



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 2014

Condensed consolidated statements of comprehensive income
For the quarter and year-to-date ended 30 June 2014

	Note	Current quarter 3 months ended		Year-to-date ended	
		30.06.2014 Unaudited RM'000	30.06.2013 Unaudited RM'000	30.06.2014 Unaudited RM'000	30.06.2013 Unaudited RM'000
Revenue		68,315	63,149	139,837	122,129
Cost of sales		(39,431)	(32,165)	(83,930)	(67,890)
Gross profit		28,884	30,984	55,907	54,239
Other items of income					
Interest income		577	344	1,165	679
Other income		2,647	2,834	5,068	5,137
Other items of expense					
Administrative expense		(6,594)	(6,515)	(12,739)	(12,238)
Finance costs		(2,303)	(2,768)	(4,711)	(5,634)
Other expenses		(1,139)	(1,007)	(2,268)	(2,335)
Profit before tax	8	22,072	23,872	42,422	39,848
Income tax expense	9	(6,163)	(7,518)	(11,551)	(11,957)
Profit net of tax		15,909	16,354	30,871	27,891
Other comprehensive income					
Remeasurement loss on employee defined benefit liability		(101)	-	(101)	-
Income tax effect		-	-	-	-
Total comprehensive income for the period		15,808	16,354	30,770	27,891
Profit net of tax attributable to:					
Owners of the Company		15,901	16,261	30,933	27,712
Non-controlling interests	8	8	93	(62)	179
		15,909	16,354	30,871	27,891
Total comprehensive income attributable to:					
Owners of the Company		15,800	16,261	30,832	27,712
Non-controlling interests	8	8	93	(62)	179
		15,808	16,354	30,770	27,891
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	10	5.61	5.74	10.92	9.78

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statements of financial position
As at 30 June 2014

	Note	As at 30.06.2014 Unaudited RM'000	As at 31.12.2013 Unaudited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	650,445	664,104
Land held for property development		120,803	120,776
Intangible assets	12	79,013	80,898
Deferred tax assets		-	6,951
		850,261	872,729
Current assets			
Inventories	13	4,891	5,149
Trade receivables		20,151	22,213
Other receivables		8,285	6,960
Other current assets		9,771	2,329
Income tax refundable		18,543	18,973
Investment securities	15	115,822	130,392
Cash and bank balances	14	96,408	121,961
		273,871	307,977
TOTAL ASSETS		1,124,132	1,180,706

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statements of financial position (continued)
As at 30 June 2014

Note	As at 30.06.2014 Unaudited RM'000	As at 31.12.2013 Audited RM'000
EQUITY AND LIABILITIES		
Current liabilities		
Borrowings	10,429	10,569
Loan from Sabah Ports Authority	22,177	22,176
Amount due to Sabah State Government	-	5,927
Trade payables	9,540	13,802
Other payables	16,633	88,530
Income tax payable	232	161
	59,011	141,165
Net current assets	214,860	166,812
Non-current liabilities		
Borrowings	20,027	30,003
Loan from Sabah Ports Authority	124,920	124,920
Amount due to Sabah State Government	35,560	35,560
Employee defined benefit liability	9,136	8,415
Deferred tax liabilities	4,268	203
	193,911	199,101
TOTAL LIABILITIES	252,922	340,266
Net assets	871,210	840,440
Equity attributable to owners of the Company		
Share capital	283,328	283,328
Share premium	62,785	62,785
Retained earnings	523,132	492,300
Other reserve	(61)	(61)
	869,184	838,352
Non-controlling interests	2,026	2,088
TOTAL EQUITY	871,210	840,440
TOTAL EQUITY AND LIABILITIES	1,124,132	1,180,706

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statements of changes in equity
For the year-to-date ended 30 June 2014

	----- 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	Share premium RM'000	Distributable Retained earnings RM'000	Non- distributable Other reserve RM'000		
Opening balance at 1 January 2014	840,440	838,352	283,328	62,785	492,300	(61)	2,088	
Profit net of tax	30,871	30,933	-	-	30,933	-	(62)	
Remeasurement loss on employee defined benefit liability representing other comprehensive income for the period	(101)	(101)	-	-	(101)	-	-	
Closing balance at 30 June 2014	871,210	869,184	283,328	62,785	523,132	(61)	2,026	
Opening balance at 1 January 2013	802,456	800,395	283,328	62,785	454,343	(61)	2,061	
Total comprehensive income	27,891	27,712	-	-	27,712	-	179	
Closing balance at 30 June 2013	830,347	828,107	283,328	62,785	482,055	(61)	2,240	

These condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statements of cash flows
For the year-to-date ended 30 June 2014

	Year-to-date ended	
	30.06.2014 Unaudited RM'000	30.06.2013 Unaudited RM'000
Operating activities		
Profit before tax	42,422	39,848
<u>Adjustments for:</u>		
Amortisations on intangible assets	1,885	1,871
Allowance for impairment loss	-	14
Depreciation of property, plant and equipment	16,558	14,996
Finance costs	4,711	5,634
Gain on disposal of plant and equipment	-	(296)
Interest income	(1,544)	(993)
Investment income from investment securities	(1,644)	(1,382)
Net fair value gains on held for trading investment securities	(223)	(391)
Total adjustments	19,743	19,453
Operating cash flows before changes in working capital	62,165	59,301
<u>Changes in working capital:</u>		
Decrease in inventories	258	1,653
Decrease/(increase) in trade and other receivables	7,636	(5,464)
Increase in other current assets	(14,341)	(4,782)
Decrease in cash at banks pledged and deposits with maturity more than 3 months	5,260	5,184
Decrease in amount due from/to Sabah Ports Authority	-	71
Decrease in trade and other payables	(76,406)	(98)
Total changes in working capital	(77,593)	(3,436)
Cash flows (used in)/from operations	(15,428)	55,865
Income tax paid	(221)	(432)
Income tax refunded	431	2,506
Net cash flows (used in)/from operating activities	(15,218)	57,939

These condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Condensed consolidated statements of cash flows (continued)
For the year-to-date ended 30 June 2014

	Year-to-date ended	
	30.06.2014 Unaudited RM'000	30.06.2013 Unaudited RM'000
Investing activities		
Increase in land held for property development	(27)	(49)
Purchase of property, plant and equipment	(2,899)	(10,227)
Proceeds from redemption of investment securities / purchase of investment securities	14,570	(4,373)
Investment income received from investment securities	1,644	-
Interest received	1,544	-
Net cash flows from/(used in) investing activities	14,832	(14,649)
Financing activities		
Dividends paid	-	(1,179)
Interest paid	(4,016)	(5,408)
Proceeds from borrowings	36	-
Repayment of Islamic debt securities	(10,000)	(10,000)
Repayment of loan from Sabah State Government	(5,927)	(6,085)
Repayment of term loan	-	(5,164)
Repayment of obligations under finance leases	-	(19)
Net cash flows used in financing activities	(19,907)	(27,855)
Net (decrease)/increase in cash and cash equivalents	(20,293)	15,435
Cash and cash equivalents at 1 January	110,604	71,015
Cash and cash equivalents at 30 June (Note 14)	90,311	86,450
Composition of cash and cash equivalents		
Cash on hand and at banks	18,374	22,384
Deposits with licensed banks and other financial institutions	71,937	64,066
Cash and cash equivalents at 30 June	90,311	86,450

These condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

1. 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 25 August 2014.

2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the second quarter ended 30 June 2014 are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013.

The explanatory notes attached to these 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 2013.

3. Significant accounting policies

The significant accounting policies and methods of computation adopted for the condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2013 except in the current financial year-to-date, the Group has adopted all standards and interpretations which are effective for annual financial periods beginning on or after 1 January 2014.

3.1 Changes in accounting policies

On 1 January 2014, the Group adopted all standards and interpretations which are effective for annual financial periods beginning on or after 1 January 2014, as follows.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: <i>Investment Entities</i>	1 January 2014
Amendments to MFRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21 <i>Levies</i>	1 January 2014

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

3. Significant accounting policies (continued)

3.1 Changes in accounting policies (continued)

The adoption of these standards and interpretations do not have any material effect on the financial performance and position of the Group.

3.2 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective. The Group intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i> (IFRS 9 issued by IASB in October 2009)	1 January 2015
MFRS 9 <i>Financial Instruments</i> (IFRS 9 issued by IASB in October 2010)	1 January 2015

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The Standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory effective Date of MFRS and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classifications and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

4. Changes in estimates

There were no changes in estimates that have had a material effect in the current interim results.

