



# **SURIA CAPITAL HOLDINGS BERHAD**

(COMPANY No: 96895-W)

(INCORPORATED IN MALAYSIA)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2014

---

**Condensed consolidated statements of comprehensive income**  
**For the quarter and year-to-date ended 30 September 2014**

	Note	Current quarter 3 months ended		Year-to-date ended	
		30.09.2014 Unaudited RM'000	30.09.2013 Unaudited RM'000	30.09.2014 Unaudited RM'000	30.09.2013 Unaudited RM'000
<b>Revenue</b>		62,355	68,000	202,192	190,129
Cost of sales		(35,660)	(36,378)	(119,590)	(104,268)
<b>Gross profit</b>		26,695	31,622	82,602	85,861
<b>Other items of income</b>					
Interest income		660	415	1,825	1,094
Other income		3,297	2,783	8,365	7,920
<b>Other items of expense</b>					
Administrative expense		(6,545)	(6,571)	(19,284)	(18,809)
Finance costs		(2,263)	(2,758)	(6,974)	(8,392)
Other expenses		(1,469)	(2,291)	(3,737)	(4,626)
<b>Profit before tax</b>	8	20,375	23,200	62,797	63,048
Income tax expense	9	(5,714)	(4,909)	(17,265)	(16,866)
<b>Profit net of tax</b>		14,661	18,291	45,532	46,182
<b>Other comprehensive income</b>					
Remeasurement loss on employee defined benefit liability		-	-	(101)	-
Income tax effect		-	-	-	-
<b>Total comprehensive income for the period</b>		14,661	18,291	45,431	46,182
Profit net of tax attributable to:					
Owners of the Company		14,593	18,525	45,526	46,237
Non-controlling interests		68	(234)	6	(55)
		14,661	18,291	45,532	46,182
Total comprehensive income attributable to:					
Owners of the Company		14,593	18,525	45,425	46,237
Non-controlling interests		68	(234)	6	(55)
		14,661	18,291	45,431	46,182
<b>Earnings per ordinary share attributable to owners of the Company (sen per share):</b>					
Basic	10	5.15	6.54	16.07	16.32

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 30 September 2014**

	Note	As at 30.09.2014 Unaudited RM'000	As at 31.12.2013 Unaudited RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	644,985	664,104
Land held for property development		120,985	120,776
Intangible assets	12	78,071	80,898
Deferred tax assets		-	6,951
		844,041	872,729
<b>Current assets</b>			
Inventories	13	5,235	5,149
Property development cost		15	-
Trade receivables		19,010	22,213
Other receivables		8,891	6,960
Other current assets		5,027	2,329
Income tax refundable		18,451	18,973
Investment securities	15	128,944	130,392
Cash and bank balances	14	107,481	121,961
		293,054	307,977
<b>TOTAL ASSETS</b>		<b>1,137,095</b>	<b>1,180,706</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 30 September 2014**

	Note	As at 30.09.2014 Unaudited RM'000	As at 31.12.2013 Audited RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	17	10,864	10,569
Loan from Sabah Ports Authority		22,176	22,176
Amount due to Sabah State Government		-	5,927
Trade payables		9,851	13,802
Other payables		19,853	88,530
Income tax payable		156	161
		62,900	141,165
<b>Net current assets</b>		<b>230,154</b>	<b>166,812</b>
<b>Non-current liabilities</b>			
Borrowings	17	20,023	30,003
Loan from Sabah Ports Authority		124,920	124,920
Amount due to Sabah State Government		35,560	35,560
Employee defined benefit liability		9,525	8,415
Deferred tax liabilities		9,713	203
		199,741	199,101
<b>TOTAL LIABILITIES</b>		<b>262,641</b>	<b>340,266</b>
<b>Net assets</b>		<b>874,454</b>	<b>840,440</b>
<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		526,392	492,300
Other reserve		(61)	(61)
		872,444	838,352
<b>Non-controlling interests</b>		<b>2,010</b>	<b>2,088</b>
<b>TOTAL EQUITY</b>		<b>874,454</b>	<b>840,440</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,137,095</b>	<b>1,180,706</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 changes in equity**  
**For the year-to-date ended 30 September 2014**

