SURIA GROUP

SURIA CAPITAL HOLDINGS BERHAD

(COMPANY NO: 96895-W)

(INCORPORATED IN MALAYSIA)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2012

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

Condensed consolidated statements of comprehensive income
For the quarter and year ended 31 December 2012

	Note	Current quarter 3 months ended 31.12.2012 Unaudited RM'000	31.12.2011 Unaudited RM'000	Year ended 31.12.2012 Unaudited RM'000	31.12.2011 Audited RM'000
Revenue		63,008	73,215	262,545	276,006
Cost of sales		(38,275)	(43,873)	(155,557)	(165,729)
Gross profit		24,733	29,342	106,988	110,277
Other items of income					
Interest income		301	259	1,039	784
Other income		3,546	2,832	11,767	9,664
Other items of expense					
Administrative expense		(8,725)	(7,739)	(27,807)	(23,899)
Finance costs		(3,278)	(3,509)	(13,414)	(14,829)
Other expenses		(3,169)	(2,567)	(8,472)	(7,645)
Profit before tax	8	13,408	18,618	70,101	74,352
Income tax expense	9	(4,042)	(5,977)	(19,168)	(20,737)
Profit net of tax		9,366	12,641	50,933	53,615
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		9,366	12,641	50,933	53,615
Profit attributable to:					
Owners of the Company		9,481	12,706	50,854	53,568
Non-controlling interests		(115)	(65)	79	47
		9,366	12,641	50,933	53,615
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	10	3.35	4.48	17.95	18.91

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

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

Condensed consolidated statements of financial position
As at 31 December 2012

	Note	As at 31.12.2012 Unaudited RM'000	As at 31.12.2011 Audited RM'000	As at 1.1.2011 Audited RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	11	659,868	688,218	724,219
Land held for property development		119,926	119,384	97,954
Investment properties		-	2,443	2,500
Intangible assets	12	84,537	90,165	95,241
Deferred tax assets		25,537	44,342	64,607
		889,868	944,552	984,521
Current assets				
Inventories	13	6,988	4,387	4,935
Trade receivables		29,401	26,368	22,509
Other receivables		9,850	6,613	6,280
Amount due from Sabah Ports Authority		71	-	-
Other current assets		7,486	14,493	14,869
Income tax refundable		19,004	18,816	19,290
Investment securities	15	133,312	159,536	97,236
Cash and bank balances	14	82,463	45,528	73,772
		288,575	275,741	238,891
TOTAL ASSETS		1,178,443	1,220,293	1,223,412

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

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

Condensed consolidated statements of financial position (continued)
As at 31 December 2012

	Note	As at 31.12.2012 Unaudited RM'000	As at 31.12.2011 Audited RM'000	As at 1.1.2011 Audited RM'000
EQUITY AND LIABILITIES				
Current liabilities				
Borrowings	17	16,101	14,623	26,372
Loan from Sabah Ports Authority		21,324	48,564	19,715
Amount due to Sabah Ports Authority		-	2,841	3,058
Amount due to Sabah State Government		6,085	12,031	5,134
Trade payables		10,740	11,683	8,538
Other payables		19,762	24,927	64,070
Other current liability		3,828	42	32
		77,840	114,711	126,919
Net current assets		210,735	161,030	111,972
Non-current liabilities				
Borrowings	17	40,040	50,881	62,363
Loan from Sabah Ports Authority		147,096	168,420	175,474
Amount due to Sabah State Government		41,487	47,413	54,330
Deferred tax liabilities		433	564	528
Other payable		69,091	69,091	71,050
		298,147	336,369	363,745
TOTAL LIABILITIES		375,987	451,080	490,664
Net assets		802,456	769,213	732,748
Equity attributable to owners of the Company				
Share capital	16	283,328	283,328	283,328
Share premium	16	62,785	62,785	62,785
Retained earnings		454,343	420,489	383,921
Other reserve		(61)	-	-
		800,395	766,602	730,034
Non-controlling interests		2,061	2,611	2,714
TOTAL EQUITY		802,456	769,213	732,748
TOTAL EQUITY AND LIABILITIES		1,178,443	1,220,293	1,223,412

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

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

Condensed consolidated statements of changes in equity
For the year ended 31 December 2012

