SURIA CAPITAL HOLDINGS BERHAD

(COMPANY NO: 96895-W)

(INCORPORATED IN MALAYSIA)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2013

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

Condensed consolidated statements of comprehensive income
For the quarter and year-to-date ended 31 March 2013

	Note	Quarter and Year-to-date ended 31 March 2013 Unaudited RM'000	31 March 2012 Unaudited RM'000
Revenue		58,980	67,894
Cost of sales		(35,725)	(42,183)
Gross profit		23,255	25,711
Other items of income			
Interest income		335	238
Other income		2,303	3,199
Other items of expense			
Administrative expense		(5,723)	(5,628)
Finance costs		(2,866)	(3,284)
Other expenses		(1,328)	(1,728)
Profit before tax	8	15,976	18,508
Income tax expense	9	(4,439)	(4,913)
Profit net of tax		11,537	13,595
Other comprehensive income		-	-
Total comprehensive income for the year		11,537	13,595
Profit attributable to:			
Owners of the Company		11,451	13,405
Non-controlling interests		86	190
		11,537	13,595
Earnings per ordinary share attributable to owners of the Company (sen per share):			
Basic	10	4.04	4.73

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 March 2013

	Note	As at 31 March 2013 Unaudited RM'000	As at 31 December 2012 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	654,799	659,868
Land held for property development		119,926	119,926
Intangible assets	12	83,602	84,537
Deferred tax assets		21,369	25,537
		879,696	889,868
Current assets			
Inventories	13	5,308	6,988
Trade receivables		29,567	29,401
Other receivables		17,272	9,850
Amount due from Sabah Ports Authority		-	71
Other current assets		16,670	7,486
Income tax refundable		19,052	19,004
Investment securities	15	122,283	133,312
Cash and bank balances	14	92,560	82,463
		302,712	288,575
TOTAL ASSETS		1,182,408	1,178,443

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

Condensed consolidated statements of financial position (continued)
As at 31 March 2013

	Note	As at 31 March 2013 Unaudited RM'000	As at 31 December 2012 Audited RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	17	11,905	16,101
Loan from Sabah Ports Authority		21,324	21,324
Amount due to Sabah State Government		415	6,085
Trade payables		10,058	10,740
Other payables		26,599	19,762
Other current liability		-	3,828
		70,301	77,840
Net current assets		232,411	210,735
Non-current liabilities			
Borrowings	17	40,004	40,040
Loan from Sabah Ports Authority		147,096	147,096
Amount due to Sabah State Government		41,487	41,487
Deferred tax liabilities		433	433
Other payable		69,094	69,091
		298,114	298,147
TOTAL LIABILITIES		368,415	375,987
Net assets		813,993	802,456
Equity attributable to owners of the Company			
Share capital	16	283,328	283,328
Share premium	16	62,785	62,785
Retained earnings		465,794	454,343
Other reserve		(61)	(61)
		811,846	800,395
Non-controlling interests		2,147	2,061
TOTAL EQUITY		813,993	802,456
TOTAL EQUITY AND LIABILITIES		1,182,408	1,178,443

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-to-date ended 31 March 2013

	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
		Attributable to owners of the Company					
			Non-distributable		Distributable	Non-distributable	
Opening balance at 1 January 2013	802,456	800,395	283,328	62,785	454,343	(61)	2,061
Total comprehensive income	11,537	11,451	-	-	11,451	-	86
Closing balance at 31 March 2013	813,993	811,846	283,328	62,785	465,794	(61)	2,147
Opening balance at 1 January 2012	769,213	766,602	283,328	62,785	420,489	-	2,611
Total comprehensive income	13,595	13,405	-	-	13,405	-	190
Closing balance at 31 March 2012	782,808	780,007	283,328	62,785	433,894	-	2,801

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

Condensed consolidated statements of cash flows
For the year-to-date ended 31 March 2013