	----- 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	Distributable  Share premium RM'000	Retained earnings RM'000	Non- distributable  Other reserve RM'000		
<b>Opening balance at 1 January 2014</b>	840,440	838,352	283,328	62,785	492,300	(61)	2,088	
Profit net of tax	45,532	45,526	-	-	45,526	-	6	
Remeasurement loss on employee defined benefit liability representing other comprehensive income for the period	(101)	(101)	-	-	(101)	-	-	
Dividends paid by a subsidiary	(84)	-	-	-	-	-	(84)	
Dividends	(11,333)	(11,333)	-	-	(11,333)	-	-	
<b>Closing balance at 30 September 2014</b>	<b>874,454</b>	<b>872,444</b>	<b>283,328</b>	<b>62,785</b>	<b>526,392</b>	<b>(61)</b>	<b>2,010</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 changes in equity (continued)**  
**For the year-to-date ended 30 September 2014**

	----- 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	Distributable Share premium RM'000	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	
Total comprehensive income	46,182	46,237	-	-	46,237	-	(55)	
Dividends paid by a subsidiary	(144)	-	-	-	-	-	(144)	
Dividends	(8,925)	(8,925)	-	-	(8,925)	-	-	
<b>Closing balance at 30 September 2013</b>	<b>839,569</b>	<b>837,707</b>	<b>283,328</b>	<b>62,785</b>	<b>491,655</b>	<b>(61)</b>	<b>1,862</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-to-date ended 30 September 2014**

	<b>Year-to-date ended</b>	
	<b>30.09.2014</b>	<b>30.09.2013</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>		
Profit before tax	62,797	63,048
<u>Adjustments for:</u>		
Amortisations on intangible assets	2,827	2,804
Allowance for impairment loss	57	18
Depreciation of property, plant and equipment	25,164	22,639
Finance costs	6,974	8,392
Loss/(gain) on disposal of plant and equipment	1	(296)
Interest income	(2,334)	(1,577)
Investment income from investment securities	(2,660)	(2,301)
Net fair value gains on held for trading investment securities	(280)	(598)
Total adjustments	29,749	29,081
<b>Operating cash flows before changes in working capital</b>	<b>92,546</b>	<b>92,129</b>
<u>Changes in working capital:</u>		
(Increase)/decrease in inventories	(86)	1,549
Decrease/(increase) in trade and other receivables	1,272	(6,705)
(Increase)/decrease in other current assets	(2,698)	2,025
Decrease in cash at banks pledged and deposits with maturity more than 3 months	4,397	4,036
Decrease in amount due from/to Sabah Ports Authority	-	71
(Decrease)/increase in trade and other payables	(73,035)	4,966
Increase/(decrease) in other current liability	406	(3,828)
Total changes in working capital	(69,744)	2,114
<b>Cash flows from operations</b>	<b>22,802</b>	<b>94,243</b>
Income tax paid	(484)	(845)
Income tax refunded	523	-
<b>Net cash flows from operating activities</b>	<b>22,841</b>	<b>93,398</b>

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-to-date ended 30 September 2014**

	Year-to-date ended	
	30.09.2014 Unaudited RM'000	30.09.2013 Unaudited RM'000
<b>Investing activities</b>		
Increase in land held for property development	(224)	(510)
Proceeds from disposal of property, plant and equipment	-	1,031
Purchase of property, plant and equipment	(6,046)	(14,277)
Proceeds from redemption of investment securities / purchase of investment securities, net	1,448	(20,865)
Investment income received from investment securities	2,660	-
Interest received	2,334	-
<b>Net cash flows from/(used in) investing activities</b>	<b>172</b>	<b>(34,621)</b>
<b>Financing activities</b>		
Dividends paid	(11,333)	(8,925)
Dividends paid to non-controlling interests	(84)	(144)
Interest paid	(5,785)	(7,139)
Proceeds from borrowings	33	-
Repayment of Islamic debt securities	(10,000)	(10,000)
Repayment of loan from Sabah State Government	(5,927)	(5,927)
Repayment of term loan	-	(958)
Repayment of borrowings	-	(4,456)
<b>Net cash flows used in financing activities</b>	<b>(33,096)</b>	<b>(37,549)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(10,083)</b>	<b>21,228</b>
<b>Cash and cash equivalents at 1 January</b>	<b>110,604</b>	<b>71,015</b>
<b>Cash and cash equivalents at 30 September (Note 14)</b>	<b>100,521</b>	<b>92,243</b>
<b>Composition of cash and cash equivalents</b>		
Cash on hand and at banks	19,436	25,703
Deposits with licensed banks and other financial institutions	81,085	66,540
<b>Cash and cash equivalents at 30 September</b>	<b>100,521</b>	<b>92,243</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 – 3<sup>rd</sup> quarter ended 30 September 2014**

---

**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 17 November 2014.

**2. Basis of preparation**

The condensed consolidated interim financial statements of the Group for the third quarter ended 30 September 2014 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 2013.