			Attributable to owners of the Company				
			Non-distributable		Distributable	Non-distributable	
	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserve RM'000	Non-controlling interests RM'000
Opening balance at 1 January 2012	769,213	766,602	283,328	62,785	420,489	-	2,611
Total comprehensive income	50,933	50,854	-	-	50,854	-	79
Transactions with owners							
Acquisition of non-controlling interests	(539)	-	-	-	-	-	(539)
Premium paid on acquisition of non-controlling interests	(61)	(61)	-	-	-	(61)	-
Dividends paid by a subsidiary	(90)	-	-	-	-	-	(90)
Dividends on ordinary shares	(17,000)	(17,000)	-	-	(17,000)	-	-
Total transactions with owners	(17,690)	(17,061)	-	-	(17,000)	(61)	(629)
Closing balance at 31 December 2012	802,456	800,395	283,328	62,785	454,343	(61)	2,061

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

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

SURIA GROUP

Condensed consolidated statements of changes in equity (continued)
For the year ended 31 December 2012

		------------------ Attributable to owners of the Company- -----------					
			Non-distributable		Distributable	Non-distributable	
	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserve RM'000	Non-controlling interests RM'000
Opening balance at 1 January 2011	732,748	730,034	283,328	62,785	383,921	-	2,714
Total comprehensive income	53,615	53,568	-	-	53,568	-	47
Transactions with owners							
Dividends paid by a subsidiary	(150)	-	-	-	-	-	(150)
Dividends on ordinary shares	(17,000)	(17,000)	-	-	(17,000)	-	-
Total transactions with owners	(17,150)	(17,000)	-	-	(17,000)	-	(150)
Closing balance at 31 December 2011	769,213	766,602	283,328	62,785	420,489	-	2,611

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

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

SURIA GROUP

Condensed consolidated statements of cash flows
For the year ended 31 December 2012

	Year ended 31.12.2012 Unaudited RM'000	Year ended 31.12.2011 Audited RM'000
Operating activities		
Profit before tax	70,101	74,352
Adjustments for:		
Amortisations on intangible assets	5,628	5,423
Allowance for impairment loss	1,161	283
Depreciation of investment properties	9	57
Depreciation of property, plant and equipment	30,763	32,639
Employee leave entitlement	77	108
Finance costs	13,414	14,829
Gain on disposal of plant and equipment	(460)	(152)
Impairment of property, plant and equipment	-	225
Interest income	(1,460)	(995)
Inventories written down	53	72
Investment income from investment securities	(3,711)	(3,327)
Loss on disposal of property, plant and equipment	2,721	-
Loss on disposal of investment properties	177	-
Net fair value gains on held for trading investment securities	(668)	(164)
Plant and equipment written off	14	63
Unrealised exchange gain	(271)	(198)
Total adjustments	47,447	48,863
Operating cash flows before changes in working capital	117,548	123,215
Changes in working capital:		
(Increase)/decrease in inventories	(2,654)	476
Increase in trade and other receivables	(7,431)	(4,475)
Decrease in other current assets	7,007	376
(Increase)/decrease in cash at banks pledged and deposits with maturity more than 3 months	(4,898)	130
Decrease in amount due to Sabah Ports Authority	(2,912)	(217)
Decrease in trade and other payables	(6,185)	(38,314)
Increase in other current liability	3,786	10
Total changes in working capital	(13,287)	(42,014)
Cash flows from/(used in) operations	104,261	81,201
Interest received	156	172
Income tax paid	(1,266)	(1,120)
Income tax refunded	584	1,158
Net cash flows from/(used in) operating activities	103,735	81,411

