SURIA CAPITAL HOLDINGS BERHAD

(COMPANY NO: 96895-W)

(INCORPORATED IN MALAYSIA)

Interim Financial Statements
31 March 2006

SURIA GROUP

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

Condensed Consolidated Income Statements
For the Period Ended 31 March 2006

	Note	Individual Quarter 31.3.2006 RM'000	Individual Quarter 31.3.2005 RM'000	Cumulative Year to Date 31.3.2006 RM'000	Cumulative Year to Date 31.3.2005 RM'000
Revenue	10	39,328	37,231	39,328	37,231
Cost of sales		(20,843)	(17,217)	(20,843)	(17,217)
Gross profit		18,485	20,014	18,485	20,014
Other operating income		2,979	1,420	2,979	1,420
Other operating expenses		(2,336)	(1,179)	(2,336)	(1,179)
Administrative expenses		(4,621)	(2,591)	(4,621)	(2,591)
Profit from operations	10	14,507	17,664	14,507	17,664
Finance costs		(25)	(3)	(25)	(3)
Share of results of associated company		-	(9)	-	(9)
Profit before taxation		14,482	17,652	14,482	17,652
Taxation	23	(4,097)	(2,873)	(4,097)	(2,873)
Profit for the period		10,385	14,779	10,385	14,779
Attributable to:					
Equity holders of the parent		10,418	14,749	10,418	14,749
Minority interests		(33)	30	(33)	30
Profit for the period		10,385	14,779	10,385	14,779
Earnings per ordinary share attributable to equity holders of the parent (sen):					
Basic	31(a)	1.84	2.60	1.84	2.60

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the Interim Financial Statements.

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

Condensed Consolidated Balance Sheets
As at 31 March 2006

	Note	As at 31.3.2006 RM'000	As at 31.12.2005 As restated RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	315,085	280,998
Investment properties		2,777	2,781
Prepaid lease payment		25,359	23,482
Land held for development	12	31,113	31,113
Intangible assets	13	104,778	105,700
Investment in associated company		391	391
		479,503	444,465
CURRENT ASSETS			
Inventories		1,711	1,502
Project development costs		1,803	2,761
Trade receivables	14	13,656	14,100
Other receivables		27,077	36,253
Tax recoverable		1,742	1,630
Marketable securities	25	17,421	15,666
Fixed deposits with licensed banks		156,365	158,438
Cash and bank balances		15,459	11,396
		235,234	241,746
LESS: CURRENT LIABILITIES			
Trade payables		22,659	16,655
Other payables		20,794	33,007
Amount due to Sabah Ports Authority	27	20,565	19,600
Amount due to associated company		198	198
Hire purchase and lease payables		5,485	1,177
Tax payable		2,827	1,661
		72,528	72,298
NET CURRENT ASSETS		162,706	169,448
TOTAL ASSETS NET OF CURRENT LIABILITIES		642,209	613,913

Condensed Consolidated Balance Sheets
As at 31 March 2006

	Note	As at 31.3.2006 RM'000	As at 31.12.2005 As restated RM'000
FINANCED BY:			
Share capital		566,656	566,656
Share premium		131,884	131,884
Accumulated losses		(292,975)	(303,393)
Equity attributable to equity holders of the parent		405,565	395,147
Minority interests		1,110	1,251
Total equity		406,675	396,398
NON-CURRENT LIABILITIES			
Amount due to Sabah Ports Authority	27	59,267	59,267
Loan from Sabah Ports Authority	28	150,915	149,421
Hire purchase and lease payables		21,297	4,769
Deferred tax liabilities		4,055	4,058
Total liabilities		235,534	217,515
TOTAL EQUITY AND NON-CURRENT LIABILITIES		642,209	613,913

The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the Interim Financial Statements.

Condensed Consolidated Statements of Changes in Equity
For the Period Ended 31 March 2006

	Attributable to Equity Holders of the Parent				
		Non-Distributable			
	Share Capital RM'000	Share Premium RM'000	Accumulated Losses RM'000	Minority Interest RM'000	Total RM'000
At 1 January 2006	566,656	131,884	(303,393)	1,143	396,290
Profit for the period	-	-	10,418	(33)	10,385
At 31 March 2006	566,656	131,884	(292,975)	1,110	406,675
At 1 January 2005	566,656	131,884	(339,353)	198	359,385
Profit for the period	-	-	14,749	30	14,779
Issuance of shares	-	-	-	160	160
At 31 March 2005	566,656	131,884	(324,604)	388	374,324

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the Interim Financial Statements.

