



# **SURIA CAPITAL HOLDINGS BERHAD**

(COMPANY No: 96895-W)

(INCORPORATED IN MALAYSIA)

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2013

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**Condensed consolidated statements of comprehensive income**  
**For the quarter and year ended 31 December 2013**

	Note	Current quarter 3 months ended		Year ended	
		31.12.2013 Unaudited RM'000	31.12.2012 Unaudited RM'000	31.12.2013 Unaudited RM'000	31.12.2012 Unaudited RM'000
<b>Revenue</b>		73,201	63,008	263,330	262,545
Cost of sales		(44,421)	(38,275)	(148,689)	(155,557)
<b>Gross profit</b>		28,780	24,733	114,641	106,988
<b>Other items of income</b>					
Interest income		593	301	1,687	1,039
Other income		4,372	3,546	12,292	11,767
<b>Other items of expense</b>					
Administrative expense		(5,555)	(8,725)	(24,364)	(27,807)
Finance costs		(2,673)	(3,278)	(11,065)	(13,414)
Other expenses		(5,381)	(3,169)	(10,007)	(8,472)
<b>Profit before tax</b>	8	20,136	13,408	83,184	70,101
Income tax expense	9	(4,305)	(4,042)	(21,171)	(19,168)
<b>Profit net of tax</b>		15,831	9,366	62,013	50,933
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		15,831	9,366	62,013	50,933
Profit attributable to:					
Owners of the Company		15,605	9,481	61,842	50,854
Non-controlling interests		226	(115)	171	79
		15,831	9,366	62,013	50,933
<b>Earnings per ordinary share attributable to owners of the Company (sen per share):</b>					
Basic	10	5.51	3.35	21.83	17.95

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

**Condensed consolidated statements of financial position**  
**As at 31 December 2013**

	Note	As at 31.12.2013 Unaudited RM'000	As at 31.12.2012 Audited RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	664,104	659,868
Land held for property development		120,776	119,926
Intangible assets	12	80,898	84,537
Deferred tax assets		4,996	25,537
		870,774	889,868
<b>Current assets</b>			
Inventories	13	5,149	6,988
Trade receivables		22,213	29,401
Other receivables		6,960	9,850
Amount due from Sabah Ports Authority		-	71
Other current assets		2,329	7,486
Income tax refundable		18,973	19,004
Investment securities	15	130,392	133,312
Cash and bank balances	14	121,961	82,463
		307,977	288,575
<b>TOTAL ASSETS</b>		<b>1,178,751</b>	<b>1,178,443</b>

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 December 2013**

	Note	As at 31.12.2013 Unaudited RM'000	As at 31.12.2012 Audited RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	17	10,569	16,101
Loan from Sabah Ports Authority		22,176	21,324
Amount due to Sabah State Government		5,927	6,085
Trade payables		13,802	10,740
Other payables		88,530	19,762
Other current liability		-	3,828
Income tax payable		161	-
		141,165	77,840
<b>Net current assets</b>		166,812	210,735
<b>Non-current liabilities</b>			
Borrowings	17	30,003	40,040
Loan from Sabah Ports Authority		124,920	147,096
Amount due to Sabah State Government		35,560	41,487
Deferred tax liabilities		203	433
Other payable		-	69,091
		190,686	298,147
<b>TOTAL LIABILITIES</b>		331,851	375,987
<b>Net assets</b>		846,900	802,456
<b>Equity attributable to owners of the Company</b>			
Share capital	16	283,328	283,328
Share premium	16	62,785	62,785
Retained earnings		498,760	454,343
Other reserve		(61)	(61)
		844,812	800,395
<b>Non-controlling interests</b>		2,088	2,061
<b>TOTAL EQUITY</b>		846,900	802,456
<b>TOTAL EQUITY AND LIABILITIES</b>		1,178,751	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 changes in equity**  
**For the year ended 31 December 2013**