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 ended 31 December 2012

	Year ended 31.12.2012 Unaudited RM'000	Year ended 31.12.2011 Audited RM'000
Investing activities		
Additions to intangible assets	-	(347)
Acquisition of non-controlling interests	(600)	-
Increase in land held for property development	(542)	(556)
Proceeds from disposal of property, plant and equipment	5,987	392
Proceeds from disposal of investment properties	2,257	-
Proceeds from disposal of investment securities	128,900	100,217
Purchase of investment securities	(102,008)	(162,353)
Purchase of property, plant and equipment	(10,667)	(18,040)
Investment income received from investment securities	3,711	3,327
Interest received	1,304	823
Net cash flows from/(used in) investing activities	28,342	(76,537)
Financing activities		
Dividends paid	(17,000)	(17,000)
Dividend paid to minority shareholder	(90)	(150)
Interest paid	(21,910)	(6,636)
Proceeds from borrowings	7,278	2
Proceeds from loan from Sabah Ports Authority	-	13,450
Repayment of Islamic debt securities	(10,000)	(10,000)
Repayment of loan from Sabah Ports Authority	(40,218)	-
Repayment of loan from Sabah State Government	(11,853)	-
Repayment of borrowings	(6,072)	(2,000)
Repayment of obligations under finance leases	(446)	(11,101)
Net cash flows used in financing activities	(100,311)	(33,435)
Net increase/(decrease) in cash and cash equivalents	31,766	(28,561)
Effect of exchange rate changes on cash and cash equivalents	271	447
Cash and cash equivalents at 1 January	38,978	67,092
Cash and cash equivalents at 31 December (Note 14)	71,015	38,978
Composition of cash and cash equivalents		
Cash on hand and at banks	28,424	17,693
Deposits with licensed financial institutions	42,591	21,285
Cash and cash equivalents at 31 December	71,015	38,978

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

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 February 2013.

2. Summary of significant accounting policies

2.1 First-time adoption of Malaysian Financial Reporting Standards ("MFRS")

These condensed consolidated interim financial statements, for the year ended 31 December 2012, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

The consolidated financial statements of the Group for the year ended 31 December 2011 which were prepared under FRS are available upon request from the Company registered office at 1st & 2nd Floor, Menara Jubili, No.53, Jalan Gaya, 88000 Kota Kinabalu, Sabah.

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 *First-Time adoption of Malaysian Financial Reporting Standards* ("MFRS 1") has been applied.

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 2011.

In addition, the Group has early adopted the Amendments to MFRS 1 *Government Loans.*

The MFRS are effective for the Group from 1 January 2012 and the date of transition to the MFRS framework for the purpose of the first MFRS compliant condensed consolidated interim financial statements is 1 January 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The impact of the transition from FRS to MFRS is described in Note 2.2 below.

2. Summary of significant accounting policies (continued)

2.2 Significant accounting policies and application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar.

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 2011 except as discussed below:

a) Business combination

MFRS 1 provides the option to apply MFRS 3 *Business Combinations*, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

(i) The classification of former business combinations under FRS is maintained;
(ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
(iii) The carrying amount of goodwill recognised under FRS is not adjusted.

b) Borrowing costs

MFRS 1 provides the option to apply MFRS 123 *Borrowing Costs* prospectively from the date of transition. This provides relief from full retrospective application of MFRS 123.

Borrowing costs relating to qualifying assets before date of transition

The Group has elected to apply MFRS 123 prospectively from the date of transition. In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation prior to the date of transition, the carrying amount of qualifying assets is not adjusted.

c) Government loans

The Group has chosen to early adopt the Amendments to MFRS 1 *Government Loans*.

Amendments to MFRS 1 *Government Loans* requires first-time adopter to apply the requirements in MFRS 120 *Accounting for Government Grants and Disclosure of Government Grants* prospectively to government loans existing at the date of transition and shall not recognise the corresponding benefit of the government loan at a below market rate of interest as a government grant.

2. Summary of significant accounting policies (continued)

2.2 Significant accounting policies and application of MFRS 1 (continued)

c) Government loans (continued)

The Group uses its previous FRS carrying amount of these loans at the date of transition to MFRS as the carrying amount of these loans in the opening MFRS statement of financial position. The Group applies MFRS 9 to the measurement of such loans after the date of transition to MFRS.

d) Service concession arrangements

MFRS 1 provides the option to apply the transitional provisions in IC Interpretation 12 *Service Concession Arrangements*.

The Group has elected to apply the transitional provisions as it is impracticable for the Group to apply IC Interpretation 12 retrospectively and the Group has recognised financial assets and intangible assets that existed at the start of the earliest period presented (1 January 2011), used the previous carrying amounts of those financial and intangible assets (however previously classified) as their carrying amounts as at that date, and tested financial and intangible assets recognised at that date for impairment. There was no impairment recognised.

e) Estimates

The estimates at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective.

