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 JUNE 2015

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

Condensed consolidated statements of comprehensive income
For the quarter and year-to-date ended 30 June 2015

	Note	Current quarter 3 months ended 30.06.2015 Unaudited RM'000	30.06.2014 Unaudited RM'000	Year-to-date ended 30.06.2015 Unaudited RM'000	30.06.2014 Unaudited RM'000
Revenue		300,467	68,315	362,258	139,837
Cost of sales		(160,472)	(39,431)	(199,037)	(83,930)
Gross profit		139,995	28,884	163,221	55,907
Other items of income					
Interest income		865	577	1,659	1,165
Other income		7,874	2,647	11,484	5,068
Other items of expense					
Administrative expense		(6,052)	(6,594)	(12,048)	(12,739)
Finance costs		(1,933)	(2,303)	(3,809)	(4,711)
Other expenses		(39,890)	(1,139)	(41,639)	(2,268)
Profit before tax	8	100,859	22,072	118,868	42,422
Income tax expense	9	(10,367)	(6,163)	(15,000)	(11,551)
Profit net of tax		90,492	15,909	103,868	30,871
Other comprehensive income		-	(101)	-	(101)
Total comprehensive income for the period		90,492	15,808	103,868	30,770
Profit net of tax attributable to:					
Owners of the Company		90,586	15,901	103,985	30,933
Non-controlling interests		(94)	8	(117)	(62)
		90,492	15,909	103,868	30,871
Total comprehensive income attributable to:					
Owners of the Company		90,586	15,800	103,985	30,832
Non-controlling interests		(94)	8	(117)	(62)
		90,492	15,808	103,868	30,770
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	10	31.97	5.61	36.70	10.92

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

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

Condensed consolidated statements of financial position
As at 30 June 2015

	Note	As at 30.06.2015 Unaudited RM'000	As at 31.12.2014 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	64,652	64,008
Land held for property development		-	120,885
Concession assets	12	741,200	773,811
Deferred tax assets		20,734	
		826,586	958,704
Current assets			
Inventories	13	4,662	5,051
Trade receivables		254,114	22,729
Other receivables		7,655	9,643
Other current assets		13,202	3,343
Income tax refundable		532	18,836
Investment securities	15	153,020	107,916
Cash and bank balances	14	105,259	122,465
		538,444	289,983
TOTAL ASSETS		1,365,030	1,248,687

Condensed consolidated statements of financial position (continued)
As at 30 June 2015

	Note	As at 30.06.2015 Unaudited RM'000	As at 31.12.2014 Audited RM'000
EQUITY AND LIABILITIES			
Current liabilities			
Borrowings	17	432	10,435
Loan from Sabah Ports Authority		23,064	23,064
Amount due to Sabah Ports Authority		2,000	2,000
Amount due to Sabah State Government		-	5,927
Concession liabilities	18	4,886	9,772
Trade payables		6,852	12,876
Other payables		34,856	25,294
Income tax payable		28,617	163
		100,707	89,531
Net current assets		437,737	200,452
Non-current liabilities			
Borrowings	17	21,001	20,022
Loan from Sabah Ports Authority		101,856	101,856
Amount due to Sabah State Government		29,633	29,633
Concession liabilities	18	123,529	119,352
Employee defined benefit liability		1,020	14,289
Deferred tax liabilities		33,120	23,707
		310,159	308,859
TOTAL LIABILITIES		410,866	398,390
Net assets		954,164	850,297
Equity attributable to owners of the Company			
Share capital	16	283,328	283,328
Share premium	16	62,785	62,785
Retained earnings		606,214	502,230
Other reserve		(61)	(61)
		952,266	848,282
Non-controlling interests		1,898	2,015
TOTAL EQUITY		954,164	850,297
TOTAL EQUITY AND LIABILITIES		1,365,030	1,248,687

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

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

Condensed consolidated statements of changes in equity
For the year-to-date ended 30 June 2015