5. Changes in composition of the Group

There were no changes in the composition of the Group for the current financial quarter.

6. Segment information

The Group is organised into business units based on their products and services, and has five 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.

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 remains the Group's main source of revenue and operating profit, contributing 88% (30 June 2013: 91%) of the Group's revenue and more than 100% (30 June 2013: >100%) of the Group's operating profit.

For the year-to-date, it contributed 83% (30 June 2013: 88%) of the Group's revenue and more than 100% (30 June 2013: >100%) of the Group's operating profit.

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. In the West Coast, there are three major ports, namely Sapangar Bay Container Port, Sapangar Bay Oil Terminal and Kota Kinabalu Port (general cargo port) and one minor port i.e. Kudat Port. In the East Coast, there are another three major ports, namely Sandakan Port, Tawau Port and Lahad Datu Port and a minor port i.e. Kunak Port. Sabah Ports' operations are further segregated into two categories: port operations that include berths and other infrastructure at wharves; and operations at anchor, which include private jetties and mid-stream operations. The type of cargo handled at wharves and anchor include liquid bulk, dry bulk and break bulk.

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

6. Segment information (continued)

Port operations (continued)

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 a decrease in total tonnage handled by 1% mainly attributed to lower palm oil throughput. Whereas for the category of container which is charged differently as per the Sabah Ports' Tariff, there was an increase in total TEUs in the current quarter by 10% to 105,313 from 95,687 TEUs and an increase by 15% for the year-to-date to 200,482 from 173,881 TEUs. The increase in containerized cargo was attributable to the increase in transshipment containers received at the ports especially Sapangar Bay Container Port and Tawau Port. These factors have contributed to the rise of the segment's revenue by 4% for the current quarter to RM60.1 million from RM57.7 million for the preceding year's corresponding quarter. Subsequently, the year-to-date's revenue has also increased by 8% to RM115.4 million from RM107.1 million for the same period last year.

Port's operating expenses for the quarter and year-to-date ended 30 June 2014 was higher by 19% to RM32.3 million from RM27.2 million for the corresponding quarter of last year and higher by 15% to RM62.5 million from RM54.3 million for the year-to-date. The increase was mainly attributable to higher depreciation and repair and maintenance due to more equipment. There were also higher leasing of port land and stevedorage contract labour that correlate to increase in containers as well as higher overheads like personnel cost and electricity and water.

Operating profit has declined by RM1.5 million or 6% to RM23.5 million from RM25.0 million in corresponding quarter of 2013 due to higher operating expenditures in the current quarter. However, the year-to-date's operating profit has increased by RM2.1 million or 5% to RM43.9 million from RM41.8 million. This was mainly contributed by higher revenue and other income but lower finance costs for the year-to-date.

For the coming months, we expect the wharves in Sabah Ports to handle most of the cargo in Sabah. However, the port operation is expected to face challenges due to the uncertainties in the regional container trade and the oil palm market.

Logistics and bunkering services

For the current quarter, the logistics and bunkering services segment contributed 9% (30 June 2013: 6%) of the Group's revenue and 0.1% (30 June 2013: -0.1%) of the Group's operating profit.

For the year-to-date, it contributed 14% (30 June 2013: 8%) of the Group's revenue and 0.3% (30 June 2013: -1.7%) of the Group's operating profit.

The increase in business for this segment for the current quarter and year-to-date was mainly due to the increase in the sales of fuel volume by 94% due to the supply of bunkering fuel for cruise ships at Kota Kinabalu Port.

With the commencement of Sabah Ammonia Urea (SAMUR) Project in the middle of June last year, the company resume the heavy lifting and shuttling business. The activities have contributed 12% to the segment's revenue for the year-to-date (30 June 2013: 8%).

The segment was able to maintain the gross profit margin at 3% for the year-to-date as compared to gross loss for the same period last year. This was mainly due to additional revenue collected from supply of bunkering fuel for cruise ships.

In the current quarter, this segment has contributed positively to the Group's revenue and operating profit and we expect that it will continue to do so in the coming months.

