

SURIA CAPITAL HOLDINGS BERHAD

(COMPANY No: 96895-W)

(INCORPORATED IN MALAYSIA)

**Interim Financial Statements
30 June 2008**

Condensed Consolidated Income Statements
For the Financial Period Ended 30 June 2008

	Note	Individual Quarter 30.06.2008 RM'000 Unaudited	30.06.2007 RM'000 Unaudited	Cumulative Year to Date 30.06.2008 RM'000 Unaudited	30.06.2007 RM'000 Unaudited
Revenue	8	72,561	80,291	141,256	145,958
Cost of sales		<u>(49,913)</u>	<u>(51,325)</u>	<u>(97,342)</u>	<u>(92,094)</u>
Gross profit		22,648	28,966	43,914	53,864
Other income		2,147	1,601	4,220	3,284
Other expenses		(2,162)	(1,644)	(3,639)	(3,390)
Administrative expenses		<u>(6,799)</u>	<u>(5,492)</u>	<u>(13,088)</u>	<u>(9,934)</u>
Operating profit	8	15,834	23,431	31,407	43,824
Finance costs		<u>(4,661)</u>	<u>(4,165)</u>	<u>(9,043)</u>	<u>(5,483)</u>
Profit before taxation		11,173	19,266	22,364	38,341
Taxation (expense) / income	21	<u>(1,052)</u>	<u>35,363</u>	<u>(2,017)</u>	<u>30,497</u>
Profit for the financial period		<u>10,121</u>	<u>54,629</u>	<u>20,347</u>	<u>68,838</u>
Attributable to:					
Equity holders of the Company		9,906	53,885	20,051	68,219
Minority interests		<u>215</u>	<u>744</u>	<u>296</u>	<u>619</u>
Profit for the financial period		<u>10,121</u>	<u>54,629</u>	<u>20,347</u>	<u>68,838</u>
Earnings per ordinary share attributable to equity holders of the Company (sen):					
Basic	29(a)	<u>3.50</u>	<u>19.02</u>	<u>7.08</u>	<u>24.08</u>
Diluted	29(b)	<u>3.50</u>	<u>19.02</u>	<u>7.08</u>	<u>24.08</u>

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the Interim Financial Statements.

Condensed Consolidated Balance Sheets
As at 30 June 2008

	Note	As at 30.06.2008 RM'000 Unaudited	As at 31.12.2007 RM'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	9	613,649	579,552
Land held for development		34,208	33,815
Investment properties		2,640	2,668
Prepaid land lease payments		24,759	24,891
Intangible assets	10	103,357	105,200
Investment in associate company		357	357
Deferred tax assets		90,400	90,400
		<u>869,370</u>	<u>836,883</u>
Current assets			
Inventories		1,692	1,638
Trade receivables	11	32,513	29,911
Other receivables		54,998	53,936
Short-term investments	23	37,178	62,049
Cash and bank balances	12	59,522	84,090
		<u>185,903</u>	<u>231,624</u>
TOTAL ASSETS		<u>1,055,273</u>	<u>1,068,507</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		283,328	283,328
Share premium		62,785	62,785
Retained earnings		270,435	279,964
		<u>616,548</u>	<u>626,077</u>
Minority interests		<u>2,371</u>	<u>2,075</u>
Total equity		<u>618,919</u>	<u>628,152</u>

Condensed Consolidated Balance Sheets
As at 30 June 2008

	Note	As at 30.06.2008 RM'000 Unaudited	As at 31.12.2007 RM'000 Audited
Non-current liabilities			
Borrowings	24	114,620	121,559
Amount due to Sabah Ports Authority		59,267	59,267
Loan from Sabah Ports Authority		173,016	169,156
Deferred tax liabilities		<u>86</u>	<u>90</u>
		<u>346,989</u>	<u>350,072</u>
Current liabilities			
Borrowings	24	25,108	15,169
Trade payables		27,104	30,200
Other payables		33,887	43,043
Amount due to Sabah Ports Authority		1,735	490
Current tax payable		<u>1,531</u>	<u>1,381</u>
		<u>89,365</u>	<u>90,283</u>
Total liabilities		<u>436,354</u>	<u>440,355</u>
TOTAL EQUITY AND LIABILITIES		<u>1,055,273</u>	<u>1,068,507</u>

The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the Interim Financial Statements.

