



SURIA CAPITAL HOLDINGS BERHAD

(COMPANY NO: 198301001662 (96895-W))

(INCORPORATED IN MALAYSIA)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2019

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**Condensed consolidated statements of profit or loss
and other comprehensive income
For the quarter and year ended 31 December 2019**

	Note	Current quarter 3 months ended		Year ended	
		31.12.2019 Unaudited RM'000	31.12.2018 Unaudited RM'000	31.12.2019 Unaudited RM'000	31.12.2018 Audited RM'000
Revenue					
- Revenue from operations		61,891	70,145	250,215	263,843
- Construction services revenue		8,741	15,521	25,008	136,823
Total revenue		70,632	85,666	275,223	400,666
Cost of sales					
- Operational cost		(41,693)	(49,014)	(167,141)	(168,149)
- Construction services cost		(8,741)	(15,521)	(25,008)	(136,823)
Total cost of sales		(50,434)	(64,535)	(192,149)	(304,972)
Gross profit		20,198	21,131	83,074	95,694
Other items of income					
Interest income		498	476	1,804	1,863
Other income		6,743	6,721	28,886	27,591
Other items of expense					
Administrative expense		(715)	(1,689)	(27,224)	(27,152)
Finance costs		(974)	(943)	(3,722)	(2,965)
Other expenses		(9,240)	(9,469)	(10,091)	(19,926)
Profit before tax	A14	16,510	16,227	72,727	75,105
Income tax expense	A15	(5,572)	(8,275)	(20,494)	(22,162)
Profit net of tax		10,938	7,952	52,233	52,943
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		10,938	7,952	52,233	52,943
Profit net of tax attributable to:					
Owners of the Company		10,940	7,966	52,235	52,957
Non-controlling interests		(2)	(14)	(2)	(14)
		10,938	7,952	52,233	52,943
Total comprehensive income attributable to:					
Owners of the Company		10,940	7,966	52,235	52,957
Non-controlling interests		(2)	(14)	(2)	(14)
		10,938	7,952	52,233	52,943

**Condensed consolidated statements of profit or loss
and other comprehensive income (continued)**
For the quarter and year ended 31 December 2019

	Note	Current quarter 3 months ended		Year ended	
		31.12.2019 Unaudited RM'000	31.12.2018 Unaudited RM'000	31.12.2019 Unaudited RM'000	31.12.2018 Audited RM'000
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	A16	3.16	2.30	15.10	15.31

The above condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these condensed consolidated interim financial statements.

Condensed consolidated statements of financial position
As at 31 December 2019

	Note	As at 31.12.2019 Unaudited RM'000	As at 31.12.2018 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A17	8,151	60,668
Concession assets	A18	836,696	860,128
Deferred tax assets		20,062	24,807
Other assets		24,651	25,265
Trade receivable		159,028	246,644
Right of use asset		4,816	-
		1,053,404	1,217,512
Current assets			
Inventories	A19	7,037	6,357
Trade and other receivables		135,673	47,757
Contract asset		10,880	10,710
Land held for sale		47,033	-
Other assets		7,258	5,758
Tax refundable		429	6,733
Investment securities	A21	43,911	65,970
Cash and bank balances	A20	70,902	56,322
		323,123	199,607
TOTAL ASSETS		1,376,527	1,417,119

Condensed consolidated statements of financial position (continued)
As at 31 December 2019

	Note	As at 31.12.2019 Unaudited RM'000	As at 31.12.2018 Audited RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	A22	22,378	55,971
Loan from Sabah Ports Authority		-	26,981
Amount due to Sabah State Government		5,946	5,966
Concession liabilities	A23	10,806	10,583
Contract liability		3,301	9,434
Trade and other payables		53,421	55,048
Current tax payable		2,119	-
Lease liabilities		587	-
		98,558	163,983
Net current assets		224,565	35,624
Non-current liabilities			
Borrowings	A22	104	187
Amount due to Sabah State Government		-	5,927
Concession liabilities	A23	107,888	110,929
Employee defined benefit liability		77	77
Deferred tax liabilities		56,283	57,549
Lease liabilities		225	-
		164,577	174,669
TOTAL LIABILITIES		263,135	338,652
Net assets		1,113,392	1,078,467
Equity attributable to owners of the Company			
Share capital	A8	358,825	358,825
Other reserves		1,501	1,605
Retained earnings		753,077	718,046
		1,113,403	1,078,476
Non-controlling interests		(11)	(9)
TOTAL EQUITY		1,113,392	1,078,467
TOTAL EQUITY AND LIABILITIES		1,376,527	1,417,119

