SURIA GROUP

SURIA CAPITAL HOLDINGS BERHAD

(COMPANY NO: 96895-W)

(INCORPORATED IN MALAYSIA)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2018

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SURIA CAPITAL HOLDINGS BERHAD
(Company No: 96895-W)

SURIA GROUP

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

	Note	Current quarter 3 months ended 30.06.2018 Unaudited RM'000	30.06.2017 Unaudited RM'000	Year-to-date ended 30.06.2018 Unaudited RM'000	30.06.2017 Unaudited RM'000
Revenue		96,187	72,492	223,459	131,207
Cost of sales		(71,638)	(50,148)	(172,474)	(90,832)
Gross profit		24,549	22,344	50,985	40,375
Other items of income					
Interest income		398	388	942	801
Other income		6,989	7,491	13,921	15,703
Other items of expense					
Administrative expense		(8,900)	(9,078)	(17,381)	(17,560)
Finance costs		(692)	(1,005)	(1,348)	(2,074)
Other expenses		(2,493)	(642)	(7,215)	(681)
Profit before tax	A14	19,851	19,498	39,904	36,564
Income tax expense	A15	(4,644)	(4,722)	(10,414)	(8,712)
Profit net of tax		15,207	14,776	29,490	27,852
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		15,207	14,776	29,490	27,852
Profit net of tax attributable to:					
Owners of the Company		15,207	14,776	29,490	27,852
Non-controlling interests		-	-	-	-
		15,207	14,776	29,490	27,852
Total comprehensive income attributable to:					
Owners of the Company		15,207	14,776	29,490	27,852
Non-controlling interests		-	-	-	-
		15,207	14,776	29,490	27,852
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	A16	5.28	5.13	10.23	9.66

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.

SURIA CAPITAL HOLDINGS BERHAD
(Company No: 96895-W)

SURIA GROUP

Condensed consolidated statements of financial position
As at 30 June 2018

	Note	As at 30.06.2018 Unaudited RM'000	As at 31.12.2017 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A17	61,865	60,680
Concession assets	A18	826,255	780,381
Deferred tax assets		26,832	28,944
Other assets		17,369	50,905
Trade receivable		237,914	237,914
		1,170,235	1,158,824
Current assets			
Inventories	A19	3,372	4,650
Trade and other receivables		51,117	37,890
Other assets		39,063	10,068
Tax refundable		2,797	766
Investment securities	A21	36,292	62,611
Cash and bank balances	A20	69,630	71,395
		202,271	187,380
TOTAL ASSETS		1,372,506	1,346,204

SURIA CAPITAL HOLDINGS BERHAD
(Company No: 96895-W)

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

	Note	As at 30.06.2018 Unaudited RM'000	As at 31.12.2017 Audited RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	A22	142	353
Loan from Sabah Ports Authority		25,943	25,943
Amount due to Sabah State Government		40	5,987
Concession liabilities	A23	5,184	10,368
Trade and other payables		40,525	42,321
		71,834	84,972
Net current assets		130,437	102,408
Non-current liabilities			
Borrowings	A22	5,367	380
Loan from Sabah Ports Authority		26,981	26,981
Amount due to Sabah State Government		11,852	11,852
Concession liabilities	A23	117,537	113,563
Employee defined benefit liability		123	123
Deferred tax liabilities		53,261	52,981
Other payable		3,160	2,456
		218,281	208,336
TOTAL LIABILITIES		290,115	293,308
Net assets		1,082,391	1,052,896
Equity attributable to owners of the Company			
Share capital	A8	358,825	358,825
Other reserves		1,862	1,862
Retained earnings	B10	721,699	692,209
		1,082,386	1,052,896
Non-controlling interests		5	-
TOTAL EQUITY		1,082,391	1,052,896
TOTAL EQUITY AND LIABILITIES		1,372,506	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.

