

34TH AGM

SURIA CAPITAL HOLDINGS BERHAD

QUESTIONS / COMMENTS RAISED BY SHAREHOLDER
MINORITY SHAREHOLDER WATCHDOG GROUP



MINORITY SHAREHOLDER WATCHDOG GROUP
Shareholder Activism and Protection of Minority Interest

17 May 2017

011-2603551

(Fax No.: +6 088-260355)

The Chairman and
Board of Directors
Suria Capital Holdings Berhad
1st & 2nd Floor, Menara Jubili
No. 53 Jalan Gaya
88000 Kota Kinabalu
Sabah.

Attention: Puan Suryani Binti Mohd. Saidi
Company Secretary

Re: Thirty-Fourth (34th) Annual General Meeting (AGM) of Suria Capital Holdings Berhad ("SuriaGroup" or the Group or the Company) on Monday, 22 May 2017

In the interest of minority shareholders and all other stakeholders of the Group, we would like to raise the following:

Strategy And Financial Matters

1) **Port Operations**

a) As reported in the Management Discussion And Analysis (MD&A) on page 13 of the Annual Report, the segment continued to be stable amidst the challenges in the regional trade.

What is the outlook for the segment in FY2017? Does the Board foresee that it would be able to sustain the stable performance, moving forward?

b) In what areas that the Board expects some improvements to be materialised in FY2017?

c) How much budget had been allocated and expected to be utilized in FY2017 for "Port Efficiency", Expansion Development Initiatives, Upgrading Kudat Port, IT Initiatives, Green Port Initiatives, etc.? Please provide the breakdown.

2) **Logistics And Bunkering Services**

The Group's logistics business had slowed down in FY2016, recording a much lower revenue of RM4.8 million compared to RM36.2 million in FY2015.

What is the Board's plan with regard to this segment, moving forward?



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3) **Property Development**

As reported in MD&A on page 20 of the Annual Report, the promotion for the 1st Phase of Jesselton Quay development has received an overwhelming response from enthusiastic property hunters.

a) What is the progress of the development and is the budgeted cost for the development still feasible?

b) Is there any actual sales recorded by the segment since commencing its promotion? What sort of feedback received from the customers/observers?

4) **Prospects Of New Business**

a) Please update on the feasibility of venturing into the renewable energy projects in the State and what is the Group strength in this area?

b) What is the minimum internal rate of return (IRR) targeted by the Group and what is the most important criteria that SuriaGroup has with regard to any new business venture?

5) **Risk Mitigation**

a) What is the progress of requesting additional quota from the Royal Malaysian Police to increase the number of security workforce?

b) In terms of economic uncertainty and volatility of foreign exchange rate, please update on the procurement efforts to source local spare parts to minimise the impact of volatile foreign exchange rate and what is the current percentage of the procurement spare parts from the local and foreign suppliers.

Corporate Governance Matters

The Group is seeking shareholders' approval under the Resolution 8 for the payment of Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors (NINEDs) up to an amount of RM1,000,000 from 1 January 2017 until the next Annual General Meeting of the Company.

a) Please provide the details of the remuneration of up to RM1 million payable to the NINEDs.




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b) Compared to 2016, based on the annualised figure, the remuneration of RM1 million (excluding Director's fees) payable to the Non-Executive Directors have shown significant increase.

What were the reasons for the significant increase in the remuneration payable to the NINEDs?

We would appreciate if the Board could present the points raised here, and their related answers, for the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our records, and for posting on our website for the benefit of all stakeholders.

Thank you
Yours sincerely


LYA RAHMAN
General Manager

IR/GBA/hht

QUESTION 1

PORT OPERATIONS

a) As reported in the Management Discussion and Analysis (MD&A) on page 13 of the Annual Report, the segment continued to be stable amidst the challenges in the regional trade.

What is the outlook for the segment in FY2017? Does the Board foresee that it would be able to sustain the stable performance, moving forward?

ANSWER

Sabah Ports handles largely commodity products such as the crude palm oil and bulk oil which are for the export markets. The Board foresees that, with higher production of crude palm oil in Sabah coupled with higher CPO price as well as consistent production of bulk oil at Sabah Oil & Gas Terminal (SOGT), Kimanis, Sabah Ports will be able to sustain a stable performance in 2017.

However, the outlook on container volume is demand-driven and is largely dependent on the economic condition in Sabah.