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

6. Segment information (continued)

Contract and engineering

For the current quarter and year-to-date, the contract and engineering segment did not contribute positively to the Group's revenue and operating profit.

Minimum contribution from this segment for the quarter and year-to-date ended 30 June 2014 was essentially due to completion of Tawau Power Plant Project in 2013. Currently, the company has no major external project in hand and only doing the small internal works within the Group.

A loss before tax of RM663,000 for the year-to-date ended 30 June 2014 was recorded for this segment.

Ferry terminal operations

Suria Bumiria is the operator of a public ferry terminal and international cruise terminal in Kota Kinabalu, Sabah, contributing 2% (30 June 2013: 2%) to the Group's revenue and 1% (30 June 2013: 1%) to the Group's operating profit for the current quarter. The revenue derives from passenger fees for ferry transportation and cruise ships, rental of retail outlets space, operation of indoor soccer centre and car park management.

For the current year-to-date, the passenger fees was the main source of revenue contributing 48% of the segment's revenue (30 June 2013: 54%) while rental received from retail outlets contributed 17% (30 June 2013: 22%), passenger fees from Kota Kinabalu international cruise terminal contributed 16% (30 June 2013: Nil) and income from indoor soccer centre contributed 10% (30 June 2013: 13%).

Total revenue improved by 47% mainly contributed by the increase in passenger fees income from the new international cruise terminal and increase in tourist arrivals in Sabah.

Gross profit margin has improved from 44% in 2013 to 49% in 2014.

Investment holding

The investment holding or corporate segment contributed 1% (30 June 2013: 1%) of the Group's revenue for the current quarter and year-to-date ended. External revenue is derived mainly from short term investments in investments securities and interest earned from deposits with licensed financial institutions.

There was a decrease in revenue of 48% to RM309,000 from RM595,000 in the current quarter as compared to preceding year's corresponding quarter and a decrease of 11% to RM1,035,000 from RM1,160,000 for the year-to-date as compared to the same period last year. This resulted from less surplus cash available for investment due to higher financial commitment in the current year-to-date. Additionally, profit before tax has also declined resulting from higher administrative expenses.

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

6. Segment information (continued)

The segment results are as follows :

	Current quarter 3 months ended		Quarter and Year-to-date ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Segment revenue				
Investment holding	3,675	3,302	7,108	6,575
Port operations	57,956	57,741	115,369	107,110
Logistics and bunkering services	7,702	5,274	22,685	12,442
Contract and engineering	(27)	(402)	35	1,588
Ferry terminal operations	1,454	1,127	3,219	2,186
Revenue including inter-segment sales	70,760	67,042	148,416	129,901
Elimination of inter-segment sales	(2,445)	(3,893)	(8,579)	(7,772)
Total revenue	68,315	63,149	139,837	122,129
Segment results				
Investment holding	874	350	2,006	1,594
Port operations	23,475	25,004	43,886	41,805
Logistics and bunkering services	28	(32)	114	(687)
Contract and engineering	(360)	(105)	(663)	(15)
Ferry terminal operations	288	230	887	301
Profit from operations including inter-segment transactions	24,305	25,447	46,230	42,998
Elimination of inter-segment transactions	(2,233)	(1,575)	(3,808)	(3,150)
Total profit before tax	22,072	23,872	42,422	39,848

7. Seasonality of operations

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

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

8. Profit before tax

Included in the profit before tax are the following items :

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Employee benefits expense	14,288	12,825	29,779	27,516
Non-executive directors' remuneration	231	241	465	472
Allowance for impairment loss on:				
- trade receivables	6	13	2	14
- other receivables	-	-	-	-
Amortisation of port concession rights	922	922	1,844	1,844
Amortisation of software licenses and system development	20	13	41	27
Auditors' remuneration:				
Statutory audit:				
- current year	62	25	85	54
- under/(over) provision in respect of previous year	8	-	8	13
Other services:				
- current year	12	4	12	4
- under/(over) provision in respect of previous year	-	-	-	-
Depreciation of property, plant and equipment	8,357	7,507	16,558	14,996
Hiring of equipment and motor vehicles	1,474	1,370	3,053	1,682
Leasing of port land	2,674	2,190	5,347	4,375
Loss on disposals of property, plant and equipment			1	
Property, plant and equipment written off	-	37	1	37
Realised loss on foreign exchange, net	-	22	-	37
Rental of office premises	315	273	625	555
Reversal of allowance for impairment loss	33	-	38	69