	----- Attributable to owners of the Company -----							Non-controlling interests RM'000
	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Non-distributable  Share capital RM'000	Share premium RM'000	Distributable  Retained earnings RM'000	Non- distributable  Other reserve RM'000		
<b>Opening balance at 1 January 2013</b>	802,456	800,395	283,328	62,785	454,343	(61)	2,061	
<b>Total comprehensive income</b>	62,013	61,842	-	-	61,842	-	171	
<b>Transactions with owners</b>								
Dividends paid by a subsidiary	(144)	-	-	-	-	-	(144)	
Dividends on ordinary shares	(17,425)	(17,425)	-	-	(17,425)	-	-	
Total transactions with owners	(17,569)	(17,425)	-	-	(17,425)	-	(144)	
<b>Closing balance at 31 December 2013</b>	846,900	844,812	283,328	62,785	498,760	(61)	2,088	

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 changes in equity**  
**For the year ended 31 December 2013**

	----- Attributable to owners of the Company -----						
	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Non-distributable	Distributable	Non- distributable	Non- controlling interests RM'000	
			Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserve RM'000	
<b>Opening balance at 1 January 2012</b>	769,213	766,602	283,328	62,785	420,489	-	2,611
<b>Total comprehensive income</b>	50,933	50,854	-	-	50,854	-	79
<b>Transactions with owners</b>							
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)	-	-
<b>Total transactions with owners</b>	<b>(17,690)</b>	<b>(17,061)</b>	<b>-</b>	<b>-</b>	<b>(17,000)</b>	<b>(61)</b>	<b>(629)</b>
<b>Closing balance at 31 December 2012</b>	<b>802,456</b>	<b>800,395</b>	<b>283,328</b>	<b>62,785</b>	<b>454,343</b>	<b>(61)</b>	<b>2,061</b>

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 ended 31 December 2013**

	Year ended	
	31.12.2013 Unaudited RM'000	31.12.2012 Audited RM'000
<b>Operating activities</b>		
Profit before tax	83,184	70,101
<u>Adjustments for:</u>		
Amortisations on intangible assets	3,752	5,628
Allowance for impairment loss	71	1,161
Depreciation of investment properties	-	9
Depreciation of property, plant and equipment	30,245	30,763
Employee leave entitlement	76	77
Finance costs	11,065	13,414
Gain on disposal of plant and equipment	(321)	(460)
Interest income	(2,641)	(1,460)
Inventories written down	146	53
Investment income from investment securities	(3,195)	(3,711)
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	(913)	(668)
Plant and equipment written off	39	14
Unrealised exchange gain	(449)	(271)
Waiver of amounts due to creditors	(31)	-
Total adjustments	37,844	47,447
<b>Operating cash flows before changes in working capital</b>	121,028	117,548
<u>Changes in working capital:</u>		
Decrease/(increase) in inventories	1,693	(2,654)
Decrease/(increase) in trade and other receivables	10,090	(7,431)
Decrease in other current assets	5,157	7,007
Decrease/(increase) in cash at banks pledged and deposits with maturity more than 3 months	91	(4,898)
Decrease in amount due from/to Sabah Ports Authority	71	(2,912)
Increase/(decrease) in trade and other payables	2,682	(6,185)
(Decrease)/increase in other current liability	(3,828)	3,786
Total changes in working capital	15,956	(13,287)
<b>Cash flows from operations</b>	136,984	104,261
Interest received	349	156
Income tax paid	(1,085)	(1,266)
Income tax refunded	417	584
<b>Net cash flows from operating activities</b>	136,665	103,735