ANSWER (CONT'D)

Cargo Throughput

	YTD 31.12.2016	YTD 31.12.2015	Inc/ (Dec)	
Total Tonnage (MT'000)				
- At Wharf (excluding containers)	10,859	11,948	(1089)	-9%
- At Anchor	17,840	11,009	6,831	62%
	<u>28,699</u>	<u>22,957</u>	<u>5,742</u>	<u>25%</u>
Total TEUs	<u>357,386</u>	<u>363,185</u>	<u>(5,799)</u>	<u>-2%</u>

QUESTION 1

PORT OPERATIONS

b) In what areas that the Board expects some improvements to be materialised in FY2017?

ANSWER

The Board expects improvement in the cargo handling capacity at the various ports in FY2017, with delivery of new equipment as follows:

Port	STS	RTG	MHC	RS	PM & TT
SBCP	2	4	-	-	4
SDK Port	-	-	1	1	4
TWU Port	-	-	-	1	4

In January 2017, a new terminal operating system (TOS) has been fully implemented at SBCP to facilitate better port efficiency. A new ferry ramp at Kudat Port has been completed to facilitate ferry passengers and RoRo cargo operation between Pahlawan and Kudat. This is expected to increase the tonnage at Kudat Port. Sabah Ports has also invested in intensive staff training programme on operational skills to improve productivity.

QUESTION 1

PORT OPERATIONS

- c) How much budget had been allocated and expected to be utilized in FY2017 for “Port Efficiency”, Expansion Development Initiatives, Upgrading Kudat Port, IT initiatives, Green Port Initiatives, etc.? Please provide the breakdown.

ANSWER

		RM (million)
1	Port efficiency	
	-Cargo handling equipment	11.76
2	Expansion Development Initiatives	
	- SBCCT	350
	- Sandakan wharf extension	141
	- SBOT jetty extension	90
3	Upgrading Kudat port	6
4	IT Initiatives	
	- Enterprise Resource Planning	4.5
	- New Terminal Operating System (Hardware & Software)	6.3
5	Green Port initiatives- electrification of the existing RTG and power supply system	7.45

QUESTION 2

LOGISTICS AND BUNKERING SERVICES

The Group's logistics business had slowed down in FY2016, recording a much lower revenue of RM4.8 million compared to RM36.2 million in FY2015.

What is the Board's plan with regards to this segment, moving forward?

ANSWER

Going forward, the Group's logistics and bunkering arm, SPSL will diversify and venture into integrated logistics business through provision of heavy lifting and transportation, hopper/grab, waste management and other related support services at all ports.

We will also leverage on the Sapangar Bay Oil Storage depot and Lahad Datu Oil depot to explore supplying fuel to domestic commercial market as well as international marine market through provision of bunkering activities at competitive price.

Further, at Kudat port, SPSL will be expanding supply facilities such as fuel and fresh water to cater for the upcoming Kudat-Pahlawan ferry services. Fuel supply point will also be provided at Jesselton Point to cater for all the tourist boats and ferries.



QUESTION 3

PROPERTY DEVELOPMENT

As reported in the MD&A on page 20 of the Annual Report, the promotion for the 1st phase of Jesselton Quay development has received an overwhelming response from enthusiastic property hunters.

- a) What is the progress of the development and is the budgeted cost for the development still feasible?
- b) Is there any actual sales recorded by the segment since commencing its promotion? What sort of feedback is received from the customers/observers?

ANSWER

a) Piling works for Jesselton Quay Central had commenced in December 2016 and are expected to complete by the 4th quarter of 2017, on time and on budget. Suria's joint venture partner SBC is positive that the budgeted cost for the development will remain feasible. Notwithstanding that there will not be any development cost to be incurred by Suria, there is a minimum entitlement of 18% of the Net Saleable Value (or minimum RM324 million) to be received.

b) The overwhelming response for the CityPads is reflected in the sales of the properties where more than half of the units offered (Tower A and Tower B) have been sold to date.

PREVIEW OF JQ CENTRAL CITYPADS

26TH OCTOBER 2016

'300 condo units sold in 2 hours!'

David Thien

KOTA KINABALU: News that 300 commercial parcel condos at the Jesselton Quay were sold off within two hours rocked the "slow" local property market uplifting its perception of being in a downturn slump.

This reflects the strong pent-up demand for choice investment property at choice location while the general market awaits market direction and long wished for but unexpected price correction. The developer's reputation as a branding, and the Airbnb craze in timing, factor in very well.

Hence, the State Government's plan to transform the state capital waterfront façade at the Jesselton Quay, site of the old harbour wharf has struck real estate gold with the right product.

The developer Siah Brothers Corporation Berhad (SBC) is to build the block of some 300 CityPads on commercial zoning on land given to Suria Capital, a state government agency.

The long line of strata apartment property buyers who booked the units are fans of the Peak Collection development, testimony to the reputation of the developer to deliver its products.