	Year-to-date ended 31 March 2013 Unaudited RM'000	31 March 2012 Unaudited RM'000
Operating activities		
Profit before tax	15,976	18,508
Adjustments for:		
Amortisations on intangible assets	936	1,429
Allowance for impairment loss	1	13
Depreciation of investment properties	-	33
Depreciation of property, plant and equipment	7,489	7,809
Finance costs	2,866	3,284
Gain on disposal of plant and equipment	(296)	(415)
Interest income	(484)	(278)
Investment income from investment securities	(649)	(782)
Net fair value gains on held for trading investment securities	(204)	(258)
Unrealised exchange gain	(28)	(76)
Total adjustments	9,631	10,759
Operating cash flows before changes in working capital	25,607	29,267
Changes in working capital:		
Decrease in inventories	1,680	308
Increase in trade and other receivables	(7,588)	(1,768)
Increase in other current assets	(9,185)	(6,630)
Increase in cash at banks pledged and deposits with maturity more than 3 months	(5,111)	(11,502)
Decrease in amount due from Sabah Ports Authority	71	-
Increase/(decrease) in trade and other payables	6,920	(4)
Decrease in other current liability	(3,421)	(42)
Total changes in working capital	(16,634)	(19,638)
Cash flows from operations	8,973	9,629
Income tax paid	(318)	(270)
Net cash flows from operating activities	8,655	9,359

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

SURIA GROUP

Condensed consolidated statements of cash flows (continued)
For the year-to-date ended 31 March 2013

	Year-to-date ended 31 March 2013 Unaudited RM'000	31 March 2012 Unaudited RM'000
Investing activities		
Increase in land held for property development	-	(47)
Proceeds from disposal of property, plant and equipment	740	415
Proceeds from disposal of investment securities	11,029	28,580
Purchase of property, plant and equipment	(2,420)	(1,516)
Investment income received from investment securities	649	782
Interest received	484	278
Net cash flows from investing activities	10,482	28,492
Financing activities		
Dividends paid	(1,168)	-
Interest paid	(2,383)	(1,880)
Repayment of loan from Sabah Ports Authority	-	(28,060)
Repayment of loan from Sabah State Government	(5,670)	-
Repayment of borrowings	(4,919)	(1,558)
Repayment of obligations under finance leases	(11)	(296)
Net cash flows used in financing activities	(14,151)	(31,794)
Net increase/(decrease) in cash and cash equivalents	4,986	6,057
Cash and cash equivalents at 1 January	71,015	38,978
Cash and cash equivalents at 31 March (Note 14)	76,001	45,035
Composition of cash and cash equivalents		
Cash on hand and at banks	22,020	21,188
Deposits with licensed banks and other financial institutions	53,981	23,847
Cash and cash equivalents at 31 March	76,001	45,035

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 02 May 2013.

2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the first quarter ended 31 March 2013 are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

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 2012.

3. Significant accounting policies

The significant accounting policies and methods of computation adopted for the condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2012 except for the adoption of the following new / revised Malaysian Financial Reporting Standards ("MFRSs") below.

3.1 Changes in accounting policies

On 1 January 2013, the Group adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2013:

Description	**Effective for annual periods beginning on 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

3. Significant accounting policies (continued)

3.1 Changes in accounting policies (continued)

Description	**Effective for annual periods beginning on or after**
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
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

3.2 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 on or after**
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.

4. Changes in estimates

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

5. Changes in composition of the Group

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

6. Segment information

The Group is organised into business units based on their products and services, and has five operating segments as follows:

(a) The port operations are involved in the provision and maintenance of port services and facilities, and the regulation and control of the management of ports.

(b) The logistics and bunkering 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 remained the Group's main source of revenue and operating profit, contributing 84% (31 March 2012: 78%) of the revenue of the Group and more than 100% (31 March 2012: 96%) of the operating profit of the Group.

The operations for this segment 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 i.e 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.

6. Segment information (continued)

Port operations (continued)

The cargo volume handled at Sabah Ports is closely correlated to the Sabah state economy and also the regional economy. For the current quarter, there was a decline in total tonnage handled by 2% mainly due to lower anchor tonnages. Whereas for the category of container which is charged differently as per the Sabah Ports' Tariff, there was a decrease of 14% which has resulted in the decline of the segment revenue to RM49.4 million from RM53.0 million or 7%, compared to the corresponding quarter in 2012.

Container throughput for the current quarter was 78,194 TEU as compared to 91,024 TEU in the corresponding quarter in 2012. The drop in containerized cargo was attributable to the drop in transhipment containers received at the port. The lower anchorage revenue on the other hand was mainly attributable to drop in general cargo and PKE (palm kernel) throughput.

Operating expenses for Q1 2013 has decreased to RM27.7 million from RM29.3 million in Q1 2012, thereby maintaining the gross profit margin of 44% for this segment. The decrease was mainly attributable to lower repair & maintenance cost incurred for ports equipment and also lower stevedore contract labour which corresponded with lower general cargo throughput.

