



SURIA CAPITAL HOLDINGS BERHAD

36TH ANNUAL GENERAL
MEETING

FORGING
SUSTAINABLE

GR—WTH

Questions & Answers



Questions by Mr. Khoo Puay Chew



Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Khoo Puay Chew

1. AUDIT COMMITTEE REPORT (PAGES 106-109)

There are no mention of findings and conclusions reached by the Audit Committee on their works done during the financial year ended 31st December 2018 in their report.

Please explain why the Audit Committee is unable to reach any conclusion on their works.

- There is no specific requirement in the MMLR (Main Market Listing Requirement) to include any audit findings in the Audit Committee (AC) Report. Nevertheless, the AC has received audit reports from the GIA (Group Internal Audit) which were presented to the AC during its meetings held in 2018. The AC has also received audit report from the external auditor and has reviewed the Key Audit Matters (KAMs) raised by the external auditors.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Khoo Puay Chew

1. AUDIT COMMITTEE REPORT (PAGES 106-109) (continued)

- *There was no material issue or major deficiency noted that poses high risk to the overall system of internal control over the ports operation and related business within the Group. Therefore, the AC is satisfied with the adequacy and effectiveness of the Group's systems of risk management and internal control and are in accordance with good corporate governance practices.*
- *For the conclusion of the AC works / activities carried out during the financial year 2018, the Statement of Risk Management and Internal Control (SORMIC) on page 93 to 105 should be referred as the conclusion represents both the Risk Management and Sustainability Committee (RMSC) and the AC.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Khoo Puay Chew

2. STATEMENT OF COMPREHENSIVE INCOME (PAGES 122-123)

	GROUP	
	2018	2017
	RM'000	RM'000
TURNOVER	400,666	332,658
GROSS PROFIT	95,694	94,201
GROSS PROFIT MARGIN	23.88%	28.32%

Please explain why there is a decrease in gross profit margin compared with 2017.

2.1 Please enlighten us what steps Management is taking to prevent the erosion of gross profit margin going forward.

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Khoo Puay Chew

2. STATEMENT OF COMPREHENSIVE INCOME (PAGES 122-123) (continued)

- The decrease in gross profit margin to 23.88% from 28.32% in 2017 was mainly due to higher revenue from construction services for concession infrastructure in 2018 amounted to RM136.8 million (2017: RM100.2 million). Please refer to Note 4 on page 162 of the Annual Report.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Khoo Puay Chew

2. STATEMENT OF COMPREHENSIVE INCOME (PAGES 122-123) (continued)

- *Following the accounting standard, the capital expenditure spent for ports infrastructure and facilities under the service concession arrangement has to be registered as revenue in the year they are incurred. At the same time, the same amount will be charged as cost of sales. There is zero impact to the absolute amount of the gross profit but it brings the gross profit margin down as the construction services revenue in a way inflated the total revenue figure.*
- *Going forward, the Management is in the process of getting the tariff revision approved. This will help to boost the revenue for the ports operation segment. At the same time, the second property development project on the 7 acres land will kick-off quite soon and the Group will be able to capture the property development revenue, most probably in 2019.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Khoo Puay Chew

3. STATEMENT OF CASH FLOWS (PAGES 130-131)

Please explain what is this item “Effect of exchange rate changes on cash and cash equivalents”:-

2018	2017
RM'000	RM'000
53	876

Why is this item disclosed here and not in the Profit and Loss Account of the Company?

- This item is disclosed in the Statement of Cash Flows because it affects the cash and cash equivalents balances. It is also part of the Profit & Loss Account of the Company under Administrative expenses. It is disclosed under Note 8 on page 164 of the Annual Report under the line item Unrealised Exchange Loss.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Khoo Puay Chew

4. NOTE 18 TO THE FINANCIAL STATEMENTS (PAGE 178)

Has the Management commenced legal action to recover the “expected credit losses” from 3rd parties amounting to RM 1,721,000 during the financial year?

- 4.1 Why has the Management allow such credit losses from 3rd parties to arise given that they should have undertaken risk assessment before entering into whatever contract with such 3rd parties?
- 4.2 Why has the Audit Committee not investigate this and report in their Committee Report to the Shareholders?