Description	**Effective for annual periods beginning or after**
Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*	1 July 2012
MFRS 3 *Business Combinations* (IFRS 3 *Business Combinations* issued by IASB in March 2004)	1 January 2013
MFRS 10 *Consolidated Financial Statements*	1 January 2013
MFRS 11 *Joint Arrangements*	1 January 2013
MFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
MFRS 13 *Fair Value Measurement*	1 January 2013
MFRS 119 *Employee Benefits* (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127 *Consolidated and Separate Financial Statements* (IAS 27 as revised by IASB in December 2003)	1 January 2013
MFRS 127 *Separate Financial Statements* (IAS 27 as amended by IASB in May 2011)	1 January 2013

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective (continued)

Description	**Effective for annual periods beginning or after**
MFRS 128 *Investments in Associates and Joint Ventures* (IAS 28 as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 1 *Government Loans*	1 January 2013
Amendments to MFRS 7 *Disclosures: Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2013
Annual Improvements 2009 – 2011 cycle	1 January 2013
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in October 2009)	1 January 2015
MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in October 2010)	1 January 2015

Due to the complexity of MFRS 9 and its proposed changes, the financial effects of its adoption are still being assessed by the Group.

The directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

3. 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 year.

4. Changes in estimates

There were no changes in estimates that have had material effect in the current quarter and financial year results.

5. Changes in composition of the Group

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

5. 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 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 segment deals with ferry terminal operation.

(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

The port operations segment remains as the core business of the Group and the main contributor to the Group's revenue and profit before tax. For the current quarter, port operations contributed 88% (31 December 2011: 78%) of the revenue of the Group and more than 100% (2011: >100%) of the profit before tax of the Group. For the year-to-date, port operations contributed 83% (2011: 79%) of the revenue of the Group and more than 100% (2011: >100%) of the profit before tax of the Group.

The port operations are mainly in Sabah and Sabah Ports plays an important role in supporting the State economy as shipping is widely used to transport imports and exports. In the West Coast, there are 3 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 3 major ports, namely Sandakan Port, Tawau Port and Lahad Datu port and a minor port in Kunak Port. Sabah Ports operations are further segregated into 2 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.

The cargo volume handled at the Sabah Ports is closely correlated to the Sabah state economy and also the regional economy. For the current quarter, there was an overall increase in total tonnage handled by 2%. However, for the category of container which is charged differently as per the Sabah Ports Tariff, there was a decrease of 2% for the 4th quarter 2012. This has resulted in the decline of the segment revenue to RM 55.7 million for 4th quarter of 2012 from RM 57.0 million or 2%, compared to the corresponding quarter in 2011.

As for the year-to-date performance, there was an overall decrease in total tonnage handled by 2% whereas for containers, there was an increase of 5%.The year-to-date revenue for the segment registered at RM218.5 million, an increase of about 0.7% as compared to that of previous year of RM216.9 million. The operating costs have gone up by 2% resulting in the decline of the gross profit margin to 45% in 2012 from 46% in 2011.

5. Segment information (continued)

Port operations (continued)

The decline in revenue has adversely affected the profit before tax for this segment, a decline of 10% from RM20.0 million in the corresponding quarter in 2011 to RM18.0 million in the current quarter. The year-to-date profit before tax registered at RM75.7 million for this segment for the year ended 31 December 2012 as compared to RM76.9 million in 2011.

For the coming months in 2013, we expect the wharves in Sabah Ports to handle most of the cargo in Sabah and therefore remains to have a strong presence in Sabah. It is expected that the throughput through the wharves and also the containers will grow by a couple of percent and therefore the revenue for this segment is expected to improve in 2013. The profit before tax is also expected to increase slightly notwithstanding the fact that the planned capital expenditure for this segment will be around RM170.0 million in 2013.

Logistics and bunkering

For the current quarter, the Logistics and Bunkering segment contributed 5% (31 December 2011: 12%) of the revenue of the Group and -5% (31 December 2011: -4%) of the profit before tax of the Group. For the year-to-date, the logistics and bunkering segment contributed 9% (31 December 2011: 14%) of the revenue of the Group and -1.7% (2011: -0.6%) of the profit before tax of the Group.