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 2013**

	Year ended	
	31.12.2013 Unaudited RM'000	31.12.2012 Audited RM'000
<b>Investing activities</b>		
Acquisition of non-controlling interests	-	(600)
Increase in intangible assets	(113)	-
Increase in land held for property development	(850)	(542)
Proceeds from disposal of property, plant and equipment	825	5,987
Proceeds from disposal of investment properties	-	2,257
Proceeds from disposal of investment securities	67,800	128,900
Purchase of investment securities	(63,967)	(102,008)
Purchase of property, plant and equipment	(35,020)	(10,667)
Investment income received from investment securities	3,195	3,711
Interest received	2,292	1,304
<b>Net cash flows (used in)/from investing activities</b>	<b>(25,838)</b>	<b>28,342</b>
<b>Financing activities</b>		
Dividends paid	(17,425)	(17,000)
Dividends paid to non-controlling interests	(144)	(90)
Interest paid	(11,358)	(21,910)
Proceeds from borrowings	-	7,278
Repayment of Islamic debt securities	(10,000)	(10,000)
Repayment of loan from Sabah Ports Authority	(21,324)	(40,218)
Repayment of loan from Sabah State Government	(5,927)	(11,853)
Repayment of borrowings	(5,414)	(6,072)
Repayment of obligations under finance leases	(24)	(446)
<b>Net cash flows used in financing activities</b>	<b>(71,616)</b>	<b>(100,311)</b>
<b>Net increase in cash and cash equivalents</b>	<b>39,211</b>	<b>31,766</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>378</b>	<b>271</b>
<b>Cash and cash equivalents at 1 January</b>	<b>71,015</b>	<b>38,978</b>
<b>Cash and cash equivalents at 31 December (Note 14)</b>	<b>110,604</b>	<b>71,015</b>
<b>Composition of cash and cash equivalents</b>		
Cash on hand and at banks	35,040	28,424
Deposits with licensed banks and other financial institutions	75,564	42,591
<b>Cash and cash equivalents at 31 December</b>	<b>110,604</b>	<b>71,015</b>

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



**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

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**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 27 February 2014.

**2. Basis of preparation**

The condensed consolidated interim financial statements of the Group for the fourth quarter ended 31 December 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 in the current financial year, the Group has adopted all standards and interpretations which are effective for annual financial periods beginning on or after 1 January 2013.

**3.1 Changes in accounting policies**

On 1 January 2013, the Group adopted all standards and interpretations which are effective for annual financial periods beginning on or after 1 January 2013.

The adoption of these standards and interpretations did not have any material effect on the financial performance and position of the Group except for those discussed below:

**MFRS Fair Value Measurement**

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provide guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to assets whose fair values were determined.

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

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**3. Significant accounting policies (continued)**

**3.2 Standards issued but not yet effective**

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

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: <i>Investment Entities</i>	1 January 2014
Amendments to MFRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21 <i>Levies</i>	1 January 2014
MFRS 9 <i>Financial Instruments</i> (IFRS 9 issued by IASB in October 2009)	1 January 2015
MFRS 9 <i>Financial Instruments</i> (IFRS 9 issued by IASB in October 2010)	1 January 2015

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

MFRS 9 Financial Instruments

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

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

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**4. Changes in estimates**

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

**5. Changes in composition of the Group**

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

**6. Segment information**

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

- (a) The port operations are involved in the provision and maintenance of port services and facilities, and the regulation and control of the management of ports.
- (b) The logistics and bunkering services segment deals with the provisions of bunkering and related services.
- (c) The contract and engineering segment deals with contracts and project management consultancy works.
- (d) The ferry terminal operations segment deals with ferry and international cruise terminal operations.
- (e) The investment holding segment is involved in Group-level corporate services, treasury functions and investment in marketable securities.

There has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

**Port operations**

For the current quarter, the port operations segment remains the Group's main source of revenue and operating profit, contributing 80% (31 December 2012: 88%) of the Group's revenue and more than 100% (31 December 2012: >100%) of the Group's operating profit.

For the year, the segment contributed 85% (2012: 83%) of the Group's revenue and more than 100% (2012: >100%) of the Group's operating profit.