The above condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these condensed consolidated interim financial statements.

Condensed consolidated statements of changes in equity
For the year ended 31 December 2019

	Note	-----Attributable to owners of the Company-----							
		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	Non- controlling interests RM'000
Opening balance at 1 January 2019		1,078,467	1,078,476	358,825	718,046	1,605	1,998	(393)	(9)
Profit net of tax		52,235	52,235	-	52,235	-	-	-	-
Effect on adoption of MFRS 16		(17)	(17)	-	(17)	-	-	-	-
Total comprehensive income for the year		52,218	52,218	-	52,218	-	-	-	-
Transactions with owners									
Dividends on ordinary Shares	A9	(17,291)	(17,291)	-	(17,291)	-	-	-	-
Non-controlling interests' share in a subsidiary		(2)	-	-	-	-	-	-	(2)
Forfeiture of Employee Share Option		-	-	-	104	(104)	(104)		
Total transactions with owners		(17,293)	(17,291)	-	(17,187)	(104)	(104)	-	(2)
Closing balance at 31 December 2019		1,113,392	1,113,403	358,825	753,077	1,501	1,894	(393)	(11)

Condensed consolidated statements of changes in equity (continued)
For the year ended 31 December 2019

	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	
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 year		52,943	52,957	-	52,957	-	-	-	(14)
Transactions with owners									
Issuance of shares to non-controlling interests		5	-	-	-	-	-	-	5
Dividends on ordinary Shares	A9	(27,377)	(27,377)	-	(27,377)	-	-	-	-
Forfeiture of Employee Share Option		-	-	-	257	(257)	(257)	-	-
Total transactions with owners		(27,372)	(27,377)	-	(27,120)	(257)	(257)	-	5
Closing balance at 31 December 2018		1,078,467	1,078,476	358,825	718,046	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 2018 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 2019

	Year ended	
	31.12.2019 Unaudited RM'000	31.12.2018 Audited RM'000
Operating activities		
Profit before tax	72,727	75,105
<u>Adjustments for:</u>		
Amortisation of concession assets	48,364	46,624
Allowance for impairment loss on:		
- trade receivables	271	161
- other receivables	-	2
Concession assets written off	61	10,452
Depreciation of property, plant and equipment	1,273	2,357
Depreciation of right-of-use assets	1,335	-
Employee defined benefit expenses	-	6
Employee leave entitlement	197	11
Employee leave entitlement written back	(13)	(73)
Finance costs	3,722	2,965
Gain on disposal of concession assets	(84)	(29)
Gain on disposal of property, plant and equipment	(1)	20
Impairment loss on other receivables	85	-
Interest income	(1,804)	(1,863)
Inventories written down	-	94
Investment income from investment securities	(1,375)	(975)
Net fair value (gain)/loss on held for trading investment securities	(327)	(447)
Plant and equipment written off	-	8
Reversal of allowance for impairment on receivable	-	-
Unrealised exchange loss/(gain)	5	53
Unwinding of discount on:		
- long term receivables	(19,393)	(18,082)
- concession liabilities	7,765	7,949
- dredging costs	250	179
Total adjustments	40,331	49,412
Operating cash flows before changes in working capital	113,058	124,517
<u>Changes in working capital:</u>		
Increase in inventories	(680)	(1,801)
Decrease/(increase) in trade and other receivables	18,737	(680)
(Increase)/decrease in other assets	(886)	29,950
Increase in contract asset	(170)	(10,710)
(Decrease)/increase in trade and other payables	(2,061)	10,154
Payment of concession liabilities	(10,583)	(10,368)
(Decrease)/increase in contract liability	(6,133)	9,434
Payment of employee defined benefit liability	-	(52)
Total changes in working capital	(1,776)	25,927