The decline in the business in this segment was due to the drastic decrease in the sale of bunker fuel whereby the sale dropped from 91% of the segment's revenue in 2011 to 76% of the segment's revenue for 2012. The reason being the purchase of the fuel was committed when the global fuel price was at its peak in 2012. Subsequent fuel price drop had caused our bunker price to become less competitive and this had resulted in several bunker orders being cancelled.

However, in 2012, this segment involved more in the handling and transportation activities whereby the hire crane services contributed 14% to the logistic and bunkering revenue in 2012 as compared to 3% in the preceding year. The activities were mainly in the heavy lifting and shuttling of oil & gas cargoes within Kota Kinabalu port for the Sabah Oil and Gas Terminal (SOGT) project as well as the Roll On, Roll Off (RORO) operation at SOGT wharf.

The gross profit margin for this segment had improved to 6% due to the increased activities in handling and transportation as compared to 3% in 2011.

In 2012, this segment did not contribute positively to the Group's profit before tax. However, our Board has recently approved a new business proposal whereby there will be a change in the business model for this segment and that the Group will be involved in the regional bunkering business. We expect the new business model will enable this segment to contribute positively towards the revenue and the profit before tax of the Group in the coming months.

5. Segment information (continued)

Contract and engineering

For the current quarter, the construction segment contributes 4% (31 December 2011: 8%) to the Group's revenue and -19% (31 December 2011: 4%) of the profit before tax of the Group.

Segment revenue of RM1,919,193 for the 4th quarter ended 31 December 2012 declined 71% compared to RM6,508,270 for the corresponding quarter in 2011, essentially due to the impact of RM2,165,000 Late Ascertained Damages for railway project taken up in the quarter. Operating costs of RM3,187,962 have only declined by 43% compared to RM5,597,180 for the corresponding quarter for 2011, thereby decreasing the gross profit margin from 14% in last quarter of 2011 to -66% in last quarter of 2012.

For the financial year ended 31 December 2012, the construction segment contributes 5% (2011: 5%) of the revenue of the Group and -3% (2011: 1%) of the profit before tax of the Group.

Segment revenue of RM13,939,844 for the year ended 31 December 2012 declined 2% compared to RM14,242,436 in 2011, essentially due to RM2,165,000 Late Ascertained Damages for railway project taken up in the year. Operating costs of RM14,261,861 have increased by 12% compared to RM12,776,763 for 2011, thereby decreasing the gross profit margin from 10% in 2011 to -2% in 2012.

Profit before tax has been affected by a provision of doubtful debts of RM1,157,132 in the current quarter and financial year.

Ferry terminal

Suria Bumiria is the operator of a public ferry terminal in Kota Kinabalu, Sabah, contributing 2% (2011: 1%) to the Group's revenue and 1% (2011: 0.3%) of the profit before tax of the Group. The revenue derives from passenger fees for ferry transportation to Labuan and the Tunku Abdul Rahman Park islands, rental of retail outlets space, operation of indoor soccer centre and car park management.

The passenger fees is the main source of revenue contributing 41% of the segment's revenue (31 December 2011: 44%) while rental received from retail outlets contributed 22% (31 December 2011: 19%) and income from indoor soccer centre contributed 13% (31 December 2011: 14%).

Although there had been an increase of tourist arrivals in Sabah, there was a decline in passenger fees collected due to increased competition from private jetties in the city. Total revenue improved slightly by 2% mainly based on the increase in rental income from additional retail space created during the year.

Gross profit margin has improved from 45% in 2011 to 52% in 2012.

5. Segment information (continued)

Investment holding

The investment holding or corporate segment contributed 1% (31 December 2011: 1%) of the revenue of the Group. External revenue is derived mainly from short term investments in investments securities and interest earned from deposits with licensed financial institutions.

There was an increase in revenue of 35% from RM1,360,000 to RM1,837,000 in the current year as compared to preceding year. However, profit before tax has declined mainly due to loss on disposal of office premises.