The operations for this segment are mainly in Sabah and Sabah Ports plays an important role in supporting the state's economy as shipping is widely used to transport imports and exports. In the West Coast, there are three major ports, namely Sapangar Bay Container Port, Sapangar Bay Oil Terminal and Kota Kinabalu Port (general cargo port) and one minor port i.e. Kudat Port. In the East Coast, there are another three major ports, namely Sandakan Port, Tawau Port and Lahad Datu Port and a minor port i.e. Kunak Port. Sabah Ports' operations are further segregated into two categories: port operations that include berths and other infrastructure at wharves; and operations at anchor, which include private jetties and mid-stream operations. The type of cargo handled at wharves and anchor include liquid bulk, dry bulk and break bulk.

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

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**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 decrease in total tonnage handled by 5% mainly attributed to lower palm oil, fertilizer and palm kernel expeller throughput. Whereas for the category of container which is charged differently as per the Sabah Ports' Tariff, there was an increase in total TEUs by 5% to 98,320 TEUs from 93,549 TEUs. The increase in containerized cargo was attributable to the increase in transshipment containers received at the port. Besides, the increase in sales of machinery by RM2.5 million from the related company which falls under the same segment also contributed to the increase in the segment's revenue. All these factors have contributed for the rise of the segment's revenue by 5% to RM58.6 million from RM55.7 million for the corresponding quarter in 2012.

The revenue for the year ended 31 December 2013 of RM224.3 million was higher by RM5.8 million or 3% as compared to the previous year of RM218.5 million. Overall, cargo throughput has dropped by 0.1% mainly resulting from lower general cargo and fertiliser cargo throughput. However, export of palm oil and handling of bulk oil have increased during the year. At the same time, container volume has also decreased by 0.4% in 2013. Therefore, the increase in the segment's revenue was attributed to the higher palm oil and bulk oil handling at the port as well as increase in sales of machinery by RM2.8 million during the year.

Port's operating expenses for the year ended 31 December 2013 was lower by 3% to RM115.4 million from RM118.9 million for last year. The reduction was mainly attributable to lower repair and maintenance cost of equipment by RM2.1 million, lower dredging of harbour and lower stevedoring that correlate to drop in fertiliser and dry bulk throughput.

Operating profit has increased by RM9.5 million or 13% to RM85.2 million from RM75.7 million in 2012. This was mainly attributed to higher revenue and lower operating expenditures in 2013. Besides, there was a loss from disposal of cargo handling equipment of RM2.3 million recorded in 2012.

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

**Logistics and bunkering services**

For the current quarter, the logistics and bunkering services segment contributed 16% (31 December 2012: 5%) of the Group's revenue and 0.1% (31 December 2012: -5.4%) of the Group's operating profit.

For the year, the segment contributed 11% (2012: 9%) of the Group's revenue and -0.8% (2012: -1.7%) of the Group's operating profit.

The increase in business for this segment for the current year was mainly due to the increase in the sales of fuel volume by 23% due to the supply of bunkering fuel for cruise ships at Kota Kinabalu Port.

With the commencement of Sabah Ammonia Urea (SAMUR) Project in the middle of June 2013, the Company resume the heavy lifting and shuttling business. The activities have contributed 19% to the segment's revenue in 2013 (2012: 14%).

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

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**6. Segment information (continued)**

**Logistics and bunkering services (continued)**

The segment was able to maintain the gross profit margin at 2% this year, the same as the year before. This was mainly due to additional revenue collected from supply of bunkering fuel for cruise ships.

In the fourth quarter of 2013, this segment has contributed positively to the Group's revenue but not operating profit. However, under the new business model whereby the Group will be involved in the regional bunkering business, we expect this segment to contribute positively towards the revenue and operating profit of the Group in the coming year.

**Contract and engineering**

For the current quarter, the contract and engineering segment contributed 1% (31 December 2012: 4%) of the Group's revenue and -1% (31 December 2012: -19%) of the Group's operating profit.

For the year, the segment contributed 1% (2012: 5%) of the Group's revenue and -0.1% (2012: -3%) of the Group's operating profit.