Condensed consolidated statements of cash flows (continued)
For the year ended 31 December 2019

	Year ended	
	31.12.2019 Unaudited RM'000	31.12.2018 Audited RM'000
Cash flows from operations	111,282	150,444
Interest received	1,192	1,120
Income tax paid	(16,430)	(19,675)
Income tax refunded	7,844	253
Net cash flows from operating activities	103,888	132,142
Investing activities		
(Increase)/decrease in cash at banks and deposits pledged and deposits with maturity more than 3 months	(8,481)	11,800
Purchase of concession assets	(25,008)	(136,823)
Proceeds from disposal of concession assets	99	29
Proceeds from disposal of plant and equipment	46	245
Proceeds from disposal of investment securities	52,999	114,079
Purchase of investment securities	(30,613)	(116,991)
Purchase of property, plant and equipment	(314)	(2,488)
Investment income received from investment securities	1,375	975
Interest received	612	743
Net cash flows used in investing activities	(9,285)	(128,431)
Financing activities		
Dividends paid	(17,291)	(27,377)
Proceed from issuance of ordinary shares to non-controlling interest	-	5
Drawdown of short-term revolving credit	7,000	55,000
Interest paid	(3,774)	(2,887)
Increase in trust receipt	(1,430)	5,569
Payment of principal portion of lease liabilities	(756)	-
Repayment of short-term revolving credit	(39,000)	(5,000)
Repayment of loan from Sabah Ports Authority	(26,981)	(25,943)
Repayment of loan from Sabah State Government	(5,927)	(5,927)
Repayment of obligations under finance leases	(340)	(371)
Net cash flows used in financing activities	(88,499)	(6,931)
Net increase/(decrease) in cash and cash equivalents	6,104	(3,220)
Effect of exchange rate changes on cash and cash equivalents	(5)	(53)
Cash and cash equivalents at 1 January	40,263	43,536
Cash and cash equivalents at 31 December (Note A20)	46,362	40,263
Composition of cash and cash equivalents		
Cash on hand and at banks	25,776	17,628
Short term deposits with licensed banks	20,586	22,635
Cash and cash equivalents at 31 December (Note A20)	46,362	40,263

The above condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these condensed consolidated interim financial statements.

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

A1. Corporate information

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 24 February 2020.

A2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the fourth quarter ended 31 December 2019 are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the requirements of the Companies Act 2016 in Malaysia.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018. These explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2018.

A3. Changes in accounting policies

The accounting policies adopted in these condensed consolidated interim financial statements are consistent with the audited consolidated financial statements for the financial year ended 31 December 2018, except for the adoption of the following MFRSs and Amendments to MFRSs and IC interpretation, which are applicable during the current financial year.

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

- MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- MFRS 16 Leases
- MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)
- Annual Improvements to MFRS Standards 2015 – 2017 Cycle
- IC Interpretation 23 Uncertainty over Income Tax Treatments
- MFRS 119 Plan Amendment, Curtailment or settlement (Amendments to MFRS 119)

The initial application or adoption of the above MFRSs, Amendments to MFRSs and IC interpretation are not expected to have any material financial impact on these condensed consolidated interim financial statements except as mentioned below:

MFRS 16, Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

A3. Changes in accounting policies (continued)

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee recognises a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases as either operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

New MFRSs, Amendments to MFRSs and IC Interpretations

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

Effective for annual periods beginning on or after 1 January 2020:

- MFRS 3 Definition of a Business (Amendments to MFRS 3)
- MFRS 101 and MFRS 108 Definition of Material (Amendments to MFRS 101 and MFRS 108)

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

- MFRS 17 Insurance Contracts

Deferred:

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

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

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

A4. Significant events and transactions

There were no significant event and transaction that would have had a material impact on the financial position and performance of the Group as at 31 December 2019.