Condensed Consolidated Statements of Changes in Equity
For the Financial Period Ended 30 June 2008

<---Attributable to Equity Holders of the Parent--->

	Share Capital RM'000	Share Premium RM'000	Non- Distributable Retained Earnings/ (Accumulated Losses) RM'000	Sub- Total RM'000	Minority Interests RM'000	Total RM'000
At 1 January 2008	283,328	62,785	279,964	626,077	2,075	628,152
Profit for the period	-	-	20,051	20,051	296	20,347
Dividends	-	-	(29,580)	(29,580)	-	(29,580)
At 30 June 2008	<u>283,328</u>	<u>62,785</u>	<u>270,435</u>	<u>616,548</u>	<u>2,371</u>	<u>618,919</u>
At 1 January 2007	566,656	131,884	(260,571)	437,969	1,262	439,231
Profit for the period	-	-	68,219	68,219	619	68,838
Dividends	-	-	(10,341)	(10,341)	-	(10,341)
At 30 June 2007	<u>566,656</u>	<u>131,884</u>	<u>(202,693)</u>	<u>495,847</u>	<u>1,881</u>	<u>497,728</u>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the Interim Financial Statements.

Condensed Consolidated Cash Flow Statements
For the Financial Period Ended 30 June 2008

	30.06.2008 RM'000 Unaudited	30.06.2007 RM'000 Unaudited
Net cash generated from operating activities	15,415	2,800
Net cash used in investing activities	(48,087)	(116,968)
Net cash generated from financing activities	<u>8,104</u>	<u>121,401</u>
Net (decrease) / increase in cash and cash equivalents	(24,568)	7,233
Cash and cash equivalents at beginning of the period	<u>84,090</u>	<u>101,706</u>
Cash and cash equivalents at end of the period*	<u><u>59,522</u></u>	<u><u>108,939</u></u>

*Cash and cash equivalents at the end of the period comprised the following:

	As at 30.06.2008 RM'000	As at 30.06.2007 RM'000
Cash and bank balances	18,916	11,146
Fixed deposits with licensed banks	<u>40,606</u>	<u>97,793</u>
	<u><u>59,522</u></u>	<u><u>108,939</u></u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the Interim Financial Statements.

Part A – Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The Interim Financial Statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007. These explanatory notes attached to the 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 financial year ended 31 December 2007. The Condensed Consolidated Interim Financial Statements and notes thereon do not include all of the information required for full set of Financial Statements prepared in accordance with FRSs.

The preparation of an Interim Financial Report in conformity with FRS 134 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

The significant accounting policies and method of computation adopted are consistent with those adopted in the most recent Audited Financial Statements for the year ended 31 December 2007, except for the following new and revised FRSs in Malaysia which were issued on 1 July 2007 and adopted by the Group and the Company, where applicable, effective for financial periods beginning 1 January 2008 :

FRS 107: Cash Flow Statements

FRS 111: Construction Contracts

FRS 118: Revenue

FRS 120: Accounting for Government Grants and Disclosure of Government Assistance

FRS 134: Interim Financial Reporting

FRS 137: Provisions, Contingent Liabilities and Contingent Assets

Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities

IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments

IC Interpretation 5: Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IC Interpretation 6: Liabilities arising from participating in a Specific Market - Waste Electrical and Electronic Equipment

IC Interpretation 7: Applying the Restatement Approach under FRS 129₂₀₀₄ - Financial Reporting in Hyperinflationary Economics

IC Interpretation 8: Scope of FRS 2

Part A – Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation (Cont'd)

FRS 139 Financial Instruments : Recognition and Measurement has been deferred and has not been adopted by the Group.

The adoption of the above new and revised FRSs, amendments to FRSs and Interpretations have no significant impact on the financial statements of the Group and the Company.

2. Qualification of Audit Report of the Preceding Annual Financial Statements

There were no qualifications on audit report of the preceding Annual Financial Statements.

3. Comments About Seasonal or Cyclical Factors

The Group's operations were not materially affected by any seasonal or cyclical factors.

4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial period-to-date.

5. Changes in Estimates

There were no changes in estimates that have had material effect in the current quarter and financial period-to-date results.

6. Changes in Debt and Equity

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter and financial period-to-date.

Part A – Explanatory Notes Pursuant to FRS 134

7. Dividends Paid

	Amount		Net Dividend Per Ordinary Share	
	2008 RM'000	2007 RM'000	2008 Sen	2007 Sen
Final Dividend				
<u>For 2007:</u>				
6.0% less 26% taxation, on 283,327,992 ordinary shares, declared on 30 April 2008 and paid on 22 May 2008	12,580	-	4.44	-
<u>For 2006:</u>				
2.5% less 27% taxation, on 566,655,984 ordinary shares, declared on 15 May 2007 and paid on 31 May 2007	-	10,341	-	1.83
<u>Special Dividend</u>				
<u>For 2007:</u>				
6.0% on 283,327,992 ordinary shares, declared on 30 April 2008 and paid on 22 May 2008	17,000	-	6.00	-
	29,580	10,341	10.44	1.83