Segment revenue of RM4,247,000 for the year ended 31 December 2013 declined 70% compared to RM13,940,000 in the previous year, essentially due to the lower revenue recorded in respect of Tawau Power Plant Project upon the completion of the Company's work scope. However, operating costs of RM3,458,000 have declined more by 76% compared to RM14,262,000, mainly due to write-back of the railway project cost amounting to approximately RM465,000 in the year. This resulted in higher gross profit margin of 18.5% achieved as compared to -2.3% for year 2012.

A loss before tax of RM56,000 for the year ended 31 December 2013 was recorded as compared to loss before tax of RM2,461,000 for year 2012.

**Ferry terminal operations**

Suria Bumiria is the operator of a public ferry terminal and international cruise terminal in Kota Kinabalu, Sabah, contributing 2% (31 December 2012: 2%) to the Group's revenue and 3% (31 December 2012: 1%) to the Group's operating profit for the current quarter.

For the year, the segment contributed 2% (2012: 2%) of the Group's revenue and 2% (2012: 1%) of the Group's operating profit. The revenue derives from passenger fees for ferry transportation and cruise ships, rental of retail outlets space, operation of indoor soccer centre and car park management.

For the current year, the passenger fees was the main source of revenue contributing 52% of the segment's revenue (2012: 41%) while rental received from retail outlets contributed 20% (2012: 22%) and income from indoor soccer centre contributed 10% (2012: 13%).

Total revenue improved by 30% mainly contributed by the increase in passenger fees income resulting from income from the new international cruise terminal and increase in 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 improved from 52% in 2012 to 55% in 2013 attributable to the revenue from the new international cruise terminal.

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

**6. Segment information (continued)**

**Investment holding**

The investment holding or corporate segment contributed 1% (31 December 2012: 1%) of the Group's revenue for the current quarter and year ended. 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 45% from RM506,000 to RM736,000 in the current quarter as compared to preceding year's corresponding quarter and an increase of 37% from RM1,837,000 to RM2,521,000 for the year as compared to last year. However, profit before tax has declined mainly due to higher administrative expenses.

The segment results are as follows :

	Current quarter 3 months ended		Year ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
<b>Segment revenue</b>				
Investment holding	13,444	13,253	35,033	51,432
Port operations	58,586	55,738	224,256	218,481
Logistics and bunkering services	12,757	4,589	33,048	28,891
Contract and engineering	1,707	2,759	4,246	14,780
Ferry terminal operations	1,658	995	5,174	3,987
Revenue including inter-segment sales	88,152	77,334	301,757	317,571
Elimination of inter-segment sales	(14,951)	(14,326)	(38,427)	(55,026)
<b>Total revenue</b>	<b>73,201</b>	<b>63,008</b>	<b>263,330</b>	<b>262,545</b>
<b>Segment results</b>				
Investment holding	10,749	10,176	25,220	42,301
Port operations	20,540	18,001	85,187	75,686
Logistics and bunkering services	14	(727)	(672)	(1,191)
Contract and engineering	(265)	(2,556)	(55)	(2,324)
Ferry terminal operations	672	127	1,485	693
Profit from operations including inter-segment transactions	31,710	25,021	111,165	115,165
Elimination of inter-segment transactions	(11,574)	(11,613)	(27,981)	(45,064)
<b>Total profit before tax</b>	<b>20,136</b>	<b>13,408</b>	<b>83,184</b>	<b>70,101</b>

**7. Seasonality of operations**

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

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

**8. Profit before tax**

Included in the profit before tax are the following items :