SURIA CAPITAL HOLDINGS BERHAD
(Company No: 96895-W)

SURIA GROUP

Condensed consolidated statements of changes in equity
For the year-to-date ended 30 June 2018

			---------- Attributable to owners of the Company- ----------							
				Non-distributable		Distributable	Non-distributable			
	Note	Equity, total RM'000	Equity attributable to owners of the Company, total 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	Non-controlling interests RM'000
Opening balance at 1 January 2018		1,052,896	1,052,896	358,825	-	692,209	1,862	2,255	(393)	-
Total comprehensive income for the period		29,490	29,490	-	-	29,490	-	-	-	-
Transactions with owners										
Dividends on ordinary shares	A9	-	-	-	-	-	-	-	-	-
Non-controlling interests' share in a subsidiary		5	-	-	-	-	-	-	-	5
Total transactions with owners		5	-	-	-	-	-	-	-	5
Closing balance at 30 June 2018		1,082,391	1,082,386	358,825	-	721,699	1,862	2,255	(393)	5

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

			- - - Attributable to owners of the Company - - -							
				Non-distributable		Distributable	Non-distributable			
	Note	**Equity, total RM'000**	**Equity attributable to owners of the Company, total 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**	**Non-controlling interests 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)	-
Total comprehensive income for the year		27,852	27,852	-	-	27,852	-	-	-	-
Transactions with owners										
Dividends on ordinary shares	A9	(11,527)	(11,527)	-	-	(11,527)	-	-	-	-
Total transactions with owners		(11,527)	(11,527)	-	-	(11,527)	-	-	-	-
Closing balance at 30 June 2017		1,031,829	1,031,829	288,184	70,641	671,142	1,862	2,255	(393)	-

The above condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes attached to these condensed consolidated interim financial statements.

Condensed consolidated statements of cash flows
For the year-to-date ended 30 June 2018

	Year-to-date ended	
	30.06.2018 Unaudited RM'000	**30.06.2017 Unaudited RM'000**
Operating activities		
Profit before tax	39,904	36,564
Adjustments for:		
Amortisation of concession assets	23,997	21,894
Allowance for impairment loss on:		
- trade receivables	34	180
- other receivables	-	-
Concession assets written off	7,011	-
Depreciation of property, plant and equipment	1,214	1,195
Employee leave entitlement	66	202
Finance costs	1,348	2,074
Gain on disposal of concession assets	-	-
Gain on disposal of property, plant and equipment	(14)	(27)
Impairment loss on concession assets	-	-
Interest income	(942)	(801)
Inventories written down	-	-
Investment income from investment securities	(693)	(1,969)
Net fair value (gain)/loss on held for trading investment securities	(36)	(336)
Plant and equipment written off	-	-
Revisions to estimated cash flows on receivables	-	-
Reversal of allowance for impairment on receivable	(243)	-
Unrealised exchange loss/(gain)	156	-
Unwinding of discount on:		
- long term receivables	(8,801)	(9,014)
- concession liabilities	(3,975)	(4,054)
- dredging costs	-	-
Total adjustments	19,122	9,344
Operating cash flows before changes in working capital	59,026	45,908
Changes in working capital:		
Decrease/(increase) in inventories	1,278	(556)
Increase in trade and other receivables	(13,227)	(12,052)
Decrease/(increase) in other assets	4,541	(27,433)
Decrease in trade and other payables	(514)	(7,609)
Payment of concession liabilities	(5,185)	(5,081)
Payment of employee defined benefit liability	-	-
Total changes in working capital	(13,107)	(52,731)

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

	Year-to-date ended	
	30.06.2018 Unaudited RM'000	**30.06.2017 Unaudited RM'000**
Cash flows from/(used in) operations	45,919	(6,823)
Income tax paid	(10,865)	(3,666)
Income tax refunded	233	170
Real Property Gain Tax paid	-	-
Net cash flows from/(used in) operating activities	35,287	(10,319)
Investing activities		
Decrease in cash at banks and deposits pledged and deposits with maturity more than 3 months	8,469	2,846
Purchase of concession assets	(21,092)	(21,851)
Proceeds from disposal of concession assets	-	60
Proceeds from disposal of property, plant and equipment	17	-
Proceeds from disposal of investment securities	33,326	56,244
Purchase of investment securities	(25,009)	(17,657)
Purchase of property, plant and equipment	(80)	(503)
Land premium paid	(24,238)	-
Investment income received from investment securities	693	1,969
Interest received	942	801
Net cash flows (used in)/from investing activities	(26,972)	21,909
Financing activities		
Dividends paid	-	(11,527)
Interest paid	(344)	(328)
Proceeds from borrowings	5,000	668
Repayment of Islamic Debt Securities	-	(10,000)
Repayment of loan from Sabah State Government	(5,927)	(5,927)
Repayment of obligations under finance leases	(210)	(326)
Net cash flows used in financing activities	(1,481)	(27,440)
Net increase/(decrease) in cash and cash equivalents	6,834	(15,850)
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	43,536	31,723
Cash and cash equivalents at 30 June (Note A20)	50,370	15,873
Composition of cash and cash equivalents		
Cash on hand and at banks	23,452	9,756
Short term deposits with licensed banks	26,918	6,117
Cash and cash equivalents at 30 June (Note A20)	50,370	15,873

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.