The segment results are as follows :

	Current quarter 3 months ended		Year ended	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Segment revenue				
Investment holding	12,253	1,629	51,432	56,300
Port operations	46,777	57,011	218,481	216,989
Logistics and bunkering services	4,589	10,295	28,891	45,953
Contract and engineering	2,759	5,977	14,780	13,745
Property development and ferry terminal operations	995	951	3,987	3,915
Revenue including inter-segment sales	68,373	75,863	317,571	336,902
Elimination of inter-segment sales	(5,365)	(2,648)	(55,026)	(60,896)
Total revenue	63,008	73,215	262,545	276,006
Segment results				
Investment holding	10,176	(985)	42,301	47,687
Port operations	18,001	20,009	75,686	76,920
Logistics and bunkering services	(727)	(691)	(1,191)	(440)
Contract and engineering	(2,556)	725	(2,324)	726
Property development and ferry terminal operations	127	(42)	693	207
Profit from operations including inter-segment transactions	25,021	19,016	115,165	125,100
Elimination of inter-segment transactions	(11,613)	(398)	(45,064)	(50,748)
Total profit before tax	13,408	18,618	70,101	74,352

7. Seasonality of operations

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

8. Profit before tax

Included in the profit before tax are the following items :

	Current quarter 3 months ended		Year ended	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Employee benefits expense	14,414	13,880	53,976	51,235
Non-executive directors' remuneration	197	212	742	686
Allowance for impairment loss on:				
- trade receivables	1,161	213	1,161	229
- other receivables	-	17	-	54
Amortisation of port concession rights	922	922	3,687	3,687
Amortisation of software licenses and system development	420	383	1,941	1,736
Auditors' remuneration:				
Statutory audit:				
- current year	86	85	153	151
- over provision in respect of previous year	-	-	(2)	-
Other services:				
- current year	10	10	10	10
Depreciation of investment properties	-	33	9	57
Depreciation of property, plant and equipment	7,574	8,175	30,763	32,639
Hiring of equipment and motor vehicles	339	248	1,251	355
Impairment of property, plant and equipment	-	225	-	225
Inventories written down	53	72	53	72
Leasing of port land	2,191	2,149	8,764	8,596
Loss on disposals of property, plant and equipment	41	-	2,721	-
Loss on disposals of investment properties	-	-	177	-
Plant and equipment written off	11	42	14	63
Realised (loss)/gain on foreign exchange, net	1	-	(14)	-
Rental of office premises	225	253	1,227	1,000
Reversal of allowance for impairment loss on other receivables	33	-	(24)	-

9. Income tax expense

	Current quarter 3 months ended		Year ended	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Income tax expense for the year:				
Malaysian income tax	(76)	(126)	494	436
Deferred tax	4,118	6,103	18,674	20,301
	4,042	5,977	19,168	20,737

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.

Sabah Ports Sdn Bhd has RM276.52 million of unabsorbed investment allowance carried forward that could be utilised in future to offset future taxable income.

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The Group's effective tax rates for the current and corresponding interim period were higher than the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries, and certain expenses which are not deductible for tax purposes.

10. Earnings per share

Basic earnings per share

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

	Current quarter 3 months ended		Year ended	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Profit net of tax for the financial year	9,366	12,641	50,933	53,615
Less: Attributable to non-controlling interests	115	65	(79)	(47)
Profit net of tax attributable to owners of the Company	9,481	12,706	50,854	53,568
Weighted average number of ordinary shares	283,328	283,328	283,328	283,328
Basic earnings per ordinary share (sen)	3.35	4.48	17.95	18.91

11. Property, plant and equipment

Acquisitions and disposals

The cash outflow on acquisition of property, plant and equipment amounted to RM10,667,000 (2011: RM18,040,000).

Assets with carrying amount of RM8,248,000 were disposed of by the Group during the financial year (2011: RM240,000 resulting a net loss on disposal of RM2,261,000 (2011: net gain of RM152,000), recognized and included in administrative expense (2011: other income) in the statements of comprehensive income.

Write-down of property, plant and equipment
During the financial year, there were no loss from impairment of property, plant and equipment (2011: RM225,000).