	Current quarter 3 months ended		Year ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Employee benefits expense	11,774	13,530	53,629	53,310
Non-executive directors' remuneration	219	196	909	742
Allowance for impairment loss on:				
- trade receivables	53	1,160	71	1,161
- other receivables	-	-	-	-
Amortisation of port concession rights	922	922	3,687	3,687
Amortisation of software licenses and system development	27	420	65	1,941
Auditors' remuneration:				
Statutory audit:				
- current year	100	87	173	153
- under/(over) provision in respect of previous year	7	(1)	3	(2)
Other services:				
- current year	69	65	69	65
- under/(over) provision in respect of previous year	4	4	4	4
Depreciation of investment properties	-	9	-	9
Depreciation of property, plant and equipment	7,606	7,574	30,245	30,763
Hiring of equipment and motor vehicles	182	281	1,324	1,251
Inventories written down	146	53	146	53
Leasing of port land	2,002	2,191	8,567	8,764
(Gain)/loss on disposals of property, plant and equipment, net	(25)	39	(321)	2,261
Loss on disposals of investment properties	-	-	-	177
Plant and equipment written off	2	12	39	14
Realised loss/(gain) on foreign exchange, net	12	(75)	(5)	(14)
Rental of office premises	199	302	1,045	1,227
Reversal of allowance for impairment loss on other receivables	109	70	(54)	(24)

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

**9. Income tax expense**

	Current quarter 3 months ended		Year ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Income tax expense for the year:				
Malaysian income tax	194	(76)	860	494
Deferred tax	4,111	4,118	20,311	18,674
	4,305	4,042	21,171	19,168

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 RM193.89 million of unabsorbed investment allowance carried forward that could be utilised in future to offset future taxable income.

**10. Earnings per share**

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

	Current quarter 3 months ended		Year ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Profit net of tax for the financial year	15,831	9,366	62,013	50,933
Less: Attributable to non-controlling interests	(226)	115	(171)	(79)
Profit net of tax attributable to owners of the Company	15,605	9,481	61,842	50,854
Weighted average number of ordinary shares	283,328	283,328	283,328	283,328
Basic earnings per ordinary share (sen)	5.51	3.35	21.83	17.95



**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

**11. Property, plant and equipment**

**Acquisitions and disposals**

The cash outflow on acquisition of property, plant and equipment amounted to RM35,020,000 (2012: RM10,667,000).

Assets with carrying amount of RM504,000 were disposed of by the Group during the financial year (2012: RM8,248,000), resulting in a gain on disposal of RM321,000 (2012: net loss of RM2,261,000) which had been recognised and included in other income (2012: administrative expenses) in the statements of comprehensive income.

**Write-down of property, plant and equipment**

During the financial quarter and financial year, there were no impairment of property, plant and equipment (2012: RMNil).

**12. Intangible assets**

	<b>Goodwill on business acquisition RM'000</b>	<b>Port concession rights RM'000</b>	<b>Software licenses and system development RM'000</b>	<b>Total RM'000</b>
<b>Group Cost:</b>				
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	-	-	113	113
At 31 December 2013	4,486	110,615	7,502	122,603
<b>Accumulated Amortisation:</b>				
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	-	3,687	65	3,752
At 31 December 2013	-	34,412	7,293	41,705
<b>Net carrying amount:</b>				
At 31 December 2012	4,486	79,890	161	84,537
At 31 December 2013	4,486	76,203	209	80,898

**Impairment testing of goodwill and port concession rights**

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

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

**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:

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

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

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

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

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

ii) Growth rate by cargo and container volume

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

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

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**12. Intangible assets (continued)**

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

- iii) Discount rate  
The discount rates used are post-tax and reflect specific risk relating to the port industry.
- iv) The Privatisation Agreement dated 23 September 2003 entered between the subsidiary (Sabah Ports Sdn. Bhd.), the Company, the Sabah State Government and Sabah Ports Authority shall continue to be applicable throughout the projection years.
- v) Staff cost, repairs and maintenance and other overheads are generally projected to increase by 4% to 5%.
- vi) The capital expenditure is based on existing contracts and projected capital expenditure programme.

**Sensitivity to changes in assumptions**

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

- i) Growth rate assumption  
The Board recognises that the growth of the industries in Sabah, in particular the palm oil industry, can have a significant impact on growth rate assumptions.
- ii) Capital expenditure programme  
The Board recognises that any delay in the implementation of the projected capital expenditure programme may affect the value-in-use of the port operations.