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

9. Income tax expense

	Current quarter 3 months ended		Year-to date ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Income tax expense for the year:				
Malaysian income tax	388	198	534	376
Deferred tax	5,775	7,320	11,017	11,581
	6,163	7,518	11,551	11,957

A subsidiary company, Sabah Ports Sdn. Bhd. had obtained approval from the Minister of Finance for its operations to be regarded as an approved service project under Schedule 7B of the Income Tax Act, 1967, whereby the subsidiary is entitled to claim investment allowance tax incentive at the rate of 100% on capital expenditure incurred for the period of five years from 1 September 2004 to 31 August 2009.

As at 31 December 2013, Sabah Ports Sdn Bhd has RM193.89 million of unabsorbed investment allowance carried forward that could be utilised in future to offset future taxable income.

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the period. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25% effective year of assessment 2016.

10. Earnings per share

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

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Profit net of tax for the financial period	15,909	16,354	30,871	27,891
Less: Attributable to non-controlling interests	(8)	(93)	62	(179)
Profit net of tax attributable to owners of the Company	15,901	16,261	30,933	27,712
Weighted average number of ordinary shares	283,328	283,328	283,328	283,328
Basic earnings per ordinary share (sen)	5.61	5.74	10.92	9.78

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

11. Property, plant and equipment

Acquisitions and disposals

The cash outflow on acquisition of property, plant and equipment amounted to RM2,899,000 (30 June 2013: RM10,227,000).

There were no assets disposed off by the Group during the financial quarter. However, during the previous year's corresponding quarter ended 30 June 2013, assets with carrying amount of RM36,875 were disposed off, resulting in a loss on disposal of RM36,861 which had been recognised and included in administrative expenses in the statements of comprehensive income.

Write-down of property, plant and equipment

During the current quarter and financial year-to-date, there were no property, plant and equipment written down (30 June 2013: Nil).

12. Intangible assets

	Goodwill on business acquisition RM'000	Port concession rights RM'000	Software licenses and system development RM'000	Total RM'000
Group Cost:				
At 1 January 2013	4,486	110,615	7,389	122,490
Additions	-	-	113	113
At 31 December 2013 and 1 January 2014	4,486	110,615	7,502	122,603
Additions	-	-	-	-
At 30 June 2014	4,486	110,615	7,502	122,603
Accumulated Amortisation:				
At 1 January 2013	-	30,725	7,228	37,953
Amortisation	-	3,687	65	3,752
At 31 December 2013 and 1 January 2014	-	34,412	7,293	41,705
Amortisation	-	1,844	41	1,885
At 30 June 2014	-	36,256	7,334	43,590
Net carrying amount:				
At 31 December 2013	4,486	76,203	209	80,898
At 30 June 2014	4,486	74,359	168	79,013

Impairment testing of goodwill and port concession rights

Goodwill and port concession rights are related to the acquisition of port operations pursuant to the Privatisation Agreement.

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

12. Intangible assets (continued)

Key assumptions used in value-in-use calculations

The recoverable amount of the port operations under the Privatisation Agreement is determined based on value-in-use calculations using the cash flow projections approved by the Board. The key assumptions used for cash flow projections are:

	Average rate of port dues and charges 2014 - 2034
At wharves	
- Liquid cargo (RM/MT)	8.7
- Dry cargo (RM/MT)	12.1
- Container (RM/TEU)	<u>280.3</u>
At anchorage (RM/MT)	<u>1.7</u>
	Average growth rate 2014 - 2034 %
At wharves	
- Liquid cargo	1.3 - 1.5
- Dry cargo	1.0 - 1.8
- Container	<u>5.1 - 6.0</u>
At anchorage	<u>3.6 - 4.1</u>

The following describes the key assumptions upon which the Board has based its cash flow projections to undertake impairment testing of goodwill and port concession rights:

i) Rate of port dues and charges of major types of cargo

The port dues and charges are in accordance to the current tariff rates pursuant to the “Sabah Ports Authority (Scales of Dues & Charges) Regulations 1977” and subsequent amendments thereto and the estimated revision in 2015 on the tariff rates pursuant to the Privatisation Agreement as follows:

	2015 - 2034
Port dues (RM/Gross Registered Tonnage)	0.15
Wharfage (RM/MT)	3.00
Operations at anchor (RM/MT)	1.50
Cargo handling (RM/MT)	4.00 - 10.00

ii) Growth rate by cargo and container volume

The average growth rates used are consistent with the projected long-term average growth rate for the port industry and the projected growth rate of the palm oil industry in Sabah.