A5. Comments about seasonal or cyclical factors

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

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 2019.

A7. Changes in estimates

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

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

During the year ended 31 December 2019, there was an issuance of 57,636,787 new ordinary shares via a bonus issue, credited as fully paid-up share capital on the basis of 1 bonus share for every 5 existing ordinary shares through capitalisation of share premium of the Company of RM57,636,787. The bonus issue was completed on 29 January 2019.

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

A9. Dividends paid

	Current quarter 3 months ended		Year-to-date ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<u>For 2017:</u> 6.0% first and final tax exempt dividend, on 288,183,992 ordinary shares, declared on 26 June 2018 and paid on 31 July 2018	-	-	-	17,291
<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
<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	-
<u>For 2019:</u> 2.5% interim tax exempt dividend, on 345,820,779 ordinary shares, declared on 27 November 2019 and paid on 30 December 2019	8,645	-	8,645	-
	8,645	10,086	17,291	27,377

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.

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

A10. Segmental information (continued)

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 92% to the Group's revenue (31 December 2018: 88%) and 77% (31 December 2018: 80%) to the Group's profit before tax.

For the year-to-date, it contributed 91% to the Group's revenue (31 December 2018: 94%) and 80% (31 December 2018: 83%) to the Group's profit before tax.

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

The cargo volume handled at Sabah Ports is closely correlated to the Sabah State's economy and also the regional economy. For the current quarter, there was a decrease in cargo throughput of 3% compared to the preceding year's corresponding quarter ended 31 December 2018. For the year ended, there was a drop in total tonnage handled by 7%, mainly attributed to lower bulk oil, fertilizer, wood products and general cargo throughput. The total tonnage handled for the current quarter and year ended was 7.4 million and 28.8 million metric tonnes respectively.

The category of container which is charged differently as per the Sabah Ports' Tariff registered a slight decrease in total TEUs handled in the current quarter by 2% to 96,938 from 98,489 TEUs in the preceding year's corresponding quarter. For the year-to-date, total TEUs was also 2% lower at 379,374 TEUs as compared to 386,786 TEUs registered in prior year-to-date.

Profit before tax has decreased by RM3.8 million (6%) to RM58.3 million for the current year from RM62.1 million in prior year. This was mainly due to lower revenue and higher finance costs reported during the year.

Despite the uncertainties in current economic condition, we expect there will be improvement in cargo throughput and containers going through the wharves for the coming months.

Logistics and bunkering services

For the current quarter and year ended, the logistics and bunkering services segment contributed <1% (year ended 31 December 2018: 1%) to the Group's revenue.

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

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

For the current quarter, this segment contributed 9% of the Group's revenue (31 December 2018: 13%).

For the year-to-date, it contributed 9% of the Group's revenue (31 December 2018: 6%).

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 RM18.5 million.

In the ferry terminal operations, the passenger fees from Jesselton Point operations is the main source of revenue, contributed 58% (31 December 2018: 56%). Other revenues are derived from berthing fees, retail outlets, indoor soccer centre and handling of cruise ship passengers at Kota Kinabalu Port.

Gross profit margin for this segment has increased to 15% from 9% 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 2019, there would not be any amount recognised in Group's revenue except for the unwinding of discount on long term trade receivable amounted to RM19.4 million (31 December 2018: RM18.1 million) recognised under other income.

The physical works of the project have commenced in December 2016 and has been progressing well. The development is expected to be completed in year 2020.