			Attributable to owners of the Company					
				Non-distributable		Distributable	Non-distributable	
	Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Other reserve RM'000	Non-controlling interests RM'000
Opening balance at 1 January 2015		850,297	848,282	283,328	62,785	502,230	(61)	2,015
Profit net of tax		103,868	103,985	-	-	103,985	-	(117)
Closing balance at 30 June 2015		954,165	952,267	283,328	62,785	606,215	(61)	1,898
Opening balance at 1 January 2014		840,440	838,352	283,328	62,785	492,300	(61)	2,088
Profit net of tax		30,871	30,933	-	-	30,933	-	(62)
Remeasurement loss on employee defined benefit liability representing other comprehensive income for the period		(101)	(101)	-	-	(101)	-	-
Closing balance at 30 June 2014		871,210	869,184	283,328	62,785	523,132	(61)	2,026

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 June 2015

	Year-to-date ended	
	30.06.2015 Unaudited RM'000	**30.06.2014 Unaudited RM'000**
Operating activities		
Profit before tax	118,868	42,422
Adjustments for:		
Amortisation of:		
- port concession rights	2,377	1,844
- port lease rental and concession fee	1,864	-
- software licenses and system development	41	41
- capital expenditure	16,341	15,363
Allowance for impairment loss on receivables		
- trade receivables	1,507	2
- other receivables	459	-
Depreciation of property, plant and equipment	1,210	1,195
Employee defined benefit expense	-	-
Employee leave entitlement	312	-
Finance costs	3,809	4,711
Gain on disposal of equipment	(1)	-
Impairment loss on concession assets	20,300	-
Interest income	(1,790)	(1,570)
Inventories written down	(52)	-
Investment income from investment securities	(1,611)	(1,540)
Net fair value gain on held for trading investment securities	(339)	(223)
Non-recurring gain on property development	(112,457)	-
Plant and equipment written off	18	1
Provision for share grant and ESOS expenses	(13,500)	-
Unrealised exchange (gain)/loss	(141)	28
Unwinding of discount of trade receivables	(4,264)	-
Waiver of amounts due to creditors	-	-
Total adjustments	(85,917)	19,852
Operating cash flows before changes in working capital	32,951	62,274
Changes in working capital:		
Decrease in inventories	390	258
(Increase)/decrease in trade and other receivables	(229,398)	7,636
Increase in other current assets	(9,851)	(14,341)
(Increase)/decrease in cash at banks pledged and deposits with maturity more than 3 months	(13,264)	5,260
Decrease in amount due to Sabah Ports Authority	-	-
Increase/(decrease) in trade and other payables	3,330	(76,406)
Increase in tax payables	28,454	-
Payment of concession liabilities	(18,266)	-
Payment of employee defined benefit liability	(13,014)	-
Total changes in working capital	(251,619)	(77,593)

Condensed consolidated statements of cash flows (continued)
For the year-to-date ended 30 June 2015

	Year-to-date ended	
	30.06.2015 Unaudited RM'000	**30.06.2014 Unaudited RM'000**
Cash flows from operations	(218,668)	(15,319)
Income tax paid	(503)	(619)
Income tax refunded	20,980	597
Net cash flows used in operating activities	(198,191)	(15,341)
Investing activities		
Decrease/(increase) in land held for property development	120,885	(27)
Proceeds from disposal of property, plant and equipment	25	-
Purchase of property, plant and equipment	(9,892)	(2,899)
Proceeds from disposal of investment securities	12,049	67,312
Purchase of investment securities	(54,901)	(52,474)
Non-recurring gain on property development	112,457	-
Investment income received from investment securities	1,611	1,644
Interest received	1,790	1,544
Net cash flows from investing activities	184,024	15,100
Financing activities		
Dividends paid	-	-
Dividends paid to non-controlling interests	-	-
Interest paid	(1,477)	(4,161)
Proceeds from borrowings	1,227	36
Repayment of Islamic debt securities	(10,000)	(10,000)
Repayment of loan from Sabah State Government	(5,927)	(5,927)
Repayment of loan from Sabah Ports Authority	-	-
Repayment of borrowings	-	-
Repayment of obligations under finance leases	(126)	-
Net cash flows used in financing activities	(16,303)	(20,052)
Net increase/(decrease) in cash and cash equivalents	(30,470)	(20,293)
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	106,279	110,604
Cash and cash equivalents at 30 June (Note 14)	75,809	90,311
Composition of cash and cash equivalents		
Cash on hand and at banks	23,868	18,374
Deposits with licensed banks and other financial institutions	51,941	71,937
Cash and cash equivalents at 30 June	75,809	90,311