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 2011	4,486	110,615	7,042	122,143
Additions	-	-	347	347
At 31 December 2011	4,486	110,615	7,389	122,490
Additions	-	-	-	-
At 31 December 2012	4,486	110,615	7,389	122,490
Accumulated Amortisation:				
At 1 January 2011	-	23,351	3,551	26,902
Amortisation		3,687	1,736	5,423
At 31 December 2011 and 1 January 2012	-	27,038	5,287	32,325
Amortisation	-	3,687	1,941	5,628
At 31 December 2012	-	30,725	7,228	37,953
Net carrying amount:				
At 1 January 2011	4,486	87,264	3,491	95,241
At 31 December 2011	4,486	83,577	2,102	90,165
At 31 December 2012	4,486	79,890	161	84,537

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.

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 2013 - 2034
At wharves	
- Liquid cargo (RM/MT)	8.7
- Dry cargo (RM/MT)	12.1
- Container (RM/TEU)	280.8
At anchorage (RM/MT)	1.7

	Average growth rate 2013 - 2034 %
At wharves	
- Liquid cargo	1.3 - 1.5
- Dry cargo	1.0 - 1.8
- Container	5.1 - 6.0
At anchorage	3.6 - 4.1

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 2013 on the tariff rates pursuant to the Privatisation Agreement as follows:

	2013 - 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.

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 financial year, the Group recognised a write-down of inventories of RM53,000 (2011: RM72,000) that were slow moving and unsold. This expense was included in the administrative expense in the statement of comprehensive income.

14. Cash and bank balances

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.1.2011 RM'000
Cash at banks and on hand	28,424	17,693	16,495
Cash at banks pledged as securities for Islamic debts securities	6,429	1,697	1,966
Short term deposits with:			
- licensed banks	25,324	9,155	42,506
- other financial institutions	17,267	12,130	8,091
Deposits with maturity more than 3 months	5,019	4,853	4,714
	82,463	45,528	73,772

Short term deposits are made for varying periods of between 1 days 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 31 December 2012 for the Group was 3.3% (2011: 3.4%, 1 January 2011: 2.9%).

Deposits with other financial institution with maturity more than 3 months of the Group 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 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.1.2011 RM'000
Cash on hand and at banks	28,424	17,693	16,495
Short term deposits with:			
- licensed banks	25,324	9,155	42,506
- other financial institutions	17,267	12,130	8,091
	71,015	38,978	67,092

15. Investment securities

Fair value of financial instruments that are carried at fair value

The following table show an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Investment securities				
- 2012	133,312	-	-	133,312
- 2011	159,536	-	-	159,536
- As at 1.1.2011	97,236	-	-	97,236

<u>Fair value hierarchy</u>
The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There has been no transfer from Level 1 and Level 2 to Level 3 for the financial years ended 31 December 2012, 31 December 2011 and as at 1 January 2011.

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.

17. Borrowings

Particulars of the Group's borrowings as at 31 December 2012, 31 December 2011 and 1 January 2011 are as follows:

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000	As at 1.1.2011 RM'000
Current			
Secured:			
- Islamic debt securities	10,700	10,831	10,963
- Term loan	922	1,038	981
- Trade loan	3,448	1,304	2,323
- Revolving credit financing	1,008	1,006	1,004
- Obligations under finance leases	23	444	11,101
	16,101	14,623	26,372
Non-current			
Secured:			
- Islamic debt securities	40,000	50,000	60,000
- Term loan	36	860	1,898
- Obligations under finance leases	4	21	465
	40,040	50,881	62,363
	56,141	65,504	88,735

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. Dividends

	Current quarter 3 months ended		Year ended	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
For 2010:				
3.0% final tax exempt dividend, on 283,327,992 ordinary shares, declared on 28 April 2011 and paid on 6 June 2011	-	-	-	8,500
For 2011:				
3.0% interim tax exempt dividend, on 283,327,992 ordinary shares, declared on 15 November 2011 and paid on 30 December 2011	-	8,500	-	8,500
3.0% final tax exempt dividend, on 283,327,992 ordinary shares, declared on 8 May 2012 and paid on 20 June 2012	-	-	8,500	-
For 2012:				
3.0% interim tax exempt dividend, on 283,327,992 ordinary shares, declared on 23 November 2012 and paid on 28 December 2012	8,500	-	8,500	-
	8,500	8,500	17,000	17,000