Condensed Consolidated Cash Flow Statement
For the Period Ended 31 March 2006

	31.3.2006 RM'000	31.3.2005 RM'000
Net cash generated from/(used in) operating activities	17,171	(16,281)
Net cash used in investing activities	(15,987)	(2,775)
Net cash generated from/(used in) financing activities	806	(10)
Net increase/(decrease) in cash and cash equivalents	1,990	(19,066)
Cash and cash equivalents at beginning of the period	169,834	113,220
Cash and cash equivalents at end of the period*	171,824	94,154

*Cash and cash equivalents at the end of the year comprise the following:

	As at 31.3.2006 RM'000	As at 31.3.2005 RM'000
Cash and bank balances	15,459	6,441
Housing Development Account with licensed bank	156,365	87,644
Housing Development Account with licensed bank	-	69
	171,824	94,154

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2005 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 year ended 31 December 2005. 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 year ended 31 December 2005. 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 Interim Financial Statements have been prepared under the historical cost convention and in accordance with the same accounting policies adopted in the 2005 Annual Financial Statements, except for the accounting policy changes that are expected to be reflected in the year 2006 Annual Financial Statements. Details of these changes in accounting policies are set out in Note 2 below.

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 year to date basis. Actual results may differ from these estimates.

2. Changes in Accounting Policies

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs, which term collectively includes the MASB's Issues Committee's Interpretations) that are effective for accounting periods beginning on or after 1 January 2006.

In 2006, the MASB issued another two revised FRSs (i.e. FRS 117, *Leases* and FRS 124, *Related Party Disclosures*). These two FRSs are effective for annual periods beginning on or after 1 October 2006.

The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's Annual Financial Statements for the year ending 31 December 2006 including early adopting the two FRSs issued by the MASB in 2006, on the basis of FRSs currently issue. The FRSs that will be effective in the Annual Financial Statements for the year ending 31 December 2006 may be affected by the issue of additional interpretation(s) or other changes announced by the MASB subsequent to the date of issuance of this Interim Financial Statements. Therefore the policies that will be applied in the Group's Financial Statements for that period cannot be determined with certainty at the date of issuance of this Interim Financial Report.

2. Changes in Accounting Policies (Contd.)

The adoption of these FRSs do not have significant financial impact on the Group. The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2006 which have been reflected in this Interim Financial Statements.

(a) FRS 3: Business Combination, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and 138.

A significant change in FRS 3 is that after initial recognition, FRS 3 requires that goodwill be recorded at cost less accumulated impairment losses. This means that it is no longer amortised and is instead subject to impairment testing at least annually, in accordance with FRS 136: Impairment of Assets. The carrying amount of goodwill as at the previous year-end before adopting FRS 3 will be frozen, except for future impairment losses and there should be no retrospective adjustments made to reinstate amounts already amortised.

Prior to 1 January 2006, the Group's intangible assets, principally the Port Concession Rights, were considered to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Under the new FRS 138, intangibles with finite useful lives are amortised and tested for impairment under the general rules of FRS 136. The useful lives of intangible assets should be reviewed at least at each financial year-end and any change in the estimate is accounted for prospectively. The Standard requires that the residual value of an intangible asset with a finite useful life be assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life; or there is an active market for the asset. The residual value is reviewed at least at each financial year-end.

There is no significant impact to the Group on the adoption of FRS 3, FRS 136 and FRS 138. The Group continues to amortise its Port Concession Rights on a straight-line basis over its estimated useful life of 30 years. Impairment loss will be recognised when the Directors are of the view that there is a diminution in its value which is other than temporary. In line with FRS 3 and FRS 136, the Group has reclassified the Goodwill on Business Acquisition at its remaining carrying amount of RM4.485 million at 31 December 2005 as other receivables to be written off proportionately in the current year.

2. Changes in Accounting Policies (Contd.)

(b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the Consolidated Balance Sheet, minority interests are now presented within total equity. In the consolidated Income Statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the Statement of Changes in Equity. FRS 101 also requires disclosure, on the face of the Statement of Changes in Equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's Financial Statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

(c) FRS 117: Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease are the inception of the lease. Prior to 1 January 2006, leasehold land was classified as property, plant and equipment and was stated at valuation less accumulated depreciation and impairment losses. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 3, certain comparative amounts as at 31 December 2005 have been restated.