The decline in revenue has eventually affected the operating profit for this segment, a decline of 8% from RM20.9 million in the corresponding quarter of 2012 to RM19.2 million in the current quarter.

For the coming months in 2013, we expect the wharves in Sabah Ports to handle most of the cargo in Sabah. However, the port operation is expected to face challenges due to the uncertainties in the regional container trade and the oil palm market.

Logistics and bunkering

For the current quarter, the Logistics and bunkering segment contributed 10% (31 March 2012: 12%) of the revenue of the Group and -3% (31 March 2012: 0.4%) of the operating profit of the Group.

The decline in the business in this segment was due to the decrease in the sales volume of bunker fuel by 5%. Other factor contributed to the decline was the lower income from handling and transportation activities due to completion of project works for heavy lifting and shuttling for oil and gas cargoes within Kota Kinabalu port and the Sabah Oil and Gas Terminal (SOGT) as well as Kimanis Power Plant (KPP) project at Kimanis, Papar. The activities had contributed 13% to the segment's revenue in 2012 (31 March 2013: 0.1%).

The gross profit margin for this segment had dropped to -9% as compared to 4% in 2012. This was mainly due to selling at below cost for medium fuel oil (MFO) stock to avoid accumulated demurrage charges from ship owner.

In the first quarter of 2013, this segment did not contribute positively to the Group's operating profit. However, our Board had 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 operating profit of the Group in the coming months.

6. Segment information (continued)

Contract and engineering

For the current quarter, the contract and engineering segment contributes 3% (31 March 2012: 8%) to the Group's revenue and 0.5% (31 March 2012: 0.8%) of the operating profit of the Group.

Segment revenue of RM2.0 million for the quarter ended 31 March 2013 declined 62% compared to RM5.2 million for the corresponding quarter in 2012, essentially due to lower revenue recorded for Tawau Power Plant Project upon completion of the work scope. Subsequently, operating costs have also declined by 65% to RM1.7 million from RM4.8 million, resulting in higher gross profit margin of 15% in the first quarter of 2013 as compared to 8% in the corresponding quarter of 2012.

Operating profit in the quarter ended 31 March 2013 of RM94,085 declined 49% as compared to RM186,615 recorded in the preceding year corresponding quarter in 2012, mainly due to lower revenue.

Ferry terminal

Suria Bumiria is the operator of a public ferry terminal in Kota Kinabalu, Sabah, contributing 2% (31 March 2012: 1%) to the Group's revenue and 0.4% (31 March 2012: 1%) of the operating profit 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 45% of the segment's revenue (31 March 2012: 39%) while rental received from retail outlets contributed 22% (31 March 2012: 20%) and income from indoor soccer centre contributed 13% (31 March 2012: 14%).

Total revenue improved by 5% mainly contributed by the increase in passenger fees income resulting from the increase of tourist arrivals in Sabah, as well as increase in rental income derived from additional retail space created in the middle of 2012.

Gross profit margin has declined from 55% in 2012 to 38% in 2013 attributable to increase in repair works and payment of rates and assessment in the first quarter.

Investment holding

The investment holding or corporate segment contributed 1% (31 March 2012: 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 47% from RM384,000 to RM565,000 in the current quarter as compared to preceding year's corresponding quarter. However, profit before tax has declined mainly due to additional provision for expenses in the current quarter (31 March 2012: Nil).

6. Segment information (continued)

The segment results are as follows :

	Quarter and Year-to-date ended 31 March 2013 RM'000	Quarter and Year-to-date ended 31 March 2012 RM'000
Segment revenue		
Investment holding	3,273	9,392
Port operations	49,369	53,046
Logistics and bunkering services	7,168	9,488
Contract and engineering	1,990	5,224
Property development and ferry terminal operations	1,059	1,011
Revenue including inter-segment sales	62,859	78,161
Elimination of inter-segment sales	(3,879)	(10,267)
Total revenue	58,980	67,894
Segment results		
Investment holding	1,244	7,479
Port operations	16,801	18,525
Logistics and bunkering services	(655)	(5)
Contract and engineering	90	169
Property development and ferry terminal operations	71	215
Profit from operations including inter-segment transactions	17,551	26,383
Elimination of inter-segment transactions	(1,575)	(7,875)
Total profit before tax	15,976	18,508

