9	(33)	9	(33)
Plant and equipment written off	-	-	-	-
Realised (gain)/loss on foreign exchange	(2)	(8)	(8)	(18)
Rental of office premises	30	217	145	648
Reversal of allowance for impairment loss:				
- trade and other receivables	-	26	-	(57)

**Notes to the condensed consolidated interim financial statements**  
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**A15. Income tax expense**

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Income tax expense for the year-to-date:				
Malaysian income tax	1,895	3,221	4,681	11,462
Deferred tax	988	454	3,357	3,460
	<b>2,883</b>	<b>3,675</b>	<b>8,038</b>	<b>14,922</b>

Income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 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	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Profit net of tax for the financial year-to-date	11,927	11,209	28,219	41,295
Add: Attributable to non-controlling interest	1	-	1	-
Profit net of tax attributable to owners of the Company	<b>11,928</b>	<b>11,209</b>	<b>28,220</b>	<b>41,295</b>
Weighted average number of ordinary shares (*)	345,821	345,821	345,821	345,821
Basic earnings per ordinary share (sen)	<b>3.45</b>	<b>3.24</b>	<b>8.16</b>	<b>11.94</b>

(\*) The weighted average number of ordinary shares after the bonus issue.

**Notes to the condensed consolidated interim financial statements**  
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**A17. Property, plant and equipment**

**Acquisitions and disposals**

The cash outflow on acquisition of property, plant and equipment amounted to RM65,008 (30 September 2019: RM840,088).

During the quarter and year-to-date ended 30 September 2020, assets with carrying amount of RM101,751 has been disposed off (30 September 2019: RM987,347), resulting in a loss on disposal amounting to RM8,534 (30 September 2019: RM32,568).

**Write-down of property, plant and equipment**

During the quarter and year-to-date ended 30 September 2020, there were no write-down of property, plant and equipment (30 September 2019: 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 2020</b>	213,679	45,296	1,137,523	1,396,498
Addition	-	-	2,901	2,901
Disposal	-	-	-	-
Write off	-	-	(6,415)	(6,415)
<b>At 30 September 2020</b>	<b>213,679</b>	<b>45,296</b>	<b>1,134,009</b>	<b>1,392,984</b>
<b>Accumulated amortisation and impairment:</b>				
<b>At 1 January 2020</b>	107,815	23,152	428,835	559,802
Amortisation	5,401	1,132	34,813	41,349
Disposal	-	-	-	-
Write off	-	-	(8,557)	(8,557)
<b>At 30 September 2020</b>	<b>113,216</b>	<b>24,284</b>	<b>455,091</b>	<b>592,591</b>
<b>Net carrying amount:</b>				
At 31 December 2019	105,864	22,144	708,688	836,696
At 30 September 2020	100,463	21,012	678,918	800,393

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 2020 (30 September 2019: Nil).

**A20. Cash and cash equivalents**

	<b>As at 30.09.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
Cash at banks and on hand	17,037	25,776
Short term deposits pledged as securities for bank guarantees and facilities	2,723	7,453
Short term deposits with licensed banks	10,062	20,586
Deposits with maturity more than 3 months	33,170	17,087
	<b>62,992</b>	<b>70,902</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 rate as at 30 September 2020 for the Group was 1.9% (2019: 3.7%).

Deposits with maturity more than 3 months are made for a period of 1 year (2019: 6 months to 36 months) and the weighted average effective interest rate as at 30 September 2020 for the Group was 3.1% (2019: 3.76%).

Included in deposits with maturity more than 3 months of the Group are deposits amounting to RM6,531,087 (2019: RM6,295,000) 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 30.09.2020 RM'000</b>	<b>As at 30.09.2019 RM'000</b>
Cash on hand and at banks	17,037	15,941
Short term deposits with licensed banks	10,062	14,843
	<b>27,099</b>	<b>30,784</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. 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>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 2020	-	59,657	-	59,657
- 31 December 2019	-	43,911	-	43,911

**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:

	<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>At 30 September 2020</b>					
<b>Financial liabilities (Non-current)</b>					
Borrowings					
- Obligations under finance leases	-	-	-	-	-
<hr/>					
<b>At 31 December 2019</b>					
<b>Financial liabilities (Non-current)</b>					
Borrowings					
- Obligations under finance leases	-	-	-	-	-
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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**  
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**A22. Interest-bearing loans and borrowings**