Prospects of tapping into the Airbnb business have driven the sales as the commercially feasible units are planned to allow this, besides the ideal tourism location right in the North CBD area. One of the buyers bought a whole floor for this purpose.

This was confirmed by Akil Salleh, an associate director of the development firm, that the Housing Controller would not be concerned in non-residential zone property but liveable products in great demand for Airbnb-like business prospects, in the face of the Mayor frowning on residential homes let out for Airbnb, the home letting business equivalent to Uber for taxis.

A 25-storey block of 66 Grade A 'I-Of-

ices' is now open for booking, and only limited units remain available according to Cindy Wong of valuer firm Azmi & Co, the SBC appointed agency handling the sale.

Azmi & Co bought two office units to shift there from KK Times Square by 2020, when Malaysia is supposed to attain developed country status.

This shows the tussle between KK South of completed Imago-Riverson-Sutera Harbour and the up-coming Suria Sabah-Sabah International Convention Centre for business dynamism in prominence continues.

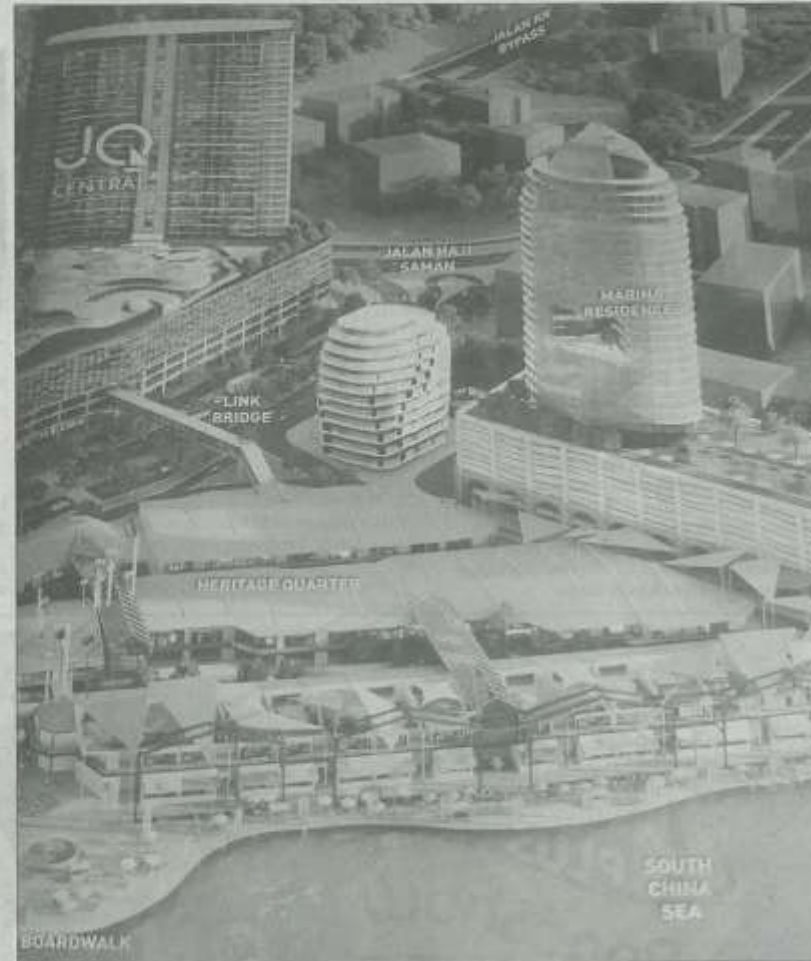
Azmi & Co is one of the real estate product advisors to SBC on the development for 16 acres Jesselton Quay between Jesselton Point and the Sabah International Convention Centre now being built.

The I-Offices and the commercial zone CityPads are located on a four-acre Jesselton Quay Central plaza with three-storey road frontage shop arcades and some 1,600 vehicle parking bays. Price starts from RM1,100 per square foot with management maintenance charge from RM0.50-0.60 per square foot.

A beach club on the seventh floor and other tourism related products akin to Singapore's low-rise famed Clarke Quay transformation is set to put the city on the world's map of travels to view the acclaimed sunset spectaculars of the city.

Is this case signalling the recovery of the local property market? Only time will tell, but it points to the future vibrancy of the Kota Kinabalu North CDB area where the Sabah Foundation built Sabah International Convention Centre's MICE activities are centred.

The Sabah Tourism Minister urging for investment in prime hotels to boost MICE industry will likely see the realisation of such hospitality projects development there intensify over the years if the tourism boom continues.