Part A – Explanatory Notes Pursuant to FRS 134

8. Segmental Information

	3 months ended 30.06.2008 RM'000	6 months ended 30.06.2008 RM'000
<u>Segment revenue</u>		
Investment holding	19,604	23,307
Port operations	47,478	94,241
Logistics and bunkering	21,720	35,416
Contract and engineering	7,257	28,279
Property development	<u>683</u>	<u>1,371</u>
Revenue including inter-segment sales	96,742	182,614
Elimination of inter-segment sales	<u>(24,181)</u>	<u>(41,358)</u>
Total revenue	<u><u>72,561</u></u>	<u><u>141,256</u></u>
<u>Segment results</u>		
Investment holding	16,599	17,967
Port operations	15,967	31,182
Logistics and bunkering	1,197	1,913
Contract and engineering	543	1,406
Property development	<u>(321)</u>	<u>(542)</u>
Profit from operations including inter-segment transactions	33,985	51,926
Elimination of inter-segment transactions	<u>(18,151)</u>	<u>(20,519)</u>
Total operating profit	<u><u>15,834</u></u>	<u><u>31,407</u></u>

9. Carrying Amount of Revalued Assets

There has not been any revaluation of property, plant and equipment for the Group.

Part A – Explanatory Notes Pursuant to FRS 134

10. Intangible Assets

Group	Port Concession Rights RM'000	Goodwill on Business Acquisition RM'000	* Software Licenses and System Development RM'000	Total RM'000
Cost				
At 1 January 2008	110,615	4,486	2,390	117,491
Additions	-	-	-	-
At 30 June 2008	<u>110,615</u>	<u>4,486</u>	<u>2,390</u>	<u>117,491</u>
Accumulated amortisation and impairment				
At 1 January 2008	12,291	-	-	12,291
Amortisation	<u>1,843</u>	-	-	<u>1,843</u>
At 30 June 2008	<u>14,134</u>	-	-	<u>14,134</u>
Net carrying amount				
At 31 December 2007	<u>98,324</u>	4,486	2,390	<u>105,200</u>
At 30 June 2008	<u><u>96,481</u></u>	<u>4,486</u>	<u>2,390</u>	<u><u>103,357</u></u>

* No amortisation has been charged as the asset is still in the stage of design and development.

Part A – Explanatory Notes Pursuant to FRS 134

11. Trade Receivables

	As at 30.06.2008 RM'000
Trade receivables	32,726
Less: Provision for doubtful debts	<u>(213)</u>
	<u>32,513</u>

12. Cash and Bank Balances

	As at 30.06.2008 RM'000
Cash in hand and at banks	18,916
Deposits with licensed banks	<u>40,606</u>
Total cash and bank balances	<u>59,522</u>

Included in deposits with licensed banks of the Group amounting to RM2,353,127 (2007: RM2,264,568) are held under lien to secure a bank guarantee made in favour of the Sabah Ports Authority (“SPA”) against lease rental of port land payable to SPA.

13. Subsequent Events

There were no material events subsequent to the end of the reporting period that have not been reflected in the Interim Financial Statements for the financial period ended 30 June 2008.

14. Changes in Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial period-to-date.

Part A – Explanatory Notes Pursuant to FRS 134

15. Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities or contingent assets since the last Annual Balance Sheets as at 31 December 2007 except for a corporate guarantees amounting to RM9.4 million given to banks for credit facilities granted to staff by a subsidiary during the financial period ended 30 June 2008. The repayment of staff housing loan facilities is by way of the deductions from staff salaries and the guarantee given shall cease upon the resignation of the staff concerned.

16. Capital Commitments

The amount of capital commitments for the purchase of property, plant and equipment not provided for in the Interim Financial Statements as at 30 June 2008 is as follows:

	As at 30.06.2008 RM'000
Approved and contracted for:	
Improvements to port and jetty infrastructure facilities and others	22,992
Construction of jetties and installation of pipelines	32,356
Purchase of property, plant and equipment	<u>4,140</u>
	<u>59,488</u>
Approved but not contracted for:	
Purchase of equipment and computerization project	442,409
Improvements to port infrastructure facilities	<u>282,681</u>
	<u>725,090</u>
	<u>784,578</u>

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

17. Review of Performance

For the current quarter and financial period ended 30 June 2008, the Group registered revenue of RM72.6 million and RM141.3 million respectively, a decline of RM7.7 million or 9.6% and RM4.7 million or 3.2% respectively when compared to the previous year's corresponding quarter and financial period ended 30 June 2007. The decrease was mainly attributable to the decline in revenue by contract and engineering segment. However, the decline was partly offset by increase in contribution by bunkering segment.