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 21 August 2018.

A2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the second quarter ended 30 June 2018 are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the requirements of the Companies Act 2016 in Malaysia.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

A3. Changes in accounting policies

The accounting policies adopted in these condensed consolidated interim financial statements are consistent with the audited consolidated financial statements for the financial year ended 31 December 2017, except for the adoption of the following MFRSs and Amendments to MFRSs, if applicable during the current financial period:

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

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

<u>The nature and impact of MFRS 9 Financial Instruments</u>

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.

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.

A3. Changes in accounting policies (continued)

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

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

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

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

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

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

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

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

- MFRS 17 Insurance Contracts

Deferred.

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

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

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

MFRS 16, Leases

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

A4. Significant events and transactions

There were no significant event and transaction that would have had a material impact on the financial position and performance of the Group as at 30 June 2018.

A5. Comments about seasonal or cyclical factors

The businesses of the Group were not materially affected by the various festive seasons or cyclical fluctuations during the period.

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

There was no material unusual item affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 June 2018.

A7. Changes in estimates

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

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

During the quarter and year-to-date ended 30 June 2018, there was no new issuance of share capital and repayment made for debt securities (30 June 2017: RM10,000,000). The debt securities had been fully paid in the year 2017.

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

A9. Dividends paid

There were no payment of dividend during the current quarter and financial year-to-date ended 30 June 2018 (30 June 2017: 4 sen per share), as follows:

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
For 2016: 4.0% final tax exempt dividend, on 288,183,992 ordinary shares, declared on 22 May 2017 and paid on 30 June 2017	-	11,527	-	11,527
	-	11,527	-	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:

(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 91% to the Group's revenue (30 June 2017: 97%) and 79% (30 June 2017: 86%) to the Group's profit before tax.

For the year-to-date, it contributed 95% to the Group's revenue (30 June 2017: 96%) and 82% (30 June 2017: 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 economy and also the regional economy. For the current quarter and year-to-date, there was an increase in total tonnage handled by 11% and 14% respectively, mainly contributed by higher general cargo, bulk oil, palm oil and PKE throughput. The total tonnage handled for the current quarter and year-to-date ended was 7.9 million and 16.0 million metric tonnes respectively.

The category of container which is charged differently as per the Sabah Ports' Tariff registered an increase in total TEUs handled in the current quarter by 2% to 91,091 from 89,450 TEUs in the preceding year's corresponding quarter. For the year-to-date, total TEUs was 6% higher at 181,164 TEUs as compared to 170,464 TEUs registered in prior year-to-date.

A10. Segmental information (continued)

Port operations (continued)

Profit before tax has increased by RM2.6 million (9%) to RM32.8 million for the current year-to-date from RM30.2 million in prior year. This was mainly due to higher operating revenue in the current quarter and year-to-date under review. However, the increase in operating revenue was partly offset by higher operating expenditures which were mainly attributable to higher personnel costs, stevedorage contract labour, amortisation of capital expenditure and stevedorage cost for tug boat services as well as write-off of bulk fertilizer conveyor facility at Sandakan Port.

For the coming months, we expect reasonable volume of cargo and containers going through the wharves. Thus, the same amount of volume achieved for the first half of the year is expected to be maintained for the second half.

Logistics and bunkering services

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

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

Contract and engineering and ferry terminal operations

For the current quarter, this segment contributed 9% of the Group's revenue (30 June 2017: 2%).

For the year-to-date, it contributed 5% of the Group's revenue (30 June 2017: 2%).

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

In the ferry terminal operations, the passenger fees from Jesselton Point operations is the main source of revenue, contributed 15% to this segment's revenue (30 June 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 23% from 31% in 2017. For the year-to-date, this segment registered profit of RM1.2 million (30 June 2017: loss of RM0.1 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.

A10. Segmental information (continued)

Property development

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

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

Thus, for the year 2018, there would not be any amount recognised in Group's revenue except for the unwinding of discount on long term trade receivable amounted to RM8.8 million (30 June 2017: RM9.0 million) recognised under other income.

