# SURIA CAPITAL HOLDINGS BERHAD

(COMPANY NO: 96895-W)

(INCORPORATED IN MALAYSIA)

# Interim Financial Statements
# 30 June 2006

SURIA GROUP

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

## Condensed Consolidated Income Statements
For the Period Ended 30 June 2006

| | Note | Individual Quarter 30.6.2006 RM'000 | Individual Quarter 30.6.2005 RM'000 | Cumulative Year to Date 30.6.2006 RM'000 | Cumulative Year to Date 30.6.2005 RM'000 |
|---|---|---|---|---|---|
| Revenue | 9 | 40,016 | 42,775 | 79,230 | 79,997 |
| Cost of sales | | (20,907) | (19,809) | (41,512) | (40,551) |
| Gross profit | | 19,109 | 22,966 | 37,718 | 39,446 |
| Other operating income | | 2,086 | 1,462 | 5,068 | 2,614 |
| Other operating expenses | | (2,255) | (1,486) | (4,591) | (2,463) |
| Administrative expenses | | (4,759) | (5,204) | (9,383) | (6,175) |
| Profit from operations | 9 | 14,181 | 17,738 | 28,812 | 33,422 |
| Finance costs | | (254) | (27) | (403) | (30) |
| Share of results of associated company | | - | (35) | - | (529) |
| Profit before taxation | | 13,927 | 17,676 | 28,409 | 32,863 |
| Taxation | 22 | (4,035) | (1,180) | (8,132) | (2,087) |
| Profit for the period | | 9,892 | 16,496 | 20,277 | 30,776 |
| Attributable to: | | | | | |
| Equity holders of the parent | | 9,885 | 16,183 | 20,303 | 30,493 |
| Minority interests | | 7 | 313 | (26) | 283 |
| Profit for the period | | 9,892 | 16,496 | 20,277 | 30,776 |
| Earnings per ordinary share attributable to equity holders of the parent (sen): | | | | | |
| Basic | 30(a) | 1.74 | 2.86 | 3.58 | 5.38 |

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 30 June 2006

| | Note | As at 30.6.2006 RM'000 | As at 31.12.2005 As restated RM'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 10 | 338,241 | 280,998 |
| Investment properties | | 2,753 | 2,781 |
| Prepaid lease payment | | 25,289 | 23,482 |
| Land held for development | 11 | 31,113 | 31,113 |
| Intangible assets | 12 | 103,857 | 105,700 |
| Investment in associated company | | 391 | 391 |
| | | 501,644 | 444,465 |
| **CURRENT ASSETS** | | | |
| Inventories | | 1,771 | 1,502 |
| Project development costs | | 1,828 | 2,761 |
| Trade receivables | 13 | 12,293 | 14,100 |
| Other receivables | | 33,683 | 36,253 |
| Tax recoverable | | 1,854 | 1,630 |
| Marketable securities | 24 | 18,632 | 15,666 |
| Fixed deposits with licensed banks | | 147,173 | 158,438 |
| Cash and bank balances | | 15,649 | 11,396 |
| | | 232,883 | 241,746 |
| **LESS: CURRENT LIABILITIES** | | | |
| Trade payables | | 23,478 | 16,655 |
| Other payables | | 30,565 | 33,007 |
| Amount due to Sabah Ports Authority | 26 | 21,158 | 19,600 |
| Amount due to associated company | | - | 198 |
| Hire purchase and lease payables | | 5,512 | 1,177 |
| Tax payable | | 2,693 | 1,661 |
| | | 83,406 | 72,298 |
| **NET CURRENT ASSETS** | | 149,477 | 169,448 |
| **TOTAL ASSETS NET OF CURRENT LIABILITIES** | | 651,121 | 613,913 |

## Condensed Consolidated Balance Sheets
As at 30 June 2006

| | Note | As at 30.6.2006 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 | | (287,170) | (303,393) |
| Equity attributable to equity holders of the parent | | 411,370 | 395,147 |
| Minority interests | | 1,117 | 1,251 |
| Total equity | | 412,487 | 396,398 |
| **NON-CURRENT LIABILITIES** | | | |
| Amount due to Sabah Ports Authority | 26 | 59,267 | 59,267 |
| Loan from Sabah Ports Authority | 27 | 155,409 | 149,421 |
| Hire purchase and lease payables | | 19,904 | 4,769 |
| Deferred tax liabilities | | 4,054 | 4,058 |
| Total liabilities | | 238,634 | 217,515 |
| **TOTAL EQUITY AND NON-CURRENT LIABILITIES** | | 651,121 | 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 30 June 2006