**13. Inventories**

During the financial year, the Group recognised a write-down of inventories of RM146,000 (2012: RM53,000) that were slow moving and unsold. This expense has been included in the administrative expenses in the statement of comprehensive income.

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

**14. Cash and cash equivalents**

	<b>As at 31.12.2013 RM'000</b>	<b>As at 31.12.2012 RM'000</b>
Cash at banks and on hand	35,040	28,424
Cash at banks pledged as securities for Islamic debts securities	6,154	6,429
Short term deposits with:		
- licensed banks	45,534	25,324
- other financial institutions	30,030	17,267
Deposits with maturity more than 3 months	5,203	5,019
	<b>121,961</b>	<b>82,463</b>

Short term deposits are made for varying periods of between 1 day and 3 months depending on the immediate cash requirements of the Group, and earn interests at the respective short term deposit rates. The weighted average effective interest rate as at 31 December 2013 for the Group was 3.3% (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:

	<b>As at 31.12.2013 RM'000</b>	<b>As at 31.12.2012 RM'000</b>
Cash on hand and at banks	35,040	28,424
Short term deposits with:		
- licensed banks	45,534	25,324
- other financial institutions	30,030	17,267
	<b>110,604</b>	<b>71,015</b>

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

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**15. Fair value hierarchy**

**A. Fair value hierarchy**

The Group categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Unobservable inputs for the asset or liability.

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

**B. Assets measured at fair value**

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

	<b>Fair value measurements at the reporting date using</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Recurring fair value measurements</b>				
<b>Asset – financial assets</b>				
Investment securities				
- 2013	130,392	-	-	130,392
- 2012	133,312	-	-	133,312

**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.

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

**17. Interest-bearing loans and borrowings**

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

	<b>As at 31.12.2013 RM'000</b>	<b>As at 31.12.2012 RM'000</b>
<b>Current</b>		
Secured:		
- Islamic debt securities	10,565	10,700
- Term loan	-	922
- Trade loan	-	3,448
- Revolving credit financing	-	1,008
- Obligations under finance leases	4	23
	<b>10,569</b>	<b>16,101</b>
<b>Non-current</b>		
Secured:		
- Islamic debt securities	30,000	40,000
- Term loan	-	36
- Obligations under finance leases	3	4
	<b>30,003</b>	<b>40,040</b>
	<b>40,572</b>	<b>56,141</b>

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 year.

**18. Provisions for costs of restructuring**

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

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

**19. Dividends paid**

	Current quarter 3 months ended		Year ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
<u>For 2011:</u> 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
<u>For 2012:</u> 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
3.15% final tax exempt dividend, on 283,327,992 ordinary shares, declared on 27 June 2013 and paid on 31 July 2013	-	-	8,925	-
<u>For 2013:</u> 3.0% interim tax exempt dividend, on 283,327,992 ordinary shares, declared on 22 November 2013 and paid on 27 December 2013	8,500	-	8,500	-
	8,500	8,500	17,425	17,000

**20. Capital commitments**

	As at 31.12.2013 RM'000	As at 31.12.2012 RM'000
<b>Approved and contracted for</b>		
Bulk fertiliser storage facilities for Sandakan Port	1,825	2,921
Sapangar Bay bunkering line	1,859	124
Purchase of other property, plant and equipment	1,208	420
	4,892	3,465
<b>Approved but not contracted for</b>		
Purchase of property, plant and equipment	372,886	379,164
Improvement to port infrastructure facilities	261,193	277,619
	634,079	656,783
	638,971	660,248

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 4<sup>th</sup> quarter ended 31 December 2013**

**21. Contingent liabilities**

Legal Claim

During the financial year ended 31 December 2011, a nominated sub-contractor of a subsidiary's main contractor, Zublin International (M) Sdn Bhd, commenced an action against the subsidiary (Sabah Ports Sdn. Bhd.), Sabah Ports Authority and the contractor in respect of alleged improper deduction of a sum of RM11,807,269. The Federal Court Malaysia, Putrajaya dismissed the case with costs in September 2013.