Explanatory notes pursuant to MFRS 134
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12. Intangible assets (continued)

Key assumptions used in value-in-use calculations (continued)

iii) Discount rate

The discount rates used are post-tax and reflect specific risk relating to the port industry.

iv) The Privatisation Agreement dated 23 September 2003 entered between the subsidiary (Sabah Ports Sdn. Bhd.), the Company, the Sabah State Government and Sabah Ports Authority shall continue to be applicable throughout the projection years.

v) Staff cost, repairs and maintenance and other overheads are generally projected to increase by 4% to 5%.

vi) The capital expenditure is based on existing contracts and projected capital expenditure programme.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the port operations, the Board believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the port operations to materially exceed their recoverable amounts, save as discussed below:

i) Growth rate assumption

The Board recognises that the growth of the industries in Sabah, in particular the palm oil industry, can have a significant impact on growth rate assumptions.

ii) Capital expenditure programme

The Board recognises that any delay in the implementation of the projected capital expenditure programme may affect the value-in-use of the port operations.

13. Inventories

During the three months and year-to-date ended 30 June 2014, there was no write-down of inventories recognised by the Group (30 June 2013: Nil).

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

14. Cash and cash equivalents

	As at 30.06.2014 RM'000	As at 30.06.2013 RM'000
Cash at banks and on hand	18,374	22,384
Cash at banks pledged as securities for Islamic debts securities	894	1,149
Short term deposits with:		
- licensed banks	36,480	26,275
- other financial institutions	35,457	37,791
Deposits with maturity more than 3 months	5,203	5,115
	96,408	92,714

Short term deposits are made for varying periods of between 1 day and 3 months depending on the immediate cash requirements of the Group, and earn interests at the respective short term deposit rates. The weighted average effective interest rate as at 30 June 2014 for the Group was 3.3% (30 June 2013: 3.3%).

Deposits of the Group with a financial institution with maturity more than 3 months are held under lien to secure bank guarantees which includes 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 30.06.2014 RM'000	As at 30.06.2013 RM'000
Cash on hand and at banks	18,374	22,384
Short term deposits with:		
- licensed banks	36,480	26,275
- other financial institutions	35,457	37,791
	90,311	86,450

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

15. Fair value hierarchy

A. Fair value hierarchy

The Group categories 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 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 asset or liability, either directly or indirectly; and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

B. Assets measured at fair value

The following table shows an analysis of the class of asset measured at fair value at the reporting date:

	Fair value measurements at the reporting date using			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Asset – financial assets				
Investment securities				
- 30 June 2014	115,822	-	-	115,822
- 31 December 2013	130,392	-	-	130,392

16. Share capital and share premium

There were no issuance of equity securities, share buy-backs, and share cancellation for the current financial quarter and financial year-to-date.

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

17. Interest-bearing loans and borrowings

Total Group's loans and borrowings as at 30 June 2014 and 31 December 2013 were as follows:

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Current		
Secured:		
- Islamic debt securities	10,420	10,565
- Obligations under finance leases	9	4
	10,429	10,569
Non-current		
Secured:		
- Islamic debt securities	20,000	30,000
- Obligations under finance leases	27	3
	20,027	30,003
	30,456	40,572

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.

18. Provisions for costs of restructuring

There was no provision for costs of restructuring made in the current quarter and financial year-to-date.

19. Dividends paid

There were no payment of dividend during the current quarter and financial year-to-date ended 30 June 2014 (30 June 2013: Nil).