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 :

	Quarter and Year-to-date ended	
	31 March 2013 RM'000	**31 March 2012 RM'000**
Employee benefits expense	14,691	14,003
Non-executive directors' remuneration	231	179
Allowance for impairment loss on:		
- trade receivables	1	13
- other receivables	-	-
Amortisation of port concession rights	922	922
Amortisation of software licenses and system development	14	507
Auditors' remuneration:		
Statutory audit:		
- current year	29	21
- under provision in respect of previous year	13	-
Other services:		
- current year	-	-
Depreciation of investment properties	-	33
Depreciation of property, plant and equipment	7,489	7,809
Hiring of equipment and motor vehicles	312	190
Leasing of port land	2,185	2,191
Gain on disposals of property, plant and equipment	296	415
Realised gain/(loss) on foreign exchange, net	15	43
Rental of office premises	282	258
Reversal of allowance for impairment loss	69	53

9. Income tax expense

	Quarter and Year-to-date ended	
	31 March 2013 RM'000	**31March 2012 RM'000**
Income tax expense for the year:		
Malaysian income tax	178	187
Deferred tax	4,261	4,726
	4,439	4,913

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

	Quarter and Year-to-date ended	
	31 March 2013 RM'000	**31 March 2012 RM'000**
Profit net of tax for the financial period	11,537	13,595
Less: Attributable to non-controlling interests	(86)	(190)
Profit net of tax attributable to owners of the Company	11,451	13,405
Weighted average number of ordinary shares	283,328	283,328
Basic earnings per ordinary share (sen)	4.04	4.73

11. Property, plant and equipment

Acquisitions and disposals

The cash outflow on acquisition of property, plant and equipment amounted to RM2,420,000 (31 March 2012: RM1,516,000).

Assets with carrying amount of RM504,000 were disposed of by the Group during the current quarter (31 March 2012: RM8) resulting a net gain on disposal of RM296,000 (31 March 2012: RM415,000), recognized and included in other income in the statements of comprehensive income.

Write-down of property, plant and equipment
During the current quarter and financial year-to-date, there were no loss from impairment of property, plant and equipment (31 March 2012: Nil).

12. Intangible assets

	Goodwill on business acquisition RM'000	Port concession rights RM'000	Software licenses and system development RM'000	Total RM'000
Group				
Cost:				
At 1 January 2012	4,486	110,615	7,389	122,490
Additions	-	-	-	-
At 31 December 2012 and 1 January 2013	4,486	110,615	7,389	122,490
Additions	-	-	-	-
At 31 March 2013	4,486	110,615	7,389	122,490
Accumulated Amortisation:				
At 1 January 2012	-	27,038	5,287	32,325
Amortisation		3,687	1,941	5,628
At 31 December 2012 and 1 January 2013	-	30,725	7,228	37,953
Amortisation	-	922	13	935
At 31 March 2013	-	31,647	7,241	38,888
Net carrying amount:				
At 31 December 2012	4,486	79,890	161	84,537
At 31 March 2013	4,486	78,968	148	83,602

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 2014 on the tariff rates pursuant to the Privatisation Agreement as follows:

	2014 - 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 three months and year-to-date ended 31 March 2013, there was no write-down of inventories recognised by the Group (31 March 2012: Nil).

14. Cash and cash equivalents

	As at 31 March 2013 RM'000	As at 31 March 2012 RM'000
Cash at banks and on hand	22,020	21,188
Cash at banks pledged as securities for Islamic debts securities	11,444	13,113
Short term deposits with:		
- licensed banks	20,119	8,124
- other financial institutions	33,862	15,723
Deposits with maturity more than 3 months	5,115	4,939
	92,560	63,087

Short term deposits are made for varying periods of between 1 month 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 March 2013 for the Group was 3.2% (31 March 2012: 3.3%).

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 March 2013 RM'000	As at 31 March 2012 RM'000
Cash on hand and at banks	22,020	21,188
Short term deposits with:		
- licensed banks	20,119	8,124
- other financial institutions	33,862	15,723
	76,001	45,035

15. Fair value hierarchy

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				
- 31 March 2013	122,283	-	-	122,283
- 31 December 2012	133,312	-	-	133,312

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 period ended 31 March 2013 and financial year ended 31 December 2012.