As a result, the Group reported a drop in profit before taxation of RM11.2 million and RM22.4 million respectively than that of RM19.3 million and RM38.3 million in the previous year's corresponding quarter and financial period ended 30 June 2007, down by RM8.1 million or 42.0% and RM16.0 million or 41.7% respectively. The decline in overall performance was mainly attributable to lower revenue as explained above as well as higher depreciation charges and finance costs.

The Group's profit for the previous year's corresponding quarter and financial period ended 30 June 2007 recognised taxation refund of RM32.4 million for investment allowance tax incentive under Schedule 7B of the ITA 1967 (Approved Service Project) granted by Ministry of Finance with retrospective effect.

18. Comment on Material Change in Profit Before Taxation

There were no material changes in profit before taxation as the Group achieved profit before taxation of RM11.2 million for the current financial quarter as compared to RM11.2 million for the preceding quarter.

19. Commentary on Prospects

Revenue from port operations and bunkering will continue to be the main contributor to the Group's earnings.

The Board expects the Group to achieve lower results for the financial year 2008, in view of the current operating environment which is expected to remain challenging.

20. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and minority interest and forecast profit after tax and minority interest and for the shortfall in profit guarantee are not applicable.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

21. Taxation

	3 months ended 30.06.2008 RM'000	6 months ended 30.06.2008 RM'000
Taxation expense for the period:		
Malaysian income tax	1,054	2,021
Deferred tax	<u>(2)</u>	<u>(4)</u>
	<u>1,052</u>	<u>2,017</u>

The provision for taxation of the Group for the current financial quarter reflects an effective tax rate lower than the Statutory Income Tax Rate due primarily to the Approved Investment Allowance Tax Incentive under Schedule 7B of the Income Tax Act 1967 (Approved Service Project) granted by Ministry of Finance to a subsidiary, whereby the subsidiary can enjoy a tax break for a period of five years from 1 September 2004 to 31 August 2009.

22. Sale of Unquoted Investments and Properties

There were no sales of unquoted investments and properties for the current financial quarter and financial period-to-date.

23. Short-Term Investments

There were no purchases and disposals of quoted securities during the current financial quarter and financial period-to-date.

The details of the investment in quoted securities are as follows:

	As at 30.06.2008 RM'000
At cost:	
Unit trust funds quoted in Malaysia	<u>37,178</u>
At market value:	
Unit trust funds quoted in Malaysia	<u>37,264</u>

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

24. Borrowings and Debt Securities

Particulars of the Group's borrowings and debts securities as at 30 June 2008 are as follows:

	As at 30.06.2008 RM'000
(i) <u>Short-term</u>	
Secured:	
- Islamic debt securities / MUNIF / IMTN	11,014
- Hire purchase and finance lease liabilities	14,094
	<u>25,108</u>
(ii) <u>Long-term</u>	
Secured:	
- Islamic debt securities	80,000
- Hire purchase and finance lease liabilities	34,620
	<u>114,620</u>
Total	<u>139,727</u>

25. Status of Corporate Proposal Announced

There were no corporate proposals announced but not completed as at the date of submission of this report.

26. Off Balance Sheet Financial Instruments

The Group has no off balance sheet financial instruments as at the date of this report.

27. Changes in Material Litigation

There were no material litigation for the current financial quarter and financial period-to-date.

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

28. Dividends Payable

The Directors do not recommend any dividend for the current financial quarter ended 30 June 2008.

29. Earnings Per Share

a) Basic Earnings Per Share

Basic earnings per ordinary share is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial period.

	3 months ended 30.06.2008	6 months ended 30.06.2007
Profit for the financial period (RM'000)	10,121	20,347
Less: Attributable to minority interests (RM'000)	<u>(215)</u>	<u>(296)</u>
Profit attributable to equity holders of the parent (RM'000)	<u>9,906</u>	<u>20,051</u>
Number of ordinary shares in issue ('000)	<u>283,328</u>	<u>283,328</u>
Basic earnings per share (sen)	<u>3.50</u>	<u>7.08</u>

The comparative number of ordinary shares in issue has been restated to take into account the effect arising from the capital restructuring during the financial year ended 31 December 2007.

b) Fully Diluted Earnings Per Share

Diluted earnings per share are not disclosed as there was no dilution for the financial period ended 30 June 2008.

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



**Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of
Bursa Malaysia Securities Berhad**

30. Authorised for Issue

The Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 August 2008.

By order of the Board
For **SURIA CAPITAL HOLDINGS BERHAD**

DATUK HAJI ABU BAKAR BIN HAJI ABAS
Group Managing Director

Kota Kinabalu
26 August 2008