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Khoo Puay Chew

4. NOTE 18 TO THE FINANCIAL STATEMENTS (PAGE 178) (continued)

- The Allowance for Expected Credit Losses (ECL) is the new terminology for Provision for Doubtful Debts / Provision for Impairment Loss. The Allowance for ECL are computed based on lifetime ECL and relates to debtors that have significant financial difficulties and have defaulted on payments. The RM1.7 million is the brought forward figure plus the current year's figure less out the bad debts written-off and reversal of impairment loss during the year.*
- Even though provision has been made, the Management is still proceeding with letter of demand and legal action to recover the amount. During the year, the Group managed to collect RM296,000 (2017: RM3.4 million). Please refer page 180 of the Annual Report.*



Questions by Mr. Joshua Y C Kong



Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

1. FIGURES OF REVENUE

Sabah Sabah needs to reduce dependence on agriculture to raise exports – Sabah Ports chairman. (see below for the URL).

He stated that ports in Sabah had attained RM324 million in gross income in 2017 and its 2018 gross income had increased to RM375 million.

From the published accounts the gross figures were Rm241.555m (2018) and Rm226.983m (2017). Karim was talking about the ports operations.

1.1 Please explain the substantial and material discrepancies.

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

1. FIGURES OF REVENUE (continued)

- *The gross income for the Ports in Sabah of RM375 million in 2018 and RM324 million in 2017 as mentioned by the Sabah Ports Authority (“SPA”) Chairman, Datuk Karim Bujang in his press statement on 12 June 2019 is correct. Please refer to Note 40 (page 218 & 219) of the Annual Report which shows the breakdown of segmental revenue.*
- *The revenue for Port operations consist of:*
 - 1) Income from port operations; and*
 - 2) Revenue from construction services for concession infrastructure.*

Please refer Note 4 (page 162) of the Annual Report.

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

2. SBCP CAPACITY

Sapangar Bay Container Port's (SBCP) capacity is 500,000 TEUs (page 16 SR2018) while the performance is 380,000 TEUs for 2018.

- 2.1 Please show the incoming and out-ward bound capacity.
- 2.2 Please give reasons for the excess capacity and how would such excess capacity be mitigated or to earn more revenue to SCG?
- 2.3 SBCP is still under an expansion programme and how would SCG justify more revenue in view of the existing spare capacity?

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

2. SBCP CAPACITY (continued)

In 2018, SPSB handled a total of 386,786 TEUs. SBCP handled 264,983 TEUs, representing 68.5% of the overall TEUs while Tawau Port handled 75,335 TEUs (19.5%) and Sandakan Port handled 46,468 TEUs (12%).

*2.1 Inbound TEUs = **193,656***

*Outbound TEUs = **193,130** (55,021 or 28.5% laden, 138,109 or 71.5% empty)*

2.2 SBCP was built with a capacity of 500,000 TEUs to cater for cargo growth in the next 15 to 20 years to come. As port business is relatively capital intensive, any expansion project is planned carefully so that it would have enough capacity to serve the near future. This is to achieve cost efficiency in construction and to minimise disruption to the port operations. The current bigger handling capacity of SBCP would allow the port to handle more containers for the next 5 to 10 years without the immediate need for expansion.

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

2. SBCP CAPACITY (continued)

2.3 Currently, we do not handle much transshipment cargo and we have been registering only organic growth in container throughput. The proposed transshipment hub development at SBCP is a supply-driven initiative by the Federal Government which aims to promote and position SBCP as the transshipment hub and load centre for the region. Deemed as a game changer, the ultimate objective of the transshipment hub is to attract more main line operators and investors to come to Sabah, thereby reducing the logistics cost, cost of doing business and cost of living which has been high due to the huge trade imbalance and lack of industrialisation in the State.

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

3. ENVIRONMENT ADVERSE IMPLICATIONS ON ECONOMY/BUSINESS

What SCG is doing in this area is good but it is unlikely to sustain the economy and the business of SCG because of the very disturbing but somehow denied by certain quarters on the real impact of worsening climate change largely beyond our control at the present moments even with meagre mitigating measures largely segregated and piece meal efforts by various groups with good intention.

3.1 So my question is would SCG be active founder partners in my proposed body #EcoGenerations?

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

3. ENVIRONMENT ADVERSE IMPLICATIONS ON ECONOMY/BUSINESS (continued)

As far as Suria Group is concerned, we have been partaking marine related activities through Sabah Ports Sdn. Bhd. to contribute to the preservation of the environment within which we operate. We have established collaboration with Borneo Marine Research Institute of Universiti Malaysia Sabah in the seagrass transplanting project that entails relocating seagrass within the Sapangar Bay vicinity to a new location namely Kampung Kibagu as an effort to conserve the rich marine habitat as we plan for the future development of the ports in Sapangar.

Besides being an important source of food, seagrass serves as a habitat and protection for marine life, especially for smaller fish and crustacean species to lay eggs and raise their young. More importantly, seagrass is one of the largest blue carbon stocks on earth and it accounts for more than 10% of the ocean's total carbon storage. Per hectare, seagrass meadow holds twice as much carbon dioxide as rain forests, signifying its vital role in mitigating climate change and stabilising the carbon cycle.