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

1. Corporate information

Suria Capital Holdings Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 27 August 2015.

2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the second quarter ended 30 June 2015 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 2014.

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 2014.

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 2014.

3.1 Changes in accounting policies

In the previous financial year, the Group has adopted all Standards and Interpretations which are effective for annual financial periods beginning on or after 1 January 2014.

The adoption of those standards and interpretations did not have any effect on the financial performance or position of the Group.

3.2 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's interim financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	*1 July 2014*
Annual Improvements to MFRSs 2010 - 2012 Cycle	*1 July 2014*
Annual Improvements to MFRSs 2011 - 2013 Cycle	*1 July 2014*
Annual Improvements to MFRSs 2012 - 2014 Cycle	*1 January 2016*

3. Significant accounting policies (continued)

3.2 Standards issued but not yet effective (continued)

Description	**Effective for annual periods beginning or after**
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments	1 January 2018

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.
The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to MFRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial statements.

3. Significant accounting policies (continued)

3.2 Standards issued but not yet effective (continued)

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's financial statements.

MFRS 14 Regulatory Deferral Accounts

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing MFRS preparer, this standard would not apply.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

3. Significant accounting policies (continued)

3.2 Standards issued but not yet effective (continued)

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 might have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

Annual Improvements to MFRSs 2010–2012 Cycle

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs. The Director of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's financial statements.

<u>MFRS 8 Operating segments</u>

The amendments are to be applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and

- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

<u>MFRS 124 Related Party Disclosures</u>

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

Annual Improvements to MFRSs 2011-2013 Cycle

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs. The Director of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's financial statements.

<u>MFRS 13 Fair Value Measurement</u>

The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable).

3. Significant accounting policies (continued)

3.2 Standards issued but not yet effective (continued)

Annual Improvements to MFRSs 2012-2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs. The Directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's financial statements.

MFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

MFRS 119 Employee Benefits

The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

MFRS 134 Interim Financial Reporting

MFRS 134 requires entitles to disclose information in the notes to the interim financial statements if not disclosed elsewhere in the interim financial report.

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

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, except for a new business segment of property development which is non-recurring and reflected in the current quarter and year-to-date.

Property development

For the current quarter, the property development segment generated revenue of RM233.3 million, contributing 78% (30 June 2014: Nil) of the Group's revenue and more than 100% (30 June 2014: Nil) of the Group's operating profit.

For the year-to-date, it contributed 64% (30 June 2014: Nil) of the Group's revenue and 98% (30 June 2014: Nil) of the Group's operating profit.

The income was derived from the Joint Venture with SBC Corporation Berhad to develop a parcel of development land approximately 16.25 acres namely Jesselton Quay project at Tanjung Lipat, Kota Kinabalu.

Port operations

For the current quarter, the port operations segment contributed 19% of the Group's revenue (30 June 2014: 88%) and 1% (30 June 2014: >100%) of the Group's operating profit.

For the year-to-date, it contributed 30% (30 June 2014: 83%) of the Group's revenue and 16% (30 June 2014: >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.

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 and year-to-date, there was a decrease in total tonnage handled by 4% mainly contributed by lower liquid cargo (palm oil and bulk oil), palm kernel expeller as well as general cargo throughput.

The category of container which is charged differently as per the Sabah Ports' Tariff registered a decline in total TEUs by 10% to 94,866 from 105,313 TEUs in the current quarter and decline by 9% to 182,537 from 200,482 TEUs for the year-to-date.