19. Capital commitments

	As at 31.12.2012 RM'000	**As at 31.12.2011 RM'000**	**As at 1.1.2011 RM'000**
Approved and contracted for			
Bulk fertilizer storage facilities for Sandakan Port	2,921	6,113	17,679
Purchase of other property, plant and equipment	544	228	94
	3,465	6,341	17,773
Approved but not contracted for			
Purchase of property, plant and equipment	379,164	379,162	380,005
Improvement to port infrastructure facilities	277,619	282,397	287,511
	656,783	661,559	667,516
	660,248	667,900	685,289

20. Contingencies

In relation to the Arbitration matter as disclosed in the audited financial statements for the year ended 31 December 2011, the Arbitration's Hearing has been fixed on the 12 to 16 August 2013 at the Kuala Lumpur Regional Centre for Arbitration. The Arbitration is in respect to the claim made by Zublin International (M) Sdn Bhd for a sum of RM32.8 million.

The Group is of the view that the claim will not have any material adverse impact to the financial position of the Group.

21. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the three0month period ended 31 December 2012 and 31 December 2011 as well as the balances with the related parties as at 31 December 2012 and 31 December 2011:

	Current quarter 3 months ended		Year ended	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Dividend income	11,613	-	45,064	50,350
Interest income	62	62	242	188
Management fees income	1,110	1,110	4,440	4,500
Rental income	22	22	90	90
Project management fees	-	-	-	1
Purchase of equipment	-	-	-	7
Sub-contract fee expense	1,539	-	1,539	805
Vehicle leasing charges	-	-	-	88

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.

22. 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 year ended 31 December 2012.

23. Review of performance

Current quarter

For the current quarter, the Group registered revenue of RM63.0 million, declined by RM10.2 million or 14.0% when compared to the previous year's corresponding quarter. The drop in revenue was mainly due to lower contribution from logistics and bunkering services segment and the contract and engineering segment.

Subsequently, the Group recorded a lower profit before taxation of RM13.4 million for the quarter compared to RM18.6 million in the previous year's corresponding quarter, registering a decline of RM5.2 million or 28.0%. This was mainly due to lower revenue from logistics and bunkering services segment and the contract and engineering segment and also higher operating expenditures including impairment for the current quarter.

Year-to-date

The Group recorded revenue for the financial year ended 31 December 2012 of RM262.5 million, declined by RM13.5 million or 5.0% when compared to the previous year's i.e financial year ended 31 December 2011.

The Group recorded profit before taxation of RM70.1 million for the year which was lower by RM4.2 million or 6.0% as compared to RM74.3 million achieved in the financial year ended 31 December 2011. This was mainly due to lower revenue from logistics and bunkering services segment and also higher operating expenditures including impairment for the financial year.

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

24. Comment on material change in profit before taxation

The Group reported a lower profit before taxation of RM13.4 million for the current financial quarter as compared to RM18.6 million for the preceding quarter. This represents a decline of RM5.2 million or 28.0%, which was mainly due to lower revenue from logistics and bunkering services segment and higher operating expenditures including impairment in the current quarter.

25. 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 coming financial year.

26. 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.

27. 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. Please refer to Note 27.

28. 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.

29. Corporate proposals

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

30. Changes in material litigation

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

31. Dividends payable

Please refer to Note 18 for details.

32. Disclosure of nature of outstanding derivatives

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

33. Rationale for entering into derivatives

The Group did not enter into any derivatives during the year ended 31 December 2012 or the previous financial year ended 31 December 2011.

34. Risks and policies of derivatives

The Group did not enter into any derivatives during the year ended 31 December 2012 or the previous financial year ended 31 December 2011.

35. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not enter into any financial liabilities measured at fair value through profit or loss as at 31 December 2012 and 31 December 2011.

36. Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group as at 31 December 2012 and 31 December 2011 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 31.12.2012 RM'000	**As at 31.12.2011 RM'000**
Realised	426,622	374,846
Unrealised	26,707	44,640
	453,329	419,486
Add: Consolidation adjustments	1,014	1,003
Total Group retained earnings as per financial statements	454,343	420,489

37. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.

38. 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 February 2013.

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 February 2013