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 2013.

**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 2013 except in the current financial year-to-date, the Group has adopted all standards and interpretations which are effective for annual financial periods beginning on or after 1 January 2014.

**3.1 Changes in accounting policies**

On 1 January 2014, the Group adopted all standards and interpretations which are effective for annual financial periods beginning on or after 1 January 2014, as follows.

**Effective for annual periods beginning on or after 1 January 2014**

- Amendments to MFRS 132: *Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 10, MFRS 12 and MFRS 127: *Investment Entities*
- Amendments to MFRS 136: *Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139: *Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21: *Levies*

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2014**

---

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

**3.1 Changes in accounting policies (continued)**

**Effective for annual periods beginning on or after 1 July 2014**

- Amendments to MFRS 119: *Defined Benefit Plan: Employees Contribution*
- Annual Improvements to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle

The adoption of these standards and interpretations do not have any material effect on the financial performance and position of the Group.

**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>
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 – 3<sup>rd</sup> quarter ended 30 September 2014**

---

**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 92% (30 September 2013: 86%) of the Group's revenue and more than 100% (30 September 2013: 98%) of the Group's operating profit.

For the year-to-date, it contributed 85% (30 September 2013: 87%) of the Group's revenue and more than 100% (30 September 2013: >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 – 3<sup>rd</sup> quarter ended 30 September 2014**

---

**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 slight increase in total tonnage handled by 1% mainly contributed by higher palm oil and palm kernel throughput.

The category of container which is charged differently as per the Sabah Ports' Tariff registered a decrease in total TEUs in the current quarter by 2% to 98,777 from 100,841 TEUs. This has led to the decline of the segment's revenue by 2% from RM58.6 million to RM57.4 million for the current quarter. However, there was an increase of containers volume by 9% for the year-to-date to 299,259 from 274,722 TEUs. These factors have contributed to the increase in the segment's revenue by 4% for the year-to-date to RM172.8 million from RM165.7 million for the same period last year.

Port's operating expenses for the third quarter and year-to-date ended 30 September 2014 was higher by 7% and 12% respectively. The increase was mainly attributable to higher depreciation and repair and maintenance due to more equipment. There were also higher leasing of port land and stevedorage contract labour that correlate to increase in containers as well as higher overheads like personnel cost and electricity and water.

Operating profit has declined by RM1.0 million or 4% to RM21.8 million from RM22.8 million in corresponding quarter of 2013 due to higher operating expenditures in the current quarter. However, the year-to-date's operating profit has increased by RM1.1 million or 2% to RM65.7 million from RM64.6 million. This was mainly contributed by higher revenue and other income but lower finance costs for the year-to-date.

For the coming months, 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 6% (30 September 2013: 10%) of the Group's revenue and -0.8% (30 September 2013: <0.1%) of the Group's operating profit.

For the year-to-date, it contributed 12% (30 September 2013: 9%) of the Group's revenue and -0.06% (30 September 2013: -1.1%) of the Group's operating profit.

The increase in business for this segment for the year-to-date was mainly due to the increase in the sales of fuel volume by 73% 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 last year, the company resume the heavy lifting and shuttling business. The activities are completing now and have contributed 11% to the segment's revenue for the year-to-date (30 September 2013: 19%).

The segment was able to maintain the gross profit margin at 3% for the year-to-date as compared to 1% for the same period last year. This was mainly due to additional revenue collected from supply of bunkering fuel for cruise ships.

In the current quarter, this segment has contributed positively to the Group's revenue but not to the operating profit.

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2014**

---

**6. Segment information (continued)**

**Contract and engineering**

For the current quarter and year-to-date, the contract and engineering segment did not contribute positively to the Group's revenue and operating profit. Currently, the company has no major external project in hand and only doing the small internal works within the Group.

A loss before tax of RM863,000 for the year-to-date ended 30 September 2014 was recorded for this segment.