| | | Attributable to Equity Holders of the Parent | | | | |
|---|---|---|---|---|---|---|
| | | Non-Distributable | | | | |
| | Note | 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) | 1,251 | 396,398 |
| Profit for the period | | - | - | 20,303 | (134) | 20,169 |
| Dividend | 8 | | | (4,080) | - | (4,080) |
| **At 30 June 2006** | | 566,656 | 131,884 | (287,170) | 1,117 | 412,487 |
| **At 1 January 2005** | | 566,656 | 131,884 | (339,353) | 195 | 359,382 |
| Profit for the period | | - | - | 30,493 | 283 | 30,776 |
| Dividend | 8 | - | - | (4,080) | - | (4,080) |
| **At 30 June 2005** | | 566,656 | 131,884 | (312,940) | 478 | 386,078 |

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 30 June 2006

| | 30.6.2006<br>RM'000 | 30.6.2005<br>RM'000 |
|---|---|---|
| Net cash generated from operating activities | 30,185 | 15,316 |
| Net cash used in investing activities | (40,554) | (47,687) |
| Net cash generated from financing activities | 3,357 | 84,069 |
| Net (decrease)/increase in cash and cash equivalents | (7,012) | 51,698 |
| Cash and cash equivalents at beginning of the period | 169,834 | 113,220 |
| Cash and cash equivalents at end of the period* | 162,822 | 164,918 |

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

| | As at<br>30.6.2006<br>RM'000 | As at<br>30.6.2005<br>RM'000 |
|---|---|---|
| Cash and bank balances | 15,649 | 13,109 |
| Fixed Deposits with Licensed Banks | 147,173 | 151,740 |
| Housing Development Account with licensed bank | - | 69 |
| | 162,822 | 164,918 |

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.

### 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 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. Qualification of Audit Report of the Preceding Annual Financial Statements**

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

**4. 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.

**5. 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.

**6. Changes in Estimates**

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

**7. 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.

**8. Dividend Paid**

| | **Amount** | | **Net Dividend Per Ordinary Share** | |
|---|---|---|---|---|
| | **2006 RM'000** | **2005 RM'000** | **2006 Sen** | **2005 Sen** |
| **Final** | | | | |
| 1% less 28% taxation, on 566,655,984 ordinary shares, declared on 25 May 2006 and paid on 15 June 2006 | 4,080 | 4,080 | 1.00 | 1.00 |
| | 4,080 | 4,080 | 1.00 | 1.00 |

## 9. Segmental Information

| | 3 months ended 30.6.2006 RM'000 | 6 months ended 30.6.2006 RM'000 |
|---|---|---|
| **Segment revenue** | | |
| Investment holding | 9,000 | 12,639 |
| Property development | - | - |
| Engineering | 1,976 | 3,403 |
| Port operations | 39,490 | 74,728 |
| Total revenue including inter-segment sales | 50,466 | 90,770 |
| Elimination of inter-segment sales | (10,450) | (11,540) |
| Total revenue | 40,016 | 79,230 |
| **Segment results** | | |
| Investment holding | (1,093) | (1,885) |
| Property development | 42 | 30 |
| Engineering | 171 | 116 |
| Port operations | 15,035 | 30,504 |
| Profit from operations | 14,155 | 28,765 |

## 10. Carrying Amount of Revalued Assets

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

## 11. 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.

## 12. Intangible Assets

Intangible assets comprise Port Concession Rights as detailed below.

| | | **6 months ended 30.6.2006** |
|---|---|---|
| | **RM'000** | **RM'000** |
| Port Concession Rights | | 110,616 |
| Less: Accumulated amortisation | | |
| At 1.1.2006 | (4,916) | |
| Additions | (1,843) | (6,759) |
| At 30 June 2006 | | 103,857 |

## 13. Trade Receivables

| | **As at 30.6.2006 RM'000** |
|---|---|
| Trade receivables | 12,569 |
| Less: Provision for doubtful debts | (276) |
| | 12,293 |

## 14. 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 2006.

## 15. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter except that the Group's partly-owned subsidiary, S.P. Satria Sdn. Bhd. (SPSSB) had entered into a Joint-Venture Agreement with SMS Kg. Likas (Sabah) Sdn. Bhd. (SMSKL) in Dimension Point Sdn. Bhd. (DPSB) on 18 May 2006 with a purpose to jointly undertake the bunkering and logistics services for all ports in Sabah. Under the Joint Venture Agreement, SPSSB will hold 70% of the equity shareholding of DPSB, whereas SMSKL will hold the remaining 30%.

DPSB had on 18 July 2006 changed its name to S.P. Satria Logistics Sdn. Bhd.