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	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Segment revenue				
Investment holding	7,840	9,273	25,470	33,830
Property development	-	-	-	-
Port operations				
- Operating revenue	56,495	59,482	224,237	239,259
- Construction services revenue	8,741	15,521	25,008	136,823
Logistics and bunkering services	196	(1,693)	1,966	4,327
Contract and engineering and ferry terminal operations	6,131	11,539	24,942	23,057
Revenue including inter-segment sales	79,403	94,122	301,623	437,296
Elimination of inter-segment sales	(8,771)	(8,456)	(26,400)	(36,630)
Total revenue	70,632	85,666	275,223	400,666

	Current quarter 3 months ended		Year ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Segment results				
Investment holding	5,618	6,452	15,582	41,950
Property development	4,718	4,420	19,135	(263)
Port operations	12,708	13,068	58,312	62,111
Logistics and bunkering services	(196)	(135)	(356)	(449)
Contract and engineering and ferry terminal operations	565	(786)	1,392	(157)
Profit from operations including inter- segment transactions	23,413	23,019	94,065	103,192
Elimination of inter-segment transactions	(6,903)	(6,792)	(21,338)	(28,087)
Total profit before tax	16,510	16,227	72,727	75,105

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

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 2019.

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 2019 and 31 December 2018:

	Current quarter 3 months ended		Year ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<i>Subsidiaries:</i>				
Dividend income	7,775	8,275	22,210	29,570
Interest income	20	18	67	109
Interest expense	62	125	422	375
Management fees income	1,065	1,065	4,260	4,260
Rental income	22	22	90	90
<i>Company related to Substantial shareholder:</i>	-	-	-	-
<i>Sabah State Government:</i>				
Payment of Land premium*	-	-	-	24,238

The directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

All outstanding balances with these related parties are unsecured and are to be settled in cash within three months of the reporting date.

* Payment of land premium is in relation to the proposed alienation of a parcel of land measuring approximately 28.9 acres from the Sabah State Government to Suria Capital Holdings Berhad as per the announcement made to Bursa Malaysia Securities Berhad on 21 March 2018.

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

A14. Profit before tax

Included in the profit before tax are the following items:

	Current quarter 3 months ended		Year ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Employee benefits expense	16,685	16,448	65,887	65,585
Non-executive directors' remuneration	192	170	847	1,168
Allowance for impairment loss on:				
- trade receivables	27	78	271	161
- other receivables	85	2	85	2
Amortisation of concession assets	9,750	11,577	48,364	46,624
Auditors' remuneration:				
Statutory audit:				
- current year	123	136	230	232
- under/(over) provision in respect of previous year	(104)	(103)	(4)	3
Other services:				
- current year	106	72	108	126
- under/ (over) provision in respect of previous year	(4)	8	-	8
Depreciation of property, plant and equipment	(108)	537	1,273	2,357
Depreciation of right-of-use assets	1,335		1,335	-
Hiring of equipment and motor vehicles	(38)	15	-	60
Concession assets written off	1	944	61	10,452
Inventories written off	-	94	-	94
Leasing of port land	(1,538)	1,719	4,638	8,497
Net fair value (gain)/loss on financial instruments:				
- Investment securities	328	99	94	-
(Gain)/loss on disposals of property, plant and equipment	33	58	-	25
Plant and equipment written off	-	8	-	8
Realised (gain)/loss on foreign exchange	18	-	-	(15)
Rental of equipment			6	
Rental of office premises	(515)	103	133	766
Reversal of allowance for impairment loss:				
- trade and other receivables	(63)	(41)	(120)	(296)
Unrealised exchange (gain)/loss	5	71	5	53
Unwinding discount on:				
- concession liabilities	7,765	1,987	7,765	7,949
- dredging costs	250	-	250	179

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	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Income tax expense for the year-to-date:				
Malaysian income tax	5,547	2,786	17,009	13,457
Deferred tax	25	5,489	3,485	8,705
	5,572	8,275	20,494	22,162

Income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year-to-date.

A16. Earnings per share

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

	Current quarter 3 months ended		Year ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Profit net of tax for the financial year-to-date	10,938	7,952	52,233	52,943
Less: Attributable to non-controlling interests	2	14	2	14
Profit net of tax attributable to owners of the Company	10,940	7,966	52,235	52,957
Weighted average number of ordinary shares (*)	345,821	345,821	345,821	345,821
Basic earnings per ordinary share (sen)	3.16	2.30	15.10	15.31

(*) The weighted average number of ordinary shares after the bonus issue. The prior year has been retrospectively adjusted.