(d) FRS 140: Investment Property

The new FRS 140 permits the entities to choose either a fair value model, under which an investment property is measured, after initial measurement, at fair value with changes in fair value recognised in Condensed Income Statements or a cost model. The cost model is specified in FRS 116 and requires an investment property to be measured after initial measurement at depreciated cost (less any accumulated impairment losses). An entity chooses the cost model discloses the fair value of its investment property. The Standard requires an entity to apply its chosen model to all of its investment property.

In order to comply with FRS 140, the Group chooses the cost model and therefore there is no significant impact of the adoption of FRS 140 as prior to 1 January 2006, the investment property included in property, plant and equipment was stated at cost less accumulated depreciation and impairment losses.

3. Comparatives

The following comparative amounts have been restated due to the adoption of new and revised FRSs:

	Previously Stated RM'000	Reclassification FRS 3 [Note 2(a)] RM'000	Reclassification FRS 117 [Note 2(c)] RM'000	Reclassification FRS 140 [Note 2(d)] RM'000	Restated RM'000
Intangible assets	110,185	(4,485)	-	-	105,700
Other receivables	31,768	4,485	-	-	36,253
Property, plant and equipment	307,261	-	(23,482)	(2,781)	280,998
Prepaid lease payments	-	-	23,482	-	23,482
Investment properties	-	-	-	2,781	2,781

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

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

5. Comments About Seasonal or Cyclical Factors

The Group's performance is affected by the increased activities during the major festivals and long school holiday period.

6. 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.

7. Changes in Estimates

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

8. 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.

9. Dividend Paid

The Board of Directors is pleased to recommend for the approval of the shareholders at the forthcoming Annual General Meeting, a final dividend of 1% less 28% taxation on 566,655,984 ordinary shares, amounting to a dividend payable of RM4,079,923 (0.72 sen net per ordinary share) in respect of the financial year ended 31 December 2005 will be proposed for shareholders' approval. The Interim Financial Statements for the current quarter do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profit in the second quarter.

The Register of Member will be closed on 31 May 2006 and if approved, the final dividend will be paid on 15 June 2006.

10. Segmental Information

	3 months ended 31.3.2006 RM'000
Segment revenue	
Investment holding	3,640
Engineering	2,797
Port operations	37,371
Total revenue including inter-segment sales	43,808
Elimination of inter-segment sales	(4,480)
Total revenue	39,328
Segment results	
Investment holding	(788)
Engineering	(55)
Port operations	15,350
Profit from operations	14,507

11. Carrying Amount of Revalued Assets

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

12. Land Held for Development

This parcel of the land is currently zoned under industrial and the title to it is in the process of being issued by the relevant authorities.

13. Intangible Assets

Intangible assets comprise Port Concession Rights as detailed below.

		3 months ended 31.3.2006
	RM'000	**RM'000**
Port Concession Rights as at 1 January 2006		110,616
Less: Accumulated amortisation		
At 1.1.2006	(4,916)	
Additions	(922)	(5,838)
At 31 March 2006		104,778

14. Trade Receivables

	As at 31.3.2006 RM'000
Trade receivables	13,857
Less: Provision for doubtful debts	(201)
	13,656

15. 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 31 March 2006.

16. Changes in Composition of the Group

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

17. 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 2005.

18. 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 31 March 2006 is as follows:

	As at 31.3.2006 RM'000
Approved and contracted for:	
Project cost for Sapangar Bay Container Terminal project	111,788
Installation and commission of Ports	31,536
	143,324
Approved but not contracted for:	
Purchase of equipment	502,736
Improvements to port infrastructure facilities	412,530
	915,266
	1,058,590

19. Review of Performance

The Group achieved an increase in revenue of 5.6% or RM2 million for the current financial quarter as well as for the financial period-to-date to RM39.3 million as compared to that of the previous year's corresponding quarter and financial period-to-date of RM37.2 million. This was mainly attributable to progress claims in respect of the Railway Rehabilitation Project of RM1.4 million and an increase in TEU handled during the current financial quarter of 9% or 4,478 TEU primarily for charges earned from handling of empty containers as compared to that of the previous year's corresponding quarter. Sandakan and Tawau Ports were the major contributors for the increased in TEU.

Despite higher revenue, profit before taxation declined 18% or RM3.1 million for both current financial quarter and period-to-date to RM14.4 million as compared to RM17.6 million in that of previous year's corresponding quarter and period-to-date. This was mainly attributable to increase in operating costs as a result of changing economy environment, particularly due to the increase in commodity prices and oil prices.