An artist's impression of Jesselton Quay.

QUESTION 4

PROSPECTS OF NEW BUSINESS

- a) Please update on the feasibility of venturing into the renewable energy projects in the State and what is the Group's strength in this area?

ANSWER

Although SuriaGroup does not possess any strength in the area of renewable energy, the Group would like to take part in sustainability projects that are in line with the national green initiatives.

For solar energy, SuriaGroup has plans to submit proposal to generate 6MWac to 10MWac to supply power to SESB at Beaufort subject to the approval of Suruhanjaya Tenaga (ST)/Energy Commission. Large Scale Solar (LSS) application for Request For Proposal (RFP) is in progress.

For wind energy, we have completed Stage 1 of wind mapping and wind data collection at Kudat. Further studies will be conducted progressively.

QUESTION 4

PROSPECTS OF NEW BUSINESS

b) What is the minimum internal rate of return (IRR) targeted by the Group and what is the most important criteria that SuriaGroup has with regards to any new business venture?

ANSWER

The minimum internal rate of return (IRR) targeted by the Group for any new business venture is 10%.

The criteria that SuriaGroup has with regards to any new business venture includes:

- (a) relevance to our vision and mission
- (b) potential return on investments and enhancement of shareholders' return
- (c) potential to bring about positive impact to the economy of the State and wellbeing of its people
- (d) creation of job opportunities for the local community
- (e) sustainability in terms of the environment (incorporation of green initiatives)

QUESTION 5

RISK MITIGATION

- a) What is the progress of requesting additional quota form the Royal Malaysian Police to increase the number of security workforce?

ANSWER

Currently, Sabah Ports has a quota of 215 auxiliary police based on the licence issued by the Royal Malaysian Police to **Sabah Ports Authority**. Sabah Ports is in the midst of applying to RMP for the licence of auxiliary police to be issued to Sabah Ports Sdn Bhd directly which will then allow Sabah Ports to control the quota via direct discussion with RMP.

QUESTION 5

RISK MITIGATION

- b) In terms of economic uncertainty and volatility of foreign exchange rate, please update on the procurement efforts to source local spare parts to minimise the impact of volatile foreign exchange rate and what is the current percentage of the procurement spare parts from the local and foreign suppliers.

ANSWER

The cargo handling equipment at Sabah Ports are primarily foreign brands and therefore it is necessary to purchase the spare parts directly from the foreign manufacturers. The main brands are Konecranes (formerly known as Terex), Kalmar and ZPMC. The main costs of the spare parts purchased from foreign manufacturers include the price of the spare parts, foreign exchange and freight. To mitigate the risk of foreign exchange rate, the Management has negotiated for spare parts to be purchased in the local currency of the manufacturers which is largely in Renminbi. This will avoid the use of USD currency. To reduce freight costs, the Management has arranged with some manufacturers to provide consignment parts at SBCP.

Currently the percentage of the procurement of spare parts from the local and foreign suppliers stands at 20 percent and 80 percent respectively.

QUESTION 6

The Group is seeking shareholders' approval under the Resolution 8 for the payment of Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors (NINEDs) up to an amount of RM1,000,000 from 1 January 2017 until the next Annual General Meeting of the Company.

- a) Please provide the details of the remuneration of up to RM1 million payable to the NINEDs.
- b) Compared to 2016, based on the annualised figure, the remuneration of RM1 million (excluding Director's fees) payable to the Non-Executive Directors have shown significant increase.

What were the reasons for the significant increase in the remuneration payable to the NINEDs?

ANSWER

a) The Directors' remuneration (other than Directors' fees) is mainly attendance allowances for attending Board meetings and Board Committee meetings (2016: RM631,000). Small amount accounts for Benefits-in-kind (BIK), mainly Club subscriptions - less than RM100,000 (2016: RM52,000).

ANSWER

b) Under explanatory notes (iii): The Directors' remuneration (excluding Directors' fees) comprises the allowances and other emoluments **payable to the Non-Executive Directors in the Company and Subsidiaries**. As per Note 10. of the Financial Statements (page 119), the Non-executive directors' remuneration (excluding Fees) for the Group amounted to RM631,000 for year 2016.

The RM1,000,000 Directors' remuneration is a capping for payment of Directors' remuneration for the Non-executive directors' of the Group for about 17 months (1 January 2017 until the next AGM). Therefore, RM894,000 will be the extrapolated figure for 17 months based on the actual 12 months' remuneration for 2016.

The breakdown of the Directors' remuneration of RM1,000,000 is as follows:

Directors' attendance allowance - RM900,000

BIK - RM100,000

THANK YOU