Arbitration

Sabah Ports Sdn. Bhd., a wholly-owned subsidiary of the Company received a Notice of Arbitration on 25 November 2011 from the lawyer acting for Zublin International (M) Sdn. Bhd., claiming for a sum of RM31,645,537 in respect of the construction of Phase 1A, Sapangar Bay Container Port. The claimant has subsequently increased the total amount claimed to RM32,822,366. The Arbitration's hearing date has yet to be fixed by the Arbitration Tribunal. No provision for any liability has been made in these financial statements.

**22. Related party transactions**

The following table provides information on the transactions which have been entered into with related parties (between the Company and its subsidiaries) during the three months and twelve months period ended 31 December 2013 and 31 December 2012:

	Current quarter 3 months ended		Year ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Dividend income	11,575	11,613	27,982	45,064
Interest income	23	62	174	242
Management fees income	1,110	1,110	4,440	4,440
Rental income	22	22	90	90
Sub-contract fee expense	-	1,539	-	1,539

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 year**

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



**24. Review of performance**

**Current quarter**

For the current quarter, the Group registered revenue of RM73.2 million, improved by RM10.2 million or 16% when compared to the previous year's corresponding quarter ended 31 December 2012 of RM63.0 million. The increase in revenue was resulting from higher contribution from all business segments except contract and engineering.

Subsequently, the Group's pre-tax profit for the quarter ended 31 December 2013 grew to RM20.1 million from RM13.4 million registered in the same quarter of last year, improved by RM6.7 million or 50%. This was mainly attributable to higher revenue and other income.

**Year-to-date**

For the financial year ended 31 December 2013, the Group recorded revenue of RM263.3 million, slightly higher by RM0.8 million or less than 1.0% from RM262.5 million recorded last year. This was mainly due to higher contribution by all business segments been offset by lower contract and engineering's income.

However, the pre-tax profit has improved to RM83.2 million for the year ended 31 December 2013 which was higher by RM13.1 million or 19% as compared to RM70.1 million achieved in the previous financial year ended 31 December 2012. This was mainly due to higher other income, lower operating expenditures and finance costs in the financial year under review.

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 lower profit before taxation of RM20.1 million for the current financial quarter as compared to RM23.2 million for the immediate preceding quarter. This represents a decline of RM3.1 million or 13%, which was mainly due to higher cost of sales in the current quarter. Higher cost of sales in the current quarter was mainly resulting from higher purchases of fuel which was in line with higher sales of fuel by logistics and bunkering services segment. Besides, higher other expenses were noted during the current quarter under review.

**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 coming financial year.

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

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

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

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**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.

**32. Dividends declared**

An interim tax exempt dividend of 3.0% has been declared in respect of the financial year ended 31 December 2013 (31 December 2012: 3.0%). Please refer note 19.

**33. Disclosure of nature of outstanding derivatives**

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

**34. Rationale for entering into derivatives**

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

**35. Risks and policies of derivatives**

The Group did not enter into any derivatives during the year ended 31 December 2013 or the previous financial year ended 31 December 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 December 2013 and 31 December 2012.

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

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**37. Breakdown of retained earnings into realised and unrealised**

The breakdown of the retained earnings of the Group as at 31 December 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.

	<b>As at 31.12.2013 RM'000</b>	<b>As at 31.12.2012 RM'000</b>
Realised	490,283	426,622
Unrealised	7,488	26,707
	497,771	453,329
Add: Consolidation adjustments	989	1,014
<b>Total Group retained earnings as per financial statements</b>	<b>498,760</b>	<b>454,343</b>

**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 27 February 2014.

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

**DATUK DR MOHAMED FOWZI HASSAN BIN MOHAMED RAZI**  
Group Managing Director

Kota Kinabalu  
Date : 27 February 2014