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

The segment results are as follows:

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2018 RM'000	**30.06.2017 RM'000**	**30.06.2018 RM'000**	**30.06.2017 RM'000**
Segment revenue				
Investment holding	19,232	11,362	21,895	14,025
Property development	-	-	-	-
Port operations	87,283	70,173	211,982	126,394
Logistics and bunkering services	1,843	1,967	3,807	4,025
Contract and engineering and ferry terminal operations	8,516	1,372	10,092	2,899
Revenue including inter-segment sales	116,874	84,874	247,776	147,343
Elimination of inter-segment sales	(20,687)	(12,382)	(24,317)	(16,136)
Total revenue	96,187	72,492	223,459	131,207

A10. Segmental information (continued)

The segment results are as follows (continued):

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2018 RM'000	**30.06.2017 RM'000**	**30.06.2018 RM'000**	**30.06.2017 RM'000**
Segment results				
Investment holding	16,654	8,849	17,089	9,517
Property development	4,465	4,452	8,801	9,014
Port operations	15,650	16,699	32,756	30,173
Logistics and bunkering services	(95)	(58)	(261)	(170)
Contract and engineering and ferry terminal operations	1,322	(169)	1,239	(120)
Profit from operations including inter-segment transactions	37,996	29,773	59,624	48,414
Elimination of inter-segment transactions	(18,145)	(10,275)	(19,720)	(11,850)
Total profit before tax	19,851	19,498	39,904	36,564

A11. Subsequent events after the reporting period

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

A12. Changes in the composition of the Group

There were no changes in the composition of the Group during the interim financial period ended 30 June 2018.

A13. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the three months period and year-to-date ended 30 June 2018 and 30 June 2017:

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2018 RM'000	**30.06.2017 RM'000**	**30.06.2018 RM'000**	**30.06.2017 RM'000**
Subsidiaries:				
Dividend income	18,145	10,275	19,720	11,850
Interest income	18	4	73	5
Management fees income	1,065	1,065	2,130	2,130
Rental income	22	22	45	45
Company related to Substantial shareholder:				
Car leasing expenses	-	8	-	32
Sabah State Government:				
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.

A14. Profit before tax

Included in the profit before tax are the following items :

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2018 RM'000	**30.06.2017 RM'000**	**30.06.2018 RM'000**	**30.06.2017 RM'000**
Employee benefits expense	17,339	14,221	32,837	30,218
Non-executive directors' remuneration	368	352	707	677
Allowance for impairment loss on:				
- trade receivables	9	157	34	180
- other receivables	-	-	-	-
Amortisation of concession assets	11,907	10,908	23,997	21,894
Auditors' remuneration:				
Statutory audit:				
- current year	33	32	65	64
- under/(over) provision in respect of previous year	(3)	5	(6)	10
Other services:				
- current year	2	15	2	35
- under/ (over) provision in respect of previous year	-	-	-	-
Depreciation of property, plant and equipment	605	547	1,214	1,195
Hiring of equipment and motor vehicles	-	22	12	66
Concession assets written off	2,388	-	7,011	-
Impairment loss on concession assets	-	-	-	-
Inventories written down	-	-	-	-
Leasing of port land	2,252	197	4,505	2,872
Net fair value (gain)/loss on financial instruments:				
- Investment securities	36	(26)	27	(336)
(Gain)/loss on disposals of concession assets	-	-	-	-
(Gain)/loss on disposals of property, plant and equipment	(7)	-	(14)	(27)
Plant and equipment written off	-	-	-	-
Realised (gain)/loss on foreign exchange	(7)	249	(23)	255
Rental of office premises	246	211	453	462
Reversal of allowance for impairment loss:				
- trade and other receivables	(59)	(76)	(243)	(210)
- concession assets	-	-	-	-
Unrealised exchange (gain)/loss	107	-	156	-

A15. Income tax expense

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2018 RM'000	**30.06.2017 RM'000**	**30.06.2018 RM'000**	**30.06.2017 RM'000**
Income tax expense for the year-to-date:				
Malaysian income tax	3,572	6,536	8,302	6,549
Deferred tax	1,072	(1,814)	2,112	2,163
	4,644	4,722	10,414	8,712

Income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year-to-date.

A16. Earnings per share

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

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2018 RM'000	**30.06.2017 RM'000**	**30.06.2018 RM'000**	**30.06.2017 RM'000**
Profit net of tax for the financial year-to-date	15,207	14,776	29,490	27,852
Less: Attributable to non-controlling interests	-	-	-	-
Profit net of tax attributable to owners of the Company	15,207	14,776	29,490	27,852
Weighted average number of ordinary shares	288,184	288,184	288,184	288,184
Basic earnings per ordinary share (sen)	5.28	5.13	10.23	9.66

A17. Property, plant and equipment

Acquisitions and disposals

The cash outflow on acquisition of property, plant and equipment amounted to RM80,000 (30 June 2017: RM503,000).