The decrease in throughput and containers handled in the current quarter and year-to-date has led to the decrease of the segment's revenue by 7% from RM60.1 million in the preceding year's corresponding quarter to RM56.1 million for the quarter. Subsequently, the year-to-date's revenue has also decreased by 7% to RM107.2 million from RM115.4 million for the same period last year.

Port's operating expenses for the quarter and year-to-date ended 30 June 2015 was slightly lower by 8% and 5% respectively, mainly attributable to lower repairs and maintenance, fuel and oil and leasing of port land.

Operating profit has declined by RM22.2 million or 95% to RM1.2 million for the current quarter from RM23.5 million in corresponding quarter of 2014 mainly due to lower revenue and impairment of concession assets. Subsequently, the year-to-date's operating profit has declined by RM24.4 million or 56% to RM19.5 million from RM43.9 million due to the same reason.

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 3% (30 June 2014: 9%) of the Group's revenue and less than 1% (30 June 2014: <1%) of the Group's operating profit.

For the year-to-date, it contributed 5% (30 June 2014: 14%) of the Group's revenue and less than 1% (30 June 2014: <1%) of the Group's operating profit.

This segment shows improvement in term of revenue and profit contribution to the Group during the quarter, although the percentage declined (due to new segment of property development). The increase in business for this segment for the current quarter was mainly attributable to the increase in the sales of fuel volume.

However, the year-to-date performance for this segment was somehow affected by lower selling price of fuel in line with the reduction in world's oil price.

The segment was able to maintain the gross profit margin at 4% this year as compared to less than 1% last year. This was mainly due to higher volume.

6. Segment information (continued)

Contract and engineering

For the current quarter and financial 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.
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A loss before tax of RM1.3 million for the year-to-date ended 30 June 2015 was recorded for this segment due to provision for impairment of trade receivables.

Ferry terminal operations

During the quarter, the Group has done a rationalisation exercise whereby the ferry terminal operations and handling of cruise ships passengers which previously under Suria Bumiria Sdn Bhd was injected into another subsidiary, SCHB Engineering Services Sdn Bhd, which at the same time remains as the construction and engineering company for the Group. The exercise is part of the Group's business strategy to strengthen synergy between the two subsidiaries to capitalize on the combined skills and expertise for both companies. In turn, Suria Bumiria will become a dormant company.

This segment contributed less than 1% (30 June 2014: 2%) to the Group's revenue for the current quarter and 1% (30 June 2014: 2%) for the year-to-date.

For the current year-to-date, the passenger fees was the main source of revenue contributing 44% of the segment's revenue (30 June 2014: 48%) while rental received from retail outlets contributed 21% (30 June 2014: 17%), passenger fees from Kota Kinabalu international cruise terminal contributed 12% (30 June 2014: 16%) and income from indoor soccer centre contributed 9% (30 June 2014: 10%).

Total revenue declined by 20% mainly attributable to lower passenger fees income from the Jesselton Point ferry terminal which depicts the decrease in tourist arrivals in Sabah. Normally, tourists will go through the ferry terminal to go to nearby islands.

Gross profit margin has dropped to 38% from 49% in 2014 mainly as a result of lower revenue.

Investment holding

The investment holding or corporate segment contributed less than 1% (30 June 2014: 1%) of the Group's revenue 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 42% to RM599,000 for the year-to-date from RM1,035,000 in the preceding year. This resulted from less surplus cash available for investment due to higher financial commitment in the previous financial year of 2014. Subsequently, loss before tax was recorded for this segment mainly due to expenses provisions made during the quarter. These provisions relate to few exercises to be carried out by the holding company during the year.