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

A17. Property, plant and equipment

Acquisitions and disposals

The cash outflow on acquisition of property, plant and equipment amounted to RM313,953 (31 December 2018: RM2,488,000).

During the quarter and year ended 31 December 2019, assets with carrying amount of RM445,692 has been disposed off (31 December 2018: RM2,800), resulting in a gain on disposal of RM1,036 (31 December 2018: 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 ended 31 December 2019, there were no write-down of property, plant and equipment (31 December 2018: NIL).

A18. Concession assets

Group	Port concession rights RM'000	Leased port infrastructure and facilities RM'000	Capital expenditure RM'000	Total RM'000
Cost:				
At 1 January 2019	213,679	45,296	1,113,458	1,372,433
Addition	-	-	25,008	25,008
Disposal	-	-	(334)	(334)
Write off	-	-	(609)	(609)
At 31 December 2019	213,679	45,296	1,137,523	1,396,498
Accumulated amortisation:				
At 1 January 2019	100,618	21,642	390,045	512,305
Amortisation	7,197	1,510	39,657	48,364
Disposal	-	-	(319)	(319)
Write off	-	-	(548)	(548)
At 31 December 2019	107,815	23,152	428,835	559,802
Net carrying amount:				
At 31 December 2018	113,061	23,654	723,413	860,128
At 31 December 2019	105,864	22,144	708,688	836,696

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 2019 (31 December 2018: RM98,000).

A20. Cash and cash equivalents

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Cash at banks and on hand	25,776	17,628
Cash at banks pledged as securities for bank Guarantees and facilities	2,032	489
Short term deposits pledged as securities for bank Guarantees and facilities	5,421	6,891
Short term deposits with licensed banks	20,586	22,635
Deposits with maturity more than 3 months	17,087	8,679
	70,902	56,322

Short term deposits are made for varying periods of between 1 month and 3 months depending on the immediate cash requirements of the Group, and earn interests at the respective short term deposit rates. The weighted average effective interest rates as at 31 December 2019 for the Group were 3.4% (2018: 3.0%).

Deposits more than 3 months are made for periods of 6 months to 24 months (2018: 1 year) and the weighted average effective interest rates as at 31 December 2019 for the Group were 3.78% (2018: 3.78%).

Included in deposits with maturity more than 3 months of the Group are deposits amounting to RM6,401,655 (2018: RM6,170,000) 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 31.12.2019 RM'000	As at 31.12.2018 RM'000
Cash on hand and at banks	25,776	17,628
Short term deposits with licensed banks	20,586	22,635
	46,362	40,263

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

A21. Fair value of assets and liabilities

A. Assets measured at fair value

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

	Fair value measurements at the reporting period using			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Financial assets				
Investment securities				
- 31 December 2019	-	43,911	-	43,911
- 31 December 2018	-	65,970	-	65,970

B. Level 2 fair value measurements

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

Investment securities

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

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

A21. Fair value of assets and liabilities (continued)

C. Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at the reporting date but for which fair value is disclosed:

	Fair value measurements at the reporting period using				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
At 31 December 2019					
Financial liabilities (Non-current)					
Borrowings					
- Obligations under finance leases	-	-	99	99	104
At 31 December 2018					
Financial liabilities (Non-current)					
Borrowings					
- Obligations under finance leases	-	-	179	179	187
- Amount due to Sabah State Government	-	-	5,820	5,820	5,927

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

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

A22. Interest-bearing loans and borrowings

Total Group's loans and borrowings as at 31 December 2019 and 31 December 2018 were as follows:

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Current		
Secured:		
- Obligations under finance leases	175	305
- Trust Receipts	4,139	5,569
Unsecured:		
Short-term revolving credit	18,064	50,097
	22,378	55,971
Non-current		
Secured:		
- Obligations under finance leases	104	187
	104	187
	22,482	56,158

The above borrowings are denominated in local currency.