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

3. ENVIRONMENT ADVERSE IMPLICATIONS ON ECONOMY/BUSINESS (continued)

Suria Group has contributed to the environmental preservation through the flagship seagrass transplanting project and will continue to support ocean and marine conservation studies and efforts in the future to support environmental and marine sustainability.

On #EcoGenerations, we would kindly appreciate if shareholders keep their personal agenda aside and focus on the Company's affair during AGM. This is to ensure we could manage the time of the meeting efficiently and discuss only matters concerning the Company for the benefit of the other shareholders /audience.

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

4. GROSS REVENUE AND GROSS PROFIT (PAGE 122 AND OTHER NOTES)

There was a significant jump of gross revenue in 2018 if compared with the figure in 2017, but the net result or gross profit is of little difference as compared with that of 2017.

The reason appears to be cost of sales was relatively higher in 2018.

4.1 Can the management identify the causes of this by providing a detailed analysis of this case?

4.2 Could it be an element of irregularities or even frauds or corruption in some aspects?

4.3 This may be viewed in the context of Question 1 where gross figures have unexplained massive and material discrepancies in both years.

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

4. GROSS REVENUE AND GROSS PROFIT (PAGE 122 AND OTHER NOTES) (continued)

- The significant jump in gross revenue for 2018 was mainly contributed by the Revenue from construction services for concession infrastructure amounted to RM137 million (2017: RM100 million). Higher Revenue from construction services for concession infrastructure in year 2018 was mainly due to the construction of jetty extension for Sandakan Port which has been completed. This revenue is under the Port operations business segment, accounted for in accordance with the accounting standard, IC Interpretation 12: Service Concession Arrangement whereby a concessionaire is required to recognise as revenue the whole amount of capital expenditure spent during the year. At the same time, the same amount of Construction cost for concession infrastructure is also charged out as Cost of Sales. Since it is zeroed at Gross Profit level, it only affects the Gross Profit margin, but not the absolute amount of Gross Profit.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

4. GROSS REVENUE AND GROSS PROFIT (PAGE 122 AND OTHER NOTES) (continued)

- Furthermore, there was higher operating revenue from Port operations itself due to higher cargo throughput and containers handled in 2018. At the same time, the Contract and engineering segment also recorded higher revenue in 2018 amounted to RM23 million (2017: RM5 million only), mainly contributed by the Railway project. However, these higher segmental revenue was offset by the corresponding increase in cost of sales. The major costs are Employee expenses, Amortisation of concession assets, Concession assets written off and Leasing of port land. Please refer to Note 8 on Page 164 of the Annual Report.*
- Please refer to the Management Discussion & Analysis on Revenue and Cost of sales on page 21 and 22 respectively on the Annual Report.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

5. BORROWINGS (PAGE 24 AND NOTE 23 (PAGE 185))

Borrowings of RM55.971m seems critical for the solvency of SCG at certain moment.

5.1 Was this in the budget or was this sort of emergency or ad hoc circumstance in need of cash?

5.2 How was this borrowing obtained?

- The RM50 million short-term revolving credit has been drawdown in year 2018. The Group has a readily available stand-by facility of RM87 million for short-term working capital requirement and the Group has the ability to settle it within 12 months, looking at the cash position of RM125 million as of March 2019.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

6. LOAN FROM SABAH PORT AUTHORITY (NOTE 24 AND PAGE 190)

6.1 Is Suria Capital Holdings Bhd responsible for the loan to the Sabah Ports Authority or on-lend to Sabah Ports Sdn. Bhd.?

6.2 If not, please illustrate the legal status.

- This loan is from the Federal Government to Sabah Ports Authority (“SPA”) pursuant to the Privatisation Agreement which is on lend to Sabah Ports Sdn Bhd. The purpose of the loan was to part finance the purchase of cargo handling equipment and construction of the Sapangar Bay Container Terminal. The loan is finishing soon in 2019.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

7. TRADES AND OTHER PAYABLES (NOTE 28 AND PAGE 192)

There are 3 items in other payables (current) that have remain unchanged or no movements or dormant for 2017 and 2018.