**Ferry terminal operations**

Suria Bumiria is the operator of a public ferry terminal and international cruise terminal in Kota Kinabalu, Sabah, contributing 2% (30 September 2013: 2%) to the Group's revenue and 0.1% (30 September 2013: 2%) to the Group's operating profit for the current quarter. The revenue for the quarter derives from passenger fees for ferry transportation, rental of retail outlets space, operation of indoor soccer centre and car park management.

For the current year-to-date, it contributed 2% (30 September 2013: 2%) to the Group's revenue and 1% (30 September 2013: 1%) to the Group's operating profit.

Total revenue improved by 24% mainly contributed by the increase in passenger fees income from the new international cruise terminal and increase in tourist arrivals in Sabah.

However, gross profit margin has dropped from 52% in 2013 to 46% in 2014 attributable to additional costs from operating the Kota Kinabalu international cruise terminal, mainly depreciations for the structures.

**Investment holding**

The investment holding or corporate segment contributed <1% (30 September 2013: 1%) of the Group's revenue for the current quarter while 1% (30 September 2013: 1%) respectively for the year-to-date ended. External revenue is derived mainly from short term investments in investments securities and interest earned from deposits with licensed financial institutions.

There was a decrease in revenue of 61% to RM244,000 from RM626,000 in the current quarter as compared to preceding year's corresponding quarter and a decrease of 28% to RM1,279,000 from RM1,785,000 for the year-to-date as compared to the same period last year. This resulted from less surplus cash available for investment due to higher financial commitment in the current year-to-date. Additionally, profit before tax has also declined due to higher administrative expenses.

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2014**

**6. Segment information (continued)**

The segment results are as follows :

	Current quarter 3 months ended		Quarter and Year-to-date ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
<b>Segment revenue</b>				
Investment holding	18,148	15,014	25,256	21,589
Port operations	57,396	58,560	172,765	165,670
Logistics and bunkering services	4,787	7,849	27,472	20,291
Contract and engineering	193	951	228	2,539
Ferry terminal operations	1,145	1,330	4,364	3,516
Revenue including inter-segment sales	81,669	83,704	230,085	213,605
Elimination of inter-segment sales	(19,314)	(15,704)	(27,893)	(23,476)
<b>Total revenue</b>	<b>62,355</b>	<b>68,000</b>	<b>202,192</b>	<b>190,129</b>
<b>Segment results</b>				
Investment holding	15,664	12,877	17,670	14,471
Port operations	21,809	22,842	65,695	64,647
Logistics and bunkering services	(154)	1	(40)	(686)
Contract and engineering	(200)	225	(863)	210
Ferry terminal operations	27	512	914	813
Profit from operations including inter-segment transactions	37,146	36,457	83,376	79,455
Elimination of inter-segment transactions	(16,771)	(13,257)	(20,579)	(16,407)
<b>Total profit before tax</b>	<b>20,375</b>	<b>23,200</b>	<b>62,797</b>	<b>63,048</b>

**7. Seasonality of operations**

The businesses of the Group were not materially affected by various cyclical fluctuations due to festive seasons during the period.

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2014**

**8. Profit before tax**

Included in the profit before tax are the following items :

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Employee benefits expense	15,678	14,339	45,457	41,855
Non-executive directors' remuneration	280	218	745	690
Allowance for impairment loss on:				
- trade receivables	55	4	57	18
- other receivables	-	-	-	-
Amortisation of port concession rights	921	921	2,765	2,765
Amortisation of software licenses and system development	21	11	62	38
Auditors' remuneration:				
Statutory audit:				
- current year	39	19	124	73
- under/(over) provision in respect of previous year	2	-	10	(4)
Other services:				
- current year	23	-	35	-
- under/(over) provision in respect of previous year	-	-	-	-
Depreciation of property, plant and equipment	8,606	7,643	25,164	22,639
Hiring of equipment and motor vehicles	419	424	3,472	1,142
Inventories written down	33	-	33	-
Leasing of port land	2,673	2,190	8,020	6,565
Loss on disposals of property, plant and equipment	-	-	1	-
Plant and equipment written off	56	-	57	37
Realised loss/(gain) on foreign exchange, net	90	(44)	90	(7)
Rental of office premises	314	291	939	846
Reversal of allowance for impairment loss	(71)	(94)	(109)	(163)

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2014**

**9. Income tax expense**

	Current quarter 3 months ended		Year-to date ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Income tax expense for the year:				
Malaysian income tax	270	290	804	666
Deferred tax	5,444	4,619	16,461	16,200
	5,714	4,909	17,265	16,866

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.