During the quarter and year-to-date ended 30 June 2018, assets with carrying amount of RM2,800 has been disposed off (30 June 2017: RM33,000), resulting in a gain on disposal of RM13,700 (30 June 2017: RM27,000) 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 June 2018, there were no write-down of property, plant and equipment (30 June 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	-	-	77,242	77,242
Disposal	-	-	-	-
Write off	-	-	(7,371)	(7,371)
At 30 June 2018	213,679	45,296	1,059,954	1,318,929
Accumulated amortisation:				
At 1 January 2018	93,421	20,132	355,124	468,677
Amortisation	3,598	755	19,644	23,997
Disposal	-	-	-	-
Write off	-	-	-	-
Impairment loss recognised in profit or loss	-	-	-	-
At 30 June 2018	97,019	20,887	374,768	492,674
Net carrying amount:				
At 31 December 2017	120,258	25,164	634,959	780,381
At 30 June 2018	116,660	24,409	685,186	826,255

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.

A19. Inventories

There were no inventories been written down during the current quarter and financial year-to-date ended 30 June 2018 (30 June 2017: Nil).

A20. Cash and cash equivalents

	As at 30.06.2018 RM'000	**As at 31.12.2017 RM'000**
Cash at banks and on hand	23,452	18,200
Cash at banks pledged as securities for Bank Guarantee	-	130
Deposits pledged as securities for Bank Guarantee	7,266	11,024
Short term deposits with licensed banks	26,918	25,336
Deposits with maturity more than 3 months	11,994	16,705
	69,630	71,395

Short term deposits are made for varying periods of between 1 month and 3 months depending on the immediate cash requirements of the Group, and earn interests at the respective short term deposit rates. The weighted average effective interest rates as at 30 June 2018 for the Group were 3.7% (2017: 3.4%).

Deposits more than 3 months are made for periods of 6 months to 24 months (2017: 1 year) and the weighted average effective interest rates as at 30 June 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 RM6,070,000 (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 30.06.2018 RM'000	**As at 30.06.2017 RM'000**
Cash on hand and at banks	23,452	9,756
Short term deposits with licensed banks	26,918	6,117
	50,370	15,873

A21. Fair value of assets and liabilities

A. Fair value hierarchy

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

- Level 1 — Quoted prices (unadjusted) in active markets for identical financial assets or liabilities that the Group can access at the measurement date,

- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly; and

- Level 3 — Inputs for the financial assets or liabilities that are not based on observable market data

B. Financial assets measured at fair value

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

	Fair value measurements at the reporting period using				
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Carrying amount RM'000**
Recurring fair value measurements					
Financial assets					
Investment securities					
- 30 June 2018	-	36,292	-	36,292	36,292
- 31 December 2017	-	62,611	-	62,611	62,611

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

A21. Fair value of assets and liabilities (continued)

C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The following table analyses financial instruments carried at fair value and those not carried at fair value but for which fair value is disclosed:

	Fair value measurements at the reporting period using				
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Carrying amount RM'000**
At 30 June 2018					
Financial liabilities (Non-current)					
Other payable			3,160	3,160	3,160
Borrowings					
- Obligations under finance leases			367	367	380
- Term loan			5000	5,000	5,000
Loan from Sabah Ports Authority			26,146	26,146	26,981
Amount due to Sabah State Government			11,576	11,576	11,852
At 31 December 2017					
Financial liabilities (Non-current)					
Other payable			2,456	2,456	2,456
Borrowings					
- Obligations under finance leases			367	367	380
Loan from Sabah Ports Authority			26,146	26,146	26,981
Amount due to Sabah State Government			11,576	11,576	11,852

The fair value disclosed in the table above are estimated by discounting future cash flows using rates currently available for debts on similar terms, credit risk and remaining maturities.