20. Comment on Material Change in Profit Before Taxation

The Group achieved profit before taxation and minority interests of RM14.4 million for the current financial quarter as compared to RM10.9 million for the preceding financial quarter. The increase in profit before taxation of the current financial quarter is attributable to realisation of the benefits of increase in operational efficiencies arising from implementation of various performance improvement initiatives.

21. Commentary on Prospects

The Board expects the performance of the various segments of the Group to improve over time, although the operating environment is expected to remain challenging and competitive. Barring unforeseen circumstances, the Board is cautiously optimistic that the Group will achieve satisfactory results in the forthcoming year.

22. 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.

23. Taxation

	3 months ended 31.3.2006 RM'000
Tax expense for the year:	
Malaysian income tax	4,097
Unutilised tax losses carried forward	3,195
Unabsorbed capital allowances carried forward	2,138

The effective tax rate for the current financial quarter and financial period-to-date vary from the statutory tax rate mainly due to the difference in treatment of certain expenses for taxation purposes.

24. Sale of Unquoted Investments and Properties

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

25. Marketable Securities

Details of purchases and disposals of marketable securities are as follows:

	3 months ended 31.3.2006 RM'000
Sale proceeds	-
Cost of investment	-
Profit on disposal	-

25. Marketable Securities (Contd.)

Investment in quoted securities:

	As at 31.3.2006 RM'000
At cost:	
Shares quoted in Malaysia	386
Unit trust fund	15,992
	16,378
Less: Impairment loss	(217)
At carrying value	16,161
Add: Money market placement	1,260
At net book value	17,421
At market value:	
Shares quoted in Malaysia	264
Unit trust fund	15,897

26. Status of Corporate Proposal Announced

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

27. Amount due to Sabah Ports Authority

	As at 31.3.2006 RM'000
Analysed as:	
- Due within 12 months	20,565
- Due after 12 months	59,267
Total	79,832

The amount due represents mainly of reimbursements payable to Sabah Ports Authority (SPA) in respect of payments of capital expenditure which a subsidiary company, Sabah Ports Sdn. Bhd. (SPSB) is obliged to incur pursuant to the terms of the Privatisation Agreement.

28. Loan from Sabah Ports Authority

	As at 31.3.2006 RM'000
Comprises:	
- Amount drawndown	147,000
- Interest capitalised	3,915
Total	150,915

This loan to SPSB is made in pursuant to the Loan Agreement made between the Government of Malaysia and SPA dated 31 December 2004, wherein, the Government of Malaysia has agreed to make available a sum of RM193 million to SPA to be on-lend to SPSB for the purpose of part financing the purchase of cargo handling equipment and construction of the Sapangar Bay Container Terminal.

The tenure of the loan is 15 years commencing from the effective date (date of the first drawdown), with a five years grace period before commencement of payment of interest and principal.

Interest payable is 4% per annum and shall accrue from the Effective Date. During the grace period, interest expense shall be capitalised.

29. Off Balance Sheet Financial Instruments

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

30. Dividend Payable

The Board of Directors is pleased to recommend for the approval of the shareholders at the forthcoming Annual General Meeting, a final dividend of 1% less 28% taxation on 566,655,984 ordinary shares, amounting to a dividend payable of RM4,079,923 (0.72 sen net per ordinary share) in respect of the financial year ended 31 December 2005 will be proposed for shareholders' approval. The Interim Financial Statements for the current quarter do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profit in the second quarter.

The Register of Member will be closed on 31 May 2006 and if approved, the final dividend will be paid on 15 June 2006.

31. Earnings Per Share

a) Basic Earnings Per Share

A basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the parent by the number of ordinary shares in issue during the period.

	3 months ended 31.3.2006
Profit for the period (RM'000)	10,385
Add: Attributable to Minority Interests (RM'000)	33
Profit attributable to equity holders of the parent (RM'000)	10,418
Number of ordinary shares in issue ('000)	566,656
Basic earnings per share (sen)	1.84

b) Fully Diluted Earnings Per Share

Diluted earnings per share is not disclosed as there was no dilution for the financial period ended 31 March 2006.

32. 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 May 2006.

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

DATUK HAJI ABU BAKAR HAJI ABAS
Group Managing Director

Kota Kinabalu
25 May 2006