As at 31 December 2013, 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.

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the period. The domestic statutory tax rate will be reduced to 24% from the current year's rate of 25% effective year of assessment 2016.

**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-to-date ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Profit net of tax for the financial period	14,661	18,291	45,532	46,182
Less: Attributable to non-controlling interests	(68)	234	(6)	55
Profit net of tax attributable to owners of the Company	14,593	18,525	45,526	46,237
Weighted average number of ordinary shares	283,328	283,328	283,328	283,328
Basic earnings per ordinary share (sen)	5.15	6.54	16.07	16.32



**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2014**

**11. Property, plant and equipment**

**Acquisitions and disposals**

The cash outflow on acquisition of property, plant and equipment amounted to RM6,046,000 (30 September 2013: RM14,277,000).

There were no assets disposed off by the Group during the financial quarter. However, during the previous financial year-to-date ended 30 September 2013, assets with carrying amount of RM36,875 were disposed off, resulting in a loss on disposal of RM36,861 which had been recognised and included in administrative expenses in the statements of comprehensive income.

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

During the current quarter and financial year-to-date, property, plant and equipment with carrying amount of RM57,000 were written down due to assets lost, obsolete and no longer in use (30 September 2013: RM Nil).

**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</b>				
<b>Cost:</b>				
At 1 January 2013	4,486	110,615	7,389	122,490
Additions	-	-	113	113
At 31 December 2013 and 1 January 2014	4,486	110,615	7,502	122,603
Additions	-	-	-	-
At 30 September 2014	4,486	110,615	7,502	122,603
<b>Accumulated Amortisation:</b>				
At 1 January 2013	-	30,725	7,228	37,953
Amortisation	-	3,687	65	3,752
At 31 December 2013 and 1 January 2014	-	34,412	7,293	41,705
Amortisation	-	2,767	60	2,827
At 30 September 2014	-	37,179	7,353	44,532
<b>Net carrying amount:</b>				
At 31 December 2013	4,486	76,203	209	80,898
At 30 September 2014	4,486	73,436	149	78,071

**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 – 3<sup>rd</sup> quarter ended 30 September 2014**

---

**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)	<u>280.3</u>
<b>At anchorage (RM/MT)</b>	<u>1.7</u>
	<b>Average growth rate 2014 - 2034 %</b>
<b>At wharves</b>	
- Liquid cargo	1.3 - 1.5
- Dry cargo	1.0 - 1.8
- Container	<u>5.1 - 6.0</u>
<b>At anchorage</b>	<u>3.6 - 4.1</u>

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 – 3<sup>rd</sup> quarter ended 30 September 2014**

---

**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 financial year-to-date ended 30 September 2014, the Group recognised a write-down of inventories of RM33,000 (30 September 2013: RM Nil) that were lost. This expense was included in the cost of sales in the statement of comprehensive income.

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2014**

**14. Cash and cash equivalents**

	<b>As at 30.09.2014 RM'000</b>	<b>As at 30.09.2013 RM'000</b>
Cash at banks and on hand	19,436	25,703
Cash at banks pledged as securities for Islamic debts securities	1,757	2,292
Short term deposits with:		
- licensed banks	42,612	28,482
- other financial institutions	38,473	38,058
Deposits with maturity more than 3 months	5,203	5,120
	<b>107,481</b>	<b>99,655</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 30 September 2014 for the Group was 3.3% (30 September 2013: 3.3%).

Deposits of the Group with a financial institution with maturity more than 3 months 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 30.09.2014 RM'000</b>	<b>As at 30.09.2013 RM'000</b>
Cash on hand and at banks	19,436	25,703
Short term deposits with:		
- licensed banks	42,612	28,482
- other financial institutions	38,473	38,058
	<b>100,521</b>	<b>92,243</b>

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2014**

---

**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				
- 30 September 2014	128,944	-	-	128,944
- 31 December 2013	130,392	-	-	130,392

**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.

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2014**

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

Total Group's loans and borrowings as at 30 September 2014 and 31 December 2013 were as follows:

	As at 30.09.2014 RM'000	As at 31.12.2013 RM'000
<b>Current</b>		
Secured:		
- Islamic debt securities	10,855	10,565
- Obligations under finance leases	9	4
	10,864	10,569
<b>Non-current</b>		
Secured:		
- Islamic debt securities	20,000	30,000
- Obligations under finance leases	24	3
	20,024	30,003
	30,888	40,572

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**

	Current quarter 3 months ended		Year-to-date ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
<u>For 2012:</u> 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	-	8,925
<u>For 2013:</u> 4.0% final tax exempt dividend, on 283,327,992 ordinary shares, declared on 24 June 2014 and paid on 25 July 2014	11,333	-	11,333	-
	11,333	8,925	11,333	8,925

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2014**

**20. Capital commitments**

	<b>As at 30.09.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
<b>Approved and contracted for</b>		
Bulk fertiliser storage facilities for Sandakan Port	-	1,825
Sapangar Bay bunkering line	938	1,859
Purchase of other property, plant and equipment	-	1,208
Major repairs and improvements at ports	920	-
Extension of Sandakan container stacking yard	41	-
	<b>1,899</b>	<b>4,892</b>
<b>Approved but not contracted for</b>		
Purchase of property, plant and equipment	372,209	372,886
Improvement to port infrastructure facilities	245,277	261,193
	<b>617,486</b>	<b>634,079</b>
	<b>619,385</b>	<b>638,971</b>

**21. Contingent liabilities or assets**

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

**Explanatory notes pursuant to MFRS 134**  
**Interim financial report – 3<sup>rd</sup> quarter ended 30 September 2014**

---

**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 period and year-to-date ended 30 September 2014 and 30 September 2013:

	<b>Current quarter 3 months ended</b>		<b>Year-to-date ended</b>	
	<b>30.09.2014 RM'000</b>	<b>30.09.2013 RM'000</b>	<b>30.09.2014 RM'000</b>	<b>30.09.2013 RM'000</b>
Dividend income	16,771	13,257	20,579	16,407
Interest income	13	48	39	151
Management fees income	1,110	1,110	3,330	3,330
Rental income	23	23	68	68

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 30 September 2014.



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

---

**24. Review of performance**

**Current quarter**

For the third quarter of 2014, the Group registered revenue of RM62.4 million, declining by RM5.6 million or 8% when compared to the previous year's corresponding quarter ended 30 September 2013. The decrease in revenue resulted from lower contribution from all business segments especially Logistics and bunkering services segment.

As a result, the Group's pre-tax profit for the quarter declined by 12% from RM23.2 million registered for the corresponding quarter ended 30 September 2013 to RM20.4 million for the current quarter. This was mainly due to lower revenue in the current quarter.

**Year-to-date**

For the financial year-to-date ended 30 September 2014, the Group recorded revenue of RM202.2 million, an increase of 6% from RM190.1 million recorded previously resulting from higher contribution from core business of Port operations and Logistics and bunkering services segments.

However, the pre-tax profit has declined to RM62.8 million for the year-to-date ended 30 September 2014 registering a decrease of less than 1% as compared to RM63.0 million achieved for the same period last year. This was mainly due to higher operating expenditures for the current financial year-to-date.

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 RM20.4 million for the current financial quarter as compared to RM22.1 million for the immediate preceding quarter. This represents a decrease of RM1.7 million or 8%, which was mainly due to lower revenue in the current quarter under review as compared to the immediate preceding quarter ended 30 June 2014.

There was no other unusual item affecting profit for the current quarter.

**26. Commentary on prospects**

Port operations will continue to be the main contributor to the Group's earnings and the Company does not expect any significant variation in the ports' performance for the period till the end of the year. 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.

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

---

**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**

Interim tax exempt dividend of 3% has been recommended in respect of the financial period ended 30 September 2014 (30 September 2013: 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 30 September 2014 or the previous financial period ended 30 September 2013.

**35. Risks and policies of derivatives**

The Group did not enter into any derivatives during the period ended 30 September 2014 or the previous financial period ended 30 September 2013.

**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 30 September 2014 and 30 September 2013.

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

---

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

The breakdown of the retained earnings of the Group as at 30 September 2014 and 31 December 2013 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 30.09.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
Realised	532,632	490,283
Unrealised	(7,039)	1,028
	525,593	491,311
Add: Consolidation adjustments	799	989
<b>Total Group retained earnings as per financial statements</b>	<b>526,392</b>	<b>492,300</b>

**38. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2013 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 17 November 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 : 17 November 2014