Total Group's loans and borrowings as at 30 September 2020 and 31 December 2019 were as follows:

	<b>As at 30.09.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
<b>Current</b>		
Secured:		
- Trust Receipts	-	4,139
Unsecured:		
- Short-term revolving credit	18,064	18,064
	<b>18,064</b>	<b>22,203</b>

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 30.09.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
At 1 January	118,694	121,512
Unwinding of discount	5,664	7,765
Payments	(8,105)	(10,583)
At 30 June	<b>116,253</b>	<b>118,694</b>
<b>Current</b>	<b>10,806</b>	<b>10,806</b>
<b>Non current:</b>		
More than 1 year and less than 2 years	11,038	10,316
More than 2 years and less than 5 years	34,604	28,262
5 years or more	59,805	69,310
	<b>105,447</b>	<b>107,888</b>
	<b>116,253</b>	<b>118,694</b>

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 30.09.2020 RM'000</b>	<b>As at 30.09.2019 RM'000</b>
<b>Approved and contracted for</b>		
Sapangar Bay bunkering line	149	149
Jetty head extension at Sapangar Bay Oil Terminal	482	631
Jetty extension at Karamunting Palm Oil Terminal, Sandakan Port	8,364	11,625
Sapangar Bay Conventional Cargo Terminal	173	173
Other projects and equipment	3,794	9,015
	<b>12,962</b>	<b>21,593</b>
<b>Approved but not contracted for</b>		
Purchase of property, plant and equipment	268,855	202,711
Improvement to port infrastructure facilities	44,895	26,701
	<b>313,750</b>	<b>229,412</b>
	<b>326,712</b>	<b>251,005</b>

The approved but not contracted for amounting to RM313.8 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 Main Market Listing Requirements of**  
**Bursa Malaysia Securities Berhad**

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**B1. Performance review**

**Current quarter**

For the current quarter ended 30 September 2020, the Group registered revenue of RM60.9 million, decreased by RM4.4 million or 7% when compared to revenue in the previous year's corresponding quarter ended 30 September 2019 of RM65.3 million. The decrease in revenue was mainly due to lower contribution from operating activities across all business segments as well as from construction services for concession infrastructure.

The operating revenue was registered lower in the current quarter at RM56.6 million compared to RM62.3 million in the previous year's corresponding quarter, lower by RM5.7 million (9%). Besides, in accordance with IC Interpretation 12: Service Concession Arrangements, the port operations shall register revenue from construction services arising from upgrading and construction of ports infrastructure and facilities. During the quarter, revenue from construction services amounted to RM4.4 million (30 September 2019: RM3.0 million), was higher by RM1.4 million (47%). However, this revenue from construction services has no impact to the Group's profit as the same amount of construction services cost was recognised under cost of sales and zeroed at gross profit level.

The Group registered a pre-tax profit of RM14.8 million for the current quarter ended 30 September 2020, slightly lower by RM0.1 million (<1%) from RM14.9 million for the corresponding quarter ended 30 September 2019, mainly due to lower operating revenue for the quarter under review.

**Year-to-date**

For the year-to-date ended 30 September 2020, the Group registered revenue of RM164.5 million, decreased by RM40.1 million or 20% when compared to the prior year-to-date ended 30 September 2019 of RM204.6 million. The decrease in revenue was mainly due to lower contribution from operating activities across all business segments as well as from construction services for concession infrastructure.

The Group registered a pre-tax profit of RM36.3 million for the year-to-date ended 30 September 2020, decreased by RM19.9 million (35%) from RM56.2 million for the prior year-to-date ended 30 September 2019, mainly due to lower revenue from operations and higher other expenses for the current year-to-date.

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

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

The Group reported a pre-tax profit of RM14.8 million for the current quarter as compared to RM8.6 million for the immediate preceding quarter, representing an increase of RM6.2 million (72%), mainly due to higher operating revenue registered for the current quarter under review.

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

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**B3. Commentary on prospects**

It is anticipated that the business environment is going to be very challenging in 2020 in view of the uncertain economic outlook following the widespread of COVID-19 pandemic to most countries around the world.

The Board is positive that the port operations being the core business of the Group and categorised as essential service under the Movement Control Order, will be able to withstand the challenges and will remain resilient 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**

No interim dividend has been recommended in respect of the financial year-to-date ended 30 September 2020 (30 September 2019: Nil). Please refer note A9.

**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 2020 and 30 September 2019.

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

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**B10. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2019 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 2020.