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

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

A23. Concession liabilities

Group	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
At 1 January	121,512	123,931
Unwinding of discount	7,765	7,949
Payments	(10,583)	(10,368)
	<hr/>	<hr/>
At 31 December	118,694	121,512
	<hr/>	<hr/>
Current	10,806	10,583
Non current:		
More than 1 year and less than 2 years	10,316	10,099
More than 2 years and less than 5 years	28,262	27,647
5 years or more	69,310	73,183
	<hr/>	<hr/>
	107,888	110,929
	<hr/>	<hr/>
	118,694	121,512
	<hr/>	<hr/>

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

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

A24. Capital commitments

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Approved and contracted for		
Sapangar Bay bunkering line	187	187
Sandakan Port wharf extension	8,071	15,466
Major repairs and improvements at ports	9,024	6,770
	17,282	22,423
Approved but not contracted for		
Purchase of property, plant and equipment	280,192	273,660
Improvement to port infrastructure facilities	54,961	73,252
	335,153	346,912
	352,435	369,335

The approved but not contracted for amounting to RM335.2 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

B1. Performance review

Current quarter

For the current quarter ended 31 December 2019, the Group registered revenue of RM70.6 million, decreased by RM15.1 million or 18% when compared to the previous year's corresponding quarter ended 31 December 2018 of RM85.7 million. The decrease in revenue was mainly due to lower contribution from port operations segment in both its operating revenue as well as construction services revenue.

The ports' operating revenue was registered lower in the current quarter at RM56.5 million compared to RM58.0 million in the previous year's corresponding quarter, lower by RM1.5 million (3%). Besides, in accordance with IC Interpretation 12: Service Concession Arrangements, the port operations shall register construction services revenue arising from upgrading and construction of ports infrastructure and facilities. During the quarter, construction services revenue amounted to RM8.7 million (31 December 2018: RM15.5 million), lower by RM6.8 million (44%). However, this construction services revenue has got no impact to the Group's profit as the same amount of construction cost was recognized under cost of sales and zeroised at gross profit level.

The Group registered a pre-tax profit of RM16.5 million for the quarter ended 31 December 2019, higher by RM0.3 million (2%) from RM16.2 million for the corresponding quarter ended 31 December 2018, mainly due to lower administrative expenses for the quarter under review.

Year-to-date

For the year ended 31 December 2019, the Group registered revenue of RM275.2 million, lower by RM125.5 million or 31% when compared to the prior year ended 31 December 2018 of RM400.7 million. The drop in revenue was mainly attributable to the port operations business segment. The ports' operating revenue recorded lower by 5% due to lower cargo throughput during the year .

Besides, in accordance with IC Interpretation 12: Service Concession Arrangements, the port operations segment registered construction services revenue arising from upgrading and construction of ports infrastructure and facilities amounted to RM25.0 million during the year (31 December 2018: RM136.8 million) which was the main contributing factor for the significant drop in revenue for the year. The high construction services revenue in previous year was mainly due to construction of Sandakan Port's wharf extension.

The Group registered a pre-tax profit of RM72.7 million for the year ended 31 December 2019, decreased by RM2.4 million (3%) from RM75.1 million for the prior year ended 31 December 2018, mainly due to lower operating revenue and higher finance costs for 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 Main Market Listing Requirements of
Bursa Malaysia Securities Berhad

B2. Comment on material change in profit before taxation

The Group reported a pre-tax profit of RM16.5 million for the current quarter as compared to RM14.9 million for the immediate preceding quarter, representing an increase of RM1.6 million (11%), mainly due to higher revenue registered for the current quarter under review.

B3. Commentary on prospects

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

Apart from port operations, the Board is also optimistic, except for any unforeseen circumstances, about the property development projects as it is anticipated that the projects will provide favourable prospects and results to the Group for the 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-to-date.

B8. Dividends declared

Interim dividend of 2.5% has been recommended in respect of the financial year ended 31 December 2019 (31 December 2018: 3.5%), and has been paid on 30 December 2019. Please refer note A9.

Notes to the condensed consolidated interim financial statements
Part B: Explanatory notes pursuant to Main Market 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 2019 and 31 December 2018.

B10. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2018 was not qualified.

B11. Authorisation for issue

The Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 February 2020.