## 16. 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.

## 17. 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 2006 is as follows:

| | **As at 30.6.2006 RM'000** |
|---|---|
| **Approved and contracted for:** | |
| Project cost for Sapangar Bay Container Terminal project | 114,208 |
| Installation and commission of Ports | 22,817 |
| | 137,025 |
| **Approved but not contracted for:** | |
| Purchase of equipment | 501,765 |
| Improvements to port infrastructure facilities | 410,189 |
| | 911,954 |
| | 1,048,979 |

## 18. Review of Performance

Despite an increase in TEU handled during the financial quarter by 10% to 18,652 TEU and by 5% to 106,845 TEU for the financial period-to-date, the Group reported lower revenue of RM40 million and RM79.2 million respectively for the current financial quarter as well as for the financial period-to-date when compared against previous year's corresponding quarter and financial period-to-date by 6.5% or 2.7 million and 1% or RM767,000 respectively. This was mainly attributable to sales proceeds of RM3.78 million from the disposal of remaining showroom units in Taman Alam Magah in the previous year's corresponding quarter.

Consequently, profit before taxation declined by RM3.7 million or 21% to RM13.9 million from RM17.6 million reported in the previous year's corresponding quarter and by RM4.4 million or 16% to RM28.4 million from the previous year's period-to-date profit of RM32.8 million. This was mainly attributable to the decision to write off Goodwill on Business Acquisition amounting to RM2.2 million for the 6 months ended 30 June 2006, high depreciation charges due to acquisition of equipment and increase in fuel costs.

## 19. Comment on Material Change in Profit Before Taxation

The Group achieved profit before taxation and minority interests of RM13.9 million for the current financial quarter as compared to RM14.5 million for the preceding financial quarter. The decrease in profit before taxation of the current financial quarter is attributable to lower other operating income by RM893,000 as a result of write-back of expenses over-provided in the preceding financial quarter amounting to RM800,000.

## 20. 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.

## 21. 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.

## 22. Taxation

| | 3 months ended 30.6.2006 RM'000 | 6 months ended 30.6.2006 RM'000 |
|---|---|---|
| Tax expense for the year: | | |
| Malaysian income tax | 4,035 | 8,132 |
| | | |
| Unutilised tax losses carried forward | 3,195 | 3,195 |
| Unabsorbed capital allowances carried forward | 2,138 | 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.

## 23. 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.

## 24. Marketable Securities

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

| | 3 months ended 30.6.2006 RM'000 | 6 months ended 30.6.2006 RM'000 |
|---|---|---|
| Sale proceeds | - | - |
| Cost of investment | - | - |
| Profit on disposal | - | - |

Investment in quoted securities:

| | As at 30.6.2006 RM'000 |
|---|---|
| At cost: | |
| Shares quoted in Malaysia | 386 |
| Unit trust fund | 17,203 |
| | 17,589 |
| Less: Impairment loss | (217) |
| At carrying value | 17,372 |
| Add: Money market placement | 1,260 |
| At net book value | 18,632 |
| At market value: | |
| Shares quoted in Malaysia | 249 |
| Unit trust fund | 17,124 |

## 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. Amount due to Sabah Ports Authority

| | As at 30.6.2006 RM'000 |
|---|---|
| Analysed as: | |
| - Due within 12 months | 21,158 |
| - Due after 12 months | 59,267 |
| Total | 80,425 |

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.

## 27. Loan from Sabah Ports Authority

| | As at 30.6.2006 RM'000 |
|---|---|
| Comprises: | |
| - Amount drawndown | 147,000 |
| - Interest capitalised | 8,409 |
| Total | 155,409 |

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.

## 28. Off Balance Sheet Financial Instruments

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

## 29. Dividend Payable

The Board does not recommend any interim dividend for the financial period ended 30 June 2006.

## 30. 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 30.6.2006** | **6 months ended 30.6.2006** |
|---|---|---|
| Profit for the period (RM'000) | 9,885 | 20,303 |
| Add: Attributable to Minority Interests (RM'000) | 7 | (26) |
| Profit attributable to equity holders of the parent (RM'000) | 9,892 | 20,277 |
| Number of ordinary shares in issue ('000) | 566,656 | 566,656 |
| Basic earnings per share (sen) | 1.74 | 3.58 |

### b) Fully Diluted Earnings Per Share

Diluted earnings per share is not disclosed as there was no dilution for the financial period ended 30 June 2006.

## 31. 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 30 August 2006.

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

**DATUK HAJI ABU BAKAR HAJI ABAS**
Group Managing Director

Kota Kinabalu
30 August 2006