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6. Segment information (continued)

The segment results are as follows :

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2015 RM'000	**30.06.2014 RM'000**	**30.06.2015 RM'000**	**30.06.2014 RM'000**
Segment revenue				
Investment holding	3,188	3,675	5,969	7,108
Property development	233,343	-	233,343	-
Port operations	56,103	57,956	107,215	115,369
Logistics and bunkering services	9,920	7,702	19,912	22,685
Contract and engineering	507	(27)	658	35
Ferry terminal operations	1,011	1,454	2,572	3,219
Revenue including inter-segment sales	304,072	70,760	369,669	148,416
Elimination of inter-segment sales	(3,605)	(2,445)	(7,411)	(8,579)
Total revenue	300,467	68,315	362,258	139,837
Segment results				
Investment holding	(14,300)	874	(13,759)	2,006
Property development	116,721	-	116,721	-
Port operations	1,244	23,475	19,508	43,886
Logistics and bunkering services	456	28	678	114
Contract and engineering	(1,409)	(360)	(1,302)	(663)
Ferry terminal operations	(278)	288	172	887
Profit from operations including inter-segment transactions	102,434	24,305	122,018	46,230
Elimination of inter-segment transactions	(1,575)	(2,233)	(3,150)	(3,808)
Total profit before tax	100,859	22,072	118,868	42,422

7. Seasonality of operations

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

8. Profit before tax

Included in the profit before tax are the following items :

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2015 RM'000	**30.06.2014 RM'000**	**30.06.2015 RM'000**	**30.06.2014 RM'000**
Employee benefits expense	14,622	14,288	29,781	29,779
Non-executive directors' remuneration	257	231	543	465
Allowance for impairment loss on:				
- trade receivables	1,501	6	1,507	2
- other receivables	459	-	459	-
Amortisation of:				
- port concession rights	1,188	922	2,377	1,844
- port lease rental and concession fee	1,553	-	1,864	-
- software licenses and system development	20	20	41	41
- capital expenditure	8,481	-	16,341	-
Auditors' remuneration:				
Statutory audit:				
- current year	73	62	102	85
- under/(over) provision in respect of previous year	3	8	3	8
Other services:				
- current year	18	12	18	12
- under/(over) provision in respect of previous year	-	-	-	-
Depreciation of property, plant and equipment	595	8,357	1,210	16,558
Hiring of equipment and motor vehicles	77	1,474	140	3,053
Impairment of concession assets	20,300	-	20,300	-
Inventories written down	52	-	52	-
Leasing of port land	3,092	2,674	4,989	5,347
Loss/(gain) on disposals of property, plant and equipment	(1)	-	(1)	1
Plant and equipment written off	18	-	18	1
Realised loss/(gain) on foreign exchange, net	79	-	135	-
Rental of office premises	179	315	530	625
Reversal of allowance for impairment loss on receivables	4	33	382	38

9. Income tax expense

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2015 RM'000	**30.06.2014 RM'000**	**30.06.2015 RM'000**	**30.06.2014 RM'000**
Income tax expense for the year-to-date:				
Malaysian income tax	166	388	482	534
Deferred tax	6,120	5,775	10,437	11,017
Real property gain tax	4,081	-	4,081	-
	10,367	6,163	15,000	11,551

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 2014, Sabah Ports Sdn Bhd has RM113.69 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% (2014: 25%) of the estimated assessable profit for the year-to-date. 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 year-to-date, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year-to-date.

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2015 RM'000	**30.06.2014 RM'000**	**30.06.2015 RM'000**	**30.06.2014 RM'000**
Profit net of tax for the financial year-to-date	90,492	15,909	103,868	30,871
Less: Attributable to non-controlling interests	94	(8)	117	62
Profit net of tax attributable to owners of the Company	90,586	15,901	103,985	30,933
Weighted average number of ordinary shares	283,328	283,328	283,328	283,328
Basic earnings per ordinary share (sen)	31.97	5.61	36.70	10.92

11. Property, plant and equipment

Acquisitions and disposals

The cash outflow on acquisition of property, plant and equipment amounted to RM9,892,000 (30 June 2014: RM2,899,000).

Assets with carrying amount of RM278 have been disposed off by the Group during the three months ended 30 June 2014 (30 June 2014: Nil), resulting in a gain on disposal of RM1,292 (30 June 2014: Nil). The gain on disposal of assets has been included in other income in the statements of comprehensive income.