16. Share capital and share premium

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

17. Interest-bearing loans and borrowings

Total Group's loans and borrowings as at 31 March 2013 and 31 December 2012 were as follows:

	As at 31 March 2013 RM'000	As at 31 December 2012 RM'000
Current		
Secured:		
- Islamic debt securities	11,397	10,700
- Term loan	495	922
- Trade loan	-	3,448
- Revolving credit financing	-	1,008
- Obligations under finance leases	13	23
	11,905	16,101
Non-current		
Secured:		
- Islamic debt securities	40,000	40,000
- Term loan	-	36
- Obligations under finance leases	4	4
	40,004	40,040
	51,909	56,141

The above borrowings are denominated in local currency.

There were no loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period.

18. Provisions for costs of restructuring

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

19. Dividends paid

There were no payment of dividend during the current quarter and financial period ended 31 March 2013 (31 March 2012: Nil).

20. Capital commitments

	As at 31 March 2013 RM'000	As at 31 December 2012 RM'000
Approved and contracted for		
Bulk fertilizer storage facilities for Sandakan Port	2,477	2,921
Purchase of other property, plant and equipment	789	544
Extension of container stacking yard for Sandakan Port	2,445	-
	5,711	3,465
Approved but not contracted for		
Purchase of property, plant and equipment	378,430	379,164
Improvement to port infrastructure facilities	273,009	277,619
	651,439	656,783
	657,150	660,248

21. Contingencies

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

22. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the three month period ended 31 March 2013 and 31 March 2012:

	Quarter and Year-to-date ended	
	31 March 2013 RM'000	31 March 2012 RM'000
Dividend income	1,575	7,875
Interest income	53	57
Management fees income	1,110	1,110
Rental income	23	22
Sub-contract fee income	161	-

The directors are of the opinion that the above transactions have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

All outstanding balances with these related parties are unsecured and are to be settled in cash within three months of the reporting date.

23. Events after the reporting period

There were no material events subsequent to the end of the reporting period that have not been reflected in the condensed consolidated interim financial statements for the financial period ended 31 March 2013.

24. Review of performance

Quarter and year-to-date

For the first quarter in 2013, the Group registered revenue of RM59.0 million, declined by RM8.9 million or 13.0% when compared to the previous year's corresponding quarter ended 31 March 2012 of RM67.9 million. The drop in revenue was mainly due to lower contribution from all major business segments.

Consequently, the Group recorded a lower profit before taxation of RM16.0 million for the current quarter ended 31 March 2013 as compared to RM18.5 million in the previous year's corresponding quarter ended 31 March 2012, registering a decline of RM2.5 million or 14.0%.

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

25. Comment on material change in profit before taxation

The Group reported a higher profit before taxation of RM16.0 million for the current financial quarter as compared to RM13.4 million for the immediate preceding quarter. This represents an increase of RM2.6 million or 19.0%, which was mainly due to provision for impairment loss and loss on disposal of fixed assets in the last quarter of 2012.

26. Commentary on prospects

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

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

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

28. Statement by directors on achievability of revenue or profit estimate, forecast, projection or internal targets

The statement by directors on achievability of revenue or profit estimate, forecast, projection or internal targets are not applicable. The Board did not announce or disclose any profit estimate, forecast, projection or internal management targets in a public document. Please refer to Note 27.

29. Profit forecast or profit guarantee

The disclosure requirements for explanatory information for the variance of actual profit after tax and non-controlling interest and forecast profit after tax and non-controlling interest and for the shortfall in profit guarantee are not applicable.

30. Corporate proposals

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

31. Changes in material litigation

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

32. Dividends declared

No interim ordinary dividend has been recommended in respect of the financial period ended 31 March 2013 (31 March 2012: Nil).

33. Disclosure of nature of outstanding derivatives

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

34. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 31 March 2013 or the previous financial period ended 31 March 2012.

35. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 31 March 2013 or the previous financial period ended 31 March 2012.

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

The Group did not enter into any financial liabilities measured at fair value through profit or loss as at 31 March 2013 and 31 March 2012.

37. Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group as at 31 March 2013 and 31 December 2012 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 March 2013 RM'000	**As at 31 December 2012 RM'000**
Realised	442,365	426,622
Unrealised	22,500	26,707
	464,865	453,329
Add: Consolidation adjustments	929	1,014
Total Group retained earnings as per financial statements	465,794	454,343

38. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.

39. Authorised for issue

The Interim Financial Statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 02 May 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 : 02 May 2013