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

20. Capital commitments

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Approved and contracted for		
Bulk fertiliser storage facilities for Sandakan Port	-	1,825
Sapangar Bay bunkering line	691	1,859
Purchase of other property, plant and equipment	-	1,208
Major repairs and improvements at ports	1,135	-
Extension of Sandakan container stacking yard	45	-
	1,871	4,892
Approved but not contracted for		
Purchase of property, plant and equipment	331,078	372,886
Improvement to port infrastructure facilities	287,795	261,193
	618,873	634,079
	620,744	638,971

21. Contingent liabilities or assets

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

Explanatory notes pursuant to MFRS 134
Interim financial report – 2nd quarter ended 30 June 2014

22. Related party transactions

The following table provides information on the transactions which have been entered into with related parties (between the Company and its subsidiaries) during the three months period and year-to-date ended 30 June 2014 and 30 June 2013:

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
Dividend income	2,233	1,575	3,808	3,150
Interest income	13	50	26	103
Management fees income	1,110	1,110	2,220	2,220
Rental income	22	22	45	45
Sub-contract fee expense	-	-	-	161

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.

23. Events after the reporting period

There were no material events subsequent to the end of the reporting period that have not been reflected in the condensed consolidated interim financial statements for the financial period ended 30 June 2014.

24. Review of performance

Current quarter

For the current quarter, the Group registered revenue of RM68.3 million, improving by RM5.2 million or 8% when compared to the previous year's corresponding quarter ended 30 June 2013 of RM63.1 million. The increase in revenue resulted from higher contribution from all business segments except Investment holding segment.

However, the Group's pre-tax profit for the quarter declined by RM1.8 million (8%) from RM23.9 million registered for the corresponding quarter ended 30 June 2013 to RM22.1 million for the current quarter. This was mainly the result of higher operating expenditures in the current quarter.

Year-to-date

For the financial year-to-date ended 30 June 2014, the Group recorded revenue of RM139.8 million from RM122.1 million recorded previously, up by RM17.7 million or 14% resulting from higher contribution from all major business segments except Contract and engineering as well as Investment holding segments.

Subsequently, the pre-tax profit has also improved to RM42.4 million for the year-to-date ended 30 June 2014 which was higher by RM2.6 million or 6% as compared to RM39.8 million achieved for the same period last year. This was mainly due to higher revenue and other income as well as lower finance costs for the current financial year-to-date.

Explanatory comment on the performance of each of the Group's business activities is provided in Note 6.

25. Comment on material change in profit before taxation

The Group reported a higher profit before taxation of RM22.1 million for the current financial quarter as compared to RM20.4 million for the immediate preceding quarter. This represents an increase of RM1.7 million or 8%, which was mainly due to lower expenditures in the current quarter under review as compared to the immediate preceding quarter ended 31 March 2014.

26. Commentary on prospects

Port operations will continue to be the main contributor to the Group's earnings and the Board is optimistic of achieving satisfactory performance for the financial year.

27. Commentary on progress to achieve revenue or profit estimate, forecast, projection or internal targets

The Group did not announce or disclose any revenue or profit estimate, forecast, projection or internal targets in a public document. Therefore, commentary on progress to achieve revenue or profit estimate, forecast, projection or internal targets is not applicable.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements :
Chapter 9, Appendix 9B, Part A**

28. 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. Please refer to Note 27.

29. 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.

30. Corporate proposals

There are no corporate proposals announced but not completed as at the date of issue of these financial statements.

31. Changes in material litigation

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

32. Dividends declared

No interim ordinary dividend has been recommended in respect of the financial period ended 30 June 2014 (30 June 2013: Nil).

33. Disclosure of nature of outstanding derivatives

There were no outstanding derivatives as at the end of the reporting period.

34. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 30 June 2014 or the previous financial period ended 30 June 2013.

35. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2014 or the previous financial period ended 30 June 2013.

36. 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 2014 and 30 June 2013.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirements :
Chapter 9, Appendix 9B, Part A**

37. Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group as at 30 June 2014 and 31 December 2013 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 30.06.2014 RM'000	As at 31.12.2013 RM'000
Realised	532,629	490,283
Unrealised	(10,526)	1,028
	522,103	491,311
Add: Consolidation adjustments	1,029	989
Total Group retained earnings as per financial statements	523,132	492,300

38. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.

39. 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 25 August 2014.

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

DATUK DR MOHAMED FOWZI HASSAN BIN MOHAMED RAZI
Group Managing Director

Kota Kinabalu
Date : 25 August 2014