They are as follows:-

Amount due to joint venture partner	RM7.940M
Accrued operating expenses	RM19.037M
Amounts due to contractors	RM51,000

7.1 What are the reasons or causes for such 'dormancy'?

7.2 Any disputed issues or litigation in action or pending?

7.3 Any possibilities of unclaimed money of any amounts within each groups like operating expenses or contractors?

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

7. TRADES AND OTHER PAYABLES (NOTE 28 AND PAGE 192) (continued)

- *Amount due to JV partner – RM7.94 million – being RPGT paid on behalf by the JV partner (RM5.94 million) and deposit paid (RM2.0 million). This figures remain under other payables since the JV Agreement is still conditional subject to fulfilment of certain conditions precedent.*
- *Accrued operating expenses – RM19.037 million – mainly consists of RM10 mil for Sandakan wharf extension, RM5 mil provision for staff bonus, RM0.7 mil tug boat services contractor, RM0.5 mil repairs and maintenance, the balance are staff overtime and allowances.*
- *Amount due to contractors – RM51K – this is a brought forward figure from SPA since 2004.*
- *There is no disputed issues or pending litigation. There is also no possibilities of unclaimed money.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

8. THE FUTURE OF THE SCG AND SABAH PORTS SDN. BHD.

8.1 Isn't it that the perception of the investing public on the value (intrinsic or otherwise) and the performance of any listed company based on the market price of shares as it has been drastic declining since RM2.65 (2013) to RM1.85 (2017) and RM1.60 (2018) and now RM 1.32 (great disappointment)?

- *Suria has been performing consistently and registering a net profit of about RM50 million to RM60 million (except year 2015 where one-off revenue from the property segment was recognised). A dividend of 6%-7% has been consistently distributed for the past 5 years and beyond.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

8. THE FUTURE OF THE SCG AND SABAH PORTS SDN. BHD. (Continued)

- The share price performance of any listed company is subject to various factors including changes in the political and economic environment at both the global and domestic front. The share market has been relatively volatile. The share price of majority of the listed companies have been affected and Suria is not exempted. This is especially so when the KLCI Index fell from a high of 1887 in April 2018 to 1598 in May 2019.*
- Apart from the weak market sentiment, the drop in Suria's share price to below RM2 was partly due to the share grant issuance to all employees in year 2015/2016. Furthermore, the current share price is reflective of the adjustments arising from the bonus issuance in January 2019. Nevertheless, the intrinsic value of Suria has been strong as evidenced by its net assets per share of RM3 for the past 5 years.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

8. THE FUTURE OF THE SCG AND SABAH PORTS SDN. BHD. (Continued)

8.21 would suggest that SCG now consider specialisation of any major company so that it is easier to spearhead the company now that SCG has two major businesses such as the ports business and properties development. The instability of property business in boom and bust scenarios can affect SCG. Would it not be more viable and not only just be sustainable if Sabah Ports Sdn. Bhd. be listed as well in the SCG? We cannot under-estimated Sabah Ports Sdn. Bhd. once with its prime land-bank now utilised by SCG in its property development.

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

8. THE FUTURE OF THE SCG AND SABAH PORTS SDN. BHD. (Continued)

- *The land for property development at Kota Kinabalu Port (KK Port) belongs to Suria Capital Holdings Berhad, not Sabah Ports Sdn. Bhd. Suria paid to acquire the land from the State Government of Sabah during the Privatisation of Sabah Ports in 2004.*
- *Suria's core business is in port operations and the property development that we undertake is port-related. The commercial land at KK Port currently being re-developed is the ex-container yard. On the development land, we also handle cruise and ferry passengers, which is one of the Port Undertakings provided for under the Privatisation Agreement.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

8. THE FUTURE OF THE SCG AND SABAH PORTS SDN. BHD. (Continued)

- *The property market is sluggish in general however properties at prime locations in Kota Kinabalu are still being well sought after. The two towers of service suites (City Pads) in Jesselton Quay Central have registered a total sale of 94% as of June 2019, suggesting that demand for the right property product in Sabah remains robust.*
- *The idea on listing Sabah Ports Sdn. Bhd. is not new and has been discussed by the Board and Management of Suria. However, there is no plan to list SPSB as yet and this proposal will be considered in the future when the need or opportunity arises.*

Suria Capital Holdings Bhd's 36th AGM on 27/6/2019

Questions and Comments from Mr Joshua Y C Kong

8. THE FUTURE OF THE SCG AND SABAH PORTS SDN. BHD. (Continued)

8.3 Being a premier body of the State, a cryptocurrency (a sunrise industry) in SCG would not only leap frog its revenue but the accelerated image of the resourceful State of Sabah in Borneo would be further enhanced to lift the State out of its financial “depression”. SCG should be involved with cryptocurrency of its own and the first in Borneo and the region.

Suria has no interest in speculative investments such as cryptocurrency. Being a listed company, Suria is governed by strict listing requirements and regulations by Bursa Malaysia and Securities Commission. We are entrusted to manage shareholders' funds properly and we will not invest in speculative instruments.



THANK YOU