Write-down of property, plant and equipment

During the current quarter, there were property, plant and equipment with carrying amount of RM18,000 been written down (30 June 2014: Nil) and has been included in administrative expenses in the statements of comprehensive income.

12. Concession assets

Group	Port concession rights RM'000	Leased port infrastructure and facilities RM'000	Capital expenditure RM'000	Total RM'000
Cost:				
At 1 January 2015	213,679	45,296	849,863	1,108,838
Addition	-	-	8,341	8,341
Disposal / write off	-	-	(241)	(241)
At 30 June 2015	213,679	45,296	857,963	1,116,938
Accumulated amortisation:				
At 1 January 2015	72,054	15,602	247,373	335,029
Amortisation	3,487	755	16,382	20,624
Disposal / write off	-	-	(215)	(215)
Impairment	-	-	20,300	20,300
At 30 June 2015	75,541	16,357	283,840	375,738
Net carrying amount:				
At 31 December 2014	141,625	29,694	602,492	773,811
At 30 June 2015	138,138	28,939	574,123	741,200

Capital expenditures recognised as concession assets are to be handed over at no costs to Sabah Ports Authority upon the expiry of the concession period.

13. Inventories

During the quarter ended 30 June 2015, the Group recognised a write-down of inventories of RM51,500 (30 June 2014: Nil) that were obsolete. This expense was included in the other expenses in the statement of comprehensive income.

14. Cash and cash equivalents

	As at 30.06.2015 RM'000	As at 30.06.2014 RM'000
Cash at banks and on hand	23,868	18,374
Cash at banks pledged as securities for Islamic debts securities	5,649	894
Short term deposits with:		
- licensed banks	25,097	36,480
- other financial institutions	26,844	35,457
Deposits with maturity more than 3 months	23,801	5,203
	105,259	96,408

Short term deposits are made for varying periods of between 1 month and 3 months depending on the immediate cash requirements of the Group, and earn interests at the respective short term deposit rates. The weighted average effective interest rate as at 30 June 2015 for the Group was 3.6% (30 June 2014: 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:

	As at 30.06.2015 RM'000	As at 30.06.2014 RM'000
Cash on hand and at banks	23,868	18,374
Short term deposits with:		
- licensed banks	25,097	36,480
- other financial institutions	26,844	35,457
	75,809	90,311

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:

	Fair value measurements at the reporting date using			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Recurring fair value measurements				
Asset – financial assets				
Investment securities				
- 30 June 2015	153,020	-	-	153,020
- 31 December 2014	107,916	-	-	107,916

16. Share capital and share premium

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

17. Interest-bearing loans and borrowings

Total Group's loans and borrowings as at 30 June 2015 and 31 December 2014 were as follows:

	As at 30.06.2015 RM'000	As at 31.12.2014 RM'000
Current		
Secured:		
- Islamic debt securities	211	10,427
- Obligations under finance leases	221	8
	432	10,435
Non-current		
Secured:		
- Islamic debt securities	20,000	20,000
- Obligations under finance leases	1,001	22
	21,001	20,022
	21,433	30,457

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. Concession liabilities

Group	30.06.2015 RM'000	31.12.2014 RM'000
At 1 January	129,124	130,265
Unwinding of discount	4,177	8,448
Payments	(4,886)	(9,589)
At 30 June 2015	128,415	129,124
Current	4,886	9,772
Non current:		
More than 1 year and less than 2 years	9,963	9,311
More than 2 years and less than 5 years	29,897	25,413
5 years or more	83,668	84,628
	123,529	119,352
	128,415	129,124

This represent provision for annual fixed periodic lease payments and concession fees payable to the Sabah Ports Authority.

19. Provisions for costs of restructuring

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

20. Dividends paid

There were no payment of dividend during the current quarter and financial year-to-date ended 30 June 2015 (30 June 2014: Nil).

21. Capital commitments

	As at 30.06.2015 RM'000	As at 30.06.2014 RM'000
Approved and contracted for		
Sapangar Bay bunkering line	179	691
Jetty head extension at Sapangar Bay Oil Terminal	350	-
Major repairs and improvements at ports	3,395	1,135
Extension of Sandakan container stacking yard	-	45
Jetty extension at Karamunting Palm Oil Terminal at Sandakan Port	1,653	-
Extension of container yard at Sapangar Bay Container Port	751	-
	6,328	1,871
Approved but not contracted for		
Purchase of property, plant and equipment	330,461	331,078
Improvement to port infrastructure facilities	219,254	287,795
	549,715	618,873
	556,044	620,744

22. Contingent liabilities or assets

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

23. 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 June 2015 and 30 June 2014:

	Current quarter 3 months ended		Year-to-date ended	
	30.06.2015 RM'000	**30.06.2014 RM'000**	**30.06.2015 RM'000**	**30.06.2014 RM'000**
Dividend income	1,575	2,233	3,150	3,808
Interest income	4	13	12	26
Management fees income	1,065	1,110	2,175	2,220
Rental income	22	22	45	45

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.

24. Events after the reporting period

There were no material events subsequent to the end of the reporting period that have not been reflected in the condensed consolidated interim financial statements for the financial year-to-date ended 30 June 2015.

25. Review of performance

Current quarter

For the current quarter, the Group registered revenue of RM300.5 million, increased by RM232.1 million or more than three fold when compared to the previous year's corresponding quarter ended 30 June 2014 of RM68.3 million. The growth in revenue was attributable to the property development segment.

Subsequently, the Group's pre-tax profit for the quarter grew to RM100.8 million from RM22.1 million registered in the corresponding quarter of last year, up by RM78.8 million or more than three fold due to the same reason above.

Year-to-date

For the financial year-to-date ended 30 June 2015, the Group registered revenue of RM362.2 million from RM139.8 million recorded previously, went up by RM222.4 million or more than 100%. This was mainly contributed by a new business segment of property development.

As a result, the Group's pre-tax profit for financial year-to-date increased to RM118.9 million from RM42.4 million, increasing by RM76.4 million or 180%.

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

26. Comment on material change in profit before taxation

The Group reported a higher profit before taxation of RM100.8 million for the current financial quarter as compared to RM18.0 million for the immediate preceding quarter. This represents an increase of RM82.8 million or 460%, which was mainly as a result of non-recurring income recognised from property development.

27. Commentary on prospects

Port operations will continue to be the core business of the Group and the Board is optimistic of achieving satisfactory performance for the financial year. Further, the Board expects that the new segment of property development will contribute good profit to the Group for the financial year.

28. 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.

29. 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 28.

30. 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.

31. Corporate proposals

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

32. Changes in material litigation

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

33. Dividends declared

No interim ordinary dividend has been recommended in respect of the financial year-to-date ended 30 June 2015 (30 June 2014: Nil).

34. Disclosure of nature of outstanding derivatives

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

35. Rationale for entering into derivatives

The Group did not enter into any derivatives during the financial year-to-date ended 30 June 2015 or the previous financial year-to-date ended 30 June 2014.

36. Risks and policies of derivatives

The Group did not enter into any derivatives during the financial year-to-date ended 30 June 2015 or the previous financial year-to-date ended 30 June 2014.

37. 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 June 2015 and 30 June 2014.

38. Breakdown of retained earnings into realised and unrealised

The breakdown of the retained earnings of the Group as at 30 June 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with *Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses* in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at 30.06.2015 RM'000	**As at 31.12.2014 RM'000**
Realised	650,609	536,867
Unrealised	(48,128)	(35,453)
	602,481	501,414
Add: Consolidation adjustments	3,733	816
Total Group retained earnings as per financial statements	606,214	502,230

39. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2014 was not qualified.

40. 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 August 2015.

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

NG KIAT MIN
Group Chief Executive Officer

Kota Kinabalu
Date : 27 August 2015