A22. Interest-bearing loans and borrowings

Total Group's loans and borrowings as at 30 June 2018 and 31 December 2017 were as follows:

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Current		
Secured:		
- Obligations under finance leases	142	353
	142	353
Non-current		
Secured:		
- Obligations under finance leases	367	380
- Term loan	5,000	-
	5,367	380
	5,509	733

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 30.06.2018 RM'000	As at 31.12.2017 RM'000
At 1 January	123,931	125,985
Unwinding of discount	3,975	8,108
Payments	(5,185)	(10,162)
At 30 June	122,721	123,931
Current	5,184	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	27,646	27,055
5 years or more	79,792	76,617
	117,537	113,563
	122,721	123,931

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

A24. Capital commitments

	As at 30.06.2018 RM'000	As at 30.06.2017 RM'000
Approved and contracted for		
Sapangar Bay bunkering line	149	179
Jetty head extension at Sapangar Bay Oil Terminal	1,191	1,275
Jetty extension at Karamunting Palm Oil Terminal, Sandakan Port	46,956	123,955
Extension of container yard at Sapangar Bay Container Port	36	337
Sapangar Bay Conventional Cargo Terminal	-	704
Purchase of cargo handling equipment	3,412	34,312
Major repairs and improvements at ports	8,252	19,366
	59,996	180,128
Approved but not contracted for		
Purchase of property, plant and equipment	222,266	275,693
Improvement to port infrastructure facilities	46,785	40,609
	269,051	316,302
	329,047	496,430

The approved but not contracted for amounting to RM269.1 million represents the balance of the total capital expenditures commitment of RM1.3 billion during the concession period of 30 years under the Ports Privatisation Agreement.

A25. Contingent liabilities or assets

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

B1. Performance review

Current quarter

For the current quarter ended 30 June 2018, the Group registered revenue of RM96.2 million, increased by RM23.7 million or 33% when compared to the previous year's corresponding quarter ended 30 June 2017 of RM72.5 million. The increase in revenue was mainly contributed by port operations and contract and engineering business segments. Higher ports' operating revenue by 9% was due to improvement in cargo throughput and total containers handled during the quarter. 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 during the quarter amounted to RM26.9 million (30 June 2017: RM14.9 million).

The Group registered a pre-tax profit of RM19.9 million for the quarter ended 30 June 2018, higher by RM0.4 million (2%) from RM19.5 million for the corresponding quarter ended 30 June 2017, mainly due to higher gross profit which corresponds to the increase in operating revenue for the quarter. However, it was offset by higher other expenses attributed to assets written-off during the quarter.

Year-to-date

For the year-to-date ended 30 June 2018, the Group registered revenue of RM223.5 million, higher by RM92.3 million or 70% when compared to the previous year-to-date ended 30 June 2017 of RM131.2 million. The increase in revenue was mainly attributable to the port operations and contract and engineering business segments. Higher ports' operating revenue by 13% was due to improvement in cargo throughput and total containers handled during the year-to-date. Whereas for contract and engineering, it registered construction revenue from the railway upgrading project which is currently on-going.

Besides, in accordance with IC Interpretation 12: Service Concession Arrangements, the port operations segment registered construction services revenue which relates to upgrading and construction of ports infrastructure and facilities amounted to RM91.3 million (30 June 2017: RM21.8 million) which was also the contributing factor for the revenue increase for the year-to-date.

The Group registered a pre-tax profit of RM39.9 million for the year-to-date ended 30 June 2018, increased by RM3.3 million (9%) from RM36.6 million for the prior year-to-date ended 30 June 2017, mainly due to higher gross profit corresponding to the increase in operating revenue from port operations.

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 RM19.9 million for the current quarter as compared to RM20.1 million for the immediate preceding quarter, representing a slight decrease of RM0.2 million (1%), mainly due to lower construction services revenue reported for the current quarter.

B3. Commentary on prospects

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

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

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

B5. Profit forecast or profit guarantee

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

B6. Corporate proposals

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

B7. Changes in material litigation

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

B8. Dividends declared

First and final ordinary dividend has been recommended in respect of the financial year ended 31 December 2017 during the current quarter, to be made payable on 31 July 2018.

No interim dividend was recommended in respect of the financial year-to-date ended 30 June 2018 (30 June 2017: 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 June 2018 and 30 June 2017.

B10. Breakdown of retained earnings into realised and unrealised

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

	As at 30.06.2018 RM'000	**As at 30.06.2017 RM'000**
Realised	741,917	685,126
Unrealised	(22,770)	(28,754)
	719,147	656,372
Add: Consolidation adjustments	2,552	14,770
Total Group retained earnings as per financial statements	721,699	671,142

B11. Auditors' report on preceding annual financial statements

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

B12. Authorisation for issue